

2020 INTERIM REPORT 2021



通用環球醫療集團有限公司

GENERTEC UNIVERSAL MEDICAL GROUP COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

Stock code : 2666

2021 INTERIM REPORT



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairwoman and Vice-chairman

Ms. Peng Jiahong (*Chairwoman*)
Mr. Zhao Yan (*Vice-chairman*)

Executive Directors

Ms. Peng Jiahong
Mr. Wang Wenbing⁽⁴⁾
(*Chief Executive Officer*)
Mr. Yu Gang

Non-executive Directors

Mr. Zhao Yan⁽³⁾
Mr. Tong Chaoyin⁽¹⁾
Mr. Feng Songtao⁽⁴⁾
Mr. Zhu Ziyang⁽²⁾
Mr. Zhang Yichen⁽⁶⁾
Mr. Liu Xiaoping⁽⁵⁾
Mr. Su Guang⁽⁵⁾
Ms. Liu Kun⁽⁷⁾
Mr. Liu Zhiyong⁽⁷⁾

Independent Non-executive Directors

Mr. Li Yinquan
Mr. Chow Siu Lui
Mr. Han Demin
Mr. Liao Xinbo

- ⁽¹⁾ Appointed with effect from 14 May 2021
⁽²⁾ Appointed with effect from 7 July 2021
⁽³⁾ Appointed with effect from 27 August 2021
⁽⁴⁾ Appointed with effect from 13 September 2021
⁽⁵⁾ Resigned with effect from 6 March 2021
⁽⁶⁾ Resigned with effect from 27 August 2021
⁽⁷⁾ Resigned with effect from 9 September 2021

AUDIT COMMITTEE

Mr. Li Yinquan (*Chairman*)
Mr. Chow Siu Lui
Mr. Tong Chaoyin⁽¹⁾
Mr. Liu Xiaoping⁽⁵⁾

REMUNERATION COMMITTEE

Mr. Chow Siu Lui (*Chairman*)
Mr. Zhao Yan⁽³⁾
Mr. Feng Songtao⁽⁴⁾
Mr. Li Yinquan
Mr. Han Demin
Mr. Liu Zhiyong⁽⁷⁾

NOMINATION COMMITTEE

Ms. Peng Jiahong (*Chairwoman*)
Mr. Feng Songtao⁽⁴⁾
Mr. Li Yinquan
Mr. Chow Siu Lui
Mr. Liao Xinbo
Mr. Zhang Yichen⁽⁶⁾

STRATEGY COMMITTEE

Ms. Peng Jiahong (*Chairwoman*)
Mr. Zhao Yan⁽³⁾
Mr. Zhu Ziyang⁽²⁾
Mr. Zhang Yichen⁽⁶⁾
Ms. Liu Kun⁽⁷⁾

RISK CONTROL COMMITTEE

Mr. Zhu Ziyang⁽²⁾ (*Chairman*)
Mr. Wang Wenbing⁽⁴⁾
Mr. Tong Chaoyin⁽¹⁾
Mr. Su Guang⁽⁵⁾
Mr. Liu Zhiyong⁽⁷⁾

COMPANY SECRETARY

Ms. Ng Wai Kam

AUTHORISED REPRESENTATIVES

Ms. Peng Jiahong
Ms. Ng Wai Kam

REGISTERED OFFICE

Room 702, Fairmont House
8 Cotton Tree Drive
Central
Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

4th, 5th and 13th Floor,
West Wing of Hademen Plaza
8-1 Chongwenmenwai Street
Dongcheng District
Beijing, China

SHARE REGISTRAR

Computershare Hong Kong
Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

AUDITORS

Ernst & Young
(Public Interest Entity Auditor
registered in accordance with
the Financial Reporting Council
Ordinance)

LEGAL ADVISER

CYL & Partners in Association
with Cooley HK



PRINCIPAL BANKERS

Bank of Communications, Beijing
Fuwai Subbranch
Bank of China (Hong Kong) Limited

COMPANY'S WEBSITE

www.umcare.cn

STOCK CODE

2666

“Ansteel General Hospital”	Ansteel Group General Hospital (鞍鋼集團公司總醫院), a leading Grade III Class A general hospital in Anshan City, Liaoning Province, the PRC
“Articles”	the Company’s articles of association
“Audit Committee”	the audit committee of the Board
“Board”	the board of directors of the Company
“CG Code”	the “Corporate Governance Code” contained in Appendix 14 to the Listing Rules
“CITIC Capital”	CITIC Capital Holdings Limited (中信資本控股有限公司)
“CITIC Capital (Tianjin)”	CITIC Capital Equity Investment (Tianjin) Corporation Limited (中信資本股權投資(天津)股份有限公司)
“CITIC CPL”	CITIC Capital Partners Limited
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong, which has become effective from 3 March 2014), as amended, supplemented or otherwise modified from time to time
“Company” or “Universal Medical”	Genertec Universal Medical Group Company Limited (通用環球醫療集團有限公司) (formerly known as Universal Medical Financial & Technical Advisory Services Company Limited (環球醫療金融與技術諮詢服務有限公司), Universal Medical Services & Health Management Company Limited (環球醫療服務有限公司) and Universal International Leasing Co., Limited (環球國際租賃有限公司)), a company incorporated with limited liability under the laws of Hong Kong on 19 April 2012
“CULC”	China Universal Leasing Co., Ltd. (中國環球租賃有限公司), a wholly foreign owned enterprise incorporated in China on 1 November 1984 and a wholly-owned subsidiary of the Company
“CVA”	cerebral vascular accident
“Director(s)”	the director(s) of the Company
“Evergreen”	Evergreen021 Co., Ltd, a company incorporated with limited liability under the laws of the British Virgin Islands on 14 August 2014
“Group”, “we” or “us”	the Company and its subsidiaries
“GT-HK”	Genertec Hong Kong International Capital Limited (通用技術集團香港國際資本有限公司), a company incorporated with limited liability under the laws of Hong Kong on 24 March 1994, an indirect wholly-owned subsidiary of GT-PRC, and one of the controlling shareholders of the Company



DEFINITION

“GT-PRC”	China General Technology (Group) Holding Company Limited (中國通用技術(集團)控股有限責任公司), a state-owned enterprise under the direct administration of the PRC central government, and one of the controlling shareholders of the Company
“HKD” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hospital Investment Co., Ltd.”	Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd. (通用環球醫院投資管理(天津)有限公司), previously known as Wiseman Hospital Investment Management (Tianjin) Co., Ltd. (融慧濟民醫院投資管理(天津)有限公司), a wholly-owned subsidiary of the Company established in the PRC in 2015
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
“Million Surplus Developments”	Million Surplus Developments Limited (百盈發展有限公司), a company incorporated in the British Virgin Islands with limited liability
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
“PRC” or “China”	The People’s Republic of China, for the purpose of this report, excluding Hong Kong, Macau and Taiwan
“Prospectus”	the prospectus issued by the Company on 24 June 2015
“RMB”	Renminbi, the lawful currency of the PRC
“Securities Dealing Code”	the Company’s own code of conduct regarding directors’ and employees’ dealings in the Company’s securities
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Share(s)”	ordinary share(s) in the share capital of the Company
“Share Option Scheme”	the share option scheme adopted by the Company on 31 December 2019
“SOE”	State-owned enterprise
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“USD” or “US\$”	United States dollars, the lawful currency of the United States
“Xichang New Steel”	Pangang Group Xichang New Steel Enterprise Co., Ltd. (攀鋼集團西昌新鋼業有限公司)
“Yuanzhi Group”	Meta Group Limited (元知集團有限公司), its subsidiaries and other controlled entities (from time to time)



COMPANY PROFILE

Genertec Universal Medical Group Company Limited (通用環球醫療集團有限公司) (“Universal Medical”) is controlled by a central state-owned enterprise and listed on the Stock Exchange in July 2015 (stock code: 2666) with focus on healthcare industry. China General Technology (Group) Holding Company Limited (中國通用技術(集團)控股有限責任公司), the controlling shareholder of the Company, is a backbone state-owned enterprise under direct administration of the PRC central government, and also a Fortune Global 500 enterprise.

Universal Medical has been fully engaged in China’s fast-growing medical and healthcare industry for years. Leveraging core competencies in modern managerial idea, professional talent team, quality medical resources, diversified financial strength as well as inclusive and enterprising corporate culture, we strive to build up a trustworthy healthcare conglomerate focusing on medical services and supported by financial services so as to gradually build a shared and win-win healthcare industrial ecosystem.

Committed to the corporate mission of “Safeguarding Health and Wellness through Quality Healthcare”, we give full play to the advantages of central state-owned enterprises in running medical care, and provide the people with quality medical services which are safe, effective, accessible, and humanistic. We have 56 medical institutions distributed in 14 provinces and municipalities covering Shaanxi, Shanxi, Sichuan, Liaoning, Anhui, Hebei, Beijing and Shanghai. Among these institutions, there are 5 Grade III Class A hospitals and 29 Grade II hospitals, with a capacity of over 15,000 beds in total.

In the future, Universal Medical will firmly grasp the good opportunity of China’s medical healthcare industry, actively respond to the “Healthy China” strategy, and industriously contribute the strength of central state-owned enterprises to China’s healthcare undertakings.



PERFORMANCE OVERVIEW

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Operating Results		
Income*¹	5,007,536	4,024,155
Finance and advisory business income* ²	2,889,132	2,480,455
Hospital group business income* ²	2,118,404	1,543,700
Cost of sales	(2,643,912)	(2,310,364)
Cost of finance and advisory business* ²	(862,661)	(958,975)
Cost of hospital group business* ²	(1,847,177)	(1,398,174)
Profit before tax	1,475,514	1,128,193
Profit for the period	1,125,523	860,978
Profit for the period attributable to owners of the parent	1,049,956	793,402
Basic earnings per share (RMB)	0.57	0.46
Diluted earnings per share (RMB)	0.53	0.46
Profitability Indicators		
Return on total assets ⁽¹⁾	3.43%	2.94%
Return on equity ⁽²⁾	18.15%	16.41%
Net interest margin ⁽³⁾	4.49%	4.13%
Net interest spread ⁽⁴⁾	3.95%	3.55%

*1 After taxes and surcharges

*2 Before inter-segment offset

(1) Return on total assets = profit for the period/average balance of assets at the beginning and end of the period, presented on an annualised basis;

(2) Return on equity = profit for the period attributable to owners of the parent/average balance of equity attributable to owners of the parent at the beginning and end of the period, presented on an annualised basis;

(3) Net interest margin is calculated by dividing net interest income by average balance of interest-earning assets, presented on an annualised basis; and

(4) Net interest spread is the difference between average yield of interest-earning assets and average cost rate of interest-bearing liabilities. Average balance of interest-earning assets is calculated based on the average balance of net lease receivables and factoring receivable before provision as at each month end within the reporting period; average balance of interest-bearing liabilities is calculated based on the average balance of bank and other borrowings and lease deposits as at each month end within the reporting period.



PERFORMANCE OVERVIEW

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Assets and Liabilities		
Total assets	69,894,945	61,511,013
Net interest-earning assets	61,238,393	54,650,222
Total liabilities	52,549,728	46,545,678
Interest-bearing bank and other borrowings	45,303,765	39,981,341
Total equity	17,345,217	14,965,335
Equity attributable to owners of the parent	12,363,418	10,770,514
Net assets per share (RMB)	6.77	6.28
Financial Indicators		
Debt ratio ⁽¹⁾	75.18%	75.67%
Gearing ratio ⁽²⁾	2.61	2.67
Current ratio ⁽³⁾	1.07	0.94
Asset Quality		
Non-performing assets ratio ⁽⁴⁾	0.98%	1.00%
Provision coverage ratio ⁽⁵⁾	216.28%	205.52%
Write-off of non-performing assets ratio ⁽⁶⁾	0.00%	9.34%
Ratio of overdue interest-earning assets (over 30 days) ⁽⁷⁾	0.85%	0.94%

(1) Debt ratio = total liabilities/total assets;

(2) Gearing ratio = interest-bearing bank and other borrowings/total equity;

(3) Current ratio = current assets/current liabilities;

(4) Non-performing assets ratio = balance of non-performing assets/net interest-earning assets;

(5) Provision coverage ratio = provision for impairment of assets/balance of non-performing assets;

(6) Write-off of non-performing assets ratio = written-off assets/non-performing assets at the end of the previous year;
and

(7) Ratio of overdue interest-earning assets (over 30 days) is calculated based on net interest-earning assets which are more than 30 days overdue divided by net interest-earning assets.



MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS REVIEW

In the first half of 2021, facing the complex and ever-changing economic circumstances at home and abroad, the Group continued to consolidate the foundation of finance business, steadily promoted the medical business development, and achieved steady progress in operating performance. In the first half of the year, the Group recorded revenue of RMB5,007.5 million, representing an increase of 24.4% as compared to the corresponding period of the previous year; recorded profit for the period of RMB1,125.5 million, representing an increase of 30.7% as compared to the corresponding period of the previous year; recorded profit for the period attributable to owners of the parent of RMB1,050.0 million, representing an increase of 32.3% as compared to the corresponding period of the previous year; and recorded total assets of RMB69,894.9 million as of 30 June 2021, representing an increase of 13.6% as compared to the end of 2020, with a debt ratio of 75.18% and asset quality generally safe and controllable.

1.1 Hospital Group Expanded in Scale, with Operating Benefit Improved Steadily

Hospital group is the essential resources of building a healthcare conglomerate. In the first half of 2021, the Group continued to actively participate in integration and takeover of medical institutions of SOEs, and advanced the completion and consolidation of contracted projects in an orderly manner. As of 30 June 2021, the Group had entered into contracts in relation to the takeover of 56 medical institutions (including 5 Grade III Class A hospitals and 29 Grade II hospitals) with actual capacity of over 15,000 beds in total, and had consolidated 41 medical institutions (including 3 Grade III Class A hospitals and 19 Grade II hospitals), with actual capacity of 10,082 beds in total.

The Geographical Distribution of Medical Institutions Consolidated into the Group as of 30 June 2021

Provinces	Grade III hospitals	Grade II hospitals	Others (note)	Total
Shaanxi	1	7	6	14
Shanxi	1	2	4	7
Liaoning	1	1	1	3
Anhui	–	2	4	6
Shandong	–	1	–	1
Hebei	–	3	1	4
Sichuan	–	1	1	2
Zhejiang	–	–	1	1
Hunan	–	1	–	1
Jiangsu	–	1	–	1
Beijing	–	–	1	1
Total	3	19	19	41

Note: Including Grade I hospitals, community service centers and other non-rated medical institutions.



MANAGEMENT DISCUSSION AND ANALYSIS

In terms of consolidated revenue, in the first half of 2021, the hospital group (excluding hospital investment platforms) recorded revenue of RMB2,119.1 million during the consolidation period, representing an increase of 37.2% as compared to the corresponding period of the previous year, mainly due to the consolidation of additional medical institutions during the period, and recorded profit for the period of RMB99.1 million, representing an increase of 187.0% as compared to the corresponding period of the previous year. The gross profit margin from operations was 12.83%, and net profit margin was 4.67%.

In terms of operations, in the first half of 2021, the total number of medical treatments in the consolidated medical institutions of the Group was 2,937,210, representing an increase of approximately 38.5% as compared with the corresponding period of the previous year, and an increase of approximately 13.3% as compared with the corresponding period of 2019. The revenue of hospital operation for the first half of 2021 reached RMB2,004.0 million in total, representing an increase of approximately 19.1% as compared with the corresponding period of last year, and an increase of approximately 11.7% as compared with the corresponding period of 2019. The income per bed of the consolidated Grade III hospitals reached approximately RMB600,000 on an annualised basis, and the overall income per bed of the Group's consolidated medical institutions increased to nearly RMB400,000 on an annualised basis.

The operating data of the 41 consolidated medical institutions for the relevant periods is as follows:

For the First Half of 2021

Category	Visits and inpatient in the first half of 2021				Medical business income in the first half of 2021 (RMB ten thousand)				Average index		
	Capacity	Outpatient and emergency treatment	Inpatient	Visits for medical examination	Income from outpatient and emergency treatment	Inpatient income	Medical examination income	Total medical business income (including financial subsidy income)	Income per bed* (RMB ten thousand)	Outpatient fee per visit (RMB)	Inpatient fee per visit (RMB)
Grade III	3,182	966,532	50,330	60,661	30,221	63,988	587	94,945	60	313	12,714
Grade II	5,424	1,273,185	68,603	251,368	31,537	53,401	3,456	88,594	33	248	7,784
Others (note)	1,476	344,962	6,988	40,502	11,330	3,600	442	16,865	23	328	5,152
Total	10,082	2,584,679	125,921	352,531	73,088	120,989	4,486	200,404	40	283	9,608



MANAGEMENT DISCUSSION AND ANALYSIS

For the First Half of 2020

Category	Visits and inpatient in the first half of 2020				Medical business income in the first half of 2020 (RMB ten thousand)				Average index		
	Capacity	Outpatient and emergency treatment	Inpatient	Visits for medical examination	Income from outpatient and emergency treatment	Inpatient income	Medical examination income	Total medical business income (including financial subsidy income)	Income per bed* (RMB ten thousand)	Outpatient fee per visit (RMB)	Inpatient fee per visit (RMB)
Grade III	3,206	713,794	41,440	39,844	24,987	55,027	1,155	81,169	51	350	13,279
Grade II	5,448	913,855	58,253	139,164	25,242	44,117	2,381	72,313	27	276	7,573
Others (note)	1,424	284,572	6,192	28,763	10,206	2,946	207	14,822	21	359	4,758
Total	10,078	1,912,221	105,885	207,771	60,435	102,090	3,743	168,304	33	316	9,642

For the First Half of 2019

Category	Visits and inpatient in the first half of 2019				Medical business income in the first half of 2019 (RMB ten thousand)				Average index		
	Capacity	Outpatient and emergency treatment	Inpatient	Visits for medical examination	Income from outpatient and emergency treatment	Inpatient income	Medical examination income	Total medical business income (including financial subsidy income)	Income per bed* (RMB ten thousand)	Outpatient fee per visit (RMB)	Inpatient fee per visit (RMB)
Grade III	3,269	832,075	48,533	66,372	26,244	59,468	1,169	86,881	53	315	12,253
Grade II	5,486	1,156,446	72,921	184,034	27,282	49,295	2,368	79,160	29	236	6,760
Others (note)	1,472	305,963	7,735	46,590	7,665	4,288	484	13,367	18	251	5,544
Total	10,227	2,294,484	129,189	296,996	61,192	113,051	4,022	179,409	35	267	8,751

Note: Others include Grade I hospitals, community service centers and other non-rated medical institutions.

* On an annualised basis



Upholding the philosophy of providing quality medical care, the Group promotes post-investment management of medical institutions in an orderly manner, establishes three core competence systems of “discipline”, “operation” and “service” for its hospital management team, and builds the hospital group with the advantages of safe, effective, accessible and humanistic services. Moreover, relying on the development foundation of the hospital group, the Group expands business layout in various fields including equipment sales, equipment maintenance, medical inspection, health care and insurance, and actively expands external customers while efficiently serving the Group’s member hospitals to gradually lay a foundation for development in scale.

1.2 Enhance the Foundation of Finance Sector, and Ensure Stable and Sound Business Development

The Group strives to build an innovative, high-quality and efficient finance service model, and to provide the Group with a base to achieve high-quality development.

The Group’s financial business mainly focuses on financial leasing business. In the first half of the year, we continued to work meticulously in key niche market, accurately responded to customers’ demands, and improved business development efficiency. Meanwhile, we continued to improve risk management and control to ensure the safe and healthy development of our business; kept up with changes in the financial situation, and reasonably controlled financing costs to meet capital demand of our business. In the first half of the year, the Group recorded interest income from finance services of RMB2,262.0 million, representing an increase of 10.4% as compared with the corresponding period of the previous year; and gross profit of interest margin of RMB1,399.3 million, representing an increase of 28.3% as compared with the corresponding period of the previous year. Various business indicators maintained a sound level, with an average yield of interest-earning assets of 7.79%, an average cost rate of interest-bearing liabilities of 3.84%, a net interest spread of 3.95%, and a net interest margin of 4.49%.

The Group continued to optimize the dynamic management of pre-rental, rental, and post-rental process, and enhanced accountability to make every effort to ensure the quality of assets. As of 30 June 2021, the net interest-earning assets of the Group reached RMB59,942.3 million, representing an increase of 12.0% from the beginning of the year. The non-performing asset ratio was 0.98%; the overdue ratio (30 days) was 0.85%; and the provision coverage ratio was 216.28%. The overall asset quality was safe and controllable, and continued to maintain its leading position in the industry.

1.3 Outlook for the Second Half of 2021 and the Future

2021 is a crucial year for the Group to carry out its strategies and enhance its core capabilities. In the second half of the year, we will continue deploying business development in accordance to China’s “14th Five-Year Plan” and calmly coping with various risks and challenges to strictly control risks in the financial business and develop steadily. We will make the medical business better and stronger and give full play to its characteristics. The layout of our health business will be improved to lay a solid foundation for future development. Committed to the mission of protecting life and health with quality medical care, we will strive for breakthroughs in the quality development of the Group as a whole, and make relentless efforts to build a trustworthy healthcare conglomerate, and create greater value and return for all shareholders.



2. ANALYSIS OF STATEMENT OF PROFIT OR LOSS

2.1 Overview

In the first half of 2021, the Group recorded revenue of RMB5,007.5 million, representing an increase of 24.4% as compared to the corresponding period of the previous year. Profit before tax was recorded RMB1,475.5 million, representing an increase of 30.8% as compared to the corresponding period of the previous year. Profit for the period attributable to owners of the parent was RMB1,050.0 million, representing an increase of 32.3% as compared to the corresponding period of the previous year. In the first half of 2021, on the basis of consolidating financial business, the Group continued to promote medical business capabilities and system building, and gradually built the core competitiveness of quality medical services. The following table sets forth the Group's statement of profit or loss for the six months ended 30 June 2021:

	For the six months ended 30 June		Change %
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	
Revenue	5,007,536	4,024,155	24.4%
Cost of sales	(2,643,912)	(2,310,364)	14.4%
Gross profit	2,363,624	1,713,791	37.9%
Other income and gains	83,266	42,250	97.1%
Selling and distribution costs	(260,680)	(180,529)	44.4%
Administrative expenses	(380,016)	(256,464)	48.2%
Impairment of financial assets	(171,730)	(118,925)	44.4%
Financial costs	(13,037)	(13,991)	-6.8%
Other expenses	(153,047)	(62,606)	144.5%
Share of profit/(loss) of an associate	131	(178)	173.6%
Share of profit of a joint venture	7,003	4,845	44.5%
Profit before tax	1,475,514	1,128,193	30.8%
Income tax expense	(349,991)	(267,215)	31.0%
Profit for the period	1,125,523	860,978	30.7%
Profit for the period attributable to owners of the parent	1,049,956	793,402	32.3%
Basic earnings per share (RMB)	0.57	0.46	24.3%
Diluted earnings per share (RMB)	0.53	0.46	14.3%

2.2 Analysis of Business Revenue

In the first half of 2021, the Group recorded revenue of RMB5,007.5 million, of which finance and advisory business recorded revenue of RMB2,889.1 million, accounting for 57.7%; and hospital group business recorded revenue of RMB2,118.4 million, accounting for 42.3%. The Group recorded gross profit from operations of RMB2,363.6 million, of which finance and advisory business recorded gross profit from operations of RMB2,026.5 million, accounting for 85.7%, while hospital group business recorded gross profit from operations of RMB271.2 million, accounting for 11.5%.

The following table sets forth the Group's revenue from the two major business segments:

	For the six months ended 30 June				
	2021		2020		Change %
	RMB'000 (Unaudited)	% of total	RMB'000 (Unaudited)	% of total	
Finance and advisory business	2,889,132	57.7%	2,480,455	61.6%	
Hospital group business	2,118,404	42.3%	1,543,700	38.4%	37.2%
Offset	-	-	-	-	-
Total	5,007,536	100.0%	4,024,155	100.0%	24.4%

The following table sets forth the Group's gross profit from the two major business segments:

	For the six months ended 30 June				
	2021		2020		Change %
	RMB'000 (Unaudited)	% of total	RMB'000 (Unaudited)	% of total	
Finance and advisory business	2,026,471	85.7%	1,521,480	88.8%	
Hospital group business	271,227	11.5%	145,526	8.5%	86.4%
Offset	65,926	2.8%	46,785	2.7%	40.9%
Total	2,363,624	100.0%	1,713,791	100.0%	37.9%



2.2.1 Finance and advisory business

In the first half of 2021, with the orderly resumption of domestic production and intensive cultivation in the key areas by our business personnel to improve the efficiency of business development, the Group conducted finance and advisory business in a steady and prudent way, and continued to strengthen risk management and control. The Group recorded revenue of RMB2,889.1 million, representing an increase of RMB408.7 million or 16.5% as compared to the corresponding period of the previous year; recorded gross profit of RMB2,026.5 million, representing an increase of RMB505.0 million or 33.2% as compared to the corresponding period of the previous year.

The following table sets forth the Group's income from finance and advisory business:

	For the six months ended 30 June				
	2021		2020		Change %
	RMB'000 (Unaudited)	% of total	RMB'000 (Unaudited)	% of total	
Finance and advisory business income	2,889,132		2,480,455		16.5%
Including:					
Finance service	2,262,005	78.3%	2,049,671	82.6%	10.4%
Advisory service	627,110	21.7%	430,256	17.3%	45.8%

The following table sets forth the gross profit of the Group's finance and advisory business:

	For the six months ended 30 June				
	2021		2020		Change %
	RMB'000 (Unaudited)	% of total	RMB'000 (Unaudited)	% of total	
Gross profit from finance and advisory business	2,026,471		1,521,480		33.2%
Including:					
Finance service	1,399,344	69.1%	1,090,695	71.7%	28.3%
Advisory service	627,110	30.9%	430,256	28.3%	45.8%



2.2.1.1 Finance service business

The Group’s revenue from finance service business is interest income. In the first half of 2021, the Group recorded interest income of RMB2,262.0 million, representing an increase of RMB212.3 million or 10.4% as compared to the corresponding period of the previous year. In the first half of 2021, the Group strengthened the building of a management system of internal control which was risk-oriented, focused on compliance and supervision, and covered the entire Group. Meanwhile, the Group meticulously cultivated on various regional markets to promote innovative development.

The following table sets forth the Group’s finance service income by industry:

	For the six months ended 30 June				
	2021		2020		Change %
	RMB'000 (Unaudited)	% of total	RMB'000 (Unaudited)	% of total	
Healthcare	1,048,810	46.4%	1,397,869	68.2%	-25.0%
Public utilities	1,064,695	47.1%	519,740	25.4%	104.9%
Other	148,500	6.5%	132,062	6.4%	12.4%
Total	2,262,005	100.0%	2,049,671	100.0%	10.4%

In the first half 2021, the gross profit of interest margin was RMB1,399.3 million, representing an increase of RMB308.6 million, or 28.3%, as compared to the corresponding period of the previous year. The increase of the gross profit of interest margin was due to the increase in the size of interest-earning assets and the rise of net interest spread of finance lease business.



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The following table sets forth the indicators of income from finance service business:

	30 June 2021			30 June 2020		
	Average balance RMB'000 (Unaudited)	Interest income ⁽¹⁾ / expense ⁽²⁾ RMB'000 (Unaudited)	Average yield ⁽³⁾ / cost rate ⁽⁴⁾	Average balance RMB'000 (Unaudited)	Interest income ⁽¹⁾ / expense ⁽²⁾ RMB'000 (Unaudited)	Average yield ⁽³⁾ / cost rate ⁽⁴⁾
Interest-earning assets	56,549,651	2,183,144	7.79%	51,081,039	2,058,489	8.10%
Interest-bearing liabilities	48,511,697	923,843	3.84%	44,555,237	1,008,759	4.55%
Net interest margin ⁽⁵⁾			4.49%			4.13%
Net interest spread ⁽⁶⁾			3.95%			3.55%

- (1) Interest income represents the interest income from finance service business;
- (2) Interest expense represents financial cost of capital for finance service business;
- (3) Average yield = interest income/average balance of interest-earning assets, presented on an annualised basis;
- (4) Average cost rate = interest expense/average balance of interest-bearing liabilities, presented on an annualised basis, taking into account the effect of perpetual bond;
- (5) Net interest margin is calculated by dividing net interest income by average balance of interest-earning assets, presented on an annualised basis; and
- (6) Net interest spread is the difference between average yield of interest-earning assets and average cost rate of interest-bearing liabilities.



In the first half of 2021, the Group's net interest spread of finance service was 3.95%, representing an increase of 0.40 percentage point from 3.55% in the corresponding period of the previous year, remaining at a good level in the industry.

Average yield of interest-earning assets: in the first half of 2021, the Group's average yield of interest-earning assets was 7.79%, representing a decrease of 0.31 percentage point from 8.10% in the corresponding period of the previous year. In the first half of 2021, with the orderly resumption of domestic production, the scale of the Group's interest-earning assets increased significantly over the same period of the previous year. However, due to the influence of market loan interest rates, the yield of new interest-earning assets decreased as compared to the corresponding period of the previous year, making the average yield of interest-earning assets in the first half of 2021 lower than that of the corresponding period of the previous year.

Average cost rate of interest-bearing liabilities: in the first half of 2021, the average cost rate of interest-bearing liabilities of the Group was 3.84%, representing a decrease of 0.71 percentage point from 4.55% in the corresponding period of the previous year. Affected by the COVID-19 epidemic at the beginning of 2020, China implemented a relatively easy monetary policy. The newly added financing costs was on a downward trend. In the first half of 2021, as contracts of high-cost financing projects expired, new financing drove the Group's average cost rate of interest-bearing liabilities in the first half of 2021 to decrease as compared to that of the corresponding period of the previous year. The Group will continue to deepen cooperation with financial institutions, actively expand financing channels, enrich financing instruments, optimize liability structure, and reasonably and effectively control financing costs on the premise of ensuring sufficient capital liquidity.

2.2.1.2 Advisory services business

The Group's advisory services business includes industry, equipment and financing advisory services as well as clinical department upgrade advisory services. Leveraging on our expanding healthcare resources platform, and in accordance with the characteristics of hospital operation at all stages, we provide customers with valuable, flexible and diversified comprehensive services comprising financial services, equipment replacement, technology and management advice, clinical department upgrade advice so as to improve the technical service capabilities and management efficiency of partner hospitals. In the first half of 2021, with the orderly resumption of domestic production and intensive cultivation in the key areas by our business personnel to improve the efficiency of business development, the Group recorded gross profit from advisory services of RMB627.1 million, representing an increase of RMB196.8 million or 45.8% as compared to the corresponding period of the previous year.



2.2.2 Hospital group business

The Group's hospital group business includes integrated healthcare services and supply chain business, etc. In the first half of 2021, the hospital group business recorded income of RMB2,118.4 million, representing an increase of RMB574.7 million or 37.2% as compared to the corresponding period of the previous year, and recorded gross profit of RMB271.2 million, representing an increase of RMB125.7 million or 86.4% as compared to the corresponding period of the previous year.

The following table sets forth the Group's income from hospital group business:

	For the six months ended 30 June				
	2021		2020		Change %
	RMB'000 (Unaudited)	% of total	RMB'000 (Unaudited)	% of total	
Hospital group business					
Income from integrated healthcare services	1,985,515	93.7%	1,468,956	95.2%	35.2%
Income from supply chain business, etc.	390,490	18.4%	221,785	14.4%	76.1%
Offset	(257,601)	-12.1%	(147,041)	-9.6%	75.2%
Total	2,118,404	100.0%	1,543,700	100.0%	37.2%

The following table sets forth the Group's gross profit from hospital group business:

	For the six months ended 30 June				
	2021		2020		Change %
	RMB'000 (Unaudited)	% of total	RMB'000 (Unaudited)	% of total	
Hospital group business					
Gross profit from integrated healthcare services	211,582	78.0%	117,963	81.1%	79.4%
Gross profit from supply chain business, etc.	60,050	22.1%	27,642	19.0%	117.2%
Offset	(405)	-0.1%	(79)	-0.1%	412.4%
Total	271,227	100.0%	145,526	100.0%	86.4%



In the first half of 2021, the Group continued the work on integration and takeover of medical institutions of SOEs. As of 30 June 2021, the Group had consolidated 41 medical institutions, representing an increase of three medical institutions as compared to the end of the previous year. The increase in the number of medical institutions consolidated into the Group was the main reason for the increase in income and gross profit of the hospital group business. At the same time, due to the effective control of the COVID-19 epidemic, the income and the gross profit of hospitals under the Group increased in the first half of 2021 as compared to the corresponding period of 2020.

2.2.2.1 Integrated healthcare services

The Group's integrated healthcare services come from the integrated healthcare services provided by consolidated medical institutions. Revenue from integrated healthcare services is mainly consisted of revenue generated from the healthcare service, examination, medicine and hygiene materials, physical examination and other services provided to outpatients, emergency patients and inpatients. Costs of integrated healthcare services include costs of medicine and hygiene materials, labor costs as well as depreciation and amortization expenses. In the first half of 2021, the Group achieved comprehensive medical service income of RMB1,985.5 million, representing an increase of RMB516.6 million or 35.2% as compared to the corresponding period of the previous year; recorded gross profit of RMB211.6 million, representing an increase of RMB93.6 million or 79.4% as compared to the corresponding period of the previous year.

2.2.2.2 Supply chain business, etc.

The hospital supply chain business mainly provides supply chain distribution services for hospitals within and out of the Group, as well as a small amount of medical device sales and other businesses. In the first half of 2021, the Group achieved income from supply chain business of RMB390.5 million, representing an increase of RMB168.7 million or 76.1% as compared to the corresponding period of the previous year; recorded gross profit of RMB60.1 million, representing an increase of RMB32.4 million or 117.2% as compared to the corresponding period of the previous year.



2.2.3 Operating cost

In the first half of 2021, the Group's sales and distribution costs amounted to RMB260.7 million, representing an increase of RMB80.2 million, or 44.4%, as compared to the corresponding period of the previous year.

Administrative expenses amounted to RMB380.0 million, representing an increase of RMB123.6 million, or 48.2%, as compared to the corresponding period of the previous year. Due to implementation of the policy on social security relief for the epidemic and the slower rate of business expansion as a result of the epidemic, the operating cost for the first half of 2020 maintained at a lower level compared to that in the first half of 2021. Administrative expenses from finance and advisory business amounted to RMB194.3 million, accounting for 51.1% of the total administrative expenses, representing an increase of RMB61.1 million or 45.9%, as compared to the corresponding period of the previous year. Administrative expenses from hospital group business amounted to RMB185.7 million, accounting for 48.9% of the total administrative expenses, representing an increase of RMB62.5 million, or 50.7%, as compared to the corresponding period of the previous year.

2.2.4 Profit before tax

In the first half of 2021, the Group recorded profit before tax of RMB1,475.5 million, representing an increase of RMB347.3 million or 30.8%, as compared to the corresponding period of the previous year.

2.2.5 Profit for the period attributable to owners of the parent

In the first half of 2021, the Group recorded profit for the period attributable to owners of the parent of RMB1,050.0 million, representing an increase of RMB256.6 million or 32.3%, as compared to the corresponding period of the previous year.

2.2.6 Revenue from hospital group operation

As of 30 June 2021, the Group had completed the acquisition of 41 medical institutions. The following sets forth the operating income of the hospital group during the consolidation period (excluding that of the hospital investment platform).

In the first half of 2021, the hospital group recorded revenue of RMB2,119.1 million during the consolidation period, representing an increase of RMB574.6 million, or 37.2%, as compared to the corresponding period of the previous year; recorded profit for the period of RMB99.1 million, representing an increase of RMB64.5 million, or 186.9%, as compared to the corresponding period of the previous year. The gross profit margin from operations was 12.83%, representing an increase of 3.36 percentage points from 9.47% in the corresponding period of the previous year; the net profit margin was 4.67%, representing an increase of 2.43 percentage points from 2.24% in the corresponding period of the previous year.



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The following table sets forth the profit or loss of the hospital group during the consolidation period (excluding that of the hospital investment platform):

	For the six months ended 30 June		Change %
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	
Revenue	2,119,062	1,544,484	37.2%
Costs	(1,847,177)	(1,398,173)	32.1%
Gross profit	271,885	146,311	85.8%
Other income and gains	45,824	43,560	5.2%
Selling and distribution costs	(15,274)	(9,912)	54.1%
Administrative expenses	(185,114)	(122,801)	50.7%
Impairment on financial assets	(1,724)	(13,292)	-87.0%
Financial costs	(4,877)	(3,727)	30.9%
Share of profit/(loss) of an associate	131	(178)	-173.6%
Other expenses	(2,484)	(3,062)	-18.9%
Profit before tax	108,367	36,899	193.7%
Income tax expense	(9,310)	(2,372)	292.5%
Profit for the period	99,057	34,527	186.9%



3. FINANCIAL POSITION ANALYSIS

3.1 Overview of Assets

As at 30 June 2021, the Group's total assets was RMB69,894.9 million, representing an increase of RMB8,383.9 million or 13.6% as compared to the end of the previous year. In particular, our restricted deposits was RMB964.5 million, representing an increase of RMB296.8 million or 44.5% as compared to the end of the previous year, accounting for 1.4% of the total assets; our cash and cash equivalents was RMB3,212.2 million, representing an increase of RMB1,175.6 million or 57.7% as compared to the end of the previous year, accounting for 4.6% of the total assets; our loans and accounts receivables was RMB60,720.0 million, representing an increase of RMB6,524.6 million or 12.0% as compared to the end of the previous year, accounting for 86.9% of the total assets.

The following table sets forth the assets analysis of the Group for the dates indicated:

	30 June 2021		31 December 2020		Change %
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	
Restricted deposits	964,499	1.4%	667,701	1.1%	44.5%
Cash and cash equivalents	3,212,184	4.6%	2,036,535	3.3%	57.7%
Inventories	236,727	0.3%	198,034	0.3%	19.5%
Loans and accounts receivables	60,720,024	86.9%	54,195,411	88.1%	12.0%
Prepayments, deposits and other receivables	389,646	0.6%	307,112	0.5%	26.9%
Property, plant and equipment	2,419,625	3.5%	2,346,601	3.8%	3.1%
Investment in a joint venture	469,345	0.7%	455,892	0.8%	3.0%
Investment in an associate	4,223	0.0%	4,215	0.0%	0.2%
Deferred tax assets	514,184	0.7%	398,739	0.7%	29.0%
Derivative financial assets	12,363	0.0%	9,173	0.0%	34.8%
Right-of-use asset	791,593	1.1%	763,089	1.2%	3.7%
Goodwill	102,249	0.1%	69,908	0.1%	46.3%
Other assets	58,283	0.1%	58,603	0.1%	-0.5%
Total	69,894,945	100.0%	61,511,013	100.0%	13.6%



The following table sets forth the assets of the Group by business segment for the dates indicated:

	30 June 2021		31 December 2020		Change %
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	
Finance and advisory business	63,905,648	91.4%	55,922,417	90.9%	14.3%
Hospital group business	8,630,279	12.4%	8,100,062	13.2%	6.5%
Inter-segment offset	(2,640,982)	-3.8%	(2,511,466)	-4.1%	5.2%
Total	69,894,945	100.0%	61,511,013	100.0%	13.6%

3.1.1 Restricted deposits

As at 30 June 2021, the Group had restricted deposits of RMB964.5 million, representing an increase of RMB296.8 million or 44.5% as compared to the end of the previous year, and accounting for 1.4% of total assets. Restricted deposits mainly comprised pledged project refunds from factoring business, time deposits and financing deposits. The increase in this year was mainly due to the increase in project refunds from factoring business.

3.1.2 Cash and cash equivalents

As at 30 June 2021, the Group had cash and cash equivalents of RMB3,212.2 million, representing an increase of RMB1,175.6 million or 57.7% as compared to the end of the previous year, accounting for 4.6% of the total assets. The balance of cash and cash equivalents will be gradually applied in accordance with the Group's business plan.

3.1.3 Loans and accounts receivables

As at 30 June 2021, the balance of the Group's loans and accounts receivables was RMB60,720.0 million, representing an increase of RMB6,524.6 million or 12.0% as compared to the end of the previous year. The net interest-earning assets was RMB59,942.3 million, accounting for 98.7% of the loans and accounts receivables; and net accounts receivables was RMB775.6 million, accounting for 1.3% of the loans and accounts receivables.



3.1.3.1 Interest-earning assets

In the first half of 2021, the Group strengthened its risk management and control in a prudent manner, and expanded the lease business with cautious while ensuring asset security. As at 30 June 2021, the Group's net interest-earning assets was RMB59,942.3 million, representing an increase of RMB6,418.1 million or 12.0% as compared to the end of the previous year.

Net interest-earning assets by industry

In the first half of 2021, the Group continued to lay emphasis on adjustment to interest-earning assets structure and risk prevention and control, and on the basis of effective control of risks, actively explored finance lease business in new sectors.

The following table sets forth the net interest-earning assets by industry:

	30 June 2021		31 December 2020		Change %
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	
Healthcare	24,675,872	40.3%	28,971,620	53.0%	-14.8%
Public utilities	34,737,166	56.7%	22,233,552	40.7%	56.2%
Others	1,825,355	3.0%	3,445,050	6.3%	-47.0%
Net interest-earning assets	61,238,393	100.0%	54,650,222	100.0%	12.1%
Less: Provision for asset impairment	(1,296,064)		(1,126,057)		15.1%
Net value of interest-earning assets	59,942,329		53,524,165		12.0%

The maturity profile of the net interest-earning assets

The Group formulated reasonable business investment strategies according to its strategic plan so as to ensure sustainable and steady cash inflow. As at 30 June 2021, the distribution of maturity status of the Group's net interest-earning assets was relatively balanced.

The following table sets forth the maturity profile of the net interest-earning assets:

	30 June 2021		31 December 2020		Change %
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	
Within 1 year	20,517,564	33.5%	18,529,766	33.9%	10.7%
1-2 years	16,879,847	27.6%	15,347,527	28.1%	10.0%
2-3 years	12,902,585	21.1%	11,025,603	20.2%	17.0%
Over 3 years	10,938,397	17.8%	9,747,326	17.8%	12.2%
Net interest-earning assets	61,238,393	100.0%	54,650,222	100.0%	12.1%

Quality of interest-earning assets

The Group has been implementing robust asset management policies and continuously adopting stringent and prudent asset classification policies. As at 30 June 2021, the Group had non-performing assets of RMB599.2 million, representing an increase of RMB51.3 million as compared to 31 December 2020. The Group continuously improved its risk management system, adopted effective risk prevention measures and increased the effort in the collection of non-performing assets. As at 30 June 2021, the Group's non-performing assets ratio was 0.98%.

The following table sets forth the classification of five categories of the net interest-earning assets of the Group:

	30 June 2021		31 December 2020		Change %
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	
Pass	52,202,930	85.24%	45,008,862	82.36%	16.0%
Special attention	8,436,224	13.78%	9,093,464	16.64%	-7.2%
Substandard	537,308	0.88%	485,990	0.89%	10.6%
Doubtful	61,931	0.10%	61,906	0.11%	0.0%
Loss	-	-	-	-	-
Net interest-earning assets	61,238,393	100.00%	54,650,222	100.00%	12.1%
Non-performing assets ⁽¹⁾	599,239		547,896		9.4%
Non-performing assets ratio ⁽²⁾	0.98%		1.00%		



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- (1) Non-performing assets are defined as those interest-earning assets having objective evidence of impairment as a result of one or more events that occur after initial recognition and that event has an impact on the future cash flows of interest-earning assets that can be reliably estimated. These interest-earning assets are classified as “substandard”, “doubtful” or “loss”.
- (2) The non-performing assets ratio is the percentage of non-performing assets over net interest-earning assets as at the applicable date.

Note: Please refer to “Management Discussion and Analysis – 7. Risk Management” in this report for more details of the five-category classification.

Ratio of overdue interest-earning assets

In the first half of 2021, the Group implemented prudent risk control and asset management policy and continued improving the risk management system. However, certain clients were affected by the epidemic, resulting in unsatisfied operation performance and temporarily tightened cashflow. As at 30 June 2021, the overdue ratio (over 30 days) was 0.85%, decreased by 0.09 percentage point as compared to 0.94% at the end of the previous year.

The following table sets forth the ratio of the Group’s interest-earning assets overdue for over 30 days:

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Overdue ratio (over 30 days) ⁽¹⁾	0.85%	0.94%

- (1) Calculated as net interest-earning assets (overdue for over 30 days) divided by net interest-earning assets.

Provision for impairment of interest-earning assets

As at 30 June 2021, the Group’s provision coverage ratio was 216.28%, representing an increase of 10.76 percentage points as compared to the end of the previous year. With the expansion of its business, the Group’s management believes that it is imperative to take prudent measures to protect the Group against systematic risks and move towards the international standards and practices. As such, the Group maintained its asset provision coverage ratio at an appropriate level.

The following table sets forth the breakdown of provisions by the Group's assessment methodology:

	As at 30 June 2021			
	Stage 1 (12-month expected credit loss) RMB'000 (Unaudited)	Stage 2 (Lifetime expected credit loss) RMB'000 (Unaudited)	Stage 3 (Lifetime expected credit loss- impaired) RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Net interest-earning assets	52,202,930	8,436,224	599,239	61,238,393
Provision for impairment of interest-earning assets	(543,783)	(501,304)	(250,977)	(1,296,064)
Net value of interest-earning assets	51,659,147	7,934,920	348,262	59,942,329

	As at 31 December 2020			
	Stage 1 (12-month expected credit loss) RMB'000 (Audited)	Stage 2 (Lifetime expected credit loss) RMB'000 (Audited)	Stage 3 (Lifetime expected credit loss- impaired) RMB'000 (Audited)	Total RMB'000 (Audited)
Net interest-earning assets	45,008,862	9,093,464	547,896	54,650,222
Provision for impairment of interest-earning assets	(498,020)	(393,522)	(234,515)	(1,126,057)
Net value of interest-earning assets	44,510,842	8,699,942	313,381	53,524,165



Write-off of interest-earning assets

The following table sets forth the write-off of interest-earning assets as of the dates indicated.

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Write-off	–	41,686
Non-performing assets as at the end of last year	547,896	446,128
Write-off ratio ⁽¹⁾	–	9.34%

(1) The write-off ratio is calculated as the percentage of amount written-off of bad debts of interest-earning assets over the net non-performing assets as at the end of last year.

3.1.3.2 Accounts receivables

As at 30 June 2021, the Group's net accounts receivables was RMB775.6 million, representing an increase of RMB102.7 million or 15.3% as compared to the end of the previous year. The increase of accounts receivables was mainly due to the increase of receivables from hospitals newly acquired by the Group and the increase of the balance of accounts receivables from the increase of scale of supply chain business provided by the Group's medical institutions.



3.1.4 Other assets

As at 30 June 2021, the Group's balance of inventory was RMB236.7 million, representing an increase of RMB38.7 million as compared to the beginning of the year, which was mainly due to the increase of balance of inventory from hospitals newly acquired by the Group and the increase of scale of supply chain business provided by the Group's medical institutions.

The Group's balance of right-of-use assets was RMB791.6 million, of which, right-of-use assets recognized in office lease was RMB82.9 million and balance of right-of-use assets increased by RMB28.5 million as compared to the beginning of the year, and such increase was mainly due to the increase of land use right from newly acquired hospitals of the Group.

As at 30 June 2021, the Group's balance of property, plant and equipment was RMB2,419.6 million, representing an increase of RMB73.0 million as compared to the beginning of the year, which was mainly due to the increase of balance of property, plant and equipment from hospitals newly acquired by the Group.

As at 30 June 2021, the Group's balance of prepayments, deposits and other receivables was RMB389.6 million, representing an increase of RMB82.5 million as compared to the beginning of the year, which was mainly due to the increase of other receivables from hospitals newly acquired by the Group and the increase of prepayments from the increase of scale of supply chain business provided by the Group's medical institutions.

As at 30 June 2021, the balance of the Group's investment in joint venture was RMB469.3 million, which was the investment in Sichuan Huankang Hospital Management Company Limited (四川環康醫院管理公司); the balance of investment in associates was RMB4.2 million, which was investment in the associates of Ansteel General Hospital (鞍鋼總醫院).

As at 30 June 2021, the Group's balance of goodwill was RMB102.2 million, representing an increase of RMB32.3 million as compared to the beginning of the year, which included goodwill of RMB58.9 million arising from the acquisition of Xi'an XD Group Hospital (西電集團醫院), goodwill of RMB32.3 million arising from the acquisition of Pangang Xichang Hospital (攀鋼西昌醫院), goodwill of RMB9.2 million arising from the acquisition of Shaanxi Huahong Pharmaceutical Co., Ltd (陝西華虹醫藥有限公司), goodwill of RMB0.8 million arising from the acquisition of Ansteel General Hospital (鞍鋼總醫院) and goodwill of RMB1.0 million arising from the acquisition of Xianyang Caihong Hospital (咸陽彩虹醫院) by the Group.

As at 30 June 2021, the Group's balance of other assets was RMB58.3 million, representing a decrease of RMB0.3 million as compared to the beginning of the year.



3.2 Overview of Liabilities

As at 30 June 2021, the Group's total liabilities amounted to RMB52,549.7 million, representing an increase of RMB6,004.1 million, or 12.9%, as compared to the end of the previous year. The balance of interest-bearing bank and other borrowings amounted to RMB45,303.8 million, representing an increase of RMB5,322.4 million, or 13.3%, as compared to the end of the previous year, accounting for 86.2% of the total liabilities; balance of other payables and accruals amounted to RMB5,325.1 million, representing an increase of RMB115.6 million, or 2.2%, as compared to the end of the previous year, accounting for 10.1% of the total liabilities.

The following table sets forth the Group's liabilities as at the dates indicated:

	30 June 2021		31 December 2020		Change %
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	
Interest-bearing bank and other borrowings	45,303,765	86.2%	39,981,341	85.9%	13.3%
Trade and bills payable	1,176,133	2.3%	868,396	1.9%	35.4%
Other payables and accruals	5,325,123	10.1%	5,209,549	11.2%	2.2%
Derivative financial instruments	566,917	1.1%	413,333	0.9%	37.2%
Taxes payable	177,790	0.3%	73,059	0.1%	143.4%
Total	52,549,728	100.0%	46,545,678	100.0%	12.9%

3.2.1 Interest-bearing bank and other borrowings

In the first half of 2021, China's economy continued to recover steadily, and the prudent monetary policy remained targeted and well-timed, reasonable and appropriate. The Group implemented the new development concept, and focused on building a multi-level, multi-channel and diversified financing system to enrich financing varieties, optimize financing structure, strengthen financing instrument innovation, and control the overall financing cost. In the direct financing market, leveraging on advantage of domestic AAA rating and the efficient bonds issuance capacity, the Group issued batches of long-term and short-term bonds, including super short-term financing bonds, medium-term notes and corporate bonds, at low cost in the interbank market or on the Shanghai Stock Exchange. In addition, the Group successfully issued convertible bonds of US\$150 million in March 2021, which not only improved the Company's shareholding structure, but also raised funds for the Company's operation and development. In the indirect financing market, the Group put more effort on the development of financial institutions, established strategic partnerships with several core financial institutions such as large commercial banks, joint-stock commercial banks and foreign-invested banks and conducted extensive and in-depth cooperation in terms of financial and industrial direction. Meanwhile, the Group continued to steadily promote overseas financing and actively expanded foreign currency syndicated loans business and bilateral loans business, so as to provide strong support for the diversified and stable fund resources.

The Group's interest-bearing bank and other borrowings are mainly used to provide capital for its finance lease business. As at 30 June 2021, the balance of the Group's interest-bearing bank and other borrowings was RMB45,303.8 million, representing an increase of RMB5,322.4 million or 13.3% as compared to 31 December 2020. The borrowings of the Group are mainly at fixed interest rates or at the loan prime rate (LPR), the London Interbank Offered Rate, Hong Kong Interbank Offered Rate and other floating rates.

Breakdown of interest-bearing bank and other borrowings by type:

	30 June 2021		31 December 2020		Change %
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	
Bank loans	24,659,085	54.4%	20,308,798	50.8%	21.4%
Due to related parties	2,792,020	6.2%	3,942,679	9.9%	-29.2%
Bonds	16,202,686	35.8%	13,555,787	33.9%	19.5%
Other loans	1,649,974	3.6%	2,174,077	5.4%	-24.1%
Total	45,303,765	100.0%	39,981,341	100.0%	13.3%



As at 30 June 2021, the balance of the Group's bank loans amounted to RMB24,659.1 million, accounting for 54.4% of the total interest-bearing bank and other borrowings, representing an increase of 3.6 percentage points as compared to 50.8% as at 31 December 2020. In the first half of 2021, the Group continuously strengthened its cooperation with banks in width and depth, with the proportion of balance of bank loans increased slightly.

Breakdown of interest-bearing and other borrowings by currency:

	30 June 2021		31 December 2020		Change %
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	
RMB	30,692,450	67.7%	28,836,246	72.1%	6.4%
USD	10,231,440	22.6%	6,890,376	17.2%	48.5%
HKD	4,379,875	9.7%	4,254,719	10.7%	2.9%
Total	45,303,765	100.0%	39,981,341	100.0%	13.3%

As at 30 June 2021, the balance of the Group's interest-bearing bank and other borrowings denominated in RMB was RMB30,692.5 million, which accounted for 67.7% of its total interest-bearing bank and other borrowings, representing a decrease of 4.4 percentage points as compared to 72.1% as at 31 December 2020. The Group followed its strategy of unremittingly exploring overseas financing market, actively carried out foreign currency financing business abroad, so as to facilitate diversified funding sources, and objectively manage the foreign exchange risk with foreign exchange derivatives.

Breakdown of the interest-bearing bank and other borrowings by region:

	30 June 2021		31 December 2020		Change %
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	
Domestic	29,593,449	65.3%	27,736,746	69.4%	6.7%
Overseas	15,710,316	34.7%	12,244,595	30.6%	28.3%
Total	45,303,765	100.0%	39,981,341	100.0%	13.3%

As at 30 June 2021, the Group's domestic financing balance was RMB29,593.4 million, accounting for 65.3% of the total interest-bearing bank and other borrowings, representing a decrease of 4.1 percentage points as compared to 69.4% as at 31 December 2020.

Breakdown of the current and non-current interest-bearing bank and other borrowings:

	30 June 2021		31 December 2020		Change %
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	
Current	20,069,256	44.3%	19,850,230	49.6%	1.1%
Non-current	25,234,509	55.7%	20,131,111	50.4%	25.4%
Total	45,303,765	100.0%	39,981,341	100.0%	13.3%

As at 30 June 2021, the total balance of the Group's current interest-bearing bank and other borrowings amounted to RMB20,069.3 million, accounting for 44.3% of its total interest-bearing bank and other borrowings, representing a decrease of 5.3 percentage points as compared to 49.6% at the end of previous year. In the first half of 2021, on the premise that sufficient liquidity is ensured, the Group continued to optimize financing structure, therefore, the ratio of current liabilities decreased and the overall maturity structure of liabilities remained stable and favourable.

Breakdown of the secured and unsecured interest-bearing bank and other borrowings:

	30 June 2021		31 December 2020		Change %
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	
Secured	5,632,450	12.4%	5,428,995	13.6%	3.7%
Unsecured	39,671,315	87.6%	34,552,346	86.4%	14.8%
Total	45,303,765	100.0%	39,981,341	100.0%	13.3%

As at 30 June 2021, the Group's total secured interest-bearing bank and other borrowings amounted to RMB5,632.5 million, accounting for 12.4% of its total interest-bearing bank and other borrowings, representing a decrease of 1.2 percentage points as compared to 13.6% at the end of previous year. The Group's secured assets were mainly interest-earning assets. In order to expand financing channels, diversify financing resources, improve the matching of maturity structure of the assets and liabilities and constantly optimize financing conditions, we reduced the proportion of the secured interest-bearing bank and other borrowings slightly.



Breakdown of the direct financing and indirect financing in interest-bearing bank and other borrowings:

	30 June 2021		31 December 2020		Change %
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	
Direct financing	16,202,687	35.8%	13,555,787	33.9%	19.5%
Indirect financing	29,101,078	64.2%	26,425,554	66.1%	10.1%
Total	45,303,765	100.0%	39,981,341	100.0%	13.3%

As at 30 June 2021, the total direct financing of the Group's balance of interest-bearing bank and other borrowings amounted to RMB16,202.7 million, accounting for 35.8% of its total interest-bearing bank and other borrowings, representing an increase of 1.9 percentage points as compared to 33.9% as at the end of the previous year. In the first half of 2021, the Group continued to work conscientiously in the direct financing market and indirect financing market. The stable and balanced financing structure fully secured the funds required for the Group's development.

3.2.2 Other payables and accruals

Other payables and accruals primarily comprise the lease deposits paid by customers, the accrued interests on borrowings, as well as the accrued salary and welfare payables. As at 30 June 2021, other payables and accruals amounted to RMB5,325.1 million in total, representing an increase of RMB115.6 million as compared to the end of the previous year, mainly due to increase in accrued salary and lease deposits of the Group.

3.3 Shareholders' Equity

As at 30 June 2021, the Group's total equity was RMB17,345.2 million, representing an increase of RMB2,379.9 million or 15.9% as compared to the end of the previous year, among which the non-controlling interests were RMB2,796.2 million, representing an increase of RMB253.8 million or 10.0% as compared to the end of the previous year, which was mainly due to the increase of non-controlling interests from the newly acquired hospitals.

The following table sets forth the equities for the dates indicated:

	30 June 2021		31 December 2020		Change %
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	
Share capital ⁽¹⁾	5,297,254	30.5%	4,327,842	28.9%	22.4%
Equity attributable to holders of convertible corporate bonds ⁽²⁾	75,486	0.4%	–	–	100.0%
Reserves	6,990,678	40.3%	6,442,672	43.1%	8.5%
Equity attributable to owners of the parent	12,363,418	71.3%	10,770,514	72.0%	14.8%
Equity attributable to holders of renewable corporate bonds ⁽³⁾	2,185,593	12.6%	1,652,387	11.0%	32.3%
Non-controlling interests	2,796,206	16.1%	2,542,434	17.0%	10.0%
Total	17,345,217	100.0%	14,965,335	100.0%	15.9%

- (1) On 8 March 2021, 175,235,081 new Shares were allotted and issued by the Company to Million Surplus Developments, a member of Yuanzhi Group. The gross proceeds raised from the subscription were US\$150 million, and the net proceeds raised from the subscription, after deduction of the related expenses, were approximately US\$149.6 million.
- (2) On 25 March 2021, Genertec Universal Medical Development (BVI) Co., Ltd., a wholly-owned subsidiary of the Company, issued the convertible bonds in an aggregate principal amount of US\$150 million, which are guaranteed by the Company and bear the interest rate of 2.0% per annum. The net proceeds raised from the issue of the convertible bonds, after deduction of the related expenses, were approximately US\$148 million. On 18 June 2021, the conversion price of the convertible bonds was adjusted from HK\$6.56 to HK\$6.47 due to declaration and payment of final dividends for the year of 2020 by the Company.
- (3) On 25 June 2021, CULC, a wholly-owned subsidiary of the Company, issued the renewable corporate bonds of an aggregate principal amount of RMB500 million in the PRC, with a basic term of two years from 29 June 2021. CULC will, at the end of the agreed basic term and each extended period, be entitled to an option to extend the term of the bonds. The bonds are with a fixed interest rate of 5.1%. The issue price is RMB100 per bond, which is equal to 100% of the principal value of the corporate bonds.

On 26 December 2018, CULC issued the renewable corporate bonds of an aggregate principal amount of RMB1,660 million in the PRC, with a basic term of three years from 27 December 2018. CULC will, at the end of the agreed basic term and each extended period, be entitled to an option to extend the term of the bonds. The bonds are with a fixed interest rate of 6%. The issue price is RMB100 per bond, which is equal to 100% of the principal value of the corporate bonds.



4. CASH FLOWS ANALYSIS

In the first half of 2021, the Group's net cash outflow from operating activities amounted to RMB4,053.8 million, representing an increase of outflow of RMB4,667.8 million as compared to that of the corresponding period of the previous year, which was mainly due to scale increase in interest-earning assets of finance and advisory business with the orderly resumption of the domestic production. Net cash outflow from investing activities amounted to RMB44.6 million, representing an increase of outflow of RMB27.4 million as compared to that of the corresponding period of the previous year, primarily due to the loss resulted from closing out derivative instruments. Net cash inflow from financing activities amounted to RMB5,283.3 million, representing an increase of inflow of RMB6,429.1 million as compared to that of the corresponding period of the previous year, primarily due to the recovery and expansion of finance and advisory business resulting in an increase of interest-bearing bank and other borrowings.

The following table sets forth the cash flows for the dates indicated:

	For the six months ended 30 June		Change %
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	
Net cash flows (used in)/generated from operating activities	(4,053,813)	613,979	-760.3%
Net cash flows used in investing activities	(44,620)	(17,269)	158.4%
Net cash flows generated from/(used in) financing activities	5,283,278	(1,145,785)	561.1%
Effect of exchange rate changes on cash and cash equivalents	(9,196)	(3,370)	-172.9%
Net increase/(decrease) in cash and cash equivalents	1,175,649	(552,445)	312.8%



5. CAPITAL MANAGEMENT

The primary objective of the Group's capital management activities is to ensure that it maintains healthy capital ratios, so as to support the Group's business and maximize its shareholders' benefits. The Group uses debt ratio and gearing ratio to monitor its capital status. As at 30 June 2021, no change was made to the Group's objectives, policies or processes for capital management.

Debt ratio

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Total assets	69,894,945	61,511,013
Total liabilities	52,549,728	46,545,678
Total equity	17,345,217	14,965,335
Debt ratio	75.18%	75.67%

Gearing ratio

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Interest-bearing bank and other borrowings	45,303,765	39,981,341
Total equity	17,345,217	14,965,335
Gearing ratio	2.61	2.67

As at 30 June 2021, the Group's debt ratio and gearing ratio decreased slightly as compared to the end of the previous year.



6. CAPITAL EXPENDITURE

The Group's capital expenditure primarily consists of expenditure on the purchase of medical equipment, other equipments relating to the Group's operating lease business, construction expenditure on hospital projects and expenditure relating to office facilities. In the first half of 2021, the Group had capital expenditure of RMB125.7 million.

Use of Proceeds from the Initial Public Offering

The shares of the Company were listed on the Main Board of the Stock Exchange on 8 July 2015. On 30 July 2015, after deducting underwriting commissions and all related expenses, the net proceeds from the initial public offering amounted to approximately RMB2,775.5 million. As of 30 June 2021, the Group did not expect to make any change in the proposed use of proceeds set out in the Prospectus.

The Board closely monitored the use of proceeds from the initial public offering with reference to the use of proceeds disclosed in the Prospectus and confirmed that there was no material change in the proposed use of proceeds as previously disclosed in the Prospectus. As of 30 June 2021, RMB1,249.0 million which we planned to use for supporting our finance lease business, RMB277.6 million which we planned to use for funding general corporate purposes, and RMB416.3 million which we planned to use for our hospital operation and management business, out of the net proceeds from the initial public offering of the Group, have been fully utilized according to the usages disclosed in the Prospectus.

In the first half of 2021, the Group utilized RMB62.7 million in research and development and operation of hospital digitalization business, and RMB22.6 million in development of CVA project solutions and clinical department upgrade services in other new areas.

As of 30 June 2021, the remaining balance of net proceeds of the Group which we planned to use for hospital digitalization business, CVA project solutions and clinical department upgrade services in other new areas was RMB145.0 million and RMB47.8 million, respectively.

The remaining amount of RMB47.8 million for CVA project solutions and clinical department upgrade services in other new areas will be used for further development of CVA project solutions and clinical department upgrade services in other new areas and providing hospital customers with financial support for clinical department upgrade in coming years. The remaining amount of RMB145.0 million for hospital digitalization business will be used in coming years, according to the Company's development strategy and plan, for the development and operation of hospital digitalization business, further recruitments to expand our technology solutions team, continuous development of proprietary information management system for hospitals as well as related marketing activities.



Use of Proceeds from the Issue of New Shares

On 8 March 2021, 175,235,081 new Shares were allotted and issued by the Company to Million Surplus Developments, and the net proceeds raised from the issue of new Shares were approximately RMB969.4 million (equivalent to approximately US\$149.6 million). As at 30 June 2021, it is expected that the Group would not make any change to the planned use of the proceeds as set out in the Company's announcement dated 5 February 2021.

In the first half of 2021, the Group used RMB231.9 million for further expansion and development of the hospital group business; and RMB18.4 million for expansion of the health industry chain business.

As of 30 June 2021, among the remaining net proceeds from the issue of new Shares by the Company, RMB446.7 million was intended to be applied to the hospital group business and RMB272.4 million was intended to be applied to the health industry chain business.

The Group would continue to enhance the post-investment management of its medical institutions, and comprehensively improve medical technology, management efficiency and service capabilities of those medical institutions by focusing on discipline construction, operation management, organization management, service system innovation and hospital digitalization. The Group would further develop and invest in internet medical treatment, manage and promote specialist hospitals, explore medical testing and technology services, maintenance of medical equipment and combination of medical care with elderly care, in order to build a healthcare industry ecosystem and achieve synergy with the Company's hospital group business.

Use of Proceeds from the Issue of the Convertible Bonds

Considering, among other things, (i) the experiences and resources that would be brought by CITIC Capital (as a long-term strategic investor of the Company) to the Group, and (ii) the new funding to be raised to support the Group's continuing growth and strategic development, on 29 December 2020, Genertec Universal Medical Development (BVI) Co., Ltd. (as the issuer and a wholly-owned subsidiary of the Company), the Company (as the guarantor) and CCP Leasing II Limited (as the subscriber) entered into a subscription agreement in relation to, among others, the issue of the convertible bonds in an aggregate principal amount of US\$150,000,000. The initial conversion price is HK\$6.56 per conversion share, representing a premium of approximately 14.29% over the closing price of HK\$5.74 per Share as quoted on the Stock Exchange on 29 December 2020, being the date of the subscription agreement. The issuance of the convertible bonds was completed on 25 March 2021 and the Group raised net proceeds of approximately RMB956.1 million (equivalent to approximately US\$148.0 million). On 18 June 2021, the conversion price of the convertible bonds was adjusted from HK\$6.56 to HK\$6.47 due to declaration and payment of final dividends for the year of 2020 by the Company. Please refer to the Company's announcements dated 29 December 2020, 25 March 2021 and 10 June 2021, and the Company's circular dated 14 January 2021 for further details.



As of 30 June 2021, it is expected that the Group would not make any change to the planned use of the proceeds as disclosed in the Company's announcement dated 29 December 2020 and the Company's circular dated 14 January 2021.

In the first half of 2021, the Group used RMB556.1 million for investment in the lease business of the Company, and has fully used the amount in accordance with the purposes as disclosed by the Company.

In the first half of 2021, the Group used RMB135.5 million for repayment of due working capital loan of the Company, and has fully used the amount in accordance with the purposes as disclosed by the Company.

As of 30 June 2021, RMB264.5 million of the remaining net proceeds from the issue of convertible bonds of the Group was intended to be applied for the hospital group business, which will be used for investment in hospital acquisition projects and subsequent operation investment in the future.

7. RISK MANAGEMENT

The Group's principal financial instruments include interest-earning assets, trade receivables, trade payables, interest-bearing bank and other borrowings, and cash and cash equivalents. The main purpose of cash and cash equivalents and interest-bearing bank and other borrowings is to finance the Group's operations while other financial assets and financial liabilities such as trade receivables and trade payables are directly related to the Group's operating activities.

The Group is exposed to various types of market risks in the ordinary course of business, primarily including interest rate risk, currency risk, credit risk and liquidity risk.

7.1 Interest Rate Risk

Interest rate risk is the risk arising from the fluctuation of financing instrument or future cash flows as a result of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates primarily relates to the Group's interest-bearing bank and other borrowings and interest-earning assets.

A principal part of the Group's management of interest rate risk is to monitor the sensitivity of projected net interest income under varying interest rate scenarios (simulation modeling). The Group aims to mitigate the impact of prospective interest rate movements which could reduce future net interest income, while balancing the cost of such risk mitigation measure.

The following table sets forth a sensitivity analysis on the Group's profit before tax affected by a reasonably possible change in interest rate, with all other variables unchanged. The sensitivity of the profit before tax is the effect of the assumed changes in interest rates on profit before tax, based on the financial assets and financial liabilities held at the end of each reporting period subject to repricing within the coming year.



	Increase/decrease in profit before tax	
	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Change in base points		
+100 base points	12,551	131,546
-100 base points	(12,551)	(131,546)

7.2 Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in exchange rates. The Group's exposure to the risk of changes in foreign exchange relates primarily to the financing activities of the Group.

The Group conducts its business mainly in RMB, with certain financing activities denominated in USD and other currencies pegged to the USD. The Group's currency risk mainly arises from the transactions denominated in currencies other than RMB. In order to control currency risk, the Group adopted prudent currency risk management strategies which hedges risk exposures one by one under comprehensive risk exposure management. It proactively hedged against foreign exchange exposure based on the currency and terms through using the operation of financial instruments such as forward exchange rate. As of 30 June 2021, the Group's exposure to foreign exchange risk amounted to USD2,241.6 million, USD2,221.9 million or 99.1% of which had been hedged against by various financial instruments. Thus, the Group's exposure to foreign exchange risk is basically covered.

The table below sets forth a sensitivity analysis on the Group's profit before tax affected by a reasonably possible change in exchange rate:

	Change in exchange rate %	Increase/decrease in profit before tax	
		30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
If RMB strengthens against USD/HKD	(1)	(1,350)	(808)
If RMB weakens against USD/HKD	1	1,350	808



The exchange rate of RMB to USD is managed under a floating exchange rate system. The HKD exchange rate has been linked to the USD and therefore the exchange rate of RMB to HKD has fluctuated and will fluctuate in line with the changes in the exchange rate of RMB to USD. The analysis calculates the effect of a reasonably possible movement in the currency rate against RMB, with all other variables held constant, on profit before tax.

7.3 Credit Risk

Credit risk is the risk of loss arising from a lessee's or counterparty's inability to meet its obligations. The Group enters into transactions only with recognized and creditworthy third parties. In accordance with the policy of the Group, the Group examines and verifies the credit risk of all customers with whom the Group has credit transactions. Besides, the Group monitors and controls the interest-earning assets regularly to mitigate the risk of significant exposure to bad debts. Other financial assets of the Group include cash and bank deposits, accounts receivables and other receivables. The credit risk of these financial assets arises from the counterparty's inability to meet its obligations. The maximum exposure to credit risk equals to the carrying amounts of these assets.

In determining the classification of its interest-earning assets, the Group applies a set of criteria pursuant to its internal policies. These criteria are designed to assess the likelihood of repayment by the borrower and the collectability of principal and interest on the interest-earning assets of the Group. Interest-earning assets classification criteria of the Group focus on a number of factors, to the extent applicable, and include the following criteria:

Classification criteria

Pass. There is no reason to doubt that the loan principal and interest will not be repaid by the lessee in full and/or in a timely manner. There is no reason whatsoever to suspect that the interest-earning assets will be impaired.

Special Mention. Even though the lessee has been able to pay the lease payments in a timely manner, there are still some factors that could adversely affect its ability to pay. These factors include changes in economy, policies and regulations and industry environment, changes in property structures, significant negative events and significant fall in key financial indicators occurred to lessees, sharp lag of infrastructure projects behind the original plan, or heavy over-run of budget, impact of changes in core asset value on repayment abilities of the lessees, as well as emerging of position relating to guarantors impacting their financial and operating conditions. In addition, the Group takes into account impacts of subjective factors on asset quality such as changes in repayment willingness of the lessees, for example, if payments have been overdue and the financial position of the lessee has worsened, then the interest-earning assets for this lease contract should be classified as special mention or lower.



Substandard. The lessee's ability to pay the principal and interests of the lease receivables is in question as it is unable to make its payments in full with its operating revenues and the Group is likely to incur losses notwithstanding the enforcement of any guarantees. For example, if a lease payment that has been categorized as special mention continues to be overdue for a period of time, then the interest-earning assets for this lease contract should be classified as substandard or lower.

Doubtful. The lessee's ability to pay is in question as it is unable to make lease payments in full and on a timely basis with its operating revenues. Notwithstanding the enforcement of any guarantees underlying the lease contract, we are likely to incur significant losses. For example, if a lease payment that has been categorized as substandard continues to be overdue for a period of time, the interest-earning assets for this lease contract shall be classified as doubtful or lower.

Loss. After taking all possible steps or going through all necessary legal procedures, lease payments remain overdue or only a very limited portion has been recovered. For example, if a lease payment that has been categorized as doubtful continues to be overdue for a period of time, the interest-earning assets for this lease contract shall be classified as a loss.

Asset management measures

Under the overall risk management framework, the Group fully participated in the asset management works, with multi-sectorial coordination and collaboration, to maintain the safety of assets and improve the asset quality. During the whole process of each of the finance lease project, the Group took risk management measures to monitor the quality of its asset portfolio, the quality of the assets underlying its leases and the efficiency of its credit assessment workflow. These measures are integrated into on-going asset management efforts of the Group with the following key features:

Continuously improving the management process after the lease and regularly monitoring the asset portfolio

The Group continued to improve the management process after lease and strengthened the coordination of various departments to ensure the rent collection and the collateral security, as well as enhancing asset quality. During the period, the Group constantly monitored the collection of rental payments from our customers. For projects with overdue lease receivables, we would adopt a variety of measures to collect the overdue receivables, and collect data to facilitate our classification of risky assets.

On-site customer visits

The Group formulated and implemented an annual on-site visit plan and inspected the business development and financial conditions of its customers on a continuing basis, during which cross-selling opportunities could also be explored for providing more value-added services. Through on-site visits, the customers would be urged to pay the rent on time more consciously and they would be more willing to communicate with the Group.

*Material events handling and reporting procedures*

The Group implemented a material events reporting system. If any material adverse event occurs to customers, a responsible department should take the lead and collaborate and coordinate with various departments to actively respond to the situation. Meanwhile, such event would need to be reported to the senior management and the Board.

Regular assessments on asset quality and update on reclassification

The Group adopted the expected credit loss model to classify its assets related to interest-earning assets. Under this categorization system, the Group's assets related to interest-earning assets are divided into five categories, namely "pass", "special mention", "substandard", "doubtful" and "loss". The last three categories of assets are considered as non-performing assets. The Group applied a series of criteria in determining the classification of each of its assets, which focus on a number of factors, including (1) the customer's ability to make lease payments; (2) the customer's payment history; (3) the customer's willingness to make lease payments; (4) the collateral provided for the lease; and (5) the possibility of legal enforcement in the event of delinquent lease payments. The Group closely monitored the asset quality by focusing on the aforementioned factors, and would decide whether to reclassify such assets and adopt appropriate measures to improve their management. The Group has also established concrete management measures for making relevant provisions for impairment to the extent such impairment is reasonably envisaged.

Credit Risk Analysis*Analysis on the industry concentration of interest-earning assets*

Credit risk is often greater when lessees are concentrated in one single industry or geographical location or have comparable economic characteristics. Customers of the Group are diversely located in different regions of mainland China, and its lessees are from different industries as follows:

	30 June 2021		31 December 2020	
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total
Healthcare	24,675,872	40.3%	28,971,620	53.0%
Public utilities	34,737,166	56.7%	22,233,552	40.7%
Others	1,825,355	3.0%	3,445,050	6.3%
Total	61,238,393	100.0%	54,650,222	100.0%



Although the customers of the Group are mainly concentrated in the healthcare industry and public utilities industry, there is no significant credit risk concentration within the Group as healthcare industry relates closely to people's basic livelihood and is weakly correlated to the economic cycle.

The data of exposure to credit risk arises from loans and accounts receivables, deposits and other receivables and credit commitments. The analysis of financial assets which are neither past due nor impaired is as follows:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Net interest-earning assets	60,036,700	53,552,416
Accounts receivables	775,616	670,816
Deposits and other receivables	132,130	138,218
Derivative financial assets	12,363	9,173
Bills receivables	2,079	430

7.4 Liquidity Risk

Liquidity risk is the risk arising from funds not being available to meet liabilities as they fall due. This may arise from mismatches in amounts or duration with regard to the maturity of financial assets and liabilities.

The Group manages its liquidity risk through daily, monthly and quarterly monitoring with the following objectives: maintaining flexibility in funding by keeping sufficient available loan facilities or loan commitments provided by banks and other financial institutions, making projections of cash flows and evaluating the appropriateness of current asset/liability position, and maintaining an efficient internal funds transfer mechanism.



The table below summarizes the maturity profile of the Group's financial assets and liabilities based on the contractual undiscounted cash flows:

	On demand	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	RMB'000					
30 June 2021 (Unaudited)						
Total financial assets	3,670,710	7,138,543	18,332,408	45,414,552	-	74,556,213
Total financial liabilities	(679,939)	(10,736,163)	(12,944,764)	(29,968,143)	(5,238)	(54,334,247)
Net liquidity gap ⁽¹⁾	2,990,771	(3,597,620)	5,387,644	15,446,409	(5,238)	20,221,966
31 December 2020 (Audited)						
Total financial assets	2,647,548	7,215,731	15,616,118	40,465,032	278	65,944,707
Total financial liabilities	(510,815)	(5,685,324)	(17,459,825)	(24,520,408)	(600)	(48,176,972)
Net liquidity gap ⁽¹⁾	2,136,733	1,530,407	(1,843,707)	15,944,624	(322)	17,767,735

(1) A positive liquidity gap indicates financial assets more than financial liabilities and there is no funding gap, while a negative net liquidity gap indicates otherwise.

The Group will reasonably arrange the term of financial liabilities to control the liquidity risk.

8. PLEDGE OF GROUP ASSETS

As at 30 June 2021, the Group had interest-earning assets of RMB6,316.5 million and cash of RMB791.5 million pledged or paid to banks to secure the bank borrowings.

9. MATERIAL INVESTMENTS, ACQUISITIONS AND DISPOSALS

On 25 January 2021, Hospital Investment Co., Ltd., a wholly-owned subsidiary of the Company, and Xichang New Steel entered into a cooperation agreement in connection with the formation of a joint venture. Pursuant to the cooperation agreement, Hospital Investment Co., Ltd. agreed to contribute approximately RMB176.4 million with cash, and Xichang New Steel agreed to contribute approximately RMB169.5 million with the assessed equity interest into the joint venture. Upon formation of the joint venture, its registered capital will be held by Hospital Investment Co., Ltd. and Xichang New Steel as to 51% and 49%, respectively.

There were no significant investments held, nor were there any material disposals of subsidiaries during the six months ended 30 June 2021.



10. CIRCUMSTANCES INCLUDING CONTRACTUAL OBLIGATIONS, CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

10.1 Contingent Liabilities

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Legal proceedings	–	–
Claimed amounts	–	–

10.2 Capital Commitments and Credit Commitments

The Group had the following capital commitments and credit commitments as at each of the dates indicated:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Capital expenditure under signed contracts but not appropriated ⁽¹⁾	1,352,543	1,584,121
Credit commitments ⁽²⁾	1,066,750	568,952

- (1) Capital expenditure under signed contracts but not appropriated during the period represents project funds under signed contracts but not yet paid mainly for medical equipment and hospital development and operation projects.
- (2) Credit commitments refer to the amount, conditional and revocable, under approved lease contracts but not appropriated by settlement date.



11. HUMAN RESOURCES

As of 30 June 2021, we had a total of 14,639 employees, representing an increase of 953 or 6.96%, compared to 13,686 employees as of 31 December 2020, which is mainly due to transfer of employees from acquired hospitals.

We have a highly-educated and high-quality work force, with about 52.8% of our employees holding bachelor's degrees and above, about 7% holding master's degrees and above, about 37.4% with intermediate title and above, and about 13.7% with senior vice title and above as of 30 June 2021.

We have established and implemented a flexible and efficient employee incentive compensation plan to link the remuneration of our employees to their overall performance and contribution to the Group. We have established a remuneration and award system based on their overall performance and accomplishment of work targets. We promote employees based on their positions, service term and overall performance by categorizing them into professional or managerial group, which provides our employees with a clear career path. We perform a comprehensive performance evaluation over our employees at different positions and levels on an annual basis according to business objective obligations and achievement of key objectives.

In accordance with applicable PRC regulations, we have made contributions to social security insurance funds (including pension insurance, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for our employees. We also provide other insurance plans for eligible employees such as supplementary pension, additional medical insurance and accident insurance in addition to those required under the PRC regulations. For the six months ended 30 June 2021, the Group complied with all statutory social insurance and housing fund obligations applicable to the Group under the PRC laws in all material respects.



DISCLOSURE OF INTERESTS

DIRECTORS' AND THE CHIEF EXECUTIVE'S INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at 30 June 2021, the interests and/or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept by the Company under section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(A) Long positions in the Shares

Name	Nature of interest	Position	Number of Shares interested	Approximate percentage of interest held in the Company
Peng Jiahong ⁽¹⁾	Interest of controlled corporation	Executive Director	7,617,400	0.40%
Liu Zhiyong ⁽²⁾	Beneficial owner	Non-executive Director	200,000	0.01%
Zhang Yichen ⁽³⁾	Interest of controlled corporation	Non-executive Director	177,210,365	9.37%



(B) Long positions in the underlying shares of the Company-physically settled unlisted equity derivatives

Name	Nature of interest	Position	Number of underlying Shares in respect of the share options granted	Approximate percentage of interest held in the Company
Peng Jiahong ⁽⁴⁾	Beneficial owner	Executive Director	1,322,000	0.07%
Yu Gang ⁽⁵⁾	Beneficial owner	Executive Director	1,322,000	0.07%

Notes:

- (1) Ms. Peng Jiahong is the sole legal and beneficial owner of Evergreen which is the beneficial owner of the said 7,617,400 Shares. By virtue of the SFO, Ms. Peng is deemed to be interested in the Shares owned by Evergreen.
- (2) Mr. Liu Zhiyong resigned as a Director on 9 September 2021.
- (3) CCP Leasing II Limited, a wholly-owned subsidiary of CITIC Capital China Partners IV, L.P., is interested in 177,210,365 Shares, which arises from the entering into a subscription agreement in relation to subscription of convertible bonds in the amount of USD150 million with the Group on 29 December 2020. The general partner of CITIC Capital China Partners IV, L.P. is CCP IV GP Ltd. CCP IV GP Ltd. is a wholly-owned subsidiary of CCP Ltd., which is wholly owned by CITIC CPL. CITIC CPL is held as to 51% and 49% by CITIC Capital and CP Management Holdings Limited (which is wholly owned by Mr. Zhang Yichen), respectively. By virtue of the SFO, Mr. Zhang Yichen is deemed to be interested in the 177,210,365 Shares directly held by CCP Leasing II Limited. Mr. Zhang Yichen resigned as a Director on 27 August 2021.
- (4) Ms. Peng Jiahong was granted an option to subscribe for 1,322,000 Shares under the Share Option Scheme.
- (5) Mr. Yu Gang was granted an option to subscribe for 1,322,000 Shares under the Share Option Scheme.

Save as disclosed above, as at 30 June 2021, none of the Directors and chief executive of the Company had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.



SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES

So far as the Directors are aware, as of 30 June 2021, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the Shares or underlying Shares as recorded in the register of the Company required to be kept by the Company under section 336 of the SFO:

Long positions in the Shares and the underlying Shares of the Company

Name of Shareholders	Nature of interest	Number of Shares interested	Approximate percentage of interest held in the Company
GT-HK (Note 1)	Beneficial owner	624,731,895	33.03%
GT-PRC (Note 1)	Interest of controlled corporation	688,210,200	36.38%
CITIC CPL (Note 2)	Interest of controlled corporation	177,210,365	9.37%
CITIC Capital (Notes 2 and 3)	Interest of controlled corporation	240,722,365	12.73%
Chu Mang Yee (Note 4)	Interest of controlled corporation	227,734,081	12.04%
Sounda Properties (Note 4)	Beneficial owner	8,475,500	0.45%
	Interest of controlled corporation	219,258,581	11.59%
Meta Group Limited (Note 4)	Interest of controlled corporation	175,235,081	9.26%
Sounda Hopson Technology Investment Limited (Note 4)	Interest of controlled corporation	175,235,081	9.26%
Sounda Hopson Technology Holdings Limited (Note 4)	Interest of controlled corporation	175,235,081	9.26%

Notes:

- Among the 688,210,200 Shares, 624,731,895 Shares are registered under the name of GT-HK and 63,478,305 Shares are registered under the name of China General Consulting & Investment (Hong Kong) Co., Limited ("CGCI-HK"). The entire issued share capital of GT-HK is ultimately owned by GT-PRC and the entire issued share capital of CGCI-HK is directly held by China General Consulting & Investment Co., Limited, which in turn, is wholly owned by GT-PRC. By virtue of the SFO, GT-PRC is deemed to be interested in a total of 688,210,200 Shares held by GT-HK and CGCI-HK.



DISCLOSURE OF INTERESTS

2. CCP Leasing II Limited, a wholly-owned subsidiary of CITIC Capital China Partners IV, L.P., is interested in 177,210,365 Shares, which arises from the entering into a subscription agreement in relation to subscription of convertible bonds in the amount of USD150 million with the Group on 29 December 2020. The general partner of CITIC Capital China Partners IV, L.P. is CCP IV GP Ltd. CCP IV GP Ltd. is a wholly-owned subsidiary of CCP Ltd., which is wholly owned by CITIC CPL. CITIC CPL is held as to 51% and 49% by CITIC Capital and CP Management Holdings Limited (which is wholly owned by Mr. Zhang Yichen), respectively. By virtue of the SFO, CITIC Capital is deemed to be interested in the 177,210,365 Shares directly held by CCP Leasing II Limited.
3. Other than the 177,210,365 Shares mentioned above, CITIC Capital is also interested in another 63,512,000 Shares, 8,279,000 Shares of which are directly held by CITIC Capital (Tianjin) and 55,233,000 Shares are indirectly held by CITIC Capital (Tianjin) through its wholly-owned subsidiary, Infinite Benefits Limited. CITIC Capital (Tianjin) is held as to 62.31% by Prestige Way Limited, a wholly-owned subsidiary of Prestige Way Holdings Limited. Prestige Way Holdings Limited is a wholly-owned subsidiary of CITIC Capital MB Investment Limited, which is wholly owned by CITIC Capital. By virtue of the SFO, CITIC Capital is deemed to be interested in the 63,512,000 Shares.
4. Among the 227,734,081 Shares, (i) 8,475,500 Shares are directly held by Sounda Properties Limited (“Sounda Properties”); (ii) 175,235,081 Shares are directly held by Million Surplus Developments, and (iii) 44,023,500 Shares are directly held by Hopson E-Commerce Limited (“Hopson E-Commerce”).

Sounda Properties is wholly owned by Mr. Chu Mang Yee. By virtue of the SFO, Mr. Chu Mang Yee is deemed to be interested in the 8,475,500 Shares held by Sounda Properties.

Million Surplus Developments is wholly owned by Meta Group Limited, which in turn, is indirectly owned as to 80% by Sounda Hopson Investment Holdings Limited (“Sounda Hopson Investment”) through Sounda Hopson Technology Holdings Limited and Sounda Hopson Technology Investment Limited. Sounda Properties holds 100% of the equity interest in Sounda Hopson Investment. By virtue of the SFO, Mr. Chu Mang Yee is deemed to be interested in the 175,235,081 Shares held by Million Surplus Developments.

Hopson E-Commerce, through Hopson Development International Limited, is indirectly wholly owned by Hopson Development Holdings Limited, which in turn, is owned as to 52.95% by Sounda Properties. By virtue of the SFO, Mr. Chu Mang Yee is deemed to be interested in the 44,023,500 Shares held by Hopson E-Commerce.

Therefore, Mr. Chu Mang Yee is deemed to be interested in a total of 227,734,081 Shares.

Save as disclosed above, as at 30 June 2021, the Directors were not aware of any person who had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.



CORPORATE GOVERNANCE

CORPORATE GOVERNANCE PRACTICES

The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of Shareholders and to enhance corporate value and accountability. The Company's corporate governance practices are based on the principles and code provisions as set out in the CG Code contained in Appendix 14 to the Listing Rules and the Company has adopted the CG Code as its own code of corporate governance.

During the period from 1 January 2021 to 30 June 2021, the Company has complied with all code provisions as set out in the CG Code save for the deviation from code provision A.4.2.

Code provision A.4.2 of the CG Code stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. However, pursuant to the Articles, the executive Directors shall not be subject to the rotational retirement provision, without prejudice of the power of shareholders in general meeting to remove any such Director. To ensure the continuity of leadership and stability for growth of the Company, the Board is of the view that the executive Directors should hold office on a continuous basis.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Securities Dealing Code on terms no less exacting than the Model Code as set out in Appendix 10 to the Listing Rules to regulate the Directors' and employees' dealings in the Company's securities.

Having made specific enquiry to all the Directors, all of them confirmed that they have complied with the Model Code and the Securities Dealing Code throughout the period from 1 January 2021 to the date of this interim report.

No incident of non-compliance of the Securities Dealing Code by the relevant employees was noted by the Company.

AUDIT COMMITTEE

The Company has established the Audit Committee in compliance with Rule 3.21 of the Listing Rules. It comprises three members, namely Mr. Li Yinquan (chairman), Mr. Chow Siu Lui and Mr. Tong Chaoyin, among whom, Mr. Li Yinquan and Mr. Chow Siu Lui are independent non-executive Directors (including one independent non-executive Director who possesses appropriate professional qualifications or expertise in accounting or relevant financial management).

The Audit Committee has discussed with the management and the overseas auditor and reviewed the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2021 and this interim report.

In addition, Ernst & Young, the overseas auditor of the Company, has independently reviewed the interim condensed consolidated financial statements of the Group for the six months ended 30 June 2021 in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

DISCLOSURE UNDER SECTION 436 OF THE COMPANIES ORDINANCE

The financial information relating to the year ended 31 December 2020 that is included in these unaudited condensed consolidated financial statements for the six months ended 30 June 2021 as comparative information does not constitute the statutory annual consolidated financial statements of the Company for that year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2020 to the Registrar of Companies as required under section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company’s overseas auditor has submitted a report on the consolidated financial statements for the year ended 31 December 2020. The overseas auditor’s report was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report, and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.



OTHER INFORMATION

SHARE OPTION SCHEME

On 31 December 2019, the Company adopted the Share Option Scheme, which falls within the ambit of, and is subject to, the regulations under Chapter 17 of the Listing Rules. The purpose of the Share Option Scheme is to, among others, (i) further refine the corporate governance structure of the Company; (ii) establish a complete remuneration system, promote the Company's incentive and disciplinary mechanism, and encourage the initiative and commitment of its directors, senior management, and key employees; and (iii) attract and retain talents to strive for the long-term development of the Company.

The scope of the participants of the Share Option Scheme should be determined after taking into account the actual situation of the Company, in accordance with, among others, the Listing Rules, other applicable laws and regulations, and the Articles. The participants should in principle be limited to the Directors, senior management and other key employees of the Company who have direct impact on the Company's overall development.

The total number of Shares which may be issued upon exercise of all the options to be granted under the Share Option Scheme shall not in aggregate exceed 171,630,458 Shares, representing (i) 10% of the Company's issued share capital as at the date of approval of the Share Option Scheme by the Shareholders at the extraordinary general meeting held on 31 December 2019, and (ii) approximately 9.07% of the Company's issued share capital as at the date of this report.

The maximum number of Shares which are issued and may be issued upon exercise of all options (including exercised and outstanding options) granted to any participant within any 12-month period shall not exceed 1% of the total issued share capital of the Company, unless being approved by the Shareholders at a general meeting.

The Share Option Scheme shall be valid and effective for a period of ten years commencing from the adoption date, under which the first phase of the Share Option Scheme shall be valid for a period of five years. The Company may initiate a new phase of the Share Option Scheme within two years after the effective date of the former one, subject to the relevant approvals. The vesting period of the options granted is 24 months from the grant date. Upon satisfaction of the relevant performance conditions and subject to the evaluation results of the participants, the participants are able to exercise their options in accordance with the arrangement specified in the terms of the Share Option Scheme, within 36 months after the expiry of the vesting period. Any option that remains unexercised upon expiry of such 36 months-period will automatically lapse.

An offer of the grant of the option shall be made to a participant and such offer shall remain open for acceptance by the participant concerned within 21 days from the date upon which the offer is made (or such other period as determined by the Board from time to time). An offer of the grant of the option shall be deemed to have been accepted and the option to which such offer relates shall be deemed to have been granted and to have taken effect when a duplicate letter comprising acceptance of offer duly signed by the participant with the number of Shares clearly stated therein, together with a remittance in favour of the Company of HKD1.00 as consideration for the grant thereof is received by the Company.



The exercise price of the share options granted under the Share Option Scheme shall be such price as determined by the Board in accordance with the requirements of the SASAC and the Stock Exchange, which shall not be less than the higher of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the grant date; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the grant date; and (iii) the nominal value of the Shares (if any).

On 31 December 2019, as approved by the Board, the Company granted share options to certain eligible participants to subscribe for an aggregate of up to 16,065,000 ordinary Shares, representing approximately 0.936% of the issued share capital of the Company as at the effective date, at the price of HKD5.97 per Share, as the first phase of the Share Option Scheme. Such grant of options has taken effect since 2 January 2020. Among the 16,065,000 options granted, a total of 2,644,000 options were granted to two Directors and the acceptance letters have been signed. Details of the options granted to the Directors are set out as follows:

Name of Directors	Position	Number of Shares to be issued upon full exercise of the options granted
Ms. Peng Jiahong	Executive Director, chief executive officer and general manager of the Company	1,322,000
Mr. Yu Gang	Executive Director	1,322,000
Total		2,644,000

Vesting period of the options granted on 31 December 2019 is 24 months from 31 December 2019. Upon satisfaction of the relevant performance conditions and subject to the evaluation results of the grantees and the terms of the first phase of the Share Option Scheme, the grantees would be able to exercise their options after the expiry date of the vesting period (the "Expiry Date") and according to the schedule as set out below:

- i. one third of the options granted would be exercisable within the period starting from the first trading date immediately after the Expiry Date, and ending on the last trading date of the 36-month period after 31 December 2019;
- ii. one third of the options granted would be exercisable within the period starting from the first trading date immediately after the end of the abovementioned 36-month period, and ending on the last trading date of the 48-month period after 31 December 2019; and
- iii. one third of the options granted would be exercisable within the period starting from the first trading date immediately after the end of the abovementioned 48-month period, and ending on the last trading date of the 60-month period after 31 December 2019.



Details of the options granted under the Share Option Scheme and those remained outstanding as at 30 June 2021 are as follows:

Name of Option Holders	Number of Options				Outstanding as at 30 June 2021	Exercise Price ⁽¹⁾
	Outstanding as at 1 January 2021	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period		
Directors						
Ms. Peng Jiahong	1,322,000	–	–	–	1,322,000	HKD5.97
Mr. Yu Gang	1,322,000	–	–	–	1,322,000	HKD5.97
Other Employees	12,430,000 ⁽²⁾	–	–	991,000 ⁽²⁾	12,430,000	HKD5.97
Total	15,074,000	–	–	991,000	15,074,000	

Notes:

- (1) Representing the higher of: a. the closing price of HKD5.97 per Share as stated in the Stock Exchange's daily quotations sheet on the effective date; and b. the average closing price of HKD5.746 per Share as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the effective date. Closing price of the Shares immediately before the effective date is HKD5.90 per Share.
- (2) The number of 13,421,000 options vested on 31 December 2020 and the number of 991,000 options lapsed on 1 January 2021, therefore, the number of outstanding options on 1 January 2021 was 12,430,000 options.

The Board considers that it is not appropriate to state the value of the options granted pursuant to the Share Option Scheme as if they were granted at the date of this report. The Board believes that any statement regarding the value of the options as at the date of this report will not be meaningful to the Shareholders and to a certain extent would be misleading to the Shareholders, taking into account the number of variables which are crucial for assessing the value of the options which have not been determined.

A summary of the terms of the Share Option Scheme has been set out in the circular of the Company dated 12 December 2019.



DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2021.

CHANGES IN DIRECTORS' INFORMATION

The changes in Directors' information which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are as follows:

1. Mr. Zhang Yichen, the former chairman of the Board and non-executive Director, ceased to be a non-executive director of Frontier Services Group Limited (whose shares are listed on the Main Board of the Stock Exchange (stock code: 500)) since February 2021 and the independent director of Sina Corporation (whose shares were listed on the NASDAQ Stock Market) since March 2021. Since April 2021, he has served as an independent non-executive director of Hong Kong Exchanges and Clearing Limited (whose shares are listed on the Main Board of the Stock Exchange (stock code: 388)). Mr. Zhang Yichen resigned as a Director on 27 August 2021.
2. Mr. Tong Chaoyin, a non-executive Director, has served as a director of China Meheco Co., Ltd. (中國醫藥健康產業股份有限公司) (whose shares are listed on the Shanghai Stock Exchange (stock code: 600056)) since May 2021.
3. Ms. Liu Kun, a former non-executive Director, has served as an executive director, general manager and legal representative of General Technology Group Pharmaceutical Holdings, Ltd. (通用技術集團醫藥控股有限公司), which is a wholly-owned subsidiary of GT-PRC, the controlling shareholder of the Company, since April 2021. Ms. Liu Kun resigned as a Director on 9 September 2021.
4. Mr. Li Yinquan, an independent non-executive Director, ceased to be an independent director of Lizhi Inc. (whose shares are listed on the NASDAQ Stock Market (stock code: LIZI)) since June 2021.

Save as disclosed above, during the reporting period and up to the date of this interim report, there were no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.



DISCLOSURE REQUIRED UNDER RULE 13.18 OF THE LISTING RULES

As at 30 June 2021, other than the circumstances as disclosed in the Prospectus and the announcements of the Company dated 25 November 2020, 12 May 2020, 4 September 2018 and 11 December 2017 respectively as required under Rule 13.18 of the Listing Rules, there were no other matters that gave rise to a disclosure required under Rule 13.18 of the Listing Rules.

PUBLICATION OF THE INTERIM REPORT

This interim report, in both English and Chinese versions, is available on the Company's website at www.umcare.com and the website of the Stock Exchange at www.hkexnews.hk.

Shareholders who have chosen or have been deemed consent to receive the corporate communications of the Company via the Company's website, and who for any reason have difficulty in receiving or gaining access to the corporate communications posted on the Company's website will promptly upon request be sent the interim report in printed form by post free of charge. Shareholders may at any time change their choice of the means of receipt and language(s) of corporate communications of the Company.

Shareholders may request for printed copy of the interim report or change their choice of means of receipt and language of the corporate communications of the Company by sending at least a 7-day notice in writing to the Company's share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, or by sending an email to unimedical.ecom@computershare.com.hk.

**To the board of directors of
Genertec Universal Medical Group Company Limited**
(Incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 62 to 116, which comprises the condensed consolidated statement of financial position of Genertec Universal Medical Group Company Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2021 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Certified Public Accountants

Hong Kong
27 August 2021



INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

	Notes	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
REVENUE	5	5,007,536	4,024,155
Cost of sales		(2,643,912)	(2,310,364)
Gross profit		2,363,624	1,713,791
Other income and gains	5	83,266	42,250
Selling and distribution costs		(260,680)	(180,529)
Administrative expenses		(380,016)	(256,464)
Impairment losses on financial assets, net		(171,730)	(118,925)
Other expenses		(153,047)	(62,606)
Finance costs		(13,037)	(13,991)
Share of profits and losses of:			
A joint venture		7,003	4,845
An associate		131	(178)
PROFIT BEFORE TAX	6	1,475,514	1,128,193
Income tax expense	7	(349,991)	(267,215)
PROFIT FOR THE PERIOD		1,125,523	860,978
Attributable to:			
Owners of the parent		1,049,956	793,402
Non-controlling interests		39,967	17,776
Other equity instruments		35,600	49,800
		1,125,523	860,978
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic (expressed in RMB per share)		0.57	0.46
Diluted (expressed in RMB per share)		0.53	0.46

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021



	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
PROFIT FOR THE PERIOD	1,125,523	860,978
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods		
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the period	(46,636)	158,465
Reclassification adjustments included in the consolidated statement of profit or loss	12,432	(123,448)
Income tax effect	13,884	(14,779)
	(20,320)	20,238
Exchange differences on translation of foreign operations	(767)	–
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	(21,087)	20,238
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Actuarial losses on the post-retirement benefit obligations, net of tax	(1,527)	(1,367)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	(1,527)	(1,367)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	(22,614)	18,871
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,102,909	879,849
Attributable to:		
Owners of the parent	1,028,088	812,941
Non-controlling interests	39,221	17,108
Other equity instruments	35,600	49,800
	1,102,909	879,849

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

	Notes	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	2,419,625	2,346,601
Right-of-use assets		791,593	763,089
Loans and accounts receivables	12	40,054,282	35,532,729
Prepayments, deposits and other receivables		60,816	48,710
Goodwill		102,249	69,908
Deferred tax assets		514,184	398,739
Investment in a joint venture		469,345	455,892
Investment in an associate		4,223	4,215
Other assets		58,283	58,603
Total non-current assets		44,474,600	39,678,486
CURRENT ASSETS			
Inventories		236,727	198,034
Loans and accounts receivables	12	20,665,742	18,662,682
Prepayments, deposits and other receivables		328,830	258,402
Derivative financial instruments		12,363	9,173
Restricted deposits		964,499	667,701
Cash and cash equivalents	13	3,212,184	2,036,535
Total current assets		25,420,345	21,832,527
CURRENT LIABILITIES			
Trade payables	14	1,176,133	868,396
Other payables and accruals		1,955,813	2,190,903
Interest-bearing bank and other borrowings	15	20,069,256	19,850,230
Derivative financial instruments		456,454	337,083
Tax payable		177,790	73,059
Total current liabilities		23,835,446	23,319,671
NET CURRENT ASSETS/(LIABILITIES)		1,584,899	(1,487,144)
TOTAL ASSETS LESS CURRENT LIABILITIES		46,059,499	38,191,342



INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

	Notes	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
NON-CURRENT LIABILITIES			
Convertible bonds – host debts		885,785	–
Interest-bearing bank and other borrowings	15	24,348,724	20,131,111
Other payables and accruals		3,369,310	3,018,646
Derivative financial instruments		110,463	76,250
Total non-current liabilities		28,714,282	23,226,007
Net assets		17,345,217	14,965,335
EQUITY			
Equity attributable to owners of the parent			
Share capital	16	5,297,254	4,327,842
Equity component of convertible bonds		75,486	–
Reserves	17	6,990,678	6,442,672
		12,363,418	10,770,514
Other equity instruments		2,185,593	1,652,387
Non-controlling interests		2,796,206	2,542,434
Total equity		17,345,217	14,965,335

Peng Jiahong
Director

Yu Gang
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the parent										Total equity RMB'000		
	Share of convertible capital RMB'000 (Note 16)	Equity component of convertible bonds RMB'000	Share of capital RMB'000 (Note 17)	Capital reserve* RMB'000 (Note 17)	Statutory reserve* RMB'000 (Note 17)	Share-based compensation reserve* RMB'000 (Note 17)	Exchange fluctuation reserve* RMB'000 (Note 17)	Hedge reserve* RMB'000	Post- retirement benefit reserve* RMB'000	Retained profits* RMB'000		Total RMB'000	Other equity instruments RMB'000
At 31 December 2020 (Audited)	4,327,842	-	34,774	870,192	5,798	29,248	23,090	(3,232)	5,482,802	10,770,514	1,652,387	2,542,434	14,965,335
Profit for the period	-	-	-	-	-	-	-	-	1,049,956	1,049,956	35,600	39,967	1,125,523
Other comprehensive income for the period:													
Cash flow hedges, net of tax	-	-	-	-	-	-	(20,320)	-	-	-	-	-	(20,320)
Exchange differences on translation of foreign operations	-	-	-	-	-	(767)	-	-	-	(767)	-	-	(767)
Actuarial losses on the post-retirement benefit obligations, net of tax	-	-	-	-	-	-	-	(781)	-	(781)	-	(746)	(1,527)
Total comprehensive income for the period	-	-	-	-	-	(767)	(20,320)	(781)	1,049,956	1,028,088	35,600	39,221	1,102,909
Issue of shares	969,412	-	-	-	-	-	-	-	-	969,412	-	-	969,412
Dividends (Note 8)	-	-	-	-	-	-	-	-	(482,981)	(482,981)	-	-	(482,981)
Issuance of convertible bonds	-	75,486	-	-	-	-	-	-	-	75,486	-	-	75,486
Issuance of renewable corporate bonds	-	-	-	-	-	-	-	-	-	-	497,606	-	497,606
Recognition of equity-settled share-based payments	-	-	-	-	2,899	-	-	-	-	2,899	-	-	2,899
Acquisition of subsidiaries (Note 3)	-	-	-	-	-	-	-	-	-	-	-	214,551	214,551
At 30 June 2021 (Unaudited)	5,297,254	75,486	34,774	870,192	8,697	28,481	2,770	(4,013)	6,049,777	12,363,418	2,185,593	2,796,206	17,345,217

* These reserve accounts comprise the consolidated reserves of RMB6,990,678,000 (31 December 2020: RMB6,442,672,000) in the interim condensed consolidated statement of financial position.



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the parent											
	Share capital RMB'000 (Note 16)	Capital reserve* RMB'000 (Note 17)	Statutory reserve* RMB'000 (Note 17)	Share-based compensation reserve* RMB'000 (Note 17)	Exchange fluctuation reserve* RMB'000 (Note 17)	Hedge reserve* RMB'000	Post-retirement benefit reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Other equity instruments RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2019 (Audited)	4,327,842	33,302	691,382	—	29,248	(58,824)	(1,838)	4,468,192	9,489,304	1,652,387	2,305,517	13,447,208
Profit for the period	-	-	-	-	-	-	-	793,402	793,402	49,800	17,776	860,978
Other comprehensive income for the period:												
Cash flow hedges, net of tax	-	-	-	-	-	20,238	-	-	20,238	-	-	20,238
Actuarial losses on the post-retirement benefit obligations, net of tax	-	-	-	-	-	-	(699)	-	(699)	-	(668)	(1,367)
Total comprehensive income for the period	-	-	-	-	-	20,238	(699)	793,402	812,941	49,800	17,108	879,849
Dividends	-	-	-	-	-	-	-	(454,117)	(454,117)	-	-	(454,117)
Recognition of equity-settled share-based payments	-	-	-	2,897	-	-	-	-	2,897	-	-	2,897
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	120,206	120,206
At 30 June 2020 (Unaudited)	4,327,842	33,302	691,382	2,897	29,248	(38,586)	(2,537)	4,807,477	9,851,025	1,702,187	2,442,831	13,996,043



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Notes	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		1,475,514	1,128,193
Adjustments for:			
Finance costs and interest expense		809,771	926,181
Interest income	5	(20,954)	(21,917)
Share of profits of a joint venture and an associate		(7,134)	(4,667)
Derivative instruments – transactions not qualifying as hedges:			
– Unrealised fair value losses/(gains), net	6	121,488	(15,877)
– Realised fair value losses/(gains), net	6	25,120	(229)
Depreciation and amortisation, exclusive of right-of-use assets		134,660	110,632
Depreciation of right-of-use assets		21,328	23,305
Impairment of loans and accounts receivables and other receivables	6	171,730	118,925
Loss on disposal of items of property, plant and equipment	6	3,612	91
Equity-settled share-based compensation expense	6	2,899	2,897
Foreign exchange (gains)/losses, net	6	(58,161)	56,369
		2,679,873	2,323,903
Increase in inventories		(26,276)	(25,335)
Increase in loans and accounts receivables		(6,676,833)	(1,123,771)
(Increase)/decrease in prepayments, deposits and other receivables		(52,183)	16,375
Increase in other assets		(2,374)	(3)
(Increase)/decrease in amounts due from related parties		(95)	1,667
Increase/(decrease) in trade payables		259,563	(707,853)
Increase in other payables and accruals		69,212	408,569
Increase in amounts due to related parties		5,712	22,189
Net cash flows (used in)/from operating activities before tax and interest		(3,743,401)	915,741
Interest received		17,887	10,633
Income tax paid		(328,299)	(312,395)
Net cash flows (used in)/from operating activities		(4,053,813)	613,979



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

Notes	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received from an associate	123	245
Realised losses on derivative financial instruments not qualifying as hedges	(42,849)	(70)
Decrease in time deposits	74,500	69,762
Acquisition of subsidiaries	42,974	41,961
Other receipt of investments	12,761	67,468
Other repayments of investments	–	(10,000)
Addition to a joint venture	(6,450)	–
Proceeds from disposal of items of property, plant and equipment and other non-current assets	–	176
Cash paid for acquisition of property, plant and equipment and other non-current assets	(125,679)	(186,811)
Net cash flows used in investing activities	(44,620)	(17,269)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of renewable corporate bonds	497,606	–
Proceeds from issue of convertible bonds	1,054,716	–
Proceed from issue of shares	969,412	–
Cash received from new borrowings	15,080,164	11,820,492
Repayments of borrowings	(8,911,350)	(10,092,628)
Cash paid for restricted deposits	(462,789)	(586,485)
Receipt of restricted deposits	90,888	63,993
Increase in amounts due to related parties	4,008,744	407,246
Decrease in amounts due to related parties	(5,125,608)	(653,572)
Interest paid	(824,302)	(805,311)
Principal portion of lease payments	(542,275)	(887,487)
Receipt of other financing activities	226,176	135,005
Cash paid on other financing activities	(295,123)	(92,921)
Dividends paid	(482,981)	(454,117)
Net cash flows from/(used in) financing activities	5,283,278	(1,145,785)



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Notes	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		1,184,845	(549,075)
Cash and cash equivalents at beginning of the period		2,036,535	3,385,867
Effect of exchange rate changes on cash and cash equivalents		(9,196)	(3,370)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		3,212,184	2,833,422
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		4,003,683	3,840,331
Less: Restricted deposits		(791,499)	(1,006,909)
Cash and cash equivalents as stated in the statement of financial position	13	3,212,184	2,833,422
Cash and cash equivalents as stated in the statement of cash flows		3,212,184	2,833,422



1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2020.

The financial information relating to the year ended 31 December 2020 that is included in the interim condensed consolidated statement of financial position as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance. The Company's auditors have reported on the financial statements for the year ended 31 December 2020. The auditor's report was unqualified; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

This interim condensed consolidated financial information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand ("RMB'000") except when otherwise indicated.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 9, HKAS 39,
HKFRS 7, HKFRS 4 and HKFRS 16
Amendment to HKFRS 16

Interest Rate Benchmark Reform – Phase 2

*Covid-19-Related Rent Concessions beyond
30 June 2021 (early adopted)*



2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy.

The Group had certain interest-bearing bank and other borrowings denominated in Hong Kong dollars and foreign currencies based on the Hong Kong Interbank Offered Rate and the London Interbank Offered Rate (“LIBOR”) as at 30 June 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendments did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the “economically equivalent” criterion is met.



2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the period ended 30 June 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the covid-19 pandemic. The amendment did not have any impact on the financial position and performance of the Group.

3. BUSINESS COMBINATIONS

The acquisitions of subsidiaries accounted for as business combinations are set out as follows:

On 1 February 2021, Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd., a wholly-owned subsidiary of the Group ("Hospital Investmentment Co., Ltd."), acquired a 72.75% equity interest in Genertec Universal (Xi'an) Health Hospital Management Co., Ltd. at a consideration of RMB200,000,000. Upon completion of the transaction, Genertec Universal (Xi'an) Health Hospital Management Co., Ltd. is the promoter of Xi'an Beihuan Hospital.

On 28 February 2021, Hospital Investmentment Co., Ltd. acquired a 51% equity interest in Liangshanzhou Huankang Hospital Management Co., Ltd. at a consideration of RMB176,418,000. Pangang Group Xichang New Steel Enterprise Co., Ltd. contributed RMB169,500,000 with 100% equity of Liangshanzhou Panxin Health Management Co., Ltd. to Liangshanzhou Huankang Hospital Management Co., Ltd. Liangshanzhou Panxin Health Management Co., Ltd. is the promoter of Pangang Group Xichang Hospital.

On 30 April 2021, Hospital Investmentment Co., Ltd. acquired a 60% equity interest in Beijing Huankang Hospital Management Co., Ltd. at a consideration of RMB2,342,000. Upon completion of the transaction, Beijing Huankang Hospital Management Co., Ltd. is the promoter of China Building Material Academy Guangzhuang Dongli Hospital.



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

3. BUSINESS COMBINATIONS (CONTINUED)

The fair values of the identifiable assets and liabilities of all the subsidiaries acquired during the period as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000 (Unaudited)
Assets	
Property, plant and equipment	101,776
Right-of-use assets	37,743
Cash and cash equivalents	42,974
Loans and accounts receivables	19,427
Prepayments, deposits and other receivables	38,376
Receivable of consideration to be paid as capital injection	378,760
Inventories	12,417
Other assets	267
	631,740
Liabilities	
Trade payables	49,578
Other payables and accruals	21,192
	70,770
Total identifiable net assets at fair value	560,970
Non-controlling interests	(214,551)
Goodwill on acquisition	32,341
Purchase consideration transferred	378,760
Including:	
Consideration paid as additional capital injection to the subsidiaries after acquisition	176,418
Consideration unpaid as additional capital injection to the subsidiaries after acquisition	202,342
An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:	
Cash and bank balances acquired	42,974
Net inflow of cash and cash equivalents included in cash flows from investing activities	42,974
Transaction costs of the acquisition included in cash flows from operating activities	(18)
	42,956



3. BUSINESS COMBINATIONS (CONTINUED)

Reconciliation of the carrying amount of the Group's goodwill at the beginning and end of the reporting period is presented below:

	RMB'000 (Unaudited)
Gross carrying amount	
At 1 January 2021	69,908
Acquisition of a subsidiary	32,341
<hr/>	
At 30 June 2021	102,249
<hr/>	
Net book value	
At 1 January 2021	69,908
At 30 June 2021	102,249

The fair values of the loans and accounts receivables and prepayments, deposits and other receivables as at the date of acquisition amounted to RMB19,427,000 and RMB38,376,000, respectively. The gross contractual amounts of loans and accounts receivables were RMB20,853,000, of which RMB1,426,000 was expected to be uncollectible. The gross contractual amounts of prepayments, deposits and other receivables were RMB38,819,000, of which RMB443,000 was expected to be uncollectible.

The Group incurred transaction costs of RMB18,000 for these acquisitions. These transaction costs have been expensed and are included in other expenses in the interim condensed consolidated statement of profit or loss.

Since the acquisitions, subsidiaries contributed RMB101,251,000 to the Group's revenue and RMB10,972,000 to the consolidated profit for the six months ended 30 June 2021.

Had the combination taken place at the beginning of the period, the revenue from continuing operations of the Group and the profit after tax of the Group for the period would have been RMB5,055,568,000 and RMB1,127,128,000, respectively.

The assessments of the fair values of the identifiable assets and liabilities are still ongoing and the information of the fair values of the identifiable assets and liabilities is provisional. The finalised information will be disclosed in the consolidated financial statements of the Group for the year ending 31 December 2021.



4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into two operating segments, namely the finance and advisory business and the hospital group business based on the internal organisational structure, management's requirement and the internal reporting system:

- The finance and advisory business comprises primarily (a) direct finance leasing; (b) sale-and-leaseback; (c) factoring; (d) operating leases; and (e) advisory services; and
- The hospital group business comprises primarily (a) medical services; (b) hospital and healthcare management; and (c) import and export trade and domestic trade of medical-related goods.

Management monitors the operating results of the Group's business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Group.

Segment revenue, results and assets mainly include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Intersegment transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.



4. OPERATING SEGMENT INFORMATION (CONTINUED)

As at and for the six months ended 30 June 2021

	Finance and advisory RMB'000 (Unaudited)	Hospital group RMB'000 (Unaudited)	Adjustments and eliminations RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue:				
Sales to external customers	2,889,132	2,118,404	–	5,007,536
Cost of sales	(862,661)	(1,847,177)	65,926	(2,643,912)
Other income and gains	74,553	74,639	(65,926)	83,266
Selling and distribution costs and administrative expenses	(439,727)	(200,969)	–	(640,696)
Impairment losses on financial assets, net	(170,007)	(1,723)	–	(171,730)
Share of profit of an associate	–	131	–	131
Share of profit of a joint venture	–	7,003	–	7,003
Other expenses	(150,563)	(2,484)	–	(153,047)
Finance costs	(2,024)	(11,013)	–	(13,037)
Profit before tax	1,338,703	136,811	–	1,475,514
Income tax expense	(335,321)	(14,670)	–	(349,991)
Profit after tax	1,003,382	122,141	–	1,125,523
Segment assets	63,905,648	8,630,279	(2,640,982)	69,894,945
Segment liabilities	53,038,267	2,152,443	(2,640,982)	52,549,728
Other segment information:				
Impairment losses recognised in the statement of profit or loss	170,007	1,723	–	171,730
Depreciation and amortisation	24,266	131,722	–	155,988
Investment in an associate	–	4,223	–	4,223
Investment in a joint venture	–	469,345	–	469,345
Capital expenditure	18,608	107,071	–	125,679



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

4. OPERATING SEGMENT INFORMATION (CONTINUED)

As at and for the six months ended 30 June 2020

	Finance and advisory RMB'000 (Unaudited)	Hospital group RMB'000 (Unaudited)	Adjustments and eliminations RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue:				
Sales to external customers	2,480,455	1,543,700	–	4,024,155
Cost of sales	(958,975)	(1,398,174)	46,785	(2,310,364)
Other income and gains	31,877	57,158	(46,785)	42,250
Selling and distribution costs and administrative expenses	(303,836)	(133,157)	–	(436,993)
Impairment losses on financial assets, net	(105,633)	(13,292)	–	(118,925)
Share of loss of an associate	–	(178)	–	(178)
Share of profit of a joint venture	–	4,845	–	4,845
Other expenses	(59,543)	(3,063)	–	(62,606)
Finance costs	(2,830)	(11,161)	–	(13,991)
Profit before tax	1,081,515	46,678	–	1,128,193
Income tax expense	(263,609)	(3,606)	–	(267,215)
Profit after tax	817,906	43,072	–	860,978
Segment assets	53,771,095	8,123,918	(2,695,836)	59,199,177
Segment liabilities	45,718,584	2,180,386	(2,695,836)	45,203,134
Other segment information:				
Impairment losses recognised in the statement of profit or loss	105,633	13,292	–	118,925
Depreciation and amortisation	27,128	106,809	–	133,937
Investment in an associate	–	3,775	–	3,775
Investment in a joint venture	–	449,652	–	449,652
Capital expenditure	27,275	159,536	–	186,811



4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

(a) Sales to external customers

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Mainland China	5,007,536	4,022,047
Hong Kong	–	2,108
	5,007,536	4,024,155

The revenue information is based on the locations of customers.

(b) Non-current assets

All non-current assets of the operations, excluding financial instruments and deferred tax assets, are all located in Mainland China.

Information about major customers

There was no single customer from which the revenue was derived contributed 10% or more of the total revenue of the Group during the period.



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5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue, other income and gains is as follows:

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue		
Finance lease income	600,828	1,069,625
Factoring Income	11,967	–
Long-term receivable income arising from sale-and-leaseback arrangements	1,659,311	988,864
Revenue from contracts with customers	2,737,231	1,971,242
Revenue from other sources	16,462	8,831
Tax and surcharges	(18,263)	(14,407)
	5,007,536	4,024,155



5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2021

Segments	Finance and advisory RMB'000 (Unaudited)	Hospital group RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Types of goods or services			
Service fee income	632,157	6,981	639,138
Sale of finished goods	–	144,296	144,296
Healthcare service income	–	1,953,797	1,953,797
Total revenue from contracts with customers	632,157	2,105,074	2,737,231
Geographical market			
Mainland China	632,157	2,105,074	2,737,231
Total revenue from contracts with customers	632,157	2,105,074	2,737,231
Timing of revenue recognition			
Goods transferred at a point in time	–	144,296	144,296
Services transferred at a point in time	632,157	1,960,778	2,592,935
Total revenue from contracts with customers	632,157	2,105,074	2,737,231



5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Disaggregated revenue information for revenue from contracts with customers (Continued)

For the six months ended 30 June 2020

Segments	Finance and advisory RMB'000 (Unaudited)	Hospital group RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Types of goods or services			
Service fee income	433,795	7,127	440,922
Sale of finished goods	–	70,464	70,464
Healthcare service income	–	1,459,856	1,459,856
Total revenue from contracts with customers	433,795	1,537,447	1,971,242
Geographical markets			
Mainland China	433,795	1,535,339	1,969,134
Hong Kong	–	2,108	2,108
Total revenue from contracts with customers	433,795	1,537,447	1,971,242
Timing of revenue recognition			
Goods transferred at a point in time	–	70,464	70,464
Services transferred at a point in time	433,795	1,466,983	1,900,778
Total revenue from contracts with customers	433,795	1,537,447	1,971,242



5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Disaggregated revenue information for revenue from contracts with customers (Continued)

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

For the six months ended 30 June 2021

Segments	Finance and advisory RMB'000 (Unaudited)	Hospital group RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue from contracts with customers			
External customers	632,157	2,105,074	2,737,231
Intersegment sales	–	–	–
Intersegment adjustments and eliminations	–	–	–
Total revenue from contracts with customers	632,157	2,105,074	2,737,231

For the six months ended 30 June 2020

Segments	Finance and advisory RMB'000 (Unaudited)	Hospital group RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue from contracts with customers			
External customers	433,795	1,537,447	1,971,242
Intersegment sales	–	–	–
Intersegment adjustments and eliminations	–	–	–
Total revenue from contracts with customers	433,795	1,537,447	1,971,242



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5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Other income and gains		
Interest income	20,954	21,917
Derivative instruments – transactions not qualifying as hedges		
– Unrealised fair value gains, net	–	15,877
– Realised fair value gains, net	–	229
Government grants (note 5a)	2,585	2,047
Foreign exchange gains, net	58,161	–
Others	1,566	2,180
	83,266	42,250

5a. GOVERNMENT GRANTS

	2021	2020
	RMB'000	RMB'000
Government special subsidies	2,585	2,047



6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of borrowings included in cost of sales	796,735	912,190
Cost of inventories sold	96,576	49,088
Cost of medical services	1,085,783	843,607
Cost of others	9,894	4,888
Depreciation and amortisation*	155,488	133,937
Loss on disposal of items of property, plant and equipment	3,612	153
Research and development expenses*	7,432	8,506
Employee benefit expense*		
– Equity-settled share-based compensation expense	2,899	2,897
– Wages and salaries	575,360	547,850
– Pension scheme contributions	77,675	40,042
– Other employee benefits	116,593	87,447
	772,527	678,236
Impairment of loans and accounts receivables and other receivables	171,730	118,925
Foreign exchange (gains)/losses, net	(58,161)	56,369
– Cash flow hedges (transfer from equity to offset foreign exchange)	12,432	(123,448)
– Others	(70,593)	179,817
Derivative instruments – transactions not qualifying as hedges		
– Unrealised fair value losses/(gains), net (note 5)	121,488	(15,877)
– Realised fair value losses/(gains), net (note 5)	25,120	(229)

* The amortisation of intangible assets and the employee benefit expense from research and development activities are included in research and development expenses.



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7. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current – Mainland China		
Charge for the period	450,610	349,079
Underprovision/(Overprovision) in prior years	942	(11,357)
Deferred tax	(101,561)	(70,507)
Total tax charge for the period	349,991	267,215

Hong Kong profits tax is provided at the rate of 16.5% (six months ended 30 June 2020: 16.5%) on the estimated assessable profits arising in Hong Kong. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

The income tax provision of the Group in respect of its operations in Mainland China has been calculated at the applicable tax rate of 0% to 25% (six months ended 30 June 2020: 0% to 25%) on the estimated assessable profits for the six months ended 30 June 2021 based on existing legislation, interpretations and practices in respect thereof.

The subsidiaries incorporated in the Cayman Islands are exempted from income tax in the Cayman Islands.



7. INCOME TAX EXPENSE (CONTINUED)

A reconciliation of the tax charge applicable to profit before tax using the statutory/applicable rate for the jurisdiction in which the majority of its subsidiaries are domiciled to the tax charge at the effective tax rate is as follows:

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Profit before tax	1,475,514	1,128,193
At PRC statutory income tax rate	368,879	282,048
Expenses not deductible for tax purposes	6,854	4,638
Income not subject to tax	(29,158)	(11,739)
Profits attributable to a joint venture and an associate	(1,783)	(1,211)
Adjustment on current income tax in respect of prior years	942	(11,357)
Unrecognised tax losses	1,819	4,429
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	16,281	14,452
Additional deductible expense	(13,843)	(14,045)
Income tax expense as reported in the interim condensed consolidated statement of profit or loss	349,991	267,215

The share of tax attributable to an associate and a joint venture amounting to approximately RMB4,000 (six months ended 30 June 2020: Nil) and RMB2,235,000 (six months ended 30 June 2020: RMB1,492,000), respectively, is included in "Share of profit and loss of an associate" and "Share of profit and loss of a joint venture" in the consolidated statement of profit or loss.

8. DIVIDENDS

A final dividend of HK\$0.31 per share totalling HK\$586,377,000 (equivalent to RMB482,981,000) in respect of the year ended 31 December 2020 had been approved at the annual general meeting of the Company held on 8 June 2021 and was paid on 24 June 2021.

The board of directors resolved not to declare any interim dividend to shareholders in respect of the period for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).



9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Basic earnings per share for the six months ended 30 June 2021 and 2020 are calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the respective periods.

The calculation of the diluted earnings per share amounts is based on the consolidated net profit for the period attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the convertible bonds, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

The calculations of basic and diluted earnings per share are based on:

Earnings

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	1,049,956	793,402
Interest on convertible bonds	9,587	–
Profit attributable to ordinary equity holders of the parent, before the above impact arising from convertible bonds	1,059,543	793,402



9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (CONTINUED)

Shares

	Number of shares	
	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation	1,827,030,043	1,716,304,580
Effect of dilution – weighted average number of ordinary shares:		
Share options	1,303,260	1,523,556
Convertible bonds	177,210,365	–
Weighted average number of ordinary shares for diluted earnings per share	2,005,543,668	1,717,828,136

	For the six months ended 30 June	
	2021	2020
	RMB	RMB
	(Unaudited)	(Unaudited)
Basic earnings per share	0.57	0.46
Diluted earnings per share	0.53	0.46

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired property, plant and equipment at a total cost of RMB206,775,000 (six months ended 30 June 2020: RMB160,347,000), including those through acquisition of subsidiaries.

The property, plant and equipment disposed of by the Group during the six months ended 30 June 2021 was nil (30 June 2020: RMB267,000), resulting in a net loss on disposal of nil (30 June 2020: RMB91,000).



11. FINANCIAL INSTRUMENTS BY CATEGORY

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Financial assets		
Debt instruments at amortised cost:		
Loans and accounts receivables	60,720,024	54,195,411
Financial assets included in prepayments, deposits and other receivables	132,130	138,218
Restricted deposits	964,499	667,701
Cash and cash equivalents	3,212,184	2,036,535
Financial assets at fair value through profit or loss:		
Derivative financial instruments	12,363	–
Hedging instruments designated in cash flow hedges:		
Derivative financial instruments designated as cash flow hedges	–	9,173
Total	65,041,200	57,047,038
Financial liabilities		
Financial liabilities at amortised cost:		
Trade payables	1,176,133	868,396
Financial liabilities included in other payables and accruals	3,740,720	3,928,659
Convertible bonds-host debts	885,785	–
Interest-bearing bank and other borrowings	44,417,980	39,981,341
Financial liabilities at fair value through profit or loss:		
Derivative financial instruments	63,757	6,545
Hedging instruments designated in cash flow hedges:		
Derivative financial instruments designated as cash flow hedges	503,160	406,788
Total	50,787,535	45,191,729



12. LOANS AND ACCOUNTS RECEIVABLES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Loans and accounts receivables due within one year	20,665,742	18,662,682
Loans and accounts receivables due after one year	40,054,282	35,532,729
	60,720,024	54,195,411

12a. Loans and accounts receivables by nature

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Gross lease receivables (note 12b)	14,784,058	22,025,928
Less: Unearned finance income	(1,890,302)	(2,597,394)
Net lease receivables (note 12b) **	12,893,756	19,428,534
Long-term receivables arising from sale-and-leaseback arrangements (note 12c) **	47,795,821	34,945,806
Factoring receivable (note 12d)**	548,816	275,882
Subtotal of interest-earning assets	61,238,393	54,650,222
Accounts receivables (note 12e)*	794,434	687,994
Notes receivables (note 12f)	2,079	430
Subtotal of loans and accounts receivables	62,034,906	55,338,646
Less:		
Provision of lease receivables	(669,744)	(715,515)
Provision for long-term receivables arising from sale-and-leaseback arrangements	(620,856)	(407,839)
Provision of factoring receivables	(5,464)	(2,703)
Provision of accounts receivables	(18,818)	(17,178)
Total	60,720,024	54,195,411

* These balances included balances with related parties which are disclosed in note 12i to the interim condensed consolidated financial information.

** These balances are included in the interest-earning assets as disclosed in note 12g.



12. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

12b. (1) An ageing analysis of lease receivables, determined based on the ageing of the receivables since the effective date of the relevant lease contracts, as at the end of the reporting period is as follows:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Gross lease receivables		
2 to 3 years	4,643,796	10,995,409
3 years and beyond	10,140,262	11,030,519
Total	14,784,058	22,025,928
Net lease receivables		
2 to 3 years	4,064,045	9,698,939
3 years and beyond	8,829,711	9,729,595
Total	12,893,756	19,428,534



12. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

12b. (2) The table below illustrates the gross and net amounts of lease receivables that the Group expects to receive in the following consecutive accounting years:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Gross lease receivables		
Due within 1 year	7,996,624	10,856,003
Due in 1 to 2 years	5,116,353	7,429,166
Due in 2 to 3 years	1,460,867	3,252,150
Due after 3 years	210,214	488,609
Total	14,784,058	22,025,928
Net lease receivables		
Due within 1 year	6,693,605	9,219,306
Due in 1 to 2 years	4,656,260	6,714,139
Due in 2 to 3 years	1,345,017	3,037,926
Due after 3 years	198,874	457,163
Total	12,893,756	19,428,534

There was no unguaranteed residual value in connection with finance lease arrangements or contingent lease arrangements of the Group that need to be recorded as at the end of the reporting period.

As at 30 June 2021, the amounts of the gross lease receivables and net lease receivables pledged as security for the Group's borrowings were RMB1,821,422,000 and RMB1,668,357,000 respectively (as at 31 December 2020: RMB2,303,825,000 and RMB2,084,462,000).

12. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

12c. (1) An ageing analysis of long-term receivables arising from sale-and-leaseback arrangements, determined based on the ageing of the receivables since the effective dates of the relevant loan contracts, as at the end of the reporting period is as follows:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 1 year	29,653,671	19,895,124
1 to 2 years	12,138,871	15,050,682
2 to 3 years	6,003,279	–
Total	47,795,821	34,945,806

12c. (2) The table below illustrates the amounts of long-term receivables arising from sale-and-leaseback arrangements that the Group expects to receive in the following consecutive accounting years:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Due within 1 year	13,498,907	9,049,697
Due in 1 to 2 years	11,999,823	8,618,269
Due in 2 to 3 years	11,557,568	7,987,677
Due after 3 years	10,739,523	9,290,163
Total	47,795,821	34,945,806

As at 30 June 2021, the Group's long-term receivables arising from sale-and-leaseback arrangements pledged or charged as security for the Group's bank and other borrowings amounted to RMB4,648,162,000 (as at 31 December 2020: RMB3,679,898,000).



12. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

12d. An ageing analysis of the factoring receivables, determined based on the ageing of the receivables since the recognition date of the factoring receivables, as at the end of the reporting period is as follows:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 1 year	325,052	275,882
1 to 2 years	223,764	–
Total	548,816	275,882

12e. (1) An ageing analysis of the accounts receivable, determined based on the ageing of the receivables since the recognition date of the accounts receivable, as at the end of the reporting period is as follows:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 1 year	775,970	646,991
More than 1 year	18,464	41,003
Total	794,434	687,994

Accounts receivables arose from the sale of medical equipment and medicine, the provision of medical services and the provision of advisory services. Except for some specific contracts, the Group generally does not provide credit terms to customers.

12. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

12e. (2) Provision for accounts receivables

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on ageing for groupings of various customer segments with similar loss patterns.

Set out below is the information about the credit risk exposure on the Group's accounts receivables using a provision matrix:

As at 30 June 2021 (Unaudited)	Ageing		Total
	Within 1 year	Over 1 year	
Gross carrying amount (RMB'000)	775,970	18,464	794,434
Expected credit loss (RMB'000)	6,319	12,499	18,818
Average expected credit loss rate	1%	68%	2%

As at 31 December 2020 (Audited)	Ageing		Total
	Within 1 year	Over 1 year	
Gross carrying amount (RMB'000)	646,991	41,003	687,994
Expected credit loss (RMB'000)	4,332	12,846	17,178
Average expected credit loss rate	1%	31%	2%

12f. An ageing analysis of notes receivables, determined based on the ageing of receivables since the recognition date, as at the end of the reporting period is as follows:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 1 year	2,079	430
Total	2,079	430



12. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

12g. Analysis of interest-earning assets by assessments

As at 30 June 2021 (Unaudited)	Stage I (12-month ECL) RMB'000	Stage II (Lifetime ECL) RMB'000	Stage III (Lifetime ECL- impaired) RMB'000	Total RMB'000
Total interest-earning assets	52,202,930	8,436,224	599,239	61,238,393
Allowance for impairment losses	(543,783)	(501,304)	(250,977)	(1,296,064)
Interest-earning assets, net	51,659,147	7,934,920	348,262	59,942,329

As at 31 December 2020 (Audited)	Stage I (12-month ECL) RMB'000	Stage II (Lifetime ECL) RMB'000	Stage III (Lifetime ECL- impaired) RMB'000	Total RMB'000
Total interest-earning assets	45,008,862	9,093,464	547,896	54,650,222
Allowance for impairment losses	(498,020)	(393,522)	(234,515)	(1,126,057)
Interest-earning assets, net	44,510,842	8,699,942	313,381	53,524,165

12h. Change in provision for interest-earning assets

The Group has applied the general approach to providing for expected credited losses ("ECL") prescribed by HKFRS 9 from 1 January 2019, which permits the use of either a twelve-month basis or a lifetime basis to record expected credit losses based on an expected credit loss model for interest-earning assets.

The Group has conducted an assessment of ECL according to forward-looking information and used appropriate models and a large number of assumptions in its expected measurement of credit losses. These models and assumptions relate to the future macroeconomic conditions and the borrower's creditworthiness (e.g., the likelihood of default by customers and the corresponding losses). The Group has adopted judgement, assumptions and estimation techniques in order to measure ECL according to the requirements of accounting standards, such as the criteria for judging significant increases in credit risk, definition of credit-impaired financial assets, parameters for measuring ECL and forward-looking information.

12. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

12h. Change in provision for interest-earning assets (continued)

In response to the covid-19 pandemic, the Group has rolled out certain relief measures on a commercial basis to customers impacted by the coronavirus to support their immediate cash flows and liquidity by offering principal moratorium or tenor extension. Because of the relief measure, the Group may not have the same level of credit risk information about repayment records as compared to what they had in the past. Therefore, the Group extended its effort done to obtain additional information for credit assessment, including those in covid-19 vulnerable sectors. The Group has paid special attention to the application of macroeconomic data and forward-looking information to ensure that the effect of covid-19 has been sufficiently reflected.

	Six months period ended 30 June 2021			
	Stage I	Stage II	Stage III	Total
	(12-month	(Lifetime ECL)	(Lifetime ECL-	
	ECL)	(Lifetime ECL)	impaired)	
	RMB'000	RMB'000	RMB'000	
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
At beginning of the period	498,020	393,522	234,515	1,126,057
Impairment losses for the period	108,101	3,408	58,498	170,007
Conversion to Stage I	826	(826)	–	–
Conversion to Stage II	(63,164)	118,710	(55,546)	–
Conversion to Stage III	–	(13,510)	13,510	–
At end of the period	543,783	501,304	250,977	1,296,064

	Year ended 31 December 2020			
	Stage I	Stage II	Stage III	Total
	(12-month ECL)	(Lifetime ECL)	(Lifetime ECL-	
	ECL)	(Lifetime ECL)	impaired)	
	RMB'000	RMB'000	RMB'000	
(Audited)	(Audited)	(Audited)	(Audited)	
At beginning of the year	403,611	303,539	178,225	885,375
Impairment losses for the year	121,953	25,324	135,091	282,368
Conversion to Stage I	32,248	(32,248)	–	–
Conversion to Stage II	(59,792)	109,492	(49,700)	–
Conversion to Stage III	–	(12,585)	12,585	–
Write-off	–	–	(41,686)	(41,686)
At end of the year	498,020	393,522	234,515	1,126,057



12. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

12i. BALANCE WITH A RELATED PARTY

The balances of loans and accounts receivables of the Group include the balance with a related party as follows:

Accounts receivables:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
China National Instruments Import & Export (Group) Corporation	1,805	1,805

The above related party is a subsidiary of China Genertec Technology (Group) Holding Limited ("Genertec Group").

The balance with the related party is unsecured, interest-free and repayable on demand.



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13. CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Cash and bank balances	4,003,683	2,456,736
Time deposits	173,000	247,500
	4,176,683	2,704,236
Less:		
Pledged deposits and restricted bank deposits	(791,499)	(420,201)
Time deposits with original maturity of more than three months	(173,000)	(247,500)
Cash and cash equivalents	3,212,184	2,036,535

As at 30 June 2021, the cash and bank balances of the Group denominated in RMB amounted to RMB2,982,926,000 (31 December 2020: RMB2,422,550,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at either fixed or floating rates based on daily bank deposit rates.

As at 30 June 2021, cash of RMB791,499,000 (31 December 2020: RMB420,201,000) was pledged for bank and other borrowings.

As at 30 June 2021, cash of RMB596,251,000 (31 December 2020: RMB1,125,850,000) was deposited with Genertec Finance Co., Ltd., which is a related party.



14. TRADE PAYABLES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade payables	1,175,964	866,823
Due to related parties (note 14a)	169	1,573
	1,176,133	868,396

The trade payables are non-interest-bearing and are repayable within one year or repayable based on the payment schedules agreed between the Group and the respective parties.

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 1 year	1,116,827	824,326
1 to 2 years	45,291	21,204
2 to 3 years	1,360	1,263
Over 3 years	12,655	21,603
	1,176,133	868,396

14a. BALANCES WITH RELATED PARTIES

Particulars of the amounts due to related parties are as follows:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade payables:		
Genertec International Logistics Co., Ltd.	87	88
Genertec Italia s.r.l.	82	1,150
Genertec Europe Temax GmbH	–	335
	169	1,573

The above related parties are subsidiaries of Genertec Group.

The balances with the related parties are unsecured, interest-free and repayable within one year or based on the payment schedules agreed between the Group and the respective parties.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2021 (Unaudited)			31 December 2020 (Audited)		
	Effective annual interest rate (%)	Maturity	RMB'000	Effective annual interest rate (%)	Maturity	RMB'000
Current:						
Bank loans – secured	3.95	2021	10,000	3.95	2021	10,000
– unsecured	0.95~4.55	2021~2022	3,211,293	1.08~4.57	2021	2,306,909
Current portion of long-term bank loans:						
– secured	3.90~4.99	2021~2022	1,432,574	3.98~5.51	2021	1,355,840
– unsecured	0.86~4.60	2021~2022	6,406,421	1.55~4.75	2021	5,439,223
Lease liabilities						
– secured	3.85~5.04	2021~2022	659,559	3.85~5.04	2021	659,853
– unsecured	4.75~4.90	2021~2022	34,965	4.75~4.90	2021	40,284
Bonds payable						
– unsecured	2.90~4.19	2021~2022	7,464,444	1.65~6.29	2021	6,344,062
Due to related parties						
– unsecured	4.00~4.35	2021	850,000	1.89~4.75	2021	3,694,059
			20,069,256			19,850,230
Non-current:						
Bank loans – secured	3.90~4.99	2022~2026	2,616,939	3.98~4.99	2022~2025	1,981,602
– unsecured	0.86~4.60	2022~2024	10,981,858	1.64~4.60	2022~2023	9,215,224
Bonds payable						
– unsecured	3.40~4.50	2023~2025	7,852,457	3.40~6.50	2022~2025	7,211,725
Lease liabilities						
– secured	3.85~4.50	2022~2023	913,378	3.85~5.04	2022~2023	1,421,700
– unsecured	4.75~4.90	2022~2031	42,072	4.75~4.90	2022~2024	52,240
Due to related parties						
– unsecured	1.92~4.00	2022~2024	1,942,020	4.00	2022	248,620
			24,348,724			20,131,111
Convertible bonds						
– host debts	2.00	2026	885,785			–
			25,234,509			20,131,111
			45,303,765			39,981,341



15. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Analysed into:		
Bank loans repayable:		
Within one year	11,060,288	9,111,972
In the second year	4,478,796	3,942,224
Beyond three years	9,120,001	7,254,602
	24,659,085	20,308,798
Other borrowings repayable:		
Within one year	9,008,968	10,738,258
In the second year	3,798,547	751,216
Beyond three years	7,837,165	8,183,069
	20,644,680	19,672,543
	45,303,765	39,981,341

Notes:

- (a) As at 30 June 2021, the Group's bank and other borrowings secured by loans and accounts receivables and cash and bank balances and time deposits were RMB5,632,450,000 (31 December 2020: RMB5,428,995,000).
- (b) As at 30 June 2021, the principal amounts of the Group's borrowings from related parties were RMB500,000,000 from China General Technology (Group) Holding Co., Ltd. (PRC), and RMB2,292,020,000 from Genertec HONGKONG International Capital Limited (31 December 2020: RMB2,100,000,000 from China General Technology (Group) Holding Co., Ltd. (PRC), and RMB1,848,237,000 from Genertec HONGKONG International Capital Limited).
- (c) As at 30 June 2021, China General Technology (Group) Holding Co., Ltd. (PRC) provided a comfort letter for bank borrowings in the amount of RMB11,984,108,000 (31 December 2020: RMB10,321,427,000).



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

16. SHARE CAPITAL

	Number of shares		Share capital	
	30 June 2021 (Unaudited)	31 December 2020 (Audited)	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Issued and fully paid ordinary shares	1,891,539,661	1,716,304,580	5,297,254	4,327,842

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital RMB'000
As at 1 January 2021 and 31 December 2020 (Audited)	1,716,304,580	4,327,842
Issue of shares	175,235,081	969,412
As at 30 June 2021 (Unaudited)	1,891,539,661	5,297,254
As at 1 January 2020 and 31 December 2019 (Audited)	1,716,304,580	4,327,842
As at 31 December 2020 (Audited)	1,716,304,580	4,327,842



17. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior periods are presented in the consolidated statement of changes in equity.

Capital reserve

The capital reserve represents the share-based compensation reserve which comprises the fair value of the shares awarded under the share transfer to the management of the Group recognised in accordance with the accounting policy adopted for equity compensation benefits.

Statutory reserve

Pursuant to the relevant laws and regulations and the articles of association of the subsidiaries of the Company in the PRC, if a subsidiary is registered as a Sino-foreign joint venture, it is required to, at the discretion of the board of directors, transfer a portion of its profit after taxation reported in its statutory financial statements prepared under the applicable PRC accounting standards to the statutory surplus reserve.

If a subsidiary is registered as a wholly-foreign invested enterprise or a domestic limited liability company, it is required to appropriate 10% of each year's statutory net profits to the statutory surplus reserve according to the PRC accounting standards and regulations (after offsetting previous years' losses) to the statutory surplus reserve. The PRC subsidiary may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. Upon contribution to the statutory surplus reserve using its post-tax profit, a company may make further contribution to the statutory surplus reserve using its post-tax profit in accordance with a resolution of the board of directors. The appropriation to statutory and discretionary surplus reserves must be made before distribution of dividends to owners. These reserves shall only be used to make up for previous years' losses, to expand production operations, or to increase the capital of the PRC subsidiary. The statutory reserve can be transferred to paid-in capital, provided that the balance of the statutory surplus reserve after this transfer is not less than 25% of its registered capital.

Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations with a functional currency other than RMB.

Share-based compensation reserve

The share-based compensation reserve of the Group comprises the recognition of the equity-settled share-based payments under the Share Option Scheme which are yet to be exercised. The amount will either be transferred to the share capital account or shares held for the share award scheme when the related share options are exercised or awards are vested.



18. CONTINGENT LIABILITIES

At the end of the reporting period, there was no contingent liability that was not provided for the interim condensed consolidated financial information.

19. PLEDGE OF ASSETS

Details of the Group's bank and other borrowings, which are secured by the assets of the Group, are included in notes 12, 13 and 15 to the interim condensed consolidated financial information.

20. COMMITMENTS

The Group had the following capital commitments and credit commitments at the end of the reporting period:

(a) Capital commitments

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Contracted, but not provided for	1,352,543	1,584,121

In addition to the capital commitments listed above, the Group entered into a Cooperation Agreement with First Affiliated Hospital of Xi'an Jiaotong University (the "First Affiliated Hospital") on 30 August 2016, pursuant to which the Group has agreed to (i) establish a wholly-owned project company (the "Project Company") to construct Xi'an Jiaotong University International Land Port Hospital ("International Land Port Hospital") for First Affiliated Hospital (the "Project Construction"), provide a total amount of no more than RMB2 billion in cash to fund the project and manage and operate International Land Port Hospital in a manner as agreed by both parties after the completion of the Project Construction; and (ii) through the Project Company, make a capital contribution of RMB28 million to establish a company with First Affiliated Hospital to provide services including procurement and logistics to International Land Port Hospital, First Affiliated Hospital and other third party hospitals.

As of 30 June 2021, the Group had invested RMB84,437,000 to establish the project company, Xi'an Ronghui Hospital Construction Management Co., Ltd., and Xi'an Wanheng Medical Technology Development Co., Ltd. to provide services including procurement and logistics to International Land Port Hospital, First Affiliated Hospital and other third party hospitals. As of 30 June 2021, the Group had invested RMB12,768,000 to the project.



20. COMMITMENTS (CONTINUED)

(b) Credit commitments

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Credit commitments	1,066,750	568,952

Credit commitments represent undrawn finance lease facilities agreed with and granted to customers. They are conditionally revocable commitments.

21. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances in notes 12, 13, 14 and 15 to the interim condensed consolidated financial information, the Group had the following material transactions and balances with related parties during the reporting period.

(a) Transactions and balances with Genertec Group and companies under Genertec Group

Genertec Group was established in 1988 and is a wholly-state-owned company. Genertec Group's businesses principally cover five sectors, including equipment manufacturing, trade and engineering contracting, the pharmaceutical industry, technical services and consultancy services, as well as construction and real estate. Genertec Group is one of the major shareholders of the Company.

The companies under Genertec Group which had transactions and balances with the Group during the reporting period are subsidiaries of Genertec Group.



21. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions and balances with Genertec Group and companies under Genertec Group (continued)

(i) Prepayments, deposits and other receivables

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Due from related parties		
Genertec Hong Kong International Capital Paryocean Properties Co., Ltd.	1,285	–
China National Instruments Import & Export (Group) Corporation	498	303
Genertec Finance Co., Ltd.	121	1,133
	–	373
	1,904	1,809

The balances with the related parties are unsecured and interest-free and will be settled within one year.

(ii) Other payables and accruals

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Due to related parties		
Genertec Hong Kong International Capital Limited	10,361	7,594
China Xinxing Construction Engineering Co., Ltd.	7,116	–
China General Technology (Group) Holding Co., Ltd.	–	5,464
	17,477	13,058

The balances with related parties were unsecured, interest-free and repayable based on the payment schedule agreed between the Group and the parties.



21. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions and balances with Genertec Group and companies under Genertec Group (continued)

(iii) Interest income from cash in a bank

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Genertec Finance Co., Ltd.	2,143	4,440

The interest was charged at rates ranging from 0.53% to 1.73% per annum.

(iv) Purchases of products and leased assets from related parties

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Genertec Italia s.r.l.	1,050	11,833
Genertec Europe Temax GmbH	8	376
China National Instruments Import & Export (Group) Corporation	–	2,445
China MEHECO Co., Ltd	–	563
GENERTEC AMERICA, INC	–	390
China General Technology (Group) Holding Co., Ltd.	–	357
CHINA MEHECO MED-TECH SERVICE CO., LTD.	–	55
	1,058	16,019

The purchases from the related parties were made on terms mutually agreed between the Group and the respective parties.

21. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions and balances with Genertec Group and companies under Genertec Group (continued)

(v) Rental as a lessee

	For the six months ended 30 June	
	2021 RMB'000 (rental payment) (Unaudited)	2020 RMB'000 (rental payment) (Unaudited)
Paryocean Properties Co., Ltd.	604	650
China National Instruments Import & Export (Group) Corporation	231	–
General Technology Group Property Management Ltd.	–	6,744
China National Corporation For Overseas Economic Cooperation	–	400
	835	7,794

The rental expenses paid to related parties are based on terms mutually agreed between the Group and the respective parties.

(vi) Interest expense

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Genertec Hong Kong International Capital Limited	24,382	20,534
China General Technology (Group) Holding Co., Ltd.	12,294	23,538
Genertec Finance Co., Ltd.	–	943
	36,676	45,015

The interest expenses were charged at rates from ranging 1.92% to 4.35% per annum.



21. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions and balances with Genertec Group and companies under Genertec Group (continued)

(vii) Finance lease income

	For the six months ended 30 June	
	2021	2020
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Staff Hospital of Qiqihar No.2 Machine Tool (Group) Co., Ltd.	-	8

(viii) Liquidity support

A subsidiary of Genertec Group, China Xinxing Construction Engineering Co., Ltd., issued accounts receivables assets-backed securities to institutional investors through an asset management plan in January 2020. The asset-backed securities have a preference tranche with a principal amount of RMB495 million and one subordinated tranche. China Universal Leasing Co., Ltd., a wholly-owned subsidiary of the Group, provided liquidity support to the preference tranche of asset-backed securities. The preference tranche was early ended on 15 June 2021.

The related party transactions in respect of items (iii), (iv), (v) and (vii) above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(b) Significant transactions with other government-related entities

The largest shareholder of the Company is a state-owned enterprise. In accordance with HKAS 24 *Related Party Disclosures*, government-related entities include entities that are directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government. On this basis, related parties include other government-related entities, in addition to Genertec Group and companies under Genertec Group.

During the reporting period, the Group's significant transactions with other government-related entities constituted a large portion of finance lease services and advisory services. In addition, substantially all restricted deposits, cash and cash equivalents and borrowings as at 30 June 2021 and 31 December 2020 and the relevant interest earned and paid during the six months ended 30 June 2021 and 2020 were transacted with banks and other financial institutions which are controlled by the PRC government.

21. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Transaction and balance with a joint venture:

(i) Other payables and accruals

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Due to a related party Sichuan Huankang Hospital Management Co., Ltd.	451,909	443,123

The balance with a related party was unsecured and repayable based on the payment schedule agreed between the Group and the related party.

(ii) Interest expense

	For the six months ended 30 June 2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Sichuan Huankang Hospital Management Co., Ltd.	6,617	6,113

The interest expenses were charged at rate 3.20% per annum.

(d) Compensation of key management personnel of the Group:

	For the six months ended 30 June 2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Short-term employee benefits	5,314	4,517
Total compensation	5,314	4,517



22. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Financial instruments not measured at fair value

Financial assets and liabilities not presented at their fair value in the statement of financial position mainly represent cash and cash equivalents, restricted deposits, loans and accounts receivables, financial assets included in deposits and other receivables, trade payables, financial liabilities included in other payables and accruals, interest-bearing bank and other borrowings and convertible bonds – host debts.

Cash and cash equivalents, restricted deposits, accounts receivables, the current portion of financial assets included in deposits and other receivables, trade payables, short-term borrowings and the current portion of financial liabilities included in other payables and accruals

Substantially all of the financial assets and liabilities mature within one year from the end of each reporting period and their carrying values approximate to their fair values.

Lease receivables, long-term receivables arising from sale-and-leaseback arrangements, factoring receivables and long-term interest-bearing bank and other borrowings excluding bonds issued

Substantially all of the lease receivables, long-term receivables arising from sale-and-leaseback arrangements, factoring receivables and long-term interest-bearing bank and other borrowings, excluding bonds issued, bear interest on floating rate terms at prevailing market interest rates and their carrying values approximate to their fair values.

Bonds issued and Convertible bonds-host debts

The fair values of the bonds and convertible bonds-host debts were calculated based on quoted market prices or a discounted cash flow model that is based on a current yield curve appropriate for the remaining term to maturity.

The table below summarises the carrying amounts and fair values of bonds issued and convertible bonds – host debts which are not presented at fair values in the statement of financial position.

	Carrying amounts		Fair values	
	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Bonds issued	15,316,901	13,555,787	15,372,584	13,214,292
Convertible bonds – host debts	885,785	–	923,108	–
	16,202,686	13,555,787	16,295,692	13,214,292



22. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments not measured at fair value (continued)

Non-current portion of financial assets included in deposits and other receivables, and the non-current portion of financial liabilities included in other payables and accruals

The fair values of assets in the non-current portion of financial assets included in deposits and other receivables, and the fair values of liabilities in the non-current portion of financial liabilities included in other payables and accruals have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The difference between the carrying amounts and fair values of those financial assets and liabilities is not significant.

Financial instruments measured at fair value

Interest rate swap contracts

The Group enters into several derivative financial instrument contracts with one counterparty, which are interest rate swaps measured using valuation techniques similar to the present value calculations of the forward pricing and swap models, which incorporate various market observable inputs including the credit quality of the counterparty and yield curves.

Forward currency contracts

The Group enters into several derivative financial instrument contracts with several counterparties, which are foreign exchange rate swaps measured using valuation techniques similar to the present value calculations of the forward pricing and swap models, which incorporate various market observable inputs.

Cross-currency interest rate swaps

The Group enters into several derivative financial instrument contracts with two counterparties, which are cross-currency interest rate swaps measured using valuation techniques similar to the present value calculations of the forward pricing and swap models, which incorporate various market observable inputs.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

- Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)



22. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

Assets and liabilities measured at fair value:

As at 30 June 2021 (Unaudited)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Derivative financial assets				
– Forward currency contracts	–	12,363	–	12,363
Derivative financial liabilities				
– Forward currency contracts	–	553,258	–	553,258
– Interest rate swap contracts	–	8,977	–	8,977
– Cross-currency interest rate swaps	–	4,682	–	4,682
	–	566,917	–	566,917

As at 31 December 2020 (Audited)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Derivative financial assets				
– Forward currency contracts	–	9,173	–	9,173
Derivative financial liabilities				
– Forward currency contracts	–	366,778	–	366,778
– Interest rate swap contracts	–	27,162	–	27,162
– Cross-currency interest rate swaps	–	19,393	–	19,393
	–	413,333	–	413,333

22. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

Liabilities for which fair values are disclosed:

As at 30 June 2021 (Unaudited)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Bonds issued	15,372,584	–	–	15,372,584
Convertible bonds – host debts	–	923,108	–	923,108
	15,372,584	923,108	–	16,295,692

As at 31 December 2020 (Audited)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Bonds issued	13,214,292	–	–	13,214,292

During the six months ended 30 June 2021, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3 (year ended 31 December 2020: Nil).

23. EVENTS AFTER THE REPORTING PERIOD

The Group appointed Tianfeng (Shanghai) Securities Asset Management Co., Ltd. (“Tianfeng Asset Management”) as the Project Manager, which will issue the assets-backed securities (“ABS”) to be listed and traded on the Shanghai Stock Exchange under the relevant documents of the ABS Programme. For the issuance of the ABS, Tianfeng Asset Management entered into the assets disposal agreement with the Group.

On 3 August 2021, the Group conditionally sold and Tianfeng Asset Management conditionally acquired the Group’s underlying assets at the consideration of RMB2,169,000,000.

24. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorised for issue by the board of directors on 27 August 2021.



通用環球醫療集團有限公司
GENERTEC UNIVERSAL MEDICAL GROUP COMPANY LIMITED