UNIVERSAL MEDICAL FINANCIAL & TECHNICAL ADVISORY SERVICES COMPANY LIMITED
環球醫療金融與技術咨詢服務有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 2666)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL HIGHLIGHTS

- For the year ended 31 December 2016, the revenue amounted to approximately RMB2,701 million, representing an increase of 23.1% as compared with that of approximately RMB2,193 million for 2015.

- For the year ended 31 December 2016, the profit before tax amounted to approximately RMB1,206 million, representing an increase of 34.0% as compared with that of approximately RMB900 million for 2015.

- For the year ended 31 December 2016, the profit for the year amounted to approximately RMB872 million, representing an increase of 32.5% as compared with that of approximately RMB659 million for 2015.

- As at 31 December 2016, the total assets amounted to approximately RMB28,965 million, representing an increase of 22.4% as compared with that of approximately RMB23,658 million as at 31 December 2015.

- As at 31 December 2016, the total shareholders' equity amounted to approximately RMB6,574 million, representing an increase of 11.8% as compared with that of approximately RMB5,881 million as at 31 December 2015.

- For the year ended 31 December 2016, the return on equity was 14.01%.

- For the year ended 31 December 2016, the return on total assets was 3.32%.

In this announcement, "we", "us" and "our" refer to the Company (as defined below) and where the context otherwise requires, the Group (as defined below).

The board (the "**Board**") of directors (the "**Directors**") of Universal Medical Financial & Technical Advisory Services Company Limited (the "**Company**") is pleased to announce that the audited consolidated annual results of the Company and its subsidiaries (together, the "**Group**") for the year ended 31 December 2016 with the comparative figures for the year ended 31 December 2015 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2016

	Notes	**2016** *RMB'000*	2015 *RMB'000*
REVENUE	*4*	**2,700,916**	2,193,398
Cost of sales		**(965,970)**	(884,851)
Gross profit		**1,734,946**	1,308,547
Other income and gains	*4*	**28,616**	58,751
Selling and distribution costs		**(277,251)**	(213,926)
Administrative expenses		**(277,232)**	(246,496)
Other expenses		**(3,134)**	(6,602)
PROFIT BEFORE TAX	*5*	**1,205,945**	900,274
Income tax expense	*6*	**(333,635)**	(241,748)
PROFIT FOR THE YEAR		**872,310**	658,526
Attributable to:			
Owners of the parent		**872,310**	658,526
Non-controlling interests		**–**	–
		872,310	658,526
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted *(RMB)*	*8*	**0.51**	0.44

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2016

	2016	2015
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**872,310**	658,526
OTHER COMPREHENSIVE INCOME		
Item not to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements into the presentation currency	**–**	446
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	**–**	446
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**–**	446
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**872,310**	658,972
Attributable to:		
Owners of the parent	**872,310**	658,972
Non-controlling interests	**–**	–

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	31 December 2016 RMB'000	31 December 2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	**98,563**	89,586
Loans and accounts receivable	12	**19,754,852**	15,397,495
Restricted deposits	14	**–**	14,055
Prepayments, deposits and other receivables	13	**13,332**	106,930
Available-for-sale investments	10	**64,916**	64,916
Deferred tax assets	18	**53,544**	21,777
Other assets		**3,396**	–
Total non-current assets		**19,988,603**	15,694,759
CURRENT ASSETS			
Inventories		**2,054**	2,643
Loans and accounts receivable	12	**7,005,683**	5,919,463
Prepayments, deposits and other receivables	13	**27,551**	35,668
Derivative financial assets	11	**7,828**	28
Restricted deposits	14	**660,406**	139,650
Cash and cash equivalents	14	**1,272,458**	1,865,670
Total current assets		**8,975,980**	7,963,122
CURRENT LIABILITIES			
Trade payables	15	**194,333**	94,773
Other payables and accruals	16	**626,182**	356,739
Interest-bearing bank and other borrowings	17	**6,284,903**	7,634,574
Tax payable		**69,302**	65,217
Total current liabilities		**7,174,720**	8,151,303
NET CURRENT ASSETS/(LIABILITIES)		**1,801,260**	(188,181)

	Notes	31 December 2016 RMB'000	31 December 2015 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**21,789,863**	15,506,578
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*17*	**13,200,556**	7,823,780
Other payables and accruals	*16*	**1,950,000**	1,736,682
Other liabilities		**64,916**	64,916
Total non-current liabilities		**15,215,472**	9,625,378
Net assets		**6,574,391**	5,881,200
EQUITY			
Share capital	*19*	**4,327,842**	4,327,842
Reserves	*20*	**2,246,549**	1,553,358
Total equity		**6,574,391**	5,881,200

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Notes	**2016**	2015
		RMB'000	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**1,205,945**	900,274
Adjustments for:			
Finance costs	*5*	**940,155**	864,165
Interest income	*4*	**(7,505)**	(7,877)
Derivative financial instruments – transactions not qualifying as hedges:			
Unrealised fair value gains, net	*5*	**(7,799)**	(1,804)
Depreciation	*9*	**22,271**	15,283
Amortization of intangible assets		**38**	–
Provision for impairment of lease receivables	*12*	**116,068**	69,050
Interest income from available-for-sale investments	*4*	**(1,017)**	(894)
Foreign exchange gain, net		**(1,277)**	(41,466)
Equity-settled share-based compensation expense	*21*	**9,364**	19,211
		2,276,243	1,815,942
Decrease in inventories		**589**	476
Increase in loans and accounts receivable		**(5,570,341)**	(5,764,438)
Decrease/(increase) in prepayments, deposits and other receivables		**73,955**	(64,139)
Increase in other assets		**(2,385)**	–
Decrease in amounts due from related parties		**11,020**	17,315
Increase/(decrease) in trade payables and notes payable		**779,444**	(753,248)
Increase in other payables and accruals		**403,528**	540,222
Increase/(decrease) in amounts due to related parties		**114**	(108,401)
Increase in other liabilities		**–**	43,961
Net cash flows used in operating activities before interest and tax		**(2,027,833)**	(4,272,310)
Interest received		**7,505**	7,877
Income tax paid		**(361,317)**	(187,956)
Net cash flows used in operating activities		**(2,381,645)**	(4,452,389)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income from available-for-sale investments		**1,017**	894
Cash paid for acquisition of property, plant and equipment, intangible assets and other long term assets		**(20,202)**	(28,903)
Purchase of available-for-sale investments		**–**	(43,961)
Increase in time deposits		**(440,500)**	–
Net cash flows used in investing activities		**(459,685)**	(71,970)

	Note	2016 RMB'000	2015 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**–**	2,775,518
Increase in amounts due to related parties		**1,500,000**	1,750,000
Decrease in amounts due to related parties		**(500,000)**	(2,279,005)
Cash received from borrowings		**13,543,824**	13,585,614
Repayments of borrowings		**(11,276,673)**	(9,102,592)
Interest paid		**(837,256)**	(868,486)
Cash paid for restricted deposits		**(143,987)**	(117,019)
Repayment of restricted deposits		**77,786**	63,818
Dividends paid		**(188,483)**	(8,264)
Net cash flows from financing activities		**2,175,211**	5,799,584
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(666,119)**	1,275,225
Cash and cash equivalents at beginning of year		**1,865,670**	453,569
Effect of exchange rate changes on cash and cash equivalents		**72,907**	136,876
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,272,458**	1,865,670
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**1,469,377**	1,994,723
Less: Restricted deposits		**(196,919)**	(129,053)
Cash and cash equivalents as stated in the statement of financial position	*14*	**1,272,458**	1,865,670
Cash and cash equivalents as stated in the statement of cash flows		**1,272,458**	1,865,670

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

The Company was incorporated in Hong Kong with limited liability on 19 April 2012. Pursuant to the special resolutions of the shareholders dated 6 February 2015 and 10 June 2015, respectively, the Company changed its name from Universal International Leasing Co., Limited to Universal Medical Services & Health Management Company Limited and then to Universal Medical Financial & Technical Advisory Services Company Limited. The registered office of the Company is located at Room 702, Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong. The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 8 July 2015.

The Group is principally engaged in providing financing to its customers under finance lease arrangements, the provision of advisory services, sale of medical equipment, medical equipment leases under operating lease arrangements, and the provision of other services as approved by the Ministry of Commerce of the People's Republic of China (the "**PRC**") in Mainland China.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments and available-for-sale investments which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**"), and rounded to the nearest thousand except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet determined but available for adoption

2.4 CHANGE IN FUNCTIONAL CURRENCY

An entity's functional currency is the currency of the primary economic environment in which the entity operates.

As the financing capacity of the Company is strengthened following the completion of the Company's initial public offering and listing on the Stock Exchange at the beginning of July 2015, the directors of the Company expect that the Company would be principally engaged in raising funds outside Mainland China to finance the business of its subsidiaries operated in Mainland China, since then, the Company's operation would highly rely on RMB. Accordingly, the directors assessed and changed the functional currency of the Company from United States dollar ("**US$**" or "**USD**") to RMB starting from July 2015.

The change in functional currency of the Company was applied prospectively from the date of change in accordance with HKAS 21 "The Effects of Changes in Foreign Exchange Rates". On the date of the change of functional currency, the Company translated all items into RMB using the exchange rate on that date.

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in providing financing to its customers under finance lease arrangements, the provision of advisory services, the sale of medical equipment, and medical equipment leases under operating lease arrangements in Mainland China. For management purposes, the aforesaid businesses are integral and the Group has not organised into different operating segments.

Geographical information

(a) All the revenue from sales of the operations to external customers of the Group is generated in Mainland China.

(b) All non-current assets of the operations are located in Mainland China, except for financial instruments and deferred tax assets.

Information about a major customer

There was no single customer which contributed to 10% or more of the total revenue of the Group during the year.

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, net of value added tax, after allowances for returns and trade discounts; and the value of services rendered and gross leasing income received, net of business tax or value added tax, during the year.

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

	2016	2015
	RMB'000	*RMB'000*
Revenue		
Finance lease income	**1,952,243**	1,475,796
Service fee income	**728,919**	703,058
Operating lease income	**20,923**	17,983
Sale of goods	**13,214**	12,338
Others	**2,827**	2,960
Taxes and surcharges	**(17,210)**	(18,737)
	2,700,916	2,193,398
Other income and gains		
Interest income	**7,505**	7,877
Foreign exchange gains	**–**	44,614
Derivative financial instruments – transaction not qualifying as a hedge:		
– Unrealised fair value gains, net	**7,799**	1,804
Government grants *(note 4a)*	**12,179**	400
Interest income from available-for-sale investments	**1,017**	894
Others	**116**	3,162
	28,616	58,751

4a. GOVERNMENT GRANTS

	2016	2015
	RMB'000	*RMB'000*
Government special subsidies	**12,179**	400

5. PROFIT BEFORE TAX

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

	Note	**2016**	2015
		RMB'000	*RMB'000*
Cost of borrowings included in cost of sales		**940,155**	864,165
Cost of inventories sold		**6,911**	6,284
Cost of operating leases		**18,904**	14,297
Cost of others		**–**	105
Depreciation		**3,367**	986
Amortisation of intangible assets		**38**	–
Rental expenses		**23,460**	18,905
Auditor's remuneration		**2,799**	2,300
Listing expense		**–**	31,559
Employee benefit expense (including directors' remuneration):			
– Wages and salaries		**242,213**	192,501
– Equity-settled share-based compensation expense	*21*	**9,364**	19,211
– Pension scheme contributions		**25,266**	19,573
– Other employee benefits		**32,251**	20,578
		309,094	251,863
Impairment of loans and accounts receivable	*12c*	**116,068**	69,050
Foreign exchange loss/(gain)		**858**	(44,614)
Derivative financial instruments – transactions not qualifying as hedges:			
– Unrealised fair value gains, net		**(7,799)**	(1,804)
– Realised fair value losses, net		**609**	3,921

6. INCOME TAX EXPENSE

	2016	2015
	RMB'000	*RMB'000*
Current – Hong Kong		
Underprovision in prior years	**–**	859
Current – Mainland China		
Charge for the year	**358,722**	240,293
Underprovision/(overprovision) in prior years	**6,680**	(124)
Deferred tax *(note 18)*	**(31,767)**	720
Total tax charge for the year	**333,635**	241,748

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the year (2015: 16.5%).

The income tax provision of the Group in respect of its operations in Mainland China has been calculated at the applicable tax rate of 25% on the estimated assessable profits for the year, 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.

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

	2016 *RMB'000*	2015 *RMB'000*
Profit before tax	**1,205,945**	900,274
At the PRC statutory income tax rate of 25%	**301,486**	225,068
Lower tax rate enacted by local authority	**2,237**	545
Expenses not deductible for tax purposes	**5,781**	11,427
Income not subject to tax	**(76)**	(8,930)
Adjustment on current income tax in respect of prior years	**6,680**	735
Unrecognised tax losses	**3,027**	1,903
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**14,500**	11,000
Income tax expense as reported in the consolidated statement of profit or loss	**333,635**	241,748

7. DIVIDENDS

	2016 *RMB'000*	2015 *RMB'000*
Proposed final dividend – HK$0.17 (2015: HK$0.13) per ordinary share	**260,993**	186,925

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

Basic earnings per share for the years ended 31 December 2016 and 2015 is calculated by dividing the profits attributable to ordinary equity holders of the parent by the weighted average numbers of ordinary shares in issue during the respective periods, which have been adjusted retrospectively for the share split on 11 June 2015 as described in note 19(a) to the financial statements.

	2016	2015
	RMB'000	*RMB'000*
Profit attributable to ordinary equity holders of the parent	**872,310**	658,526

	2016	2015
Weighted average number of ordinary shares in issue	**1,716,304,580**	1,484,397,155

	2016	2015
	RMB	*RMB*
Basic and diluted earnings per share	**0.51**	0.44

Diluted earnings per share for the years ended 31 December 2016 and 2015 is the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding.

9. PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2016

	Transportation equipment *RMB'000*	**Office equipment** *RMB'000*	**Electronic equipment** *RMB'000*	**Medical equipment** *RMB'000*	**Leasehold improvements** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
At 1 January 2016:							
Cost	2,861	1,972	5,546	133,602	9,713	1,764	155,458
Accumulated depreciation	(1,335)	(535)	(3,197)	(60,418)	–	(387)	(65,872)
Net carrying amount	1,526	1,437	2,349	73,184	9,713	1,377	89,586
At 1 January 2016, net of accumulated depreciation	1,526	1,437	2,349	73,184	9,713	1,377	89,586
Additions	329	470	3,199	23,766	3,059	425	31,248
Depreciation provided during the year	(360)	(271)	(885)	(18,904)	(1,528)	(323)	(22,271)
At 31 December 2016, net of accumulated depreciation	1,495	1,636	4,663	78,046	11,244	1,479	98,563
At 31 December 2016:							
Cost	3,190	2,442	8,745	157,368	12,772	2,189	186,706
Accumulated depreciation	(1,695)	(806)	(4,082)	(79,322)	(1,528)	(710)	(88,143)
Net carrying amount	1,495	1,636	4,663	78,046	11,244	1,479	98,563

As at 31 December 2015

	Transportation equipment *RMB'000*	Office equipment *RMB'000*	Electronic equipment *RMB'000*	Medical equipment *RMB'000*	Leasehold improvements *RMB'000*	Others *RMB'000*	Total *RMB'000*
At 1 January 2015:							
Cost	2,641	605	4,209	132,602	–	588	140,645
Accumulated depreciation	(1,007)	(457)	(2,714)	(46,121)	–	(290)	(50,589)
Net carrying amount	1,634	148	1,495	86,481	–	298	90,056
At 1 January 2015, net of accumulated depreciation	1,634	148	1,495	86,481	–	298	90,056
Additions	220	1,367	1,337	1,000	9,713	1,176	14,813
Depreciation provided during the year	(328)	(78)	(483)	(14,297)	–	(97)	(15,283)
At 31 December 2015, net of accumulated depreciation	1,526	1,437	2,349	73,184	9,713	1,377	89,586
At 31 December 2015:							
Cost	2,861	1,972	5,546	133,602	9,713	1,764	155,458
Accumulated depreciation	(1,335)	(535)	(3,197)	(60,418)	–	(387)	(65,872)
Net carrying amount	1,526	1,437	2,349	73,184	9,713	1,377	89,586

10. AVAILABLE-FOR-SALE INVESTMENTS

	2016 ***RMB'000***	2015 *RMB'000*
Asset-backed securities	**64,916**	64,916

As at 31 December 2016, the Group invested in asset-backed securities which were issued by special purpose trusts. Details of the asset-backed securities are disclosed in note 22 to the financial statements.

11. DERIVATIVE FINANCIAL ASSETS

	2016	2015
	RMB'000	*RMB'000*
Interest rate swaps	**7,828**	28

As at 31 December 2016, the Group's borrowings with floating interest rates determined with reference to the London Interbank Offered Rate and measured at amortised cost amounted to US$120,000,000 (2015: US$36,000,000). To manage the interest rate exposure arising from these borrowings, the Group accordingly entered into interest rate swap contracts with certain banks in Hong Kong/Mainland China. As at 31 December 2016, the total nominal amount of interest rate swap contracts was US$120,000,000 (2015: US$36,000,000). A gain on fair value of the financial derivatives amounting to RMB7,799,000 (2015: a gain of RMB1,804,000) was credited to the statement of profit or loss during the year ended 31 December 2016.

12. LOANS AND ACCOUNTS RECEIVABLE

	2016	2015
	RMB'000	*RMB'000*
Loans and accounts receivable due within 1 year	**7,005,683**	5,919,463
Loans and accounts receivable due after 1 year	**19,754,852**	15,397,495
	26,760,535	21,316,958

12a. Loans and accounts receivable by nature

	2016	2015
	RMB'000	*RMB'000*
Gross lease receivables *(note 12b)*	**32,399,289**	25,812,062
Less: Unearned finance income	**(5,239,148)**	(4,211,410)
Net lease receivables *(note 12b)*	**27,160,141**	21,600,652
Accounts receivable *(note 12d)*	**2,205**	4,826
Notes receivable *(note 12e)*	**2,777**	–
Subtotal of loans and accounts receivable	**27,165,123**	21,605,478
Less:		
Provision for lease receivables *(note 12c)*	**(404,588)**	(288,520)
	26,760,535	21,316,958

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

	2016	2015
	RMB'000	*RMB'000*
Gross lease receivables		
Within 1 year	**17,344,561**	12,979,870
1 to 2 years	**9,687,212**	7,477,834
2 to 3 years	**3,048,569**	3,968,858
3 years and beyond	**2,318,947**	1,385,500
	32,399,289	25,812,062

	2016	2015
	RMB'000	*RMB'000*
Net lease receivables		
Within 1 year	**14,266,243**	10,491,029
1 to 2 years	**8,115,744**	6,321,105
2 to 3 years	**2,695,715**	3,533,236
3 years and beyond	**2,082,439**	1,255,282
	27,160,141	21,600,652

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

	2016	2015
	RMB'000	*RMB'000*
Gross lease receivables:		
Due within 1 year	**9,071,695**	7,641,809
Due in 1 to 2 years	**8,134,150**	6,553,370
Due in 2 to 3 years	**6,989,085**	5,179,680
Due after 3 years and beyond	**8,204,359**	6,437,203
	32,399,289	25,812,062

	2016	2015
	RMB'000	*RMB'000*
Net lease receivables:		
Due within 1 year	**7,158,746**	6,036,410
Due in 1 to 2 years	**6,561,621**	5,301,893
Due in 2 to 3 years	**5,956,812**	4,395,572
Due after 3 years and beyond	**7,482,962**	5,866,777
	27,160,141	21,600,652

12c. Change in provision for lease receivables

	Individually assessed		Collectively assessed		Total	
	2016	2015	**2016**	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
At beginning of year	**64,383**	57,199	**224,137**	162,271	**288,520**	219,470
Charge for the year	**24,174**	7,184	**91,894**	61,866	**116,068**	69,050
At end of year	**88,557**	64,383	**316,031**	224,137	**404,588**	288,520

As at 31 December 2016, the amounts of the gross lease receivables and net lease receivables pledged as security for the Group's borrowings were RMB4,735,186,000 and RMB4,209,364,000 (2015: RMB7,530,865,000 and RMB6,559,366,000), respectively (see note 17).

12d. An aging analysis of the accounts receivable, determined based on the age of the receivables since the recognition date of the accounts receivable, as at the end of the year is as follows:

	2016	2015
	RMB'000	*RMB'000*
Within 1 year	**–**	21
More than 1 year	**2,205**	4,805
	2,205	4,826

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

12e. An aging analysis of the notes receivable, determined based on the age of the receivables since the recognition date of the notes receivable, as at the end of the year is as follows:

	2016	2015
	RMB'000	*RMB'000*
Within 1 year	**2,777**	–

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Current:		
Prepayments	**2,457**	978
Other receivables	**11,845**	26,948
Lease deposit receivable due within one year	**11,217**	5,386
Due from a related party	**2,032**	2,356
	27,551	35,668
Non-current:		
Prepayments for non-current assets	**13,332**	95,713
Lease deposit receivable	**–**	11,217
	13,332	106,930
	40,883	142,598

14. CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS

	2016	2015
	RMB'000	*RMB'000*
Cash and bank balances	**1,469,377**	1,994,723
Time deposits	**463,487**	24,652
	1,932,864	2,019,375
Less:		
Pledged deposits and restricted bank deposits related to asset-backed securitisations	**(219,906)**	(153,705)
Time deposits with original maturity of more than three months	**(440,500)**	–
Cash and cash equivalents	**1,272,458**	1,865,670

As at 31 December 2016, the cash and bank balances of the Group denominated in RMB amounted to RMB785,623,000 (2015: RMB698,098,000). 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 31 December 2016, cash of RMB147,217,000 (2015: RMB105,631,000) was pledged or charged for bank borrowings (note 17).

As at 31 December 2016, cash of RMB72,689,000 (2015: RMB48,074,000) was not available for use by the Group in accordance with the arrangements entered into by the Group and the special purpose trusts in the securitisation transactions described in note 22. The cash collected by the Group from the associated finance lease contracts of the securitisation transactions have to be passed on to the investors of the asset-backed securities without material delay.

As at 31 December 2016, cash of RMB406,716,000 (2015: RMB378,797,000) was deposited with Genertec Finance Co., Ltd., a related party.

15. TRADE PAYABLES

	2016	2015
	RMB'000	*RMB'000*
Trade payables	**194,179**	94,735
Due to related parties	**154**	38
	194,333	94,773

The trade payables are non-interest-bearing and are repayable within one year.

15a. An aging analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2016	2015
	RMB'000	*RMB'000*
Within 1 year	**178,783**	81,759
1 to 2 years	**5,277**	161
2 to 3 years	**113**	5,555
Over 3 years	**10,160**	7,298
	194,333	94,773

16. OTHER PAYABLES AND ACCRUALS

	2016	2015
	RMB'000	*RMB'000*
Current:		
Lease deposits due within 1 year	**103,163**	72,053
Accrued salaries	**90,966**	77,528
Welfare payables	**4,454**	3,690
Advances from customers	**28,272**	5,089
Due to related parties	**2,111**	1,271
Other taxes payable	**17,199**	52,055
Interest payable	**111,684**	87,068
Other payables	**268,333**	57,985
	626,182	356,739
Non-current:		
Lease deposits due after 1 year	**1,766,159**	1,633,849
Accrued salaries	**183,841**	102,833
	1,950,000	1,736,682
	2,576,182	2,093,421

17. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2016			2015		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current:						
Bank loans						
– unsecured	**3.70~4.79**	**2017**	**1,404,500**	1.84~5.74	2016	3,079,092
Current portion of long-term bank loans						
– secured	**3.45~5.23**	**2017**	**1,233,412**	4.75~6.60	2016	862,102
– unsecured	**3.64~4.99**	**2017**	**909,135**	3.60~6.30	2016	1,844,936
Current portion of long-term other loans						
– secured	**4.99**	**2017**	**1,400**	5.25	2016	9,216
– unsecured	**4.80**	**2017**	**100,000**	–	–	–
Finance lease payables						
– secured	**4.75~5.56**	**2017**	**201,529**	4.75~5.56	2016	303,040
Bonds payable						
– secured	**6.22~6.38**	**2017**	**1,586,530**	4.8	2016	138,180
– unsecured	**3.26~3.34**	**2017**	**848,397**	3.80~3.85	2016	898,008
Due to a related party						
– unsecured	**–**	**–**	**–**	4.35	2016	500,000
			6,284,903			7,634,574
Non-current:						
Bank loans						
– secured	**4.28~5.23**	**2018~2020**	**852,212**	4.75~6.60	2017~2020	1,527,020
– unsecured	**3.64~4.99**	**2018~2019**	**4,648,087**	3.08~6.30	2017~2018	2,229,423
Other loans						
– secured	**–**	**–**	**–**	4.80~5.25	2017	601,400
– unsecured	**5.00**	**2019**	**1,500,000**	–	–	–
Bonds payables						
– secured	**5.20~6.43**	**2018~2020**	**764,374**	5.20~6.43	2017~2020	2,363,729
– unsecured	**3.13~4.69**	**2018~2021**	**3,935,883**	4.69	2018	897,570
Finance lease payables						
– secured	**–**	**–**	**–**	4.75~5.56	2016~2018	204,638
Due to a related party						
– unsecured	**4.75**	**2018~2019**	**1,500,000**	–	–	–
			13,200,556			7,823,780
			19,485,459			15,458,354

	2016	2015
	RMB'000	*RMB'000*
Analysed into:		
Bank loans repayable:		
Within one year	**3,547,047**	5,786,130
In the second year	**2,912,091**	2,150,286
In the third to fifth years, inclusive	**2,588,208**	1,606,157
	9,047,346	9,542,573
Analysed into:		
Other borrowings repayable:		
Within one year	**2,737,856**	1,848,444
In the second year	**2,212,425**	2,405,338
In the third to fifth years, inclusive	**5,487,832**	1,661,999
	10,438,113	5,915,781
	19,485,459	15,458,354

Notes:

(a) During the year ended 31 December 2014, the Company's wholly-owned subsidiary, Universal Number One Co., Ltd., issued bonds with an aggregate principal amount of RMB1,600,000,000 at a fixed coupon rate of 5.70% in Hong Kong (the "**Bonds**"). The Bonds were listed on the Stock Exchange and due for repayment in 2017. The Company provides an unconditional and irrevocable guarantee in respect of the Bonds, which are also secured by the Group's lease receivables, time deposits and the shares of Universal Number One Co., Ltd. As at 31 December 2016, the amortised cost of the Bonds amounted to RMB1,586,530,000 (2015: RMB1,592,922,000).

(b) In May 2015, the Company's wholly-owned subsidiary, China Universal Leasing Co., Ltd. ("**CULC**"), issued a batch of leasing assets-backed securities with an aggregate principal amount of RMB1,141,858,000 to institutional investors through an asset management plan. The asset-backed securities have four senior tranches and one subordinated tranche. The Group received proceeds of RMB912,000,000 from the senior tranches which have expected annualised yields ranging from 4.80% to 6.43% and maturity periods from one year to five years. The subordinated tranche amounting to RMB229,858,200 was purchased by CULC itself and thus no proceeds were received. As at 31 December 2016, the amortised cost of the debt securities issued amounted to RMB764,374,000 (2015: RMB908,987,000).

(c) As at 31 December 2016, the Group's bank and other borrowings secured by lease receivables were RMB4,442,477,000 (2015: RMB6,009,325,000); the Group's gross lease receivables and net lease receivables pledged or charged as security for the Group's bank and other borrowings were RMB4,735,186,000 and RMB4,209,364,000, respectively (2015: RMB7,530,865,000 and RMB6,559,366,000).

(d) As at 31 December 2016, the Group's bank and other borrowings secured by cash and bank balances and time deposits amounted to RMB3,468,554,000 (2015: RMB3,384,910,000).

(e) As at 31 December 2016, the balance due to a related party was due to Genertec Finance Co., Ltd. (2015: Genertec Finance Co., Ltd.).

18. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax assets

	Allowances for impairment losses	Salary and welfare payable	Fair value loss on derivative for financial instruments	Accrued expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Gross deferred tax assets at 1 January 2016	**18,679**	**25,775**	**–**	**425**	**44,879**
Credited/(charged) to the statement of profit or loss during the year	**14,139**	**20,156**	**–**	**(425)**	**33,870**
Gross deferred tax assets at 31 December 2016	**32,818**	**45,931**	**–**	**–**	**78,749**
Gross deferred tax assets at 1 January 2015	14,697	24,597	445	250	39,989
Credited/(charged) to the statement of profit or loss during the year	3,982	1,178	(445)	175	4,890
Gross deferred tax assets at 31 December 2015	18,679	25,775	–	425	44,879

Deferred tax liabilities

	Lease deposits	Fair value gain on derivative financial instruments	Total
	RMB'000	*RMB'000*	*RMB'000*
Gross deferred tax liabilities at 1 January 2016	**23,095**	**7**	**23,102**
Charged to the statement of profit or loss during the year	**153**	**1,950**	**2,103**
Gross deferred tax liabilities at 31 December 2016	**23,248**	**1,957**	**25,205**
Gross deferred tax liabilities at 1 January 2015	17,492	–	17,492
Charged to the statement of profit or loss during the year	5,603	7	5,610
Gross deferred tax liabilities at 31 December 2015	23,095	7	23,102

For the purpose of presentation of the consolidated statement of financial position, deferred tax assets and liabilities have been offset as the deferred taxes relate to the same taxable entity and the same taxation authority, and presented as follows:

	2016	2015
	RMB'000	*RMB'000*
Net deferred tax assets recognised in the consolidated statement of financial position	**53,544**	21,777

The Company has tax losses arising in Hong Kong of RMB29,871,000 (2015: RMB11,528,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in the Company that has been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2016, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, the funds will be retained to expand the operations in Mainland China and it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB1,778,077,000 (2015: RMB1,286,072,000).

19. SHARE CAPITAL

	2016	2015
	RMB'000	*RMB'000*
Issued and fully paid:		
1,716,304,580 (2015: 1,716,304,580) ordinary shares	**4,327,842**	4,327,842

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

	Number of shares in issue	**Share capital**
		RMB'000
At 1 January 2015	253,913,216	1,579,905
Share split *(note (a))*	1,015,652,864	–
Effect of change in functional currency *(note 2.4)*	–	(27,581)
Issue of shares *(note(b))*	446,738,500	2,882,725
	1,716,304,580	4,435,049
Share issue expenses	–	(107,207)
As at 31 December 2015 and 2016	1,716,304,580	4,327,842

Notes:

(a) Pursuant to the written resolutions passed by the general meeting of the shareholders of the Company on 10 June 2015, among others, each existing share in the capital of the Company was split into five shares with effect from 11 June 2015. After the share split, the total number of ordinary shares of the Company increased from 253,913,216 shares to 1,269,566,080 shares.

(b) On 8 July 2015, the Company issued 423,189,500 new ordinary shares at HK$8.18 per share by way of initial public offering. The gross proceeds amounted to HK$3,461,690,000 (equivalent to RMB2,730,720,000). On the same date, the Company's shares were listed on the Stock Exchange.

On 29 July 2015, the over-allotment option described in the prospectus of the Company dated 24 June 2015 was partially exercised and an additional 23,549,000 ordinary shares were issued on 5 August 2015 at a price of HK$8.18 per share with gross proceeds of HK$192,631,000 (equivalent to RMB152,005,000).

20. RESERVES

The reserve accounts of retained earnings, capital reserve, statutory reserve and exchange fluctuation reserve comprise the consolidated reserves in the consolidated statement of financial position.

Capital reserve

The capital reserve represents the share-based compensation reserve comprising the fair value of the shares awarded under the share transfer to the management of the Group (note 21) 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 Mainland China, 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 their profits after taxation reported in their 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 contributions to the 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 such 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.

21. SHARE-BASED PAYMENTS

On 10 October 2014, arrangements were entered into for CITIC Capital and Jublon to transfer a total of 5,177,976 shares of the Company (3% of total shares issued as at 10 October 2014) to three BVI companies which are wholly owned by the chief executive officer, the chief financial officer and 11 management personnel of the Group respectively, for a consideration of US$1.14 per share. The consideration was below the fair value of the shares, which is determined by a professional valuer engaged by the Group, using the market approach, at US$2.18 per share as of 28 September 2014, the grant date.

The shares were transferred to these management personnel of the Group at below fair value as incentives for the management to grow and develop the Group and prepare the Company for its initial public offering (the "**IPO**"). The shares transferred are subject to various conditions, including the successful IPO of the Company, the management personnel not being dismissed due to a serious breach of employee agreements, company's regulations or incompetence and they remaining in service at the end of 12 months after the completion of the IPO.

In relation to the transferred shares that CITIC Capital and Jublon had indirectly transferred to the management personnel, the total amount of share-based payment expenses that will be amortised over the vesting period was RMB33,302,388, being the difference between the fair value of the shares at the grant date and the considerations paid by the management personnel. Accordingly, the Group recognised an expense of RMB9,364,000 for the year ended 31 December 2016 (2015: RMB19,211,000) in respect of such share-based payments.

22. TRANSFERS OF FINANCIAL ASSETS

Securitisation transactions

The Group enters into securitisation transactions in the normal course of business by transferring lease receivables to special purpose trusts which in turn issue asset-backed securities to investors. The Group may acquire some subordinated tranches of securities and accordingly may retain part of the risks and rewards of the transferred credit assets. The Group would determine whether or not to derecognise the associated lease receivables by evaluating the extent to which it retains the risks and rewards of the assets.

As at 31 December 2016, lease receivables with an original carrying amount of RMB1,241,577,000 (2015: RMB1,241,577,000) have been securitised by the Group under arrangements in which the Group retained continuing involvement in such assets. As at 31 December 2016, the carrying amount of assets that the Group continued to recognise was RMB64,916,000 (2015: RMB64,916,000) and that of the associated liabilities, which represented the maximum amount of the cash flows the Group would forfeit under the subordination plus the consideration for the subordination, was RMB64,916,000 (2015: RMB64,916,000).

23. INTEREST IN THE UNCONSOLIDATED STRUCTURED ENTITY

The Group has interest in a structured entity arising from the securitisation transactions. The Group assessed and determined that the structured entity need not be consolidated as the Group has no control over it. As at 31 December 2016, the Group's interest in the unconsolidated structured entity, which was recognised as an available-for-sale investment, amounted to RMB20,955,000 (31 December 2015: RMB20,955,000). As at 31 December 2016, the carrying amount of the associated liabilities, which represented the maximum amount of the cash flows the Group would forfeit under the subordination, amounting to RMB20,955,000 was recognised and included in other liabilities (31 December 2015: RMB20,955,000). Neither the holders of preferential tranches nor the holders of subordinated tranches have contractual obligations for any financial support to the structured entity.

24. EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent events undertaken by the Group after 31 December 2016.

PERFORMANCE OVERVIEW

	For the year ended 31 December				
	2016	2015	2014	2013	2012
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Operating Results					
Income	**2,700,916**	2,193,398	1,552,682	981,458	593,326
Finance lease income*	**1,941,183**	1,462,018	1,032,757	579,053	319,580
Industry, equipment and financing advisory income*	**601,303**	585,555	441,973	348,895	236,505
Clinical department upgrade services income*	**156,500**	143,452	77,514	53,498	37,237
Cost of sales	**(965,970)**	(884,851)	(619,594)	(348,619)	(204,781)
Interest expense	**(940,155)**	(864,165)	(596,954)	(325,449)	(192,364)
Cost of clinical department upgrade services	**(25,815)**	(20,581)	(22,537)	(23,170)	(12,417)
Profit before tax	**1,205,945**	900,274	611,082	418,344	239,148
Profit for the year	**872,310**	658,526	456,638	312,738	177,652
Basic and diluted earnings per share *(RMB)*	**0.51**	0.44	0.51	0.51	0.38
Profitability Indicators					
Return on total assets(1)	**3.32%**	3.29%	3.40%	3.83%	3.77%
Return on equity(2)	**14.01%**	15.85%	25.40%	30.89%	30.15%
Net interest margin(3)	**4.36%**	3.42%	3.73%	3.78%	3.68%
Net interest spread(4)	**3.31%**	2.56%	2.93%	2.80%	2.64%
Net profit margin(5)	**32.30%**	30.02%	29.41%	31.86%	29.94%
Cost to income ratio(6)	**25.27%**	29.91%	24.76%	28.91%	32.28%

* After taxes and surcharges

(1) Return on total assets = profit for the year/average balance of assets at the beginning and end of the year;

(2) Return on equity = profit for the year/average balance of equity at the beginning and end of the year;

(3) Net interest margin is calculated by dividing net interest income by average balance of interest-earning assets;

(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 before provision as at each month end within the reporting year; 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 year;

(5) Net profit margin = profit for the year/income;

(6) Cost to income ratio = (selling and distribution cost + administrative expenses – provision for loans and accounts receivable)/gross profit.

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*	31 December 2014 *RMB'000*	31 December 2013 *RMB'000*	31 December 2012 *RMB'000*
Assets and Liabilities					
Total assets	**28,964,583**	23,657,881	16,385,316	10,452,434	5,883,444
Net lease receivables	**27,160,141**	21,600,652	15,850,139	9,698,361	5,291,212
Total liabilities	**22,390,192**	17,776,681	13,957,817	9,283,691	5,027,441
Interest-bearing bank and other borrowings	**19,485,459**	15,458,354	11,408,252	7,905,816	3,788,699
Total equity	**6,574,391**	5,881,200	2,427,499	1,168,743	856,003
Net assets per share *(RMB)*	**3.83**	3.43	1.91	1.91	1.40
Financial Indicators					
Debt ratio(1)	**77.30%**	75.14%	85.18%	88.82%	85.45%
Gearing ratio(2)	**2.96**	2.63	4.70	6.76	4.43
Current ratio(3)	**1.25**	0.98	0.88	0.79	0.68
Asset Quality					
Non-performing assets ratio(4)	**0.81%**	0.78%	0.83%	0.91%	1.00%
Provision coverage ratio(5)	**183.85%**	171.47%	166.10%	151.01%	104.88%
Write-off of non-performing assets ratio(6)	**0.0%**	0.0%	0.0%	0.0%	0.0%
Overdue ratio (over 30 days)(7)	**0.51%**	0.46%	0.96%	0.92%	2.27%

(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 lease receivables;

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

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

(7) Overdue ratio (over 30 days) is calculated based on net lease receivables which are more than 30 days overdue divided by net lease receivables.

MANAGEMENT DISCUSSION AND ANALYSIS

1. Business Review and Prospects

The year 2016 has witnessed the Group's outstanding execution with consistent goals

In 2016, the operating results of the Group maintained steady growth with income increased by 23.1% to RMB2,700.9 million, profit before tax increased by 34.0% to RMB1,205.9 million as compared to last year and the number of customers increased to over 1,400. The sound operating results benefit from our outstanding execution with consistent goals.

The outstanding execution of the Group embodies our consistent strategic development goals and actual operational skills in accomplishing those pre-determined targets. We have been carrying out integrated development strategies: while maintaining a rapid growth in our healthcare financial business, we continued enhancing our healthcare technology service capabilities. Our hospital investment and management business has been progressing smoothly and the new model combining industry and finance and integrating finance, consultancy, management and technology services has come into form, which has laid the foundation for the sustainable and rapid growth of the Group.

Strong execution stems from our sound internal system, methodical working organization, excellent corporate culture and expanding talent team. We fully understand that a business with strong execution shall definitely be equipped with high-calibre staff, and a business with high-calibre staff shall definitely have a promising future. As at 28 February 2017, the Group had 585 employees, of which about 60% are with post-graduate degrees or above, and about 50% with medical background. At our operation center level, we proactively promote the nurturing and recruitment of professionals in the areas of medicine supply chain management, hospital planning and construction, and hospital operation and management. At subsidiaries level, we plan and deploy professional team in advance according to the business need of the subsidiaries. The Group has been supported by a team of nearly one hundred staff in the areas of medicine supply chain management, hospital planning and construction, and hospital operation and management. We recognize the importance of talents for corporate development from the initial stage of financial talents recruitment to the proactive recruitment of medical talents. With a strong team in place to promote the simultaneous and orderly execution of various projects, we are fully geared up for the synergistic development of our various segments.

1.1 Hospital Investment and Management Business – stronger together to promote benchmark projects

In the process of developing hospital investment and management business, the Group introduces the capital of central state-owned enterprise to local public hospitals, equipping them with international advanced equipment and planning and designing new hospitals in compliance with international standard. We focused on nurturing high level talents by bringing in advanced management philosophy and methods, medical technologies and services. Also, we cooperated with partnered hospitals to optimize the operation and management system as well as compensation incentive system, thereby fully mobilizing medical staff and realizing their medical values and personal values.

On 30 August 2016, the Group and the First Affiliated Hospital of Xi'an Jiaotong University (西安交通大學第一附屬醫院) (the "**First Affiliated Hospital**") signed the cooperation agreement in connection with the joint establishment of the International Land Port Hospital under First Affiliated Hospital (the "**International Land Port Hospital**"). First Affiliated Hospital is a large-scale national comprehensive Grade III Class A hospital administered directly by the National Health and Family Planning Commission (國家衛生和計劃生育委員會) (the "**NHFPC**"), with leading medical technology and service quality in Northwest China. The International Land Port Hospital is the branch of the First Affiliated Hospital with 1,000 registered beds under planning. The total funding required for the project is no more than RMB2 billion. Universal Medical is granted two cooperation rights in return:

- The construction and operation right of the International Land Port Hospital. Xi'an Ronghui Hospital Construction Management Co., Ltd. (西安融慧醫院建設管理有限公司) ("**Xi'an Ronghui**") is wholly-owned by Universal Medical with a registered capital of RMB400 million to exercise the construction and operation right. Xi'an Ronghui is entitled to construct the International Land Port Hospital, participate in its future operation management and charge the construction and management fee. The construction and operation right bears a term of 25 years. The Group intends to fund the project by internal resources of the Group, proceeds from initial public offering and fund raising activities and/or bank facilities available to or to be obtained by the Group.

- The business cooperation right with the International Land Port Hospital and First Affiliated Hospital. Universal Medical, through Xi'an Ronghui, jointly established the Xi'an Wanheng Medical Technology Development Co., Ltd. (西安萬恆醫療科技發展有限公司) ("**Xi'an Wanheng**") with First Affiliated Hospital. Xi'an Wanheng is solely responsible for managing the sunshine purchase of medicines, consumables and equipment for First Affiliated Hospital and the International Land Port Hospital. In addition, Xi'an Wanheng will further expand its business to provide services for the operation management of other partnered hospitals in Northwest China in the future. The business cooperation right bears an infinite term.

It only took 8 months from a framework agreement to a formal agreement, after which two companies (Xi'an Ronghui and Xi'an Wanheng) were set up and a supply chain company recognized by Good Supply Practice (GSP,《藥品經營質量管理規範》) was acquired. It is an excellent teamwork between the two parties with complementary advantages that finally make it happen. Significant events during the Group's cooperation with First Affiliated Hospital are set out below:

10 January 2016	the Company entered into the Framework Agreement in connection with the Joint Establishment of the International Land Port Hospital under First Affiliated Hospital of Xi'an Jiaotong University (《合作建設西安交通大學第一附屬醫院國際陸港醫院框架協議》) with the First Affiliated Hospital in Xi'an International Trade and Logistics Park.
30 August 2016	both parties signed the formal agreement in connection with the joint establishment of the International Land Port Hospital under First Affiliated Hospital of Xi'an Jiaotong University at the First Affiliated Hospital.
24 October 2016	the Group issued the circular for extraordinary general meeting in which the major terms of the cooperation agreement as well as further details about the cooperation model were further disclosed.
8 November 2016	the Group held the extraordinary general meeting in Hong Kong, at which the resolution on approving the cooperation agreement entered into between the Company and First Affiliated Hospital on 30 August 2016 and the transactions thereunder was passed.
10 January 2017	the Group and First Affiliated Hospital formed the operating company (the "**OPCO**") under the cooperation agreement and signed the shareholders agreement and the articles of association of the OPCO.
6 February 2017	the OPCO jointly established by the Group and First Affiliated Hospital entered into an agreement to acquire Shaanxi Huahong Medical Company Limited (陝西華虹醫藥有限公司).

The successful bidding of benchmark projects like First Affiliated Hospital as well as their orderly application to other projects, is not only attributable to our abundant resources and medical experience, but also attributable to the joint efforts of all staff, which will surely start a new chapter of the Group's business development.

1.2 Healthcare financial business – ride on the uptrend for a steady growth

In 2016, the healthcare financial business of the Group continued to grow rapidly. The yield on interest-earning assets increased slightly while the cost rate of interest-bearing liabilities decreased substantially, increasing the net interest spread from 2.56% in 2015 to 3.31% in 2016 by 0.75 percentage point. Meanwhile, the Group's assets quality remained healthy during the year.

- **The yield on interest-earning assets increased slightly.** In view of the downward trend of the domestic overall deposit and lending rates, the average yield of the Group's assets increased as compared to 2015, benefiting from customer loyalty and competitive advantages of differentiated services brought by our integrated healthcare service solutions and the full implementation of the change from business tax to value-added tax since 1 May 2016. In 2016, the average yield of the Group's interest-earning assets amounted to 8.40%, representing an increase of 0.16 percentage point from 8.24% in 2015.

- **The cost rate of interest-bearing liabilities substantially decreased.** Due to the decrease of domestic financing cost as a result of interest rate cuts by the central bank and the continued reduction in the proportion of the Group's overseas financing activities with relatively higher cost, the average cost rate of interest-bearing liabilities of the Group decreased significantly as compared to 2015 after offsetting the influencing factors of the increase in financing cost as a result of the replacement of business tax with value-added tax at the same time. In 2016, the average cost rate of interest-bearing liabilities of the Group amounted to 5.09%, representing a decrease of 0.59 percentage point from 5.68% in 2015.

- **Continued improvement in financing capabilities and financing structure.** In the complicated domestic and overseas financial climate, the Group actively adjusted financing strategies and optimized its debt structure, making more reasonable arrangements in terms of currencies and regions. In order to reduce financing cost, the Group continuously decreased the proportion of overseas financing. At the end of 2016, the proportion of the balance of overseas financing to the total interest-bearing liabilities amounted to 14.0%, representing a decrease of 15.6 percentage points from 29.6% at the end of last year. In 2016, when the interest rates of domestic bond market had obvious attractions, the Group devoted more efforts to direct financing. At the end of 2016, direct financing accounted for 36.6% of the total interest-bearing liabilities, representing an increase of 8.8 percentage points from 27.8% at the end of 2015. In order to control exchange rate risk, the Group continued to reduce the proportion of USD borrowings. The borrowings denominated in USD accounted for 5.3% of the total interest-bearing liabilities, representing a decrease of 2.4 percentage points from the end of last year.

- **The assets maintained steady growth with good quality.** As of 31 December 2016, the total assets of the Group amounted to RMB28,964.6 million, representing an increase of 22.4% as compared to the end of 2015. The proportion of healthcare assets in finance lease receivables was 71.6%, showing the Group's assets concentration in healthcare industry. Non-performing assets ratio was 0.81% and the overdue ratio (30 days) was 0.51%, representing a leading position in the industry. We maintained a prudent provision policy and the Group's asset provision coverage ratio reached 183.85% as of 31 December 2016.

1.3 Expansion of Clinical Department Upgrade Services – leverage on resources advantages with an open mind

With the continuous enrichment of medical resources, clinical department upgrade service models of the Group have become more flexible and diverse. In 2016, the gross profit of the Group's clinical department upgrade services reached RMB131 million, representing an increase of 6.4% as compared to 2015, with numbers of clinical department upgrade customers increased from 105 at the end of 2015 to 157.

In terms of the Cerebral Vascular Accident ("**CVA**") clinical department upgrade, the Group continued innovating the service model. We established the "Chinese CVA Prevention and Treatment Training Platform" together with China Stroke Center Management Steering Group under the Stroke Prevention Project Committee of NHFPC. In future, we will focus on conducting the systematic training for primary hospitals of clinical diagnosis and treatment technologies, including but not limited to, neurology diagnosis and treatment, neurosurgical diagnosis and treatment, interventional technology, cardiology and endocrinology diagnosis and treatment, diagnostic examination technology, green channels establishment and improvements, care-rehabilitation-follow-up and other disease management of the CVA prevention and treatment. At the same time, we will focus on improving hospital management standard and optimizing multidisciplinary collaboration model, so that the hospitals' technology and management can reach the respective national stroke center construction standards. In the new model, we will select and formulate customized plans for hospitals according to their actual situations and development demands. We are committed to making hospitals the new force in CVA screening, prevention and treatment and enhancing their comprehensive strengths in prevention and treatment of chronic diseases.

1.4 Future Prospects

With excellent execution, the Group will closely follow the target of becoming a leading integrated healthcare services provider and continue implementing the development strategy which integrates healthcare finance, hospital investment and management, healthcare technology services and healthcare digitalization. The Group will implement the International Land Port Hospital project as scheduled, proceed with other hospital investment management projects in an orderly manner, continue to expand the market of medical finance lease and improve its medical technology services, facilitating a coordinated development of all business sectors.

Our general development strategy is that, we will firmly develop our healthcare financing business, making it a solid profit generator for the Group's steady growth and cornerstone for new business; we will vigorously advance our hospital investment and management business, making it a catalyst for the Group's rapid growth; we will continuously enrich our healthcare resources, enhancing our healthcare services capabilities; we will simultaneously explore healthcare digitalization business, promoting synergy among sectors and resources sharing and accumulating healthcare big data. In the years to come, we will firmly grasp the opportunity from healthcare business matrix, and establish a complete business chain to further promote the rapid growth of the Group.

2. Analysis of Statement of Profit or Loss

2.1 Overview

In 2016, facing the difficulties and challenges from external economy, the Group seized the development opportunities of healthcare industry. With the strategic goal as an integrated healthcare services provider, we have enhanced our execution capability, actively built a new business model with a combination of industry and finance and continuously strengthened risk prevention and control, achieving rapid growth in operating results. In 2016, the Group recorded a revenue of RMB2,700.9 million, representing an increase of RMB507.5 million or 23.1% as compared to the previous year. Profit before tax was RMB1,205.9 million, representing an increase of RMB305.7 million or 34.0% as compared to the previous year.

The following table sets forth the Group's statement of profit or loss for the indicated years:

	For the year ended 31 December		
	2016	2015	Change
	RMB'000	*RMB'000*	
Revenue	**2,700,916**	2,193,398	23.1%
Cost of sales	**(965,970)**	(884,851)	9.2%
Gross profit	**1,734,946**	1,308,547	32.6%
Other income and gains	**28,616**	58,751	-51.3%
Selling and distribution costs	**(277,251)**	(213,926)	29.6%
Administrative expenses	**(277,232)**	(246,496)	12.5%
Other expenses	**(3,134)**	(6,602)	-52.5%
Profit before tax	**1,205,945**	900,274	34.0%
Income tax expense	**(333,635)**	(241,748)	38.0%
Profit for the year	**872,310**	658,526	32.5%
Basic and diluted earnings per share *(RMB)*	**0.51**	0.44	15.9%

2.2 *Analysis of Revenue*

With the focus on healthcare sector, the Group is committed to its development goal as an integrated healthcare services provider. We strived to strengthen our healthcare resources platform and develop our hospital customer base. At the same time, we continuously strengthened business innovation. In 2016, the Group achieved a stable growth of business revenue.

The Group's gross profit by business segment

	For the year ended 31 December				
	2016		2015		
	Gross profit *RMB'000*	**% of total**	Gross profit *RMB'000*	% of total	Change
Finance lease	**1,001,028**	**57.7%**	597,853	45.7%	67.4%
Industry, equipment and financing advisory	**601,303**	**34.7%**	585,555	44.7%	2.7%
Clinical department upgrade services	**130,685**	**7.5%**	122,871	9.4%	6.4%
Other business	**1,930**	**0.1%**	2,268	0.2%	-14.9%
Total	**1,734,946**	**100.0%**	1,308,547	100.0%	32.6%

In 2016, the Group's gross profit was RMB1,734.9 million, increased by RMB426.4 million or 32.6% as compared to last year. In particular, interest margin gross profit of finance lease business was RMB1,001.0 million, representing an increase of RMB403.2 million or 67.4% as compared to last year; gross profit of industry, equipment and financing advisory services was RMB601.3 million, representing an increase of RMB15.7 million or 2.7% as compared to last year; gross profit of clinical department upgrade services was RMB130.7 million, representing an increase of RMB7.8 million or 6.4% as compared to last year.

2.2.1 Finance lease business

In 2016, the Group continued developing the finance lease business in a stable manner. It captured the development opportunities of healthcare industry, rationalized regional distribution of business while strengthening regional staffing and improving their business development capability, striving to maintain its leading position in healthcare finance lease market.

The Group's finance lease income by industry

Industry	For the year ended 31 December				Change
	2016		2015		
	RMB'000	**% of total**	*RMB'000*	% of total	
Healthcare	**1,493,743**	**77.0%**	1,011,476	69.2%	47.7%
Education	**385,863**	**19.9%**	394,415	27.0%	-2.2%
Other	**61,577**	**3.1%**	56,127	3.8%	9.7%
Total	**1,941,183**	**100.0%**	1,462,018	100.0%	32.8%

The Group's finance lease income is mainly comprised of interest income. In 2016, the Group recorded interest income of RMB1,941.2 million, representing an increase of RMB479.2 million or 32.8% as compared to last year. The Group focuses on healthcare sector, and the finance lease income from healthcare industry was RMB1,493.7 million, the percentage of which as to total income of the Group further increased to 77.0% from 69.2% in 2015.

Average yield and cost rate of finance lease business

	For the year ended 31 December					
	2016			2015		
	Average balance	**Interest income(1)/ expense(2)**	**Average yield(3)/ cost rate(4)**	Average balance	Interest income(1)/ expense(2)	Average yield(3)/ cost rate(4)
	RMB'000	***RMB'000***		*RMB'000*	*RMB'000*	
Interest-earning assets	**23,237,939**	**1,952,243**	**8.40%**	17,902,971	1,475,796	8.24%
Interest-bearing liabilities	**18,451,059**	**940,155**	**5.09%**	15,220,242	864,165	5.68%
Net interest margin(5)			**4.36%**			3.42%
Net interest spread(6)			**3.31%**			2.56%

(1) Interest income represents the interest income before tax and surcharges from finance lease business;

(2) Interest expense represents financing cost of capital for finance lease business;

(3) Average yield = interest income/average balance of interest-earning assets;

(4) Average cost rate = interest expense/average balance of interest-bearing liabilities;

(5) Net interest margin is calculated by dividing net interest income by average balance of interest-earning assets; and

(6) Net interest spread is the difference between average yield of interest-earning assets and average cost rate of interest-bearing liabilities.

The net interest margin and net interest spread of the Group in 2016 increased significantly as compared to that of previous year, mainly due to the increase of average yield of interest-earning assets and the decrease of average cost rate of interest-bearing liabilities. The net interest margin of finance lease was 4.36%, representing an increase of 0.94 percentage point as compared to 3.42% over the last year; the net interest spread was 3.31%, representing an increase of 0.75 percentage point as compared to 2.56% in last year.

Average yield of interest-earning assets: in 2016, the average yield of the Group's interest-earning assets was 8.40%, representing an increase of 0.16 percentage point as compared to 8.24% over the last year. Despite the downward trend of the domestic deposit and lending rates, benefiting from customer loyalty and the competitive advantages of differentiation brought by our integrated healthcare service solutions and the positive effect from the replacement of business tax with value-added tax since 1 May 2016, the average yield of interest-earning assets of the Group increased slightly in 2016 as compared to last year.

Average cost rate of interest-bearing liabilities: in 2016, the average cost rate of interest-bearing liabilities was 5.09%, representing a decrease of 0.59 percentage point as compared to 5.68% over the same period of last year. The interest-bearing liabilities of the Group entered a repricing cycle in 2016 after the several rate cuts by the People's Bank of China in 2015. With the rapid development of domestic bond market in 2016, the Group issued bonds of an aggregate principal amount of RMB3.9 billion. The proportion of direct financing increased, and the average cost rate of domestic financing of the Group decreased. Meanwhile, cost of interest rate and exchange rate of overseas financing increased significantly under the impact of the United States' interest rate hike and depreciation of Renminbi, so the Group continued reducing the proportion of overseas financing from 29.6% in 2015 to 14.0% in 2016. The average cost rate of interest-bearing liabilities of the Group decreased significantly as compared to last year after offsetting the increase of financing cost as a result of the replacement of business tax with value-added tax since 1 May 2016.

2.2.2 Industry, equipment and financing advisory services

Industry, equipment and financing advisory is part of the Group's integrated healthcare services. In 2016, the gross profit from industry, equipment and financing advisory services was RMB601.3 million, representing an increase of RMB15.7 million or 2.7% as compared to 2015. In 2016, based on finance lease business, the Group continuously expanded its healthcare resources platform and strengthened its internal collaboration and staff training so as to provide its customers comprehensive services that comprised funding support, equipment replacement, technology and management advisory. With valuable, flexible and diversified advisory services, we assisted our customers in improving their service quality.

2.2.3 Clinical department upgrade services

The Group's clinical department upgrade services mainly include the provision of technical advisory, professional training, workflow construction, and equipment and financial planning services, in order to enhance the technical services ability and management efficiency of partnered hospitals with operating lease and sales of equipment. In 2016, the gross profit of clinical department upgrade services was RMB130.7 million, representing an increase of RMB7.8 million or 6.4% as compared to 2015.

Breakdown of the Group's clinical department upgrade services

	For the year ended 31 December					
	2016			2015		
	Income *RMB'000*	**Gross profit** *RMB'000*	**% of total gross profit**	Income *RMB'000*	Gross profit *RMB'000*	% of total gross profit
Clinical department upgrade advisory services	**122,754**	**122,754**	**93.9%**	113,420	113,420	92.3%
Operating lease	**20,717**	**1,813**	**1.4%**	17,776	3,480	2.8%
Sales of medical equipment	**13,029**	**6,118**	**4.7%**	12,256	5,971	4.9%
Total	**156,500**	**130,685**	**100.0%**	143,452	122,871	100.0%

The core business of the Group's clinical department upgrade services is clinical department upgrade advisory services. During 2016, following the principle of CVA prevention, screening and treatment, the Group further optimized the clinical department upgrade business model with integration of specialists, technology, training, capital and equipment and cooperated with more famous institutions and specialists from various fields of study, expanding the business model of CVA to other medical areas such as oncology, obstetrics and gynecology and cardiology by providing customers with equipment, workflow construction guidance, staff training, surgery instruction and professional skills exchanges. Meanwhile, we further innovated the clinical department upgrade service model, selecting and formulating customized solutions based on the actual situation and development requirements of hospitals. We focused on advisory services, making hospitals a fresh driving force to promote CVA screening and prevention and fully enhancing their comprehensive strengths in chronic disease prevention and treatment. As at 31 December 2016, the number of clinical department upgrade customers increased to 157 customers in 25 provinces from 105 customers in 22 provinces at the end of 2015. In 2016, the gross profit of clinical department upgrade advisory services was RMB122.8 million, representing an increase of RMB9.3 million or 8.2% as compared to last year, and accounted for 93.9% of the total gross profit of clinical department upgrade services, and the percentage in total gross profit increased by 1.6 percentage points as compared to last year.

2.3 *Operating cost*

In 2016, the Group's selling and distribution cost and administrative expenses were RMB277.3 million and RMB277.2 million, respectively, representing an increase of RMB63.3 million and RMB30.7 million or 29.6% and 12.5%, respectively, as compared to last year. This is mainly because: (1) to satisfy the need from the corporate strategies, the Group proactively recruited high-calibre professionals in the field of hospital investment & management and medical technology services, further optimizing the talent structure in 2016. Meanwhile, the Group has set up a long-term incentive system. As such, the salary and benefits increased by RMB57.2 million as compared to last year as a result of corresponding increase in the relevant salary and benefits expenses; and (2) in 2016, the Group maintained a prudent provision policy and its provision of impairment on loans and accounts receivable reached RMB116.1 million, representing an increase of RMB47.0 million as compared to last year.

In 2016, the cost to income ratio of the Group was 25.27%, representing a decrease of 4.64 percentage points from last year due to the Group's operating efficiency.

2.4 *Income tax expenses*

In 2016, the Group's income tax expenses increased by RMB91.9 million from last year, which was mainly due to the increase of profit before tax.

3. Financial Position Analysis

3.1 Overview of assets

As at 31 December 2016, the Group's total assets was RMB28,964.6 million, representing an increase of RMB5,306.7 million or 22.4% as compared to the end of last year. In particular, our loans and accounts receivable was RMB26,760.5 million, representing an increase of RMB5,443.6 million or 25.5% as compared to the end of last year; our cash and cash equivalents was RMB1,272.5 million, representing an decrease of RMB593.2 million or 31.8% as compared to the end of last year. With respect to assets structure, our loan and accounts receivable accounted for 92.4% of the total assets; and the cash and cash equivalents accounted for 4.4% of the total assets.

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

	31 December 2016		31 December 2015		
	RMB'000	**% of total**	*RMB'000*	% of total	Change
Restricted deposits	**660,406**	**2.3%**	153,705	0.6%	329.7%
Cash and cash equivalents	**1,272,458**	**4.4%**	1,865,670	7.9%	-31.8%
Inventories	**2,054**	**0.0%**	2,643	0.0%	-22.3%
Loans and accounts receivable	**26,760,535**	**92.4%**	21,316,958	90.1%	25.5%
Prepayments, deposits and other receivables	**40,883**	**0.1%**	142,598	0.6%	-71.3%
Property, plant and equipment	**98,563**	**0.4%**	89,586	0.4%	10.0%
Available-for-sale investments	**64,916**	**0.2%**	64,916	0.3%	0.0%
Deferred tax assets	**53,544**	**0.2%**	21,777	0.1%	145.9%
Derivative financial instruments	**7,828**	**0.0%**	28	0.0%	27,857.1%
Other assets	**3,396**	**0.0%**	–	0.0%	0.0%
Total	**28,964,583**	**100.0%**	23,657,881	100.0%	22.4%

3.1.1 Restricted deposits and cash and cash equivalents

As at 31 December 2016, the Group had restricted deposits of RMB660.4 million, which mainly comprised pledged project refunds resulting from business such as factoring, time deposits and off-balance sheet activities.

As at 31 December 2016, the Group had cash and cash equivalents of RMB1,272.5 million, which was the remaining balance of the proceeds from initial public offering and will be utilized gradually in accordance with the proposed use of proceeds.

3.1.2 Loans and accounts receivable

As at 31 December 2016, the Group's loans and accounts receivable was RMB26,760.5 million, among which the net lease receivables was RMB26,755.6 million, accounted for 99.98% of the loans and accounts receivable.

Lease receivables

In 2016, given the continuing downward trend in China's macro-economic environment, the Group strengthened the risk management and control in a prudent manner by increasing the investment in finance lease business in healthcare industry while ensuring the asset security and laying emphasis on adjustment to finance lease assets structure and risk prevention and control side by side. The scale of finance lease assets continuously increased while the industry distribution of total assets remained stable.

Net lease receivables by industry

The following table sets forth the net lease receivables by industry:

	31 December 2016		31 December 2015		
	RMB'000	**% of total**	*RMB'000*	% of total	Change
Healthcare	**19,449,931**	**71.6%**	16,692,512	77.3%	16.5%
Education	**6,455,597**	**23.8%**	4,076,706	18.9%	58.4%
Others	**1,254,613**	**4.6%**	831,434	3.8%	50.9%
Net lease receivables	**27,160,141**	**100.0%**	21,600,652	100.0%	25.7%
Less: Allowance for asset impairment	**(404,588)**		(288,520)		40.2%
Net value of lease receivables	**26,755,553**		21,312,132		25.5%

As at 31 December 2016, the Group's net lease receivables amounted to RMB26,755.6 million, representing an increase of RMB5,443.4 million or 25.5% as compared to the end of last year. The Group adhered to the strategic planning with focus on healthcare industry, expanding into education industry market in a prudent manner while further exploring the healthcare market. As to asset security, the Group continuously and steadily developed financial business in order to facilitate a stable growth of the finance lease net assets.

The maturity profile of the net lease receivables

The following table sets forth the maturity profile of the net lease receivables:

	31 December 2016		31 December 2015		
	RMB'000	**% of total**	*RMB'000*	% of total	Change
Within 1 year	**7,158,746**	**26.4%**	6,036,410	27.9%	18.6%
1-2 years	**6,561,621**	**24.2%**	5,301,893	24.5%	23.8%
2-3 years	**5,956,812**	**21.8%**	4,395,572	20.3%	35.5%
3 years and beyond	**7,482,962**	**27.6%**	5,866,777	27.3%	27.5%
Net lease receivables	**27,160,141**	**100.0%**	21,600,652	100.0%	25.7%

The Group formulated reasonable business investment strategies according to the strategic plan so as to ensure the sustained and steady cash inflow. At the end of 2016, the distribution of maturity of the Group's net lease receivables was relatively balanced.

Quality of lease receivables

The following table sets forth the classification of five categories of the net lease receivables:

	31 December 2016		31 December 2015		
	RMB'000	**% of total**	*RMB'000*	% of total	Change
Pass	**22,815,652**	**84.00%**	18,242,578	84.45%	25.1%
Special mention	**4,124,424**	**15.19%**	3,189,810	14.77%	29.3%
Substandard	**169,633**	**0.62%**	123,592	0.57%	37.3%
Doubtful	**50,432**	**0.19%**	44,672	0.21%	12.9%
Loss	**–**	**0.00%**	–	0.00%	0.0%
Net lease receivables	**27,160,141**	**100.0%**	21,600,652	100.0%	25.7%
Non-performing assets[1]	**220,065**		168,264		30.8%
Non-performing assets ratio[2]	**0.81%**		0.78%		

(1) Non-performing assets are defined as those lease receivables 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 estimated future cash flows of lease receivables that can be reliably estimated. These lease receivables are classified as "substandard", "doubtful" or "loss".

(2) The non-performing assets ratio is the percentage of non-performing assets over net lease receivables as at the applicable date.

Note: Please refer to "-7. Risk Management" in this section for the more details of five-category classification.

The Group has been implementing stable asset management policies and sustainably adopting stringent and prudent asset classification policies. As at 31 December 2016, the Group had non-performing assets of RMB220.1 million, representing an increase of RMB51.8 million as compared to 31 December 2015, which was mainly due to the increase in total lease receivables resulting from the expansion of the finance lease business of the Group. Meanwhile, 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 31 December 2016, the Group's non-performing asset ratio was 0.81%.

Ratio of overdue lease receivables

The following table sets forth the lease receivables over 30 days overdue

	31 December 2016	31 December 2015
Overdue ratio (over 30 days)(1)	**0.51%**	0.46%

(1) Calculated based on net lease receivables which are more than 30 days overdue divided by total net lease receivables.

In 2016, the Group implemented prudent risk control and asset management policy and continued improving the risk management system. As at 31 December 2016, the overdue ratio (over 30 days) was 0.51%, increased by 0.05 percentage point as compared to 0.46% at the end of last year, remaining at a low level.

Provision for impairment of lease receivables

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

	31 December 2016		31 December 2015	
	RMB'000	**% of total**	*RMB'000*	% of total
Allowance for asset impairment:				
Individually assessed	**88,557**	**21.9%**	64,383	22.3%
Collectively assessed	**316,031**	**78.1%**	224,137	77.7%
Total	**404,588**	**100.0%**	288,520	100.0%
Non-performing assets	**220,065**		168,264	
Provision coverage ratio	**183.85%**		171.47%	

As at 31 December 2016, the Group's provision coverage ratio was 183.85%, representing an increase of 12.38 percentage points from 31 December 2015. With the expansion of its business, the Group's management believes that it is imperative to take more prudent measures to protect the Group against systematic risks and move towards the international standards and practices. As such, the Group continuously increased its asset provision coverage ratio. During the reporting period, the Group did not write off any finance lease assets and it did not have any finance lease assets classified as loss.

3.2 *Overview of liabilities*

As at 31 December 2016, the Group's total liabilities was RMB22,390.2 million, representing an increase of RMB4,613.5 million or 26.0% as compared to 31 December 2015.

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

	31 December 2016		31 December 2015		
	RMB'000	**% of total**	*RMB'000*	% of total	Change
Interest-bearing bank and other borrowings	**19,485,459**	**87.0%**	15,458,354	87.0%	26.1%
Trade and bills payable	**194,333**	**0.9%**	94,773	0.5%	105.1%
Other payables and accruals	**2,576,182**	**11.5%**	2,093,421	11.7%	23.1%
Taxes payable	**69,302**	**0.3%**	65,217	0.4%	6.3%
Other liabilities	**64,916**	**0.3%**	64,916	0.4%	0.0%
Total	**22,390,192**	**100.0%**	17,776,681	100.0%	26.0%

3.2.1 Interest-bearing bank and other borrowings

In 2016, under the complicated domestic and overseas financial environments, the Group actively adjusted financing strategies and optimized its debt structure, resulting in continuous improvement of financing structures, further enhancement of financing capabilities and more reasonable arrangements of financing currencies and regions.

The Group's interest-bearing bank and other borrowings is mainly used to provide capital for its finance lease business. As at 31 December 2016, the Group's interest-bearing bank and other borrowings was RMB19,485.5 million, representing an increase of RMB4,027.1 million or 26.1% as compared to 31 December 2015. The borrowings of the Group are mainly at floating interest rates.

Breakdown of interest-bearing bank and other borrowings by type

	31 December 2016		31 December 2015		
	RMB'000	**% of total**	*RMB'000*	% of total	Change
Bank loans	**9,047,346**	**46.4%**	9,542,573	61.7%	-5.2%
Due to related parties	**1,500,000**	**7.7%**	500,000	3.2%	200.0%
Bonds	**7,135,184**	**36.6%**	4,297,487	27.8%	66.0%
Other loans	**1,802,929**	**9.3%**	1,118,294	7.3%	61.2%
Total	**19,485,459**	**100.0%**	15,458,354	100.0%	26.1%

As at 31 December 2016, the balance of the Group's bank loans amounted to RMB9,047.3 million, accounting for 46.4% of its total interest-bearing bank and other borrowings, representing a decrease of 15.3 percentage points as compared to 61.7% as at 31 December 2015. The balance of Group's bonds amounted to RMB7,135.2 million, accounting for 36.6% of its total interest-bearing bank and other borrowings, representing a increase of 8.8 percentage points as compared to 27.8% as at 31 December 2015.

In 2016, when the interest rates of domestic bond market had obvious attractions, the Group enhanced bond financing.

Breakdown of interest-bearing and other borrowings by currency

	31 December 2016		31 December 2015		
	RMB'000	**% of total**	*RMB'000*	% of total	Change
RMB	**18,455,632**	**94.7%**	14,269,715	92.3%	29.3%
USD	**1,029,827**	**5.3%**	1,188,639	7.7%	-13.4%
Total	**19,485,459**	**100.0%**	15,458,354	100.0%	26.1%

As at 31 December 2016, the Group's interest-bearing bank and other borrowings denominated in RMB was RMB18,455.6 million, which accounted for 94.7% of its total interest-bearing bank and other borrowings, representing an increase of 2.4 percentage points as compared to 92.3% as at 31 December 2015.

In 2016, the factors such as the slowdown of China's economic growth, the Brexit and the US presidential election resulted in depreciation of RMB against USD to certain extent. In order to control exchange rate risk, the Group continued to reduce the proportion of USD borrowings. For domestic and overseas borrowings denominated in USD, the Group minimized the risk from the significant fluctuation of the exchange rate between RMB and USD by implementing comprehensive measures which effectively controlled the exchange rate risk.

Breakdown of the interest-bearing and other borrowings by region

	31 December 2016		31 December 2015		
	RMB'000	**% of total**	*RMB'000*	% of total	Change
Domestic	**16,762,603**	**86.0%**	10,888,129	70.4%	54.0%
Overseas	**2,722,856**	**14.0%**	4,570,225	29.6%	-40.4%
Total	**19,485,459**	**100.0%**	15,458,354	100.0%	26.1%

As at 31 December 2016, the Group's domestic financing balance was RMB16,762.6 million, accounting for 86.0% of the total interest-bearing and other borrowings, representing an increase of 15.6 percentage points as compared to 70.4% as at 31 December 2015.

Since 2016, the domestic financing costs decreased significantly as compared to 2015 after the several rate cuts by the People's Bank of China and the implementation of the moderately loose monetary policy, while the overseas financing costs increased due to factors such as the rate hike of USD and the weakening RMB. As the overseas financing cost no longer had any advantage over the domestic cost, we shifted our focus to domestic financing to control and reduce the proportion of our overseas financing.

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

	31 December 2016		31 December 2015		
	RMB'000	**% of total**	*RMB'000*	% of total	Change
Current	**6,284,903**	**32.3%**	7,634,574	49.4%	-17.7%
Non-current	**13,200,556**	**67.7%**	7,823,780	50.6%	68.7%
Total	**19,485,459**	**100.0%**	15,458,354	100.0%	26.1%

As at 31 December 2016, the balance of the Group's current interest-bearing bank and other borrowings amounted to RMB6,284.9 million, accounting for 32.3% of its total interest-bearing bank and other borrowings, representing a decrease of 17.1 percentage points as compared to 49.4% as at 31 December 2015. In order to prevent the liquidity risk and to secure the source of certain mid and long-term funds under the market environment with decreasing financing cost and sufficient liquidity, the Group proactively increased the proportion of non-current liabilities in 2016.

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

	31 December 2016		31 December 2015		
	RMB'000	**% of total**	*RMB'000*	% of total	Change
Secured	**4,639,457**	**23.8%**	6,009,325	38.9%	-22.8%
Unsecured	**14,846,002**	**76.2%**	9,449,029	61.1%	57.1%
Total	**19,485,459**	**100.0%**	15,458,354	100.0%	26.1%

As at 31 December 2016, the Group's secured interest-bearing bank and other borrowings amounted to RMB4,639.5 million, accounting for 23.8% of the total interest-bearing bank and other borrowings of the Group. It represents a decrease of 15.1 percentage points as compared to 38.9% as at 31 December 2015. The Group's secured assets were mainly finance lease assets, and the decrease in its proportion indicated further improvement of the Group's own financing capabilities.

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

	31 December 2016		31 December 2015		
	RMB'000	**% of total**	*RMB'000*	% of total	Change
Direct financing	**7,135,184**	**36.6%**	4,297,487	27.8%	66.0%
Indirect financing	**12,350,275**	**63.4%**	11,160,867	72.2%	10.7%
Total	**19,485,459**	**100.0%**	15,458,354	100.0%	26.1%

As at 31 December 2016, among the Group's interest-bearing bank and other borrowings, direct financing amounted to RMB7,135.2 million, accounting for 36.6% of total interest-bearing bank and other borrowings, representing an increase of 8.8 percentage points as compared to 27.8% as at 31 December 2015. In order to take full advantage of the good liquidity and cost advantages in the domestic debt capital market, the Group issued medium-term notes with a total principal amount of RMB850 million and short-term financing bonds with a total principal amount of RMB850 million in the domestic inter-bank bond market, and issued corporate bonds with a total principal amount of RMB2,200 million on Shanghai Stock Exchange in 2016. Meanwhile, the Group secured an issuance quota of RMB1,000 million of super short-term financing bonds and RMB1,500 million of private placement note.

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 31 December 2016, other payables and accruals amounted to RMB2,576.2 million, representing an increase of RMB482.8 million or 23.1% as compared to the end of last year, which was mainly due to the increase in lease deposits paid by customers.

3.3 Shareholders' Equity

As at 31 December 2016, the Group's total equity amounted to RMB6,574.4 million, representing an increase of RMB693.2 million or 11.8% as compared to the end of last year, which was mainly due to the increase in profit for the year.

As at 31 December 2016, the Group's distributable reserves, calculated under Part 6 of the Companies Ordinance, amounted to RMB2,006.7 million.

4. Cash Flows Analysis

	For the year ended 31 December		
	2016	2015	Change
	RMB'000	*RMB'000*	
Net cash flows used in operating activities	**(2,381,645)**	(4,452,389)	-46.5%
Net cash flows used in investing activities	**(459,685)**	(71,970)	538.7%
Net cash flows from financing activities	**2,175,211**	5,799,584	-62.5%
Net increase in cash and cash equivalents	**(666,119)**	1,275,225	-152.2%

Corresponding to the Group's business expansion and an increase in the balance of interest-earning assets in 2016, net cash outflows from operating activities amounted to RMB2,381.6 million. Correspondingly, the Group increased its cash inflow from financing activities such as bank and other borrowings, resulting in net cash inflow from financing activities amounting to RMB2,175.2 million. Net cash outflows from investing activities amounted to RMB459.7 million, mainly attributed to the acquisition of office equipment, other long-term assets and other investment.

5. Capital Management

The primary objective of the Group's capital management activities is to ensure that it maintains healthy capital ratios in order to support the Group's business and maximizes its shareholders' benefits. The Group uses debt ratio and gearing ratio to monitor its capital. In 2016, no changes were made to the Group's objectives, policies or processes for capital management.

Debt ratio

	31 December 2016	31 December 2015
	RMB'000	*RMB'000*
Total assets	**28,964,583**	23,657,881
Total liabilities	**22,390,192**	17,776,681
Total equity	**6,574,391**	5,881,200
Debt ratio	**77.30%**	75.14%

Gearing ratio

	31 December 2016	31 December 2015
	RMB'000	*RMB'000*
Interest-bearing bank and other borrowings	**19,485,459**	15,458,354
Total equity	**6,574,391**	5,881,200
Gearing ratio	**2.96**	2.63

As at 31 December 2016, the Group's debt ratio and gearing ratio have increased slightly as compared to the end of last year.

6. Capital Expenditure

The Group's capital expenditure primarily consists of expenditure on purchasing facilities relating to the Group's operating leasing business and office equipment. In 2016, the Group had capital expenditure of RMB20.2 million, which primarily consisted of related expenses for the purchase of office equipment and other long-term assets.

Use of Proceeds from the Initial Public Offering

The Group's shares 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.

The Board closely monitored the use of proceeds from the initial public offering with reference to the use of proceeds disclosed in the prospectus of the Company dated 24 June 2015 (the "**Prospectus**") and confirmed that there was no change in the proposed use of proceeds as previously disclosed in the Prospectus. As of 31 December 2016, the Group used the net proceeds for the following purposes:

- RMB1,249.0 million was used for supporting the ongoing growth of our finance lease business;

- RMB19.1 million was used for research, development and operation of healthcare digitalization services. We made further recruitments to increase the size of our technology solutions team and developed a proprietary information management system for hospitals as well as related marketing activities;

- RMB51.6 million was used for the development of our hospital investment and management business. We concentrated on market development and expansion of external medical resources, recruited a hospital management experts team and provided professional training to internal personnel;

- RMB91.5 million was used for further development of CVA project solutions and department upgrade services in other new areas. We increased the number of our internal experts with relevant medical background and provided hospital customers with financial support for clinical department upgrade; and
- RMB277.6 million was used for funding general corporate purposes.

7. Risk Management

The Group's principal financial instruments comprise lease receivables, trade receivables, trade payables, interest-bearing bank and other borrowings, 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 that a financial instrument or future cash flows will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank and other borrowings and lease receivables.

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 to a reasonably possible change in interest rate, with all other variables unchanged, to the Group's profit before tax. 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	
	31 December 2016	31 December 2015
	RMB'000	*RMB'000*
Change in base points		
+100 base points	**105,799**	92,855
- 100 base points	**(105,799)**	(92,855)

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 foreign exchange rates. The Group conducts its businesses mainly in RMB, with certain transactions denominated in USD, and also other currencies to a lesser extent. The Group's currency risk mainly arises from the transactions in foreign currencies. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position.

The exchange rate of RMB to USD is managed under a floating exchange rate system. The HK$ exchange rate has been linked to the USD and therefore the exchange rate of RMB to HK$ has fluctuated and will fluctuate in line with the changes in the exchange rate of RMB to USD.

The following table sets forth a sensitivity analysis of exchange rate change of the Group's currency assets, liabilities and cashflow forecast on the Group's profit before tax.

		Increase/(decrease) in profit before tax	
	Change in foreign exchange rate%	**31 December 2016**	31 December 2015
		RMB'000	*RMB'000*
If RMB strengthens against USD/HK$	**(1)**	**(493)**	(984)
If RMB weakens against USD/HK$	**1**	**493**	984

The analysis demonstrates the effect of a reasonably possible movement in the currency rate against RMB, with all other variables unchanged, 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 the recognized and creditworthy third parties. In accordance with the policy of the Group, the Group examines and verifies the credit risk of all customers that the Group has credit transactions with. Besides, the Group monitors and controls the lease receivables regularly to mitigate the risk of significant exposure from bad debts. Other financial assets of the Group include cash and bank deposits, accounts receivable 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 lease receivables, 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 lease receivables of the Group. Lease receivables classification criteria of the Group focus on a number of factors, to the extent applicable, and include the following ratings:

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 lease receivables will be impaired.

Special Mention. Even though the lessee has been able to pay the lease payments in a timely manner, there are still 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 debtors, 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 debtors, 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 debtors, for example, if payments have been overdue and the financial position of the lessee has worsened, then the lease receivables 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 underlying the lease contract. For example, if a lease payment that has been categorized as special mention continues to be overdue for a period of time, then the lease receivables 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/or 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 lease receivables 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 lease receivables 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. The Group took risk management measures to monitor the quality of its asset portfolio, the assets underlying its leases and the efficiency of its credit assessment workflow. These measures are integrated into continuing asset management efforts of the Group with the following key features:

Continue improving the management process after the lease and regularly monitor the asset portfolio

The Group continued improving the management process after the 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 would constantly monitor 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 an annual on-site visit plan and inspected the business development and financial conditions of its customers on a continuing basis through such on-site visits, during which cross-selling opportunities could also be explored, with the aim of 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, the major 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 reclassification.

The Group adopted the migration model to classify its relevant lease receivables and assets of its finance lease projects. Under this categorization system, the Group's assets underlying lease receivables are divided into five categories, namely "pass", "special mention", "substandard", "doubtful" and "loss". The last three categories of assets are considered 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 industry concentration of finance lease receivables

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:

	31 December 2016		31 December 2015	
	RMB'000	**% of total**	*RMB'000*	% of total
Healthcare	**19,449,931**	**71.6%**	16,692,512	77.3%
Education	**6,455,597**	**23.8%**	4,076,706	18.9%
Others	**1,254,613**	**4.6%**	831,434	3.8%
Total	**27,160,141**	**100.0%**	21,600,652	100.0%

The customers of the Group are mainly concentrated in the healthcare industry and the education industry. Since both the healthcare industry and the education industry relate closely to people's basic livelihood and are weakly correlated to the economic cycle, there is no significant credit risk concentration within the Group.

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

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Net lease receivables	**26,936,292**	21,393,331
Accounts receivable	**2,205**	4,826
Notes receivable	**2,777**	–
Deposits and other receivables	**14,079**	96,709
Available-for-sale investment	**64,916**	64,916
Derivative financial assets	**7,828**	28

As at 31 December 2016 and 31 December 2015, the financial assets which are past due but are not considered impaired amounted to RMB3.8 million and RMB39.1 million, respectively. The days overdue are analyzed as below:

	Within 90 days *RMB'000*	**90 days to 1 year** *RMB'000*	**1 year to 3 years** *RMB'000*	**Over 3 years** *RMB'000*	**Total** *RMB'000*
As at 31 December 2016					
Net lease receivables	**3,784**	**–**	**–**	**–**	**3,784**
As at 31 December 2015					
Net lease receivables	39,057	–	–	–	39,057

Lease receivables that were past due but not impaired related to a number of customers that have good track records with the Group. Based on past experience, the Directors are of the view that these balances are not considered impaired as there has not been a significant impact on credit rating and the balances are still considered fully recoverable. The past due but not impaired assets of RMB3.8 million as at 31 December 2016, were all recovered in January 2017.

The analysis of financial assets which are impaired is as follows:

	31 December 2016	31 December 2015
	RMB'000	*RMB'000*
Net lease receivables	**220,065**	168,264

Impaired lease receivables are defined as those having objective evidence of impairment as a result of one or more events that occurred after initial recognition and that event has an impact on the estimated future cash flows of the lease receivables that can be reliably estimated.

7.4 Liquidity Risk

Liquidity risk is the risk that funds will not be 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 future cash flows and evaluating the appropriate net current asset/ liability position, and maintaining an efficient internal funds transfer mechanism.

The tables below summarize 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	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2016						
Total financial assets	**1,365,374**	**2,225,732**	**7,303,785**	**22,868,798**	**298,433**	**34,062,122**
Total financial liabilities	**(85,145)**	**(2,819,325)**	**(4,690,567)**	**(16,305,141)**	**(1,000)**	**(23,901,178)**
Net liquidity gap[1]	**1,280,229**	**(593,593)**	**2,613,218**	**6,563,657**	**297,433**	**10,160,944**
At 31 December 2015						
Total financial assets	1,937,596	1,844,212	5,780,383	18,190,481	2,715	27,755,387
Total financial liabilities	(6,225)	(2,104,131)	(6,446,741)	(10,345,528)	–	(18,902,625)
Net liquidity gap[1]	1,931,371	(259,919)	(666,358)	7,844,953	2,715	8,852,762

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

In order to prevent the liquidity risk and to secure the source of certain mid and long-term funds under the market environment with decreasing financing cost and sufficient liquidity, the Group proactively increased the proportion of mid and long-term financing in 2016. Therefore, the durations of financial assets and liabilities match more closely.

8. Pledge of Group Assets

As at 31 December 2016, the Group had lease receivables of RMB4,735.19 million and cash of RMB147.22 million pledged or paid to banks to secure the bank borrowings.

9. Circumstances Including Contractual Obligations, Contingent Liabilities and Capital Commitment

9.1 Contingent Liabilities

	31 December 2016 ***RMB'000***	31 December 2015 *RMB'000*
Legal proceedings		
Claimed amounts	**–**	1,278

9.2 Capital Commitments and Credit Commitments

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

	31 December 2016 ***RMB'000***	31 December 2015 *RMB'000*
Capital expenditure under signed contracts but not appropriated	**6,106**	5,628
Credit commitments(1)	**1,316,461**	804,604

(1) Credit commitments refer to the amount, conditional and revocable, under approved lease contracts but not appropriated by settlement date.

Except for the capital commitments listed above, the Group entered into a cooperation agreement with First Affiliated Hospital on 30 August 2016, pursuant to which the Group has agreed to provide a total amount of RMB2 billion in cash to fund the project and manage and operate International Landport Hospital in a manner as agreed by both parties after completion of the project construction. As at 31 December 2016, the Group has not made any payment for the project construction.

10. Human Resources

As of 31 December 2016, we had a total of 536 employees, representing an increase of 103 or 23.79%, compared to 433 as of 31 December 2015.

We have a highly educated and high quality work force, with about 91.2% of our employees holding bachelor degrees and above, about 53.0% holding master's degrees and above and about 2.4% holding doctor's degrees as of 31 December 2016.

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 Company. 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 category into professional or managerial group, which provides employees with a clear career path. We perform a comprehensive performance evaluation for different types and different levels of employees on an annual basis according to business objective obligations and achievement of key objectives.

In accordance with applicable PRC laws, we have made contributions to social security insurance funds (including pension, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance plans) and housing funds for our employees. We also provide other insurance plans for our employees such as supplementary pension, additional medical insurance and personal accident insurance in addition to those required under the PRC regulations. As of 31 December 2016, we had complied with all statutory social insurance and housing fund obligations applicable to us under PRC laws in all material aspects.

CORPORATE GOVERNANCE CODE

The Company has applied the principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and has adopted the CG Code as its own code of corporate governance.

During the year, 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, the articles of association of the Company stipulates that the executive Directors of the Company shall not be subject to the rotational retirement provision, without prejudice of the power of the Company's shareholders ("**Shareholders**") in general meeting to remove any such Director. To ensure continuity of leadership and stability for growth of the Company, the Board opined that the executive Directors should hold office on a continuous basis.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted its own code of conduct regarding directors' and employee's dealings in the Company's securities (the "**Securities Dealing Code**") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules.

Having made specific enquiry to all the Directors (including those Directors who resigned during the accounting period covered by this annual results announcement), all of them confirmed that they have complied with the Model Code and the Securities Dealing Code throughout the period from 1 January 2016 or the date of his appointment as Director (whichever is later) and up to the date of his resignation as Director or 31 December 2016 (whichever is earlier).

REVIEW OF FINANCIAL INFORMATION

Audit Committee

The Company has established the audit committee of the Board (the "**Audit Committee**") in compliance with Rules 3.21 and 3.22 of the Listing Rules. It comprises three members, including Mr. Li Yinquan (Chairman), Mr. Chow Siu Lui and Mr. Liu Xiaoping.

The Audit Committee has discussed with the management and reviewed the audited annual consolidated financial statements of the Group for the year ended 31 December 2016 and the annual results.

In addition, Ernst & Young, the external auditor of our Company, has independently audited the consolidated financial statements of the Group for the year ended 31 December 2016 in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

DISCLOSURE UNDER SECTION 436 OF THE COMPANIES ORDINANCE

The financial information relating to the Company for the years ended 31 December 2016, 2015, 2014, 2013 and 2012 included in this announcement does not constitute the Company's statutory annual consolidated financial statements for these five years 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 Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "**Companies Ordinance**") is as follows:

The Company has delivered the consolidated financial statements for the years ended 31 December 2015 and 2014 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, as well as section 94 of the Companies Ordinance and will deliver the consolidated financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance in due course. The consolidated financial statements for the years ended 31 December 2013 and 2012 were not delivered and were not required to be delivered to the Registrar of Companies.

The Company's auditor has reported on the consolidated financial statements for the years ended 31 December 2016, 2015, 2014, 2013 and 2012. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

DIVIDEND AND CLOSURE OF REGISTER

The Board recommends the payment of a final dividend of HK$0.17 per share for the year ended 31 December 2016 to Shareholders whose names appear on the register of members of the Company on Friday, 16 June 2017. The proposed final dividend will be paid on Tuesday, 27 June 2017, subject to the approval of the Shareholders at the annual general meeting of the Company to be held on Tuesday, 23 May 2017 (the "**Annual General Meeting**").

The register of members of the Company will be closed during the following periods:

(i) from Thursday, 18 May 2017 to Tuesday, 23 May 2017, both days inclusive and during which period no share transfer will be registered, for the purpose of ascertaining Shareholders' entitlement to attend and vote at the Annual General Meeting. In order to be eligible to attend and vote at the Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 17 May 2017; and

(ii) from Wednesday, 14 June 2017 to Friday, 16 June 2017, both days inclusive and during which period no share transfer will be registered, for the purpose of ascertaining Shareholders' entitlement to the proposed final dividend. In order to establish entitlements to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 13 June 2017.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.universalmsm.com, respectively. The annual report of the Company for the year ended 31 December 2016 containing all the information required under the Listing Rules will be despatched to the Shareholders and published on the above-mentioned websites in due course.

By order of the Board of Directors
Universal Medical Financial & Technical Advisory Services Company Limited
環球醫療金融與技術咨詢服務有限公司
Guo Weiping
Executive Director

Hong Kong, 28 March 2017

As at the date of this announcement, the executive Directors are Mr. Guo Weiping and Ms. Peng Jiahong; the non-executive Directors are Mr. Zhang Yichen (Chairman), Mr. Jiang Xin (Vice-chairman), Mr. Liu Zhiyong, Mr. Liu Xiaoping, Mr. Su Guang and Mr. Zeng Yu; and the independent non-executive Directors are Mr. Li Yinquan, Mr. Chow Siu Lui, Mr. Kong Wei and Mr. Han Demin.