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 2017

FINANCIAL HIGHLIGHTS

- For the year ended 31 December 2017, the revenue amounted to approximately RMB3,419 million, representing an increase of 26.6% as compared with that of approximately RMB2,701 million for 2016.

- For the year ended 31 December 2017, the profit before tax amounted to approximately RMB1,576 million, representing an increase of 30.7% as compared with that of approximately RMB1,206 million for 2016.

- For the year ended 31 December 2017, the profit for the year amounted to approximately RMB1,149 million, representing an increase of 31.7% as compared with that of approximately RMB872 million for 2016.

- As at 31 December 2017, the total assets amounted to approximately RMB37,733 million, representing an increase of 30.3% as compared with that of approximately RMB28,965 million as at 31 December 2016.

- As at 31 December 2017, the total shareholders' equity amounted to approximately RMB7,469 million, representing an increase of 13.6% as compared with that of approximately RMB6,574 million as at 31 December 2016.

- For the year ended 31 December 2017, the return on equity was 16.36%.

- For the year ended 31 December 2017, the return on total assets was 3.44%.

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 2017 with the comparative figures for the year ended 31 December 2016 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2017

	Notes	**2017** ***RMB'000***	2016 *RMB'000*
REVENUE	*5*	**3,418,829**	2,700,916
Cost of sales		**(1,244,640)**	(965,970)
Gross profit		**2,174,189**	1,734,946
Other income and gains	*5*	**60,810**	28,616
Selling and distribution costs		**(334,203)**	(277,251)
Administrative expenses		**(303,287)**	(277,232)
Financial costs		**(122)**	–
Other expenses		**(20,926)**	(3,134)
PROFIT BEFORE TAX	*6*	**1,576,461**	1,205,945
Income tax expense	*7*	**(427,782)**	(333,635)
PROFIT FOR THE YEAR		**1,148,679**	872,310
Attributable to:			
Owners of the parent		**1,148,658**	872,310
Non-controlling interests		**21**	–
		1,148,679	872,310
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted *(RMB)*	*9*	**0.67**	0.51

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017	2016
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**1,148,679**	872,310
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	**–**	–
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	**–**	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**–**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,148,679**	872,310
Attributable to:		
Owners of the parent	**1,148,658**	872,310
Non-controlling interests	**21**	–

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	31 December 2017 RMB'000	31 December 2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**86,883**	98,563
Loans and accounts receivables	*14*	**25,385,314**	19,754,852
Prepayments, deposits and other receivables	*15*	**111,111**	13,332
Available-for-sale investments	*11*	**43,961**	64,916
Goodwill		**9,211**	–
Deferred tax assets	*20*	**163,876**	53,544
Other assets		**4,678**	3,396
Total non-current assets		**25,805,034**	19,988,603
CURRENT ASSETS			
Inventories	*13*	**21,045**	2,054
Loans and accounts receivables	*14*	**9,184,775**	7,005,683
Prepayments, deposits and other receivables	*15*	**34,126**	27,551
Derivative financial assets	*12*	**5,273**	7,828
Restricted deposits	*16*	**932,376**	660,406
Cash and cash equivalents	*16*	**1,749,884**	1,272,458
Total current assets		**11,927,479**	8,975,980
CURRENT LIABILITIES			
Trade payables	*17*	**264,697**	194,333
Other payables and accruals	*18*	**845,314**	626,182
Interest-bearing bank and other borrowings	*19*	**10,963,552**	6,284,903
Derivative financial liabilities	*12*	**16,844**	–
Tax payable		**70,355**	69,302
Total current liabilities		**12,160,762**	7,174,720
NET CURRENT (LIABILITIES)/ASSETS		**(233,283)**	1,801,260
TOTAL ASSETS LESS CURRENT LIABILITIES		**25,571,751**	21,789,863

	Notes	31 December 2017 RMB'000	31 December 2016 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*19*	**15,919,143**	13,200,556
Other payables and accruals	*18*	**2,139,821**	1,950,000
Other liabilities		**43,961**	64,916
Total non-current liabilities		**18,102,925**	15,215,472
Net assets		**7,468,826**	6,574,391
Equity attributable to the owners of the parent			
Share capital	*21*	**4,327,842**	4,327,842
Reserves	*22*	**3,140,759**	2,246,549
		7,468,601	6,574,391
Non-controlling interest		**225**	–
Total equity		**7,468,826**	6,574,391

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**1,576,461**	1,205,945
Adjustments for:			
Finance costs	*6*	**1,130,294**	940,155
Interest expense		**122**	–
Interest income	*5*	**(18,253)**	(7,505)
Derivative financial instruments – transactions not qualifying as hedges:			
Unrealised fair value losses/(gains), net	*6*	**19,399**	(7,799)
Depreciation		**27,490**	22,271
Amortization of intangible assets	*6*	**427**	38
Provision for impairment of lease receivables	*14*	**113,809**	116,068
Provision for impairment of accounts receivable	*14*	**(142)**	–
Investment income	*5*	**(18,533)**	(1,017)
Foreign exchange gain, net		**(14,129)**	(1,277)
Equity-settled share-based compensation expense		**–**	9,364
		2,816,945	2,276,243
(Increase)/decrease in inventories		**(10,527)**	589
Increase in loans and accounts receivables		**(7,875,914)**	(5,570,341)
(Increase)/decrease in prepayments, deposits and other receivables		**(145,421)**	73,955
Increase in other assets		**(380)**	(2,385)
Decrease in amounts due from related parties		**7,169**	11,020
Increase in trade payables and notes payable		**346,683**	779,444
Increase in other payables and accruals		**302,592**	403,528
Increase in amounts due to related parties		**2,095**	114
Net cash flows used in operating activities before interest and tax		**(4,556,758)**	(2,027,833)
Interest received		**18,253**	7,505
Income tax paid		**(533,646)**	(361,317)
Net cash flows used in operating activities		**(5,072,151)**	(2,381,645)

	Notes	**2017**	2016
		RMB'000	*RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income		**18,533**	1,017
Repayments of investments		**8,359**	–
Cash paid for acquisition of property, plant and equipment, intangible assets and other long term assets		**(18,892)**	(20,202)
Acquisition of a subsidiary		**(9,398)**	–
Increase in time deposits		**(88,770)**	(440,500)
Net cash flows used in investing activities		**(90,168)**	(459,685)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in amounts due to related parties		**1,500,000**	1,500,000
Decrease in amounts due to related parties		**–**	(500,000)
Cash received from borrowings		**14,413,703**	13,543,824
Repayments of borrowings		**(8,554,315)**	(11,276,673)
Interest paid		**(1,197,735)**	(837,256)
Cash paid for restricted deposits		**(9,568,173)**	(143,987)
Repayment of restricted deposits		**9,384,973**	77,786
Dividends paid		**(254,448)**	(188,483)
Net cash flows from financing activities		**5,724,005**	2,175,211
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**561,686**	(666,119)
Cash and cash equivalents at beginning of year		**1,272,458**	1,865,670
Effect of exchange rate changes on cash and cash equivalents		**(84,260)**	72,907
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,749,884**	1,272,458
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**1,831,990**	1,469,377
Less: Restricted deposits		**(82,106)**	(196,919)
Cash and cash equivalents as stated in the statement of financial position	*16*	**1,749,884**	1,272,458
Cash and cash equivalents as stated in the statement of cash flows		**1,749,884**	1,272,458

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

Universal Medical Financial & Technical Advisory Services Company Limited (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 Company and its subsidiaries (the "**Group**") are 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.

Going-concern assumption

As of 31 December 2017, the Group had net current liabilities amounting to RMB233,283,000. When preparing the financial statements, the Group's management concluded that the adoption of the going concern basis of accounting was appropriate after analysing the forecasted cash flows for the twelve months from 31 December 2017 which indicates that the Group will have sufficient liquidity during the next twelve months from cash inflows generated from operations and existing credit facilities. To mitigate any liquidity issues that might be faced by the Group, the Group may curtail and defer its expansion of financial leasing business based on the availability of sufficient funds. Accordingly, the Group will have the financial resources to settle borrowings and liabilities in the next twelve months, as and when they fall due.

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 HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 *included in Annual Improvements to HKFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

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*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements *2014-2016 Cycle*	*Amendments to HKFRS 1 and HKAS 28*[1]

[1] Effective for annual periods beginning on or after 1 January 2018

[2] Effective for annual periods beginning on or after 1 January 2019

[3] No mandatory effective date yet determined but available for adoption

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimation uncertainty

Fair value of financial instruments

For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models or other valuation models.

Valuation techniques make use of observable market information to the greatest extent, however, when the observable market information cannot be obtained, management will have to make assumptions on the credit risk, market volatility and correlations of the Group and the counterparties, and any changes in these underlying assumptions will affect the fair value of financial instruments.

4. 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 organized 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.

5. 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:

	2017	2016
	RMB'000	*RMB'000*
Revenue		
Finance lease income	**2,468,362**	1,952,243
Service fee income	**843,756**	728,919
Operating lease income	**16,712**	20,923
Sale of goods	**107,305**	13,214
Others	**257**	2,827
Taxes and surcharges	**(17,563)**	(17,210)
	3,418,829	2,700,916
Other income and gains		
Interest income	**18,253**	7,505
Foreign exchange gains	**152**	–
Derivative financial instruments – transaction not qualifying as a hedge:		
– Unrealised fair value loss, net	**–**	7,799
Government grants *(note 5a)*	**23,393**	12,179
Interest income from available-for-sale investments	**16,095**	1,017
Investment income from derivative instruments	**2,438**	–
Others	**479**	116
	60,810	28,616

5a. GOVERNMENT GRANTS

	2017	2016
	RMB'000	*RMB'000*
Government special subsidies	**23,393**	12,179

6. PROFIT BEFORE TAX

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

		2017	2016
	Note	***RMB'000***	*RMB'000*
Cost of borrowings included in cost of sales		**1,130,294**	940,155
Cost of inventories sold		**94,124**	6,911
Cost of operating leases		**20,222**	18,904
Depreciation		**7,268**	3,367
Amortisation of intangible assets		**427**	38
Rental expenses		**27,064**	23,460
Auditor's remuneration		**2,840**	2,799
Employee benefit expense			
– Wages and salaries		**299,428**	242,213
– Equity-settled share-based compensation expense		**–**	9,364
– Pension scheme contributions		**32,243**	25,266
– Other employee benefits		**43,099**	32,251
		374,770	309,094
Impairment of loans and accounts receivables	*14c*	**113,667**	116,068
Foreign exchange loss/(gain)		**(152)**	858
Derivative financial instruments			
– transactions not qualifying as hedges:			
– Unrealised fair value losses/(gains), net		**19,399**	(7,799)
– Realised fair value (gains)/losses, net		**(2,438)**	609

7. INCOME TAX EXPENSE

	2017	2016
	RMB'000	*RMB'000*
Current – Hong Kong		
Underprovision in prior years	**–**	–
Current – Mainland China		
Charge for the year	**540,334**	358,722
(Overprovision)/underprovision in prior years	**(2,282)**	6,680
Deferred tax	**(110,270)**	(31,767)
Total tax charge for the year	**427,782**	333,635

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 (2016: 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:

	2017	2016
	RMB'000	*RMB'000*
Profit before tax	**1,576,461**	1,205,945
At the PRC statutory income tax rate of 25%	**394,115**	301,486
Expenses not deductible for tax purposes	**4,022**	5,781
Income not subject to tax	**(849)**	(76)
Adjustment on current income tax in respect of prior years	**(2,282)**	6,680
Unrecognized tax losses	**10,976**	5,264
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**21,800**	14,500
Income tax expense as reported in the consolidated statement of profit or loss	**427,782**	333,635

8. DIVIDENDS

	2017	2016
	RMB'000	*RMB'000*
Proposed final dividend – HK$0.24 (2016: HK$0.17) per ordinary share	**344,597**	260,993

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

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

	2017	2016
	RMB'000	*RMB'000*
Profit attributable to ordinary equity holders of the parent	**1,148,658**	872,310

	2017	2016
	RMB'000	*RMB'000*
Weighted average number of ordinary shares in issue	**1,716,304,580**	1,716,304,580

	2017	2016
	RMB'000	*RMB'000*
Basic and diluted earnings per share	**0.67**	0.51

Diluted earnings per share for the years ended 31 December 2017 and 2016 is the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding.

10. PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2017

	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 2017:							
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
At 1 January 2017, net of accumulated depreciation	1,495	1,636	4,663	78,046	11,244	1,479	98,563
Additions	1,036	1,490	1,528	1,720	4,391	2,401	12,566
Cost of subsidiary acquisition	473	615	338	–	–	155	1,581
Depreciation provided during the year	(389)	(511)	(1,203)	(20,222)	(2,584)	(421)	(25,330)
Depreciation cost of subsidiary acquisition	(205)	(34)	(134)	–	–	(124)	(497)
At 31 December 2017, net of accumulated depreciation	2,410	3,196	5,192	59,544	13,051	3,490	86,883
At 31 December 2017:							
Cost	4,699	4,547	10,611	159,088	17,163	4,745	200,853
Accumulated depreciation	(2,289)	(1,351)	(5,419)	(99,544)	(4,112)	(1,255)	(113,970)
Net carrying amount	2,410	3,196	5,192	59,544	13,051	3,490	86,883

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

11. AVAILABLE-FOR-SALE INVESTMENTS

	2017 ***RMB'000***	2016 *RMB'000*
Asset-backed securities	**43,961**	64,916

As at 31 December 2017, the Group invested in asset-backed securities which were issued by special purpose trusts. Details of the asset-backed securities are disclosed in note 24 to the financial statements.

12. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

		2017	2016
		RMB'000	*RMB'000*
Interest rate swaps	*(1)*	**5,273**	7,828
Foreign Exchange rate swaps	*(2)*	**(16,844)**	–

(1) As at 31 December 2017, the Group's borrowings with floating interest rates determined with reference to the London Interbank Offered Rate ("**LIBOR**") and measured at amortised cost amounted to US$50,000,000 (2016: US$120,000,000). 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 2017, the total nominal amount of interest rate swap contracts was US$120,000,000 (2016: US$120,000,000). A loss on fair value of the financial derivatives amounting to RMB2,555,000 (2016: a gain of RMB7,799,000) was debited to the statement of profit or loss during the year ended 31 December 2017.

(2) As at 31 December 2017, some of the Group's bank loans are denominated in USD and HKD, amounting to USD263,750,000 and HKD1,842,750,000 respectively (2016: nil). To manage the foreign exchange rate exposure arising from these bank loans, the Company entered into foreign exchange rate swap contracts with certain banks in Hong Kong/Mainland China. As at 31 December 2017, the total nominal amount of foreign exchange rate swap contracts was US$480,000,000 (2016: nil). The fair value of these foreign exchange rate swaps is RMB16,844,000, and a loss on unrealized fair value of the financial derivatives amounting to RMB16,844,000 was debited to the statement of profit or loss during the year ended 31 December 2017.

13. INVENTORIES

	2017	2016
	RMB'000	*RMB'000*
Medical goods	**21,045**	2,054

14. LOANS AND ACCOUNTS RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Loans and accounts receivables due within 1 year	**9,184,775**	7,005,683
Loans and accounts receivables due after 1 year	**25,385,314**	19,754,852
	34,570,089	26,760,535

14a. Loans and accounts receivables by nature

	2017	2016
	RMB'000	*RMB'000*
Gross lease receivables *(note 14b)*	**41,226,465**	32,399,289
Less: Unearned finance income	**(6,205,173)**	(5,239,148)
Net lease receivables *(note 14b)*	**35,021,292**	27,160,141
Accounts receivable *(note 14d)*	**67,752**	2,205
Notes receivable *(note 14e)*	**–**	2,777
Subtotal of loans and accounts receivables	**35,089,044**	27,165,123
Less:		
Provision for accounts receivables *(note 14c)*	**(558)**	–
Provision for lease receivables *(note 14c)*	**(518,397)**	(404,588)
	34,570,089	26,760,535

14b(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:

	2017	2016
	RMB'000	*RMB'000*
Gross lease receivables		
Within 1 year	**19,456,422**	17,344,561
1 to 2 years	**13,664,716**	9,687,212
2 to 3 years	**5,834,517**	3,048,569
3 years and beyond	**2,270,810**	2,318,947
	41,226,465	32,399,289

	2017	2016
	RMB'000	*RMB'000*
Net lease receivables		
Within 1 year	**16,229,377**	14,266,243
1 to 2 years	**11,654,265**	8,115,744
2 to 3 years	**5,084,218**	2,695,715
3 years and beyond	**2,053,432**	2,082,439
	35,021,292	27,160,141

14b(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:

	2017 RMB'000	2016 RMB'000
Gross lease receivables:		
Due within 1 year	**11,566,541**	9,071,695
Due in 1 to 2 years	**10,597,208**	8,134,150
Due in 2 to 3 years	**9,227,610**	6,989,085
Due after 3 years and beyond	**9,835,106**	8,204,359
	41,226,465	32,399,289

	2017 RMB'000	2016 RMB'000
Net lease receivables:		
Due within 1 year	**9,304,757**	7,158,746
Due in 1 to 2 years	**8,696,021**	6,561,621
Due in 2 to 3 years	**8,024,276**	5,956,812
Due after 3 years and beyond	**8,996,238**	7,482,962
	35,021,292	27,160,141

14c. Change in Provision for Lease Receivables and Accounts Receivables

Provision for lease receivables

	Individually assessed		**Collectively assessed**		**Total**	
	2017 *RMB'000*	2016 *RMB'000*	**2017** *RMB'000*	2016 *RMB'000*	**2017** *RMB'000*	2016 *RMB'000*
At beginning of year	**88,557**	64,383	**316,031**	224,137	**404,588**	288,520
Charge for the year	**10,409**	24,174	**103,400**	91,894	**113,809**	116,068
At end of year	**98,966**	88,557	**419,431**	316,031	**518,397**	404,588

As at 31 December 2017, the amounts of the gross lease receivables and net lease receivables pledged as security for the Group's borrowings were RMB4,080,017,000 and RMB3,554,938,000 (2016: RMB4,735,186,000 and RMB4,209,364,000), respectively (see note 19).

Provision for accounts receivables

	At beginning of year	**Acquisitions of a subsidiary**	**Provision**	**Reverse**	**Other decrease**	**At end of year**
2017	–	700	–	(142)	–	558

14d. 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:

	2017	2016
	RMB'000	*RMB'000*
Within 1 year	**63,818**	–
More than 1 year	**3,934**	2,205
	67,752	2,205

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.

14e. 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:

	2017	2016
	RMB'000	*RMB'000*
Within 1 year	**–**	2,777

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Current:		
Prepayments	**10,020**	2,457
Other receivables	**20,658**	11,845
Lease deposit receivable due within one year	**–**	11,217
Other current assets	**1,310**	–
Due from a related party	**2,138**	2,032
	34,126	27,551
Non-current:		
Prepayments for non-current assets	**111,111**	13,332
	111,111	13,332
	145,237	40,883

16. CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS

	2017	2016
	RMB'000	*RMB'000*
Cash and bank balances	**1,831,990**	1,469,377
Time deposits	**850,270**	463,487
	2,682,260	1,932,864
Less:		
Pledged deposits and restricted bank deposits related to asset-backed securitisations	**(403,106)**	(219,906)
Time deposits with original maturity of more than three months	**(529,270)**	(440,500)
Cash and cash equivalents	**1,749,884**	1,272,458

As at 31 December 2017, the cash and bank balances of the Group denominated in RMB amounted to RMB1,728,774,000 (2016: RMB785,623,000). 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 2017, cash of RMB346,741,000 (2016: RMB147,217,000) was pledged or charged for bank borrowings (note 19).

As at 31 December 2017, cash of RMB56,365,000 (2016: RMB72,689,000) 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 24. 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 2017, cash of RMB130,955,000 (2016: RMB406,716,000) was deposited with Genertec Finance Co., Ltd., a related party.

17. TRADE PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Trade payables	**264,574**	194,179
Due to related parties	**123**	154
	264,697	194,333

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

17a. An aging analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2017	2016
	RMB'000	*RMB'000*
Within 1 year	**246,141**	178,783
1 to 2 years	**7,708**	5,277
2 to 3 years	**2,199**	113
Over 3 years	**8,649**	10,160
	264,697	194,333

18. OTHER PAYABLES AND ACCRUALS

	2017	2016
	RMB'000	*RMB'000*
Current:		
Lease deposits due within 1 year	**230,498**	103,163
Accrued salaries	**128,912**	90,966
Welfare payables	**8,671**	4,454
Advances from customers	**7,261**	28,272
Due to related parties	**47**	2,111
Other taxes payable	**24,672**	17,199
Interest payable	**133,386**	111,684
Other payables	**311,867**	268,333
	845,314	626,182
Non-current:		
Lease deposits due after 1 year	**1,880,570**	1,766,159
Accrued salaries	**259,251**	183,841
	2,139,821	1,950,000
	2,985,135	2,576,182

19. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2017			2016		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current:						
Bank loans – secured	**4.35~5.35**	**2018**	**314,401**	–	–	–
Bank loans – unsecured	**2.17~5.00**	**2018**	**2,734,863**	3.70~4.79	2017	1,404,500
Current portion of long-term bank loans						
– secured	**4.28~5.23**	**2018**	**731,818**	3.45~5.23	2017	1,233,412
– unsecured	**4.29~4.99**	**2018**	**1,972,736**	3.64~4.99	2017	909,135
Current portion of long-term other loans						
– secured	**–**	**–**	**–**	4.99	2017	1,400
– unsecured	**5.00**	**2018**	**600,000**	4.80	2017	100,000
Finance lease payables						
– secured	**4.75~4.83**	**2018**	**99,694**	4.75~5.56	2017	201,529
Bonds payable						
– secured	**5.20**	**2018**	**218,910**	6.22~6.38	2017	1,586,530
– unsecured	**4.69~4.90**	**2018**	**2,291,130**	3.26~3.34	2017	848,397
Due to a related party						
– unsecured	**4.35~4.75**	**2018**	**2,000,000**	–	–	–
			10,963,552			6,284,903
Non-current:						
Bank loans						
– secured	**4.28~5.23**	**2019~2022**	**663,921**	4.28~5.23	2018~2020	852,212
– unsecured	**2.70~5.23**	**2019~2020**	**8,367,632**	3.64~4.99	2018~2019	4,648,087
Other loans						
– unsecured	**5.00**	**2019**	**900,000**	5.00	2019	1,500,000
Bonds payable						
– secured	**5.50~6.43**	**2020**	**546,169**	5.20~6.43	2018~2020	764,374
– unsecured	**3.13~4.08**	**2019~2021**	**3,045,939**	3.13~4.69	2018~2021	3,935,883
Finance lease payables						
– secured	**4.75~4.83**	**2020**	**1,395,482**	–	–	–
Due to a related party						
– unsecured	**4.75**	**2019**	**1,000,000**	4.75	2018~2019	1,500,000
			15,919,143			13,200,556
			26,882,695			19,485,459

	2017	2016
	RMB'000	*RMB'000*
Analysed into:		
Bank loans repayable:		
Within one year	**5,753,818**	3,547,047
In the second year	**3,268,298**	2,912,091
In the third to fifth years, inclusive	**5,763,255**	2,588,208
	14,785,371	9,047,346
Analysed into:		
Other borrowings repayable:		
Within one year	**5,209,734**	2,737,856
In the second year	**2,441,980**	2,212,425
In the third to fifth years, inclusive	**4,445,610**	5,487,832
	12,097,324	10,438,113
	26,882,695	19,485,459

Notes:

(a) 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 RMB229,858,000 was purchased by CULC itself and thus no proceeds were received. As at 31 December 2017, the amortised cost of the debt securities issued amounted to RMB765,079,000 (2016: RMB764,374,000).

(b) As at 31 December 2017, the Group's bank and other borrowings secured by lease receivables, cash and bank balances and time deposits were RMB3,970,395,000 (2016: RMB4,639,457,000); the Group's gross lease receivables and net lease receivables pledged or charged as security for the Group's bank and other borrowings were RMB4,080,017,000 and 3,554,938,000, respectively (2016: RMB4,735,186,000 and RMB4,209,364,000); the Group's bank and other borrowings secured by cash and bank balances and time deposits amounted to RMB1,001,045,000 (2016: RMB3,468,554,000).

(c) As at 31 December 2017, the balance due to a related party was due to Genertec Finance Co., Ltd. (2016: Genertec Finance Co., Ltd.).

20. DEFERRED TAX

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

Deferred tax assets

	Allowances for impairment losses *RMB'000*	Salary and welfare payable *RMB'000*	Accrued expenses *RMB'000*	Total *RMB'000*
Gross deferred tax assets at 1 January 2017	**32,818**	45,931	–	78,749
Credited to the statement of profit or loss during the year	**88,953**	23,583	–	112,536
Gross deferred tax assets at 31 December 2017	**121,771**	69,514	–	191,285
Gross deferred tax assets at 1 January 2016	**18,679**	25,775	**425**	44,879
Credited 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

Deferred tax liabilities

	Lease deposits *RMB'000*	Fair value gain on derivative financial instruments *RMB'000*	Total *RMB'000*
Gross deferred tax liabilities at 1 January 2017	23,248	1,957	25,205
Charged to the statement of profit or loss during the year	2,843	(639)	2,204
Gross deferred tax liabilities at 31 December 2017	26,091	1,318	27,409
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

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 net deferred tax assets are presented as follows:

	2017	2016
	RMB'000	*RMB'000*
Net deferred tax assets recognised in the consolidated statement of financial position	**163,876**	53,544

The Company has tax losses arising in Hong Kong of RMB61,337,000 (2016: RMB29,871,000) 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 2017, 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 RMB2,404,347,000 (2016: RMB1,778,077,000).

21. SHARE CAPITAL

	2017	2016
	RMB'000	*RMB'000*
Issued and fully paid:		
1,716,304,580 (2016: 1,716,304,580) ordinary shares	**4,327,842**	4,327,842

22. RESERVES

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

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 23) 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 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.

23. 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 an amount below the fair value as incentives for the management to participate in the growth and development of the Group and the preparation of the Company's 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 remain 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 RMB33,302,000, being the difference between the fair value of the shares at the grant date and the considerations paid by the management personnel. As of 31 December 2016, the Company had recognized all the expenses amounting to RMB33,302,000.

24. 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 2017, lease receivables with an original carrying amount of RMB543,513,000 (2016: 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 2017, the carrying amount of assets that the Group continued to recognise was RMB43,961,000 (2016: 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 RMB43,961,000 (2016: RMB64,916,000).

25. 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. 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. As at 31 December 2017, the Group does not have any interest in the unconsolidated structured entity, and no liabilities recorgnized for that.

Neither the holders of preferential tranches nor the holders of subordinated tranches have contractual obligations for any financial support to the structured entity.

26. EVENTS AFTER THE REPORTING PERIOD

(a) On 2 February 2018, CULC issued the first tranche of the domestic super short-term financing bonds (the "**2018 T1 Financing Bonds**") with an aggregate principal amount of RMB500 million. The maturity of the 2018 T1 Financing Bonds will be 180 days from 5 February 2018, with a fixed interest rate of 5.35% per annum. The issue price is RMB100 per financing bond, which is equal to 100% of the principal value of the 2018 T1 Financing Bonds.

(b) On 21 March 2018, CULC issued the second tranche of the domestic super short-term financing bonds (the "**2018 T2 Financing Bonds**") with an aggregate principal amount of RMB500 million. The maturity of the 2018 T2 Financing Bonds will be 180 days from 22 March 2018, with a fixed interest rate of 5.3% per annum. The issue price is RMB100 per financing bond, which is equal to 100% of the principal value of the 2018 T2 Financing Bonds.

(c) On 26 March 2018, CULC issued the third tranche of the domestic super short-term financing bonds (the "**2018 T3 Financing Bonds**") with an aggregate principal amount of RMB500 million. The maturity of the 2018 T3 Financing Bonds will be 120 days from 27 March 2018, with a fixed interest rate of 5.14% per annum. The issue price is RMB100 per financing bond, which is equal to 100% of the principal value of the 2018 T3 Financing Bonds.

(d) With effect from 1 March 2018, Mr. Luo Xiaofang was appointed as non-executive Director, and Mr Jiang Xin resigned as non-executive Director.

Except for the above subsequent events, there are no other significant subsequent events which require disclosure.

PERFORMANCE OVERVIEW

	For the year ended 31 December				
	2017	2016	2015	2014	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Operating Results					
Income	**3,418,829**	2,700,916	2,193,398	1,552,682	981,458
Finance lease income*	**2,457,728**	1,941,183	1,462,018	1,032,757	579,053
Industry, equipment and financing advisory income*	**703,240**	601,303	585,555	441,973	348,895
Clinical department upgrade services income*	**180,135**	156,500	143,452	77,514	53,498
Hospital investment and management income*	**77,468**	–	–	–	–
Cost of sales	**(1,244,640)**	(965,970)	(884,851)	(619,594)	(348,619)
Interest expense	**(1,130,294)**	(940,155)	(864,165)	(596,954)	(325,449)
Cost of clinical department upgrade services	**(42,895)**	(25,815)	(20,581)	(22,537)	(23,170)
Cost of hospital investment and management	**(71,451)**	–	–	–	–
Profit before tax	**1,576,461**	1,205,945	900,274	611,082	418,344
Profit for the year	**1,148,679**	872,310	658,526	456,638	312,738
Basic and diluted earnings per share (RMB)	**0.67**	0.51	0.44	0.51	0.51
Profitability Indicators					
Return on total assets(1)	**3.44%**	3.32%	3.29%	3.40%	3.83%
Return on equity(2)	**16.36%**	14.01%	15.85%	25.40%	30.89%
Net interest margin(3)	**4.41%**	4.36%	3.42%	3.73%	3.78%
Net interest spread(4)	**3.51%**	3.31%	2.56%	2.93%	2.80%
Net profit margin(5)	**33.60%**	32.30%	30.02%	29.41%	31.86%
Cost to income ratio(6)	**24.09%**	25.27%	29.91%	24.76%	28.91%

* 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 = Net profit/income;

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

	31 December 2017	31 December 2016	31 December 2015	31 December 2014	31 December 2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Assets and Liabilities					
Total assets	**37,732,513**	28,964,583	23,657,881	16,385,316	10,452,434
Net lease receivables	**35,021,292**	27,160,141	21,600,652	15,850,139	9,698,361
Total liabilities	**30,263,687**	22,390,192	17,776,681	13,957,817	9,283,691
Interest-bearing bank and other borrowings	**26,882,695**	19,485,459	15,458,354	11,408,252	7,905,816
Total equity	**7,468,826**	6,574,391	5,881,200	2,427,499	1,168,743
Net assets per share (RMB)	**4.35**	3.83	3.43	1.91	1.91
Financial Indicators					
Debt ratio(1)	**80.21%**	77.30%	75.14%	85.18%	88.82%
Gearing ratio(2)	**3.60**	2.96	2.63	4.70	6.76
Current ratio(3)	**0.98**	1.25	0.98	0.88	0.79
Asset Quality					
Non-performing assets ratio(4)	**0.78%**	0.81%	0.78%	0.83%	0.91%
Provision coverage ratio(5)	**189.92%**	183.85%	171.47%	166.10%	151.01%
Write-off of non-performing assets ratio(6)	**0.00%**	0.00%	0.00%	0.00%	0.00%
Overdue ratio (over 30 days)(7)	**0.44%**	0.51%	0.46%	0.96%	0.92%

(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/interest earning net assets;

(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

In 2017, we continued to reinforce our operating foundation and each of our business segments developed in a synergetic and orderly manner. Our medical financial services continued to maintain a good momentum. Our hospital investment and management business steadily progressed under favorable policies and the contents of our medical technology services were further enriched. Our medical informatization business also made preliminary progress. In 2017, the revenue of the Group was RMB3,418.8 million, representing an increase of 26.6% over the last year. Profit before tax was RMB1,576.5 million, representing an increase of 30.7% over the last year. Our net interest margin continuously increased, asset size steadily enlarged and asset quality remained good.

After years of development and accumulation, leveraging our strong background as a central state-owned enterprise, the Group gradually built up its unique competitive strengths including abundant domestic and overseas medical resources, extensive customer network, professional business development capability and complete project evaluation system, having laid a solid foundation for the Company to become a leading medical and healthcare conglomerate in China.

1.1 Vigorously promoting hospital investment and management business

In 2017, the Group made the best use of its own resource advantages, actively seized the opportunities brought by policies, and made greater efforts to promote the development of hospital investment and management business. On the one hand, we steadily moved forward the implementation of the projects under definitive agreements and the materialization of proposed cooperative projects. On the other hand, we seized the opportunity offered by the reform policies in relation to the spin-off of state-owned enterprises' hospitals and actively commenced negotiations on the consolidation of medical institutions of state-owned enterprises.

The International Land Port Hospital project progressed orderly

First Affiliated Hospital of Xi'an Jiaotong University (西安交通大學第一附屬醫院) (the "**First Affiliated Hospital**") is a large-scale comprehensive Grade III Class A hospital administered 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. International Land Port Hospital ("**International Land Port Hospital**") is a branch of the First Affiliated Hospital. Our total investment amount for this project will be no more than RMB2 billion. In return, we are entitled to the construction and operation right of International Land Port Hospital as well as the exclusive business cooperation right with International Land Port Hospital and First Affiliated Hospital. Please refer to the announcement published by the Company on 30 August 2016 and the circular published on 21 October 2016 for details.

As of the end of 2017, through public bidding, China IPPR International Engineering Company Limited and Tengbomgruppen AB had been selected as the designers for the construction project of International Land Port Hospital. Based on the implementation of project design, we completed various preparatory work for the construction such as geological prospecting. The earthworks for the project officially commenced in November 2017. In terms of supply chain operations, the project-related companies have been established or acquired, the warehouse has been renovated and reconstructed, the construction of the internal management system has been completed, information system has been launched on-line, and professionals have been recruited and trained. A management platform of transparent procurement of medical supplies has been set up as the only portal working with hospitals and distributors to carry out all the activities such as procurement, warehousing and payment review. As the technology tests of the platform had been completed in early March 2018 and the First Affiliated Hospital has published the notice letter in respect of the platform's operation to all the suppliers, the platform has been technically ready for its formal on-line operation. The next step would be pushing forward the relevant work in relation to taking over the supply chain of the First Affiliated Hospital.

The cooperation project of the new east district of Handan First Hospital progressed steadily

On 31 August 2016, the Group signed a framework agreement with Handan First Hospital on the cooperation and joint construction of the new east district of Handan First Hospital. Handan is an important gateway city in southern Hebei and the central city in the region of Shanxi-Hebei-Shandong-Henan. Handan First Hospital is a large-scale comprehensive Grade III Class A hospital integrating medical care, teaching, scientific research, prevention, healthcare and rehabilitation with leading medical strength in Handan city. The new east district under planning and construction is positioned primarily as a specialized hospital and to a less extent, as a comprehensive hospital. In the future, the new east district and the hospital will jointly offer medical services to nearly 25 million people in the Shanxi-Hebei-Shandong-Henan region. At present, the preparation work for entering into definitive project contract is moving steadily forward.

The negotiations on the spin-off and consolidation of medical institutions of state-owned enterprises were well under way

In recent years, as the medical reform continues to be deepened, the hospital investment and acquisition market has seen a broad range of opportunities for development. In particular, on 3 August 2017, six ministries and commissions including the State-owned Assets Supervision and Administration Commission of the State Council jointly issued the Guidance on Deepening the Reform of Educational and Medical Institutions of State-owned Enterprises (Guo Zi Fa Gai Ge [2017] No.134). This guidance clearly requires the reform of medical institutions of state-owned enterprises by way of spin-off should be substantially completed by the end of 2018, and proposes to support the state-owned enterprises primarily engaged in healthcare to consolidate the resources of the medical institutions. This provides an excellent opportunity for the Group's merger, acquisition and consolidation of the state-owned medical institutions. As a company controlled by a central state-owned enterprise, the Group responded positively to the policy and promptly organized its business team to contact number of major state-owned enterprises and their affiliated hospitals. At present, the Group has reached preliminary cooperation intention with a number of state-owned enterprise groups and their affiliated prime hospitals.

Talent team for hospital investment and management has been strengthened

The Group continued to strengthen its internal pool and extensively recruited professionals who are experienced in hospital operation and management, planning and construction, as well as pharmaceutical supply chain operations, actively reserving talents for the development and post-investment implementation of hospital investment and management projects. By the end of 2017, the Group had a dedicated team of more than 100 people in hospital operation and management, planning and construction, as well as pharmaceutical supply chain operations.

In the hospital investment and management business, the Group is committed to working closely with the leading hospitals in the relevant regions to gradually bring in other hospitals to create a medical consortium led by leading hospitals and composed by other hospitals at different levels, in order to share medical and patients resources and orderly consolidate services within the consortium.

1.2 Continuing to improve the medical financial services

The Group continued to expand its medical finance business, strengthen its operating foundation and strive to achieve its development goals. In 2017, facing the increasingly fierce competition in the financial leasing market, the Group required its business teams to further strengthen the intensivity of their operation in the relevant regions and continue to enhance business development, which enabled the Group to achieve a steady growth in assets and a sustained high return on interest-earning assets. At the same time, under the complicated domestic and overseas financial environment, the Group actively adjusted its financing strategies, optimized its debt structure, and worked hard to reduce cost rate of interest-bearing liabilities. Our net interest margin continued to rise. As always, we implemented prudent risk control procedures and stringent asset management measures, and our asset quality remained in the leading position among the industry peers.

- **The yield on interest-earning assets remained at a high level despite the slight decrease.** The average yield on interest-earning assets of the Group decreased slightly as compared with the same period of the previous year under the increasingly competitive financial leasing market environment, but still remained at a relatively high level as a result of the steady development of our customer base. In 2017, the average yield on interest-earning assets of the Group was 8.14%, representing a decrease of 0.26 percentage point from 8.40% of the last year.

- **The cost rate of interest-bearing liabilities decreased significantly.** In light of the domestic and overseas changes in the financing environment, the Group made accurate judgements of the market situation, rationally selected the regions and currencies for financing, and strictly controlled financing costs through various measures. Comparing with 2016, the average cost rate of interest-bearing liabilities decreased significantly. In 2017, the average cost rate of interest-bearing liabilities of the Group was 4.63%, representing a decrease of 0.46 percentage point from 5.09% of the previous year.

- **Adapting to changes in the macroeconomic environment and actively adjusting and optimizing financing structure.** Under the complex domestic and international financial environment, the Group actively adjusted its financing strategies, optimized debt structures and further enhanced its financing capability. Due to the substantial increase in the capital cost of the domestic bond market, the Group reduced its scale of direct financing and increased the proportion of bank loans. As at the end of 2017, direct financing accounted for 22.7% of total interest-bearing liabilities, representing a decrease of 13.9 percentage points from 36.6% as at the end of 2016. In addition, after considering factors such as the cost of locking in exchange rates, the Group believes that foreign currency borrowings had certain advantages. Therefore, the Group obtained some domestic and foreign loans denominated in US dollar and Hong Kong dollar. As at the end of 2017, foreign currency borrowings accounted for 14.6%, representing an increase of 9.3 percentage points from 5.3% as at the end of 2016.

- **Assets steadily grew with good quality.** As at 31 December 2017, the total assets of the Group amounted to RMB37,732.5 million, representing an increase of 30.3% as compared with the end of 2016. The proportion of healthcare assets in finance lease receivables was 70.1%, showing the Group's assets concentration in healthcare industry. Non-performing assets ratio was 0.78% and the overdue ratio (30 days) was 0.44%, representing a leading position in the industry. We maintained a prudent provision policy and the Group's asset provision coverage ratio reached 189.92% as of 31 December 2017.

1.3 Continuing to expand the clinical department upgrade services

With the continuous enrichment of medical resources, the Group's clinical department upgrade services were further expanded. The gross profit of the Group's clinical department upgrade services reached RMB137.2 million in 2017, representing an increase of 5.0% over the previous year.

With healthcare resources diversifying, the Group further expanded its clinical department upgrade services and continued to promote the upgraded and innovative service model of cerebral stroke departments by systematical trainings on technology in respect of prevention, diagnosis and treatment of cerebral stroke and disease management, and formulated plans tailored for the development needs of hospital customers, striving to help hospitals raise the level of cerebral stroke prevention and treatment. Meanwhile, we have expanded the innovative model to other disciplines including ontology, gynaecology and obstetrics, cardiovascular department and rehabilitation. In October 2017, with the strong support of the Stroke Centre of Brain Disease Control Committee of the NHFPC, the Group successfully held Smile Stroke Conference and the 10^{th} Sino-U.S. Cerebrovascular Disease Forum for the seventh consecutive year. The concept of cerebral stroke prevention, treatment and screening, advanced equipment and cutting-edge technologies were introduced to a number of county-level hospitals in China. Recently, the Group also entered into framework agreements on technical training for cerebral stroke prevention and control projects with the Health and Family Planning Bureau of Handan City, Hebei Province, the Health and Family Planning Bureau of Xinyang City, Henan Province, Nanfang Hospital of Guangdong Province, Zhuhai Branch of People's Hospital of Guangdong Province (Central Hospital of Jinwan, Zhuhai City), Central Rehabilitation Hospital of Gansu Province, etc., continually promoting stroke prevention, screening and treatment capabilities of local healthcare institutions.

1.4 Enhancing efforts to cultivate healthcare digitalization services

The Group grasped the opportunity of "Internet + healthcare" development, recruited talents in the field of healthcare digitalization at home and abroad, introduced advanced healthcare digital technology and experience in and outside China, and independently carried out the research and development of healthcare digital technology to provide hospital customers with customized and personalized Internet healthcare products. In December 2017, the Group, Qiqihar First Hospital and Yiyuan Doctor Group entered into the Qiqihar First Hospital Healthcare Digitalization Cooperation Framework Agreement. The agreement provides for cooperation in six aspects, namely, diagnosis and treatment platform, healthcare digitalization, doctors' group, medical and health data, Internet healthcare industrial chain, and cooperation and expansion. The agreement represents a preliminary achievement of the healthcare digitalization business of the Group, laying a solid foundation for the continued expansion of the healthcare digitalization segment of the Group and the synergistic promotion of our other businesses.

1.5 Future prospects

The year of 2017 was a year in which the Group made progress while maintaining stability and made impressive achievements based on accumulated efforts. We have been adhering to the integrated development strategy. While continuing to consolidate the medical financial business, we have steadily promoted the implementation of hospital investment and management projects either under definitive agreements or under cooperation intentions, and reinforced operating foundations for each business segment.

In 2018, the Group will stick to the established development strategy, actively respond to changes in the market conditions, and actively seize the industrial development opportunities brought by national policies. The Group will continue to integrate internal and external quality resources, innovate business development models, and accelerate the business deployment in all relevant sectors. Moreover, the Group will continue to improve the integrated medical service integrating medical finance, hospital investment and management, medical technical services and healthcare digitalization, and will strive to develop into a leading medical and healthcare conglomerate in China.

2. Analysis of Statement of Profit or Loss

2.1 Overview

In 2017, the Group seized the development opportunities in the healthcare industry, continued to innovate its business development model, consolidated its operational foundation, and achieved a steady growth in operating results. In 2017, the Group recorded a revenue of RMB3,418.8 million, representing an increase of RMB717.9 million or 26.6% as compared to the previous year. Profit before tax was RMB1,576.5 million, representing an increase of RMB370.5 million or 30.7% 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		
	2017	2016	Change
	RMB'000	*RMB'000*	
Revenue	**3,418,829**	2,700,916	26.6%
Cost of sales	**(1,244,640)**	(965,970)	28.8%
Gross profit	**2,174,189**	1,734,946	25.3%
Other income and gains	**60,810**	28,616	112.5%
Selling and distribution costs	**(334,203)**	(277,251)	20.5%
Administrative expenses	**(303,287)**	(277,232)	9.4%
Financial costs	**(122)**	–	100.0%
Other expenses	**(20,926)**	(3,134)	567.7%
Profit before tax	**1,576,461**	1,205,945	30.7%
Income tax expense	**(427,782)**	(333,635)	28.2%
Profit for the year	**1,148,679**	872,310	31.7%
Basic and diluted earnings per share *(RMB)*	**0.67**	0.51	31.7%

2.2 Analysis of Business Revenue

In 2017, focusing on the fast-growing healthcare service industry in China, the Group saw synergetic development in various business segments and achieved stable growth in business revenue.

The following table sets forth the Group's gross profit by business segment:

	For the year ended 31 December				
	2017		2016		
	Gross profit *RMB'000*	**% of total**	Gross profit *RMB'000*	% of total	Change
Finance lease	**1,327,434**	**61.1%**	1,001,028	57.7%	32.6%
Industry, equipment and financing advisory	**703,240**	**32.3%**	601,303	34.7%	17.0%
Clinical department upgrade services	**137,240**	**6.3%**	130,685	7.5%	5.0%
Hospital investment and management business	**6,017**	**0.3%**	–	0.0%	100.0%
Other business	**258**	**0.0%**	1,930	0.1%	-86.6%
Total	**2,174,189**	**100.0%**	1,734,946	100.0%	25.3%

In 2017, the Group's gross profit was RMB2,174.2 million, increased by RMB439.2 million or 25.3% as compared to last year. In particular, interest margin gross profit of finance lease business was RMB1,327.4 million, representing an increase of RMB326.4 million or 32.6% as compared to last year; gross profit of industry, equipment and financing advisory services was RMB703.2 million, representing an increase of RMB101.9 million or 17.0% as compared to last year; gross profit of clinical department upgrade services was RMB137.2 million, representing an increase of RMB6.6 million or 5.0% as compared to last year. The hospital investment and management business achieved a gross profit of RMB6.0 million from Shaanxi Huahong Medical Company Limited which was acquired in 2017.

2.2.1 Finance lease business

In 2017, the Group continued developing the finance lease business in a stable manner, rationalized regional distribution of business with further optimization of regional staffing, enhanced the working team's business development capability, and strived to maintain its leading position in healthcare finance lease market.

The following table sets forth the Group's finance lease income by industry:

Industry	**For the year ended 31 December**				Change
	2017		2016		
	RMB'000	**% of total**	*RMB'000*	% of total	
Healthcare	**1,704,397**	**69.4%**	1,493,743	77.0%	14.1%
Education	**651,816**	**26.5%**	385,863	19.9%	68.9%
Other	**101,515**	**4.1%**	61,577	3.1%	64.9%
Total	**2,457,728**	**100.0%**	1,941,183	100.0%	26.6%

The Group's finance lease income is mainly comprised of interest income. In 2017, the Group recorded interest income of RMB2,457.7 million, representing an increase of RMB516.5 million or 26.6% as compared to last year. The Group focuses on healthcare sector, and the finance lease income from healthcare industry was RMB1,704.4 million, the percentage of which as to total income was 69.4% in 2017.

The following table sets forth average yield and cost rate of finance lease business:

	For the year ended 31 December					
	2017			2016		
	Average balance ***RMB'000***	**Interest income(1)/ expense(2)** ***RMB'000***	**Average yield(3)/ cost rate(4)**	Average balance *RMB'000*	Interest income(1)/ expense(2) *RMB'000*	Average yield(3)/ cost rate(4)
Interest-earning assets	**30,320,834**	**2,468,362**	**8.14%**	23,237,939	1,952,243	8.40%
Interest-bearing liabilities	**24,413,022**	**1,130,294**	**4.63%**	18,451,059	940,155	5.09%
Net interest margin(5)			**4.41%**			4.36%
Net interest spread(6)			**3.51%**			3.31%

(1) Interest income represents the interest income 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;

(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 2017 increased significantly as compared to those of last year, mainly due to the sharp decrease in average cost rate of interest-bearing liabilities. The net interest margin of finance lease was 4.41%, representing an increase of 0.05 percentage point as compared to 4.36% over the same period of last year; the net interest spread was 3.51%, representing an increase of 0.2 percentage point as compared to 3.31% in last year.

Average yield of interest-earning assets: In 2017, the average yield of the Group's interest-earning assets was 8.14%, representing a decrease of 0.26 percentage point as compared to 8.40% over the same period of last year. Benefiting from the steady development of customers, the average yield of the Group's interest-earning assets declined slightly over the same period of last year but remained at a relatively high level in the increasingly competitive finance lease market.

Average cost rate of interest-bearing liabilities: In 2017, the average cost rate of interest bearing liabilities was 4.63%, representing a decrease of 0.46 percentage point as compared to 5.09% over the same period of last year. Since the end of 2016, as affected by the interest rate hike by the Federal Reserve as well as the tight funding in China, the market interest rates have continued to rise. It has been more difficult for the Group to control the financing cost. The Group has accurately judged the market situation, reasonably utilized various financing instruments, locked in low-cost financing ahead of schedule, reasonably selected financing regions and currencies according to changes in the domestic and foreign financing situation, and flexibly adjusted the sources and proportions of funds. Faced with tight domestic funding, the Group has strictly controlled financing costs through various measures, and the average cost rate of interest-bearing liabilities has fell sharply as compared with 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 2017, the gross profit from industry, equipment and financing advisory services was RMB703.2 million, representing an increase of RMB101.9 million or 17.0% as compared to 2016. We continuously expanded healthcare resources platform and strengthened internal collaboration and staff training so as to provide customers with valuable, flexible and diversified comprehensive services that comprised funding support, equipment replacement, technology and management advisory, and to assist our customers in improving their service quality.

2.2.3 Clinical department upgrade services

The Group's business of clinical department upgrade services mainly comprises the provision of services such as mid-and-long term planning for hospital development, disciplinary groups planning, specialty business training, approach and strategic consulting for chronic disease prevention and treatment, consulting for innovation in specialized areas and continuing medical education. By providing these services, the Group aims to enhance the technical services ability and management efficiency of partnered hospitals with operating lease and sales of equipment. In 2017, the gross profit of clinical department upgrade services was RMB137.2 million, representing an increase of RMB6.6 million or 5.0% as compared to 2016.

The following table sets forth breakdown of the Group's clinical department upgrade services:

	For the year ended 31 December					
	2017			2016		
	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	**133,715**	**133,715**	**97.4%**	122,754	122,754	93.9%
Operating lease	**16,658**	**-3,564**	**-2.6%**	20,717	1,813	1.4%
Sales of medical equipment	**29,762**	**7,089**	**5.2%**	13,029	6,118	4.7%
Total	**180,135**	**137,240**	**100.0%**	156,500	130,685	100.0%

2.2.4 Hospital investment and management business

In 2017, the Group's hospital investment and management business steadily progressed under policy opportunities, and the completion of the acquisition of Shaanxi Huahong Medical Company Limited brought the hospital investment and management business with income of RMB77.5 million and gross profit of RMB6.0 million.

2.3 Operating cost

In 2017, the Group's selling and distribution cost and administrative expenses were RMB334.2 million and RMB303.3 million, respectively, representing an increase of RMB57.0 million and RMB26.1 million or 20.5% and 9.4%, respectively, as compared to last year. This is mainly due to: (1) increase in labour cost of the Company. To satisfy the need from the corporate strategies in 2017, on the one hand, the Group proactively recruited high-calibre professionals in the field of hospital investment & management and medical technology services to further optimize the talent structure. On the other hand, the Group has set up a long-term incentive mechanism. As a result, the expenses of salary and benefits increased by RMB66.3 million as compared to last year; and (2) increase in direct operating cost. In 2017, the Group steadily expanded its finance lease business and actively promoted its hospital investment and management business, with its direct operating cost increased by RMB14.7 million as compared to last year.

In 2017, the cost to income ratio of the Group was 24.09%, representing a decrease of 1.18 percentage points from last year due to the Group's operating efficiency.

2.4 Income tax expenses

In 2017, the Group's income tax expenses of RMB427.8 million increased by RMB94.1 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 2017, the Group's total assets was RMB37,732.5 million, representing an increase of RMB8,767.9 million or 30.3% as compared to the end of last year. In particular, our loans and accounts receivable was RMB34,570.1 million, representing an increase of RMB7,809.6 million or 29.2% as compared to the end of last year; our cash and cash equivalents was RMB1,749.9 million, representing an increase of RMB477.4 million or 37.5% as compared to the end of last year. With respect to assets structure, our loan and accounts receivable accounted for 91.6% of the total assets; and the cash and cash equivalents accounted for 4.6% of the total assets.

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

	31 December 2017		31 December 2016		
	RMB'000	**% of total**	*RMB'000*	% of total	Change
Restricted deposits	**932,376**	**2.5%**	660,406	2.3%	41.2%
Cash and cash equivalents	**1,749,884**	**4.6%**	1,272,458	4.4%	37.5%
Inventories	**21,045**	**0.1%**	2,054	0.0%	924.6%
Loans and accounts receivable	**34,570,089**	**91.6%**	26,760,535	92.4%	29.2%
Prepayments, deposits and other receivables	**145,237**	**0.4%**	40,883	0.1%	255.3%
Property, plant and equipment	**86,883**	**0.3%**	98,563	0.4%	-11.9%
Available-for-sale investments	**43,961**	**0.1%**	64,916	0.2%	-32.3%
Deferred tax assets	**163,876**	**0.4%**	53,544	0.2%	206.1%
Derivative financial instruments	**5,273**	**0.0%**	7,828	0.0%	-32.6%
Goodwill	**9,211**	**0.0%**	–	0.0%	100.0%
Other assets	**4,678**	**0.0%**	3,396	0.0%	37.8%
Total	**37,732,513**	**100.0%**	28,964,583	100.0%	30.3%

3.1.1 Restricted deposits and cash and cash equivalents

As at 31 December 2017, the Group had restricted deposits of RMB932.4 million, which mainly comprised pledged project refunds resulting from business such as factoring and off-balance sheet activities.

As at 31 December 2017, the Group had cash and cash equivalents of RMB1,749.9 million, which mainly comprised the unutilized overseas syndicated loans raised at the end of the year and the balance of funds raised by listing. The balance of cash and cash equivalents will be gradually arranged of use in accordance with the Group's business plan.

3.1.2 Loans and accounts receivable

As at 31 December 2017, the balance of the Group's loans and accounts receivable was RMB34,570.1 million, among which the net lease receivables was RMB34,502.9 million, accounted for 99.8% of the loans and accounts receivable.

Lease receivables

In 2017, 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 2017		31 December 2017		
	RMB'000	**% of total**	*RMB'000*	% of total	Change
Healthcare	**24,545,511**	**70.1%**	19,449,931	71.6%	26.2%
Education	**7,660,015**	**21.9%**	6,455,597	23.8%	18.7%
Others	**2,815,766**	**8.0%**	1,254,613	4.6%	124.4%
Net lease receivables	**35,021,292**	**100.0%**	27,160,141	100.0%	28.9%
Less: Provision for impairment of assets	**(518,397)**		(404,588)		28.1%
Net vale of finance lease receivables	**34,502,895**		26,755,553		29.0%

As at 31 December 2017, net value of lease receivables of the Group was RMB34,502.9 million, representing an increase of RMB7,747.3 million or 29.0% as compared to the end of last year.

The maturity profile of the net lease receivables

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

	31 December 2017		31 December 2016		
	RMB'000	**% of total**	*RMB'000*	% of total	Change
Within 1 year	**9,304,757**	**26.6%**	7,158,746	26.4%	30.0%
1-2 years	**8,696,021**	**24.8%**	6,561,621	24.2%	32.5%
2-3 years	**8,024,276**	**22.9%**	5,956,812	21.8%	34.7%
Over 3 years	**8,996,238**	**25.7%**	7,482,962	27.6%	20.2%
Net lease receivables	**35,021,292**	**100.0%**	27,160,141	100.0%	28.9%

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 2017, 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 *(Note)* of the net lease receivables of the Group:

	31 December 2017		31 December 2016		
	RMB'000	**% of total**	*RMB'000*	% of total	Change
Pass	**29,537,050**	**84.34%**	22,815,652	84.00%	29.5%
Special attention	**5,211,287**	**14.88%**	4,124,424	15.19%	26.4%
Substandard	**231,269**	**0.66%**	169,633	0.62%	36.3%
Doubtful	**41,686**	**0.12%**	50,432	0.19%	-17.3%
Loss	**–**	**0.00%**	–	0.00%	0.0%
Net lease receivables	**35,021,292**	**100.00%**	27,160,141	100.00%	28.9%
Non-performing assets[(1)]	**272,955**		220,065		24.0%
Non-performing assets ratio[(2)]	**0.78%**		0.81%		

(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 "Management Discussion and Analysis – 7. Risk Management" in this announcement for the more details of five-category classification.

The Group has been implementing stable asset management policies and continuously adopting stringent and prudent asset classification policies. As at 31 December 2017, the Group had non-performing assets of RMB273.0 million, representing an increase of RMB52.9 million as compared to 31 December 2016, 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 2017, the Group's non-performing asset ratio was 0.78%.

Ratio of overdue lease receivables

The following table sets forth the ratio of the Group's lease receivables overdue for over 30 days:

	31 December 2017	31 December 2016
Overdue ratio (over 30 days)(1)	**0.44%**	0.51%

(1) Calculated as net lease receivables (overdue for over 30 days) divided by net lease receivables.

In 2017, the Group implemented prudent risk control and asset management policy and continued improving the risk management system. As at 31 December 2017, the overdue ratio (over 30 days) was 0.44%, decreased by 0.07 percentage point as compared to 0.51% 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 2017		31 December 2016	
	RMB'000	**% of total**	*RMB'000*	% of total
Provision for impairment of assets				
Individually assessed	**98,966**	**19.1%**	88,557	21.9%
Collectively assessed	**419,431**	**80.9%**	316,031	78.1%
Total	**518,397**	**100.0%**	404,588	100.0%
Non-performing assets	**272,955**		220,065	
Provision coverage ratio	**189.92%**		183.85%	

As at 31 December 2017, the Group's provision coverage ratio was 189.92%, representing an increase of 6.1 percentage points from 31 December 2016. 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 2017, the Group's total liabilities was RMB30,263.7 million, representing an increase of RMB7,873.5 million or 35.2% as compared to 31 December 2016.

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

	31 December 2017		31 December 2016		
	RMB'000	**% of total**	*RMB'000*	% of total	Change
Interest-bearing bank and other borrowings	**26,882,695**	**88.8%**	19,485,459	87.0%	38.0%
Trade and bills payable	**264,697**	**0.9%**	194,333	0.9%	36.2%
Other payables and accruals	**2,985,135**	**9.9%**	2,576,182	11.5%	15.9%
Derivative financial instruments	**16,844**	**0.1%**	–	0.0%	100.0%
Taxes payable	**70,355**	**0.2%**	69,302	0.3%	1.5%
Other liabilities	**43,961**	**0.1%**	64,916	0.3%	-32.3%
Total	**30,263,687**	**100.0%**	22,390,192	100.0%	35.2%

3.2.1 Interest-bearing bank and other borrowings

In 2017, 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 2017, the Group's interest-bearing bank and other borrowings was RMB26,882.7 million, representing an increase of RMB7,397.2 million or 38.0% as compared to 31 December 2016. The borrowings of the Group are mainly at floating interest rates.

The following table sets forth breakdown of interest-bearing bank and other borrowings by type:

	31 December 2017		31 December 2016		
	RMB'000	**% of total**	*RMB'000*	% of total	Change
Bank loans	**14,785,371**	**55.0%**	9,047,346	46.4%	63.4%
Due to related parties	**3,000,000**	**11.2%**	1,500,000	7.7%	100.0%
Bonds	**6,102,148**	**22.7%**	7,135,184	36.6%	-14.5%
Other loans	**2,995,176**	**11.1%**	1,802,929	9.3%	66.1%
Total	**26,882,695**	**100.0%**	19,485,459	100.0%	38.0%

As at 31 December 2017, the balance of the Group's bank loans amounted to RMB14,785.4 million, accounting for 55.0% of its total interest-bearing bank and other borrowings, representing an increase of 8.6 percentage points as compared to 46.4% as at 31 December 2016.

The following table sets forth breakdown of interest-bearing and other borrowings by currency:

	31 December 2017		31 December 2016		
	RMB'000	**% of total**	*RMB'000*	% of total	Change
RMB	**22,949,964**	**85.4%**	18,455,632	94.7%	24.4%
USD	**2,414,831**	**9.0%**	1,029,827	5.3%	134.5%
HKD	**1,517,900**	**5.6%**	–	0.0%	100.0%
Total	**26,882,695**	**100.0%**	19,485,459	100.0%	38.0%

As at 31 December 2017, the Group's interest-bearing bank and other borrowings denominated in RMB was RMB22,950.0 million, which accounted for 85.4% of its total interest-bearing bank and other borrowings, representing a decrease of 9.3 percentage points as compared to 94.7% as at 31 December 2016.

In 2017, affected by the tightening liquidity in China, financing cost continuously increased. In order to effectively control the financing cost, the Group properly increased borrowings denominated in foreign currency after taking into account of the lock-in costs, taxes and other factors. For borrowings denominated in foreign currency, the Group minimized the risk from the significant fluctuation of the exchange rate by implementing comprehensive measures which effectively controlled the exchange rate risk.

The following table sets forth breakdown of the interest-bearing bank and other borrowings by region:

	31 December 2017		31 December 2016		
	RMB'000	**% of total**	*RMB'000*	% of total	Change
Domestic	**23,145,990**	**86.1%**	16,762,603	86.0%	38.1%
Overseas	**3,736,705**	**13.9%**	2,722,856	14.0%	37.2%
Total	**26,882,695**	**100.0%**	19,485,459	100.0%	38.0%

As at 31 December 2017, the Group's domestic financing balance was RMB23,146.0 million, accounting for 86.1% of the total interest-bearing bank and other borrowings, which remained relatively stable as compared to 86.0% as at 31 December 2016.

The following table sets forth breakdown of the current and non-current interest-bearing bank and other borrowings:

	31 December 2017		31 December 2016		
	RMB'000	**% of total**	*RMB'000*	% of total	Change
Current	**10,963,552**	**40.8%**	6,284,903	32.3%	74.4%
Non-current	**15,919,143**	**59.2%**	13,200,556	67.7%	20.6%
Total	**26,882,695**	**100.0%**	19,485,459	100.0%	38.0%

As at 31 December 2017, the balance of the Group's current interest-bearing bank and other borrowings amounted to RMB10,963.6 million, accounting for 40.8% of its total interest-bearing bank and other borrowings, which represents an increase of 8.5 percentage points as compared to 32.3% as at 31 December 2016.

The following table sets forth breakdown of the secured and unsecured interest-bearing bank and other borrowings:

	31 December 2017		31 December 2016		
	RMB'000	**% of total**	*RMB'000*	% of total	Change
Secured	**3,970,395**	**14.8%**	4,639,457	23.8%	-14.4%
Unsecured	**22,912,300**	**85.2%**	14,846,002	76.2%	54.3%
Total	**26,882,695**	**100.0%**	19,485,459	100.0%	38.0%

As at 31 December 2017, the Group's secured interest-bearing bank and other borrowings amounted to RMB3,970.4 million, accounting for 14.8% of the total interest-bearing bank and other borrowings of the Group, which represents a decrease of 9.0 percentage points as compared to 23.8% as at 31 December 2016. In order to reduce the overall financing cost, the Group proactively diversified its financing channels, as a result of which the proportion of our secured interest-bearing liabilities decreased.

The following table sets forth breakdown of the direct financing and indirect financing in interest-bearing bank and other borrowings:

	31 December 2017		31 December 2016		
	RMB'000	**% of total**	*RMB'000*	% of total	Change
Direct financing	**6,102,148**	**22.7%**	7,135,184	36.6%	-14.5%
Indirect financing	**20,780,547**	**77.3%**	12,350,275	63.4%	68.3%
Total	**26,882,695**	**100.0%**	19,485,459	100.0%	38.0%

As at 31 December 2017, among the Group's interest-bearing bank and other borrowings, direct financing amounted to RMB6,102.1 million, accounting for 22.7% of total interest-bearing bank and other borrowings, which represents a decrease of 13.9 percentage points as compared to 36.6% as at 31 December 2016. In 2017, affected by the downturn in domestic bond market and the significant increase in interest rate, the Group made adjustment to its financing strategy and reduced the proportion of direct financing.

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 2017, other payables and accruals amounted to RMB2,985.1 million, representing an increase of RMB409.0 million or 15.9% as compared to the end of last year, primarily due to an increase in lease deposits paid by customers.

3.3 Shareholders' Equity

At 31 December 2017, the Group's total equity amounted to RMB7,468.8 million, representing an increase of RMB894.4 million or 13.6% as compared to the end of last year, primarily due to an increase in profit for the year.

At the end of 2017, the Group's distributable reserves, calculated under Part 6 of the Companies Ordinance, amounted to RMB2,759.0 million.

4. Cash Flows Analysis

	For the year ended 31 December		
	2017	2016	
	RMB'000	*RMB'000*	Change
Net cash flows used in operating activities	**(5,072,151)**	(2,381,645)	113.0%
Net cash flows used in investing activities	**(90,168)**	(459,685)	-80.4%
Net cash flows from financing activities	**5,724,005**	2,175,211	163.1%
Net increase/(decrease) in cash and cash equivalents	**561,686**	(666,119)	-184.3%

Due to the Group's business expansion and an increase in the balance of interest-earning assets in 2017, net cash outflows from operating activities amounted to RMB5,072.2 million. Correspondingly, the Group increased its cash inflow from financing activities such as bank and other borrowings, as a result of which net cash inflow from financing activities amounted to RMB5,724.0 million. Net cash outflows from investing activities amounted to RMB90.2 million, primarily due to the Group's acquisition of property, equipment and other long-term assets.

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 2017, no changes were made to the Group's objectives, policies or processes for capital management.

Debt ratio

	31 December 2017 *RMB'000*	31 December 2017 *RMB'000*
Total assets	**37,732,513**	28,964,583
Total liabilities	**30,263,687**	22,390,192
Total equity	**7,468,826**	6,574,391
Debt ratio	**80.21%**	77.30%

Gearing ratio

	31 December 2017 *RMB'000*	31 December 2017 *RMB'000*
Interest-bearing bank and other borrowings	**26,882,695**	19,485,459
Total equity	**7,468,826**	6,574,391
Gearing ratio	**3.60**	2.96

As at 31 December 2017, the Group's debt ratio and gearing ratio increased slightly as compared with the end of last year.

6. Capital Expenditure

The Group's capital expenditure primarily consists of expenditure on the purchase of medical equipment and other equipment relating to the Group's operating lease business, construction expenditure on hospital investment and management projects, and expenditure relating to office facilities. In 2017, the Group had capital expenditure of RMB18.9 million, primarily due to the construction of hospital investment and management projects, the development of digitalization projects, the procurement of equipment and office refurbishment.

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. As at the date of this announcement, the Group did not expect to make any material change in the proposed use of proceeds set out in the prospectus of the Company (the "**Prospectus**").

The Board closely monitored the use of proceeds from the initial public offering with reference to the use of proceeds disclosed in the Prospectus and confirmed that there was no material change in the proposed use of proceeds as previously disclosed in the Prospectus. As of 31 December 2017, 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;

- RMB26.1 million was used for research, development and operation of hospital 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;

- RMB138.5 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;

- RMB111.8 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, and cash and cash equivalents. The main purpose of cash and cash equivalents and interest-bearing bank and other borrowings is to finance the Group's operations while other financial assets and financial liabilities such as trade receivables and trade payables are directly related to the Group's operating activities.

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

7.1 Interest Rate Risk

Interest rate risk is the risk arising from the fluctuation of financing instrument or future cash flows as a result of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates primarily relates to the Group's interest-bearing bank and other borrowings and 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 on the Group's profit before tax affected by a reasonably possible change in interest rate, with all other variables unchanged. The sensitivity of the profit before tax is the effect of the assumed changes in interest rates on profit before tax, based on the financial assets and financial liabilities held at the end of each reporting period subject to repricing within the coming year.

	Increase/decrease in profit before tax	
	31 December 2017	31 December 2016
	RMB'000	*RMB'000*
Change in base points		
+100 base points	**45,722**	105,799
-100 base points	**(45,722)**	(105,799)

7.2 Currency Risk

Currency risk is the risk arising from the fluctuation of fair value or future cash flows of a financial instrument as a result of changes in foreign exchange rates. The Group conducts its businesses mainly in RMB, with certain transactions denominated in USD and to a lesser extent, other currencies pegged to the USD. The Group's currency risk mainly arises from the transactions denominated in foreign currencies. The Group seeks to limit its exposure to foreign currency risk by minimizing its net foreign currency position.

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

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

		Increase/(decrease) in profit before tax	
	Change in foreign exchange rate %	**31 December 2017** ***RMB'000***	31 December 2016 *RMB'000*
If RMB strengthens against USD/HKD	(1)	**29,997**	(493)
If RMB weakens against USD/HKD	1	**(29,997)**	493

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 with whom the Group has credit transactions. Besides, the Group monitors and controls the lease receivables regularly to mitigate the risk of significant exposure to 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 of 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 on-going asset management efforts of the Group with the following key features:

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

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

On-site customer visits

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

Material events handling and reporting procedures

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

Regular assessments on asset quality and 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 as non-performing assets. The Group applied a series of criteria in determining the classification of each of its assets, which focus on a number of factors, including (1) the customer's ability to make lease payments; (2) the customer's payment history; (3) the customer's willingness to make lease payments; (4) the collateral provided for the lease; and (5) the possibility of legal enforcement in the event of delinquent lease payments. The Group closely monitored the asset quality by focusing on the aforementioned factors, and would decide whether to reclassify such assets and adopt appropriate measures to improve their management. The Group has also established concrete management measures for making relevant provisions for impairment to the extent such impairment is reasonably envisaged.

Credit Risk Analysis

Analysis on 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 2017		31 December 2016	
	RMB'000	**% of total**	*RMB'000*	% of total
Healthcare	**24,545,511**	**70.1%**	19,449,931	71.6%
Education	**7,660,015**	**21.9%**	6,455,597	23.8%
Others	**2,815,766**	**8.0%**	1,254,613	4.6%
Total	**35,021,292**	**100.0%**	27,160,141	100.0%

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

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 2017 *RMB'000*	31 December 2016 *RMB'000*
Net lease receivables	**34,737,651**	26,936,292
Accounts receivable	**67,194**	2,205
Notes receivable	**–**	2,777
Deposits and other receivables	**114,535**	14,079
Available-for-sale investment	**43,961**	64,916
Derivative financial assets	**5,273**	7,828

As at 31 December 2017, the financial assets which are past due but are not considered impaired amounted to RMB10.7 million (2016: RMB3.8 million). The days overdue are analyzed as below:

	Within 90 days *RMB'000*	**90 days to 1 year** *RMB'000*	**1 year to 5 years** *RMB'000*	**Over 5 years** *RMB'000*	**Total** *RMB'000*
31 December 2017					
Net lease receivables	**1,938**	**–**	**8,748**	**–**	**10,686**
31 December 2016					
Net lease receivables	3,784	–	–	–	3,784

Among the Group's customers with finance lease receivables that were past due but not impaired, those who overdue within 90 days have good track records with the Group, and those who overdue for over 3 years have sufficient guarantee of rental repayment and will not cause substantial loss to the Company. 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 amounted to RMB1.0 million as at 31 December 2017, and the finance lease receivables were all recovered in January 2018.

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

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
Net lease receivables	**272,955**	220,065

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

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

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

	On demand *RMB'000*	**Within 3 months** *RMB'000*	**3 to 12 months** *RMB'000*	**1 to 5 years** *RMB'000*	**Over 5 years** *RMB'000*	**Total** *RMB'000*
31 December 2017						
Total financial assets	**1,835,303**	**3,519,979**	**8,913,093**	**28,740,655**	**650,753**	**43,659,783**
Total financial liabilities	**(97,415)**	**(2,320,075)**	**(10,593,474)**	**(28,836,787)**	**(18,052)**	**(41,865,803)**
Net liquidity gap[1]	**1,737,888**	**1,199,904**	**(1,680,381)**	**(96,132)**	**632,701**	**1,793,980**
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

[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.

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

8. Pledge of Group Assets

As at 31 December 2017, the Group had lease receivables of RMB4,080.0 million and cash of RMB346.7 million pledged or paid to banks to secure the bank borrowings.

9. Material Investments, Acquisitions and Disposals

On 13 January 2017, the Company, through a wholly-owned subsidiary 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**"), jointly established Xi'an Wanheng Medical Technology Development Co., Ltd. (西安萬恒醫療科技發展有限公司) ("**Xi'an Wanheng**") with a wholly-owned subsidiary of First affiliated Hospital, Xi'an Qinrun Medical Technology Development Co., Ltd. (西安秦潤醫療科技發展有限公司), pursuant to a cooperation agreement. Xi'an Wanheng is positioned as a medical service platform integrating healthcare resources and provides medical supply chain services and commercial ancillary services for First Affiliated hospital, International Land Port Hospital and other hospitals to be operated in the future. Pursuant to the cooperation agreement, Xi'an Wanheng is entitled to exercise its business cooperation right and is fully responsible for the provision of logistics and other related services to International Land Port Hospital and the provision of procurement services to First Affiliated Hospital. On 6 February 2017, Xi'an Wanheng acquired the 97.5% equity interests in Shaanxi Huahong Medical Company Limited (陝西華虹醫藥有限公司) at a consideration of RMB17.2 million in cash for the purpose of the provision of supply chain services and commercial ancillary services for First Affiliated Hospital, International Land Port Hospital and other hospitals to be operated in the future.

Please refer to the announcements of the Company published on 10 January 2017 and 6 February 2017 for details.

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

10.1 Contingent Liabilities

	31 December 2017 ***RMB'000***	31 December 2016 *RMB'000*
Legal proceedings	**–**	–
Claimed amounts	**–**	–

10.2 Capital Commitments and Credit Commitments

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

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
Capital expenditure under signed contracts but not appropriated	**2,377**	6,106
Credit commitments[1]	**1,528,274**	1,316,461

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

11. Human Resources

As of 31 December 2017, we had a total of 649 full-time employees, representing an increase of 113 or 21.08%, compared to 536 as of 31 December 2016.

We have a highly-educated and high-quality work force, with about 87.4% of our employees holding bachelor degrees and above, about 47.8% holding master's degrees and above and about 2.3% holding doctor's degrees as of 31 December 2017.

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

In accordance with the applicable PRC laws and regulations, 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 2017, 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 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 employees' 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 2017 or the date of his or her appointment as Director (whichever is later) and up to the date of his or her resignation as Director or 31 December 2017 (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. Liu Xiaoping and Mr. Chow Siu Lui.

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 2017 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 2017 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 2017, 2016, 2015, 2014 and 2013 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 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 2016, 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 2017 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 year ended 31 December 2013 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 2017, 2016, 2015, 2014 and 2013. 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$0.24 per share for the year ended 31 December 2017 to Shareholders whose names appear on the register of members of the Company on Wednesday, 13 June 2018. The proposed final dividend will be paid on Monday, 25 June 2018, subject to the approval of the Shareholders at the annual general meeting of the Company to be held on Tuesday, 5 June 2018 (the "**Annual General Meeting**").

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

(i) from Thursday, 31 May 2018 to Tuesday, 5 June 2018, 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, 30 May 2018; and

(ii) from Monday, 11 June 2018 to Wednesday, 13 June 2018, 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 Friday, 8 June 2018.

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 2017 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, 27 March 2018

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. Luo Xiaofang (Vice-chairman), Mr. Liu Zhiyong, Mr. Liu Xiaoping and Mr. Su Guang; and the independent non-executive Directors are Mr. Li Yinquan, Mr. Chow Siu Lui, Mr. Kong Wei and Mr. Han Demin.