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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 2666)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

- For the year ended 31 December 2018, the revenue amounted to approximately RMB4,297 million, representing an increase of 25.7% as compared with that of approximately RMB3,419 million for 2017.
- For the year ended 31 December 2018, the profit before tax amounted to approximately RMB1,859 million, representing an increase of 17.9% as compared with that of approximately RMB1,576 million for 2017.
- For the year ended 31 December 2018, the profit for the year amounted to approximately RMB1,351 million, representing an increase of 17.6% as compared with that of approximately RMB1,149 million for 2017.
- As at 31 December 2018, the total assets amounted to approximately RMB47,257 million, representing an increase of 25.2% as compared with that of approximately RMB37,733 million as at 31 December 2017.
- As at 31 December 2018, the total shareholders' equity amounted to approximately RMB10,257 million, representing an increase of 37.3% as compared with that of approximately RMB7,469 million as at 31 December 2017.
- For the year ended 31 December 2018, the return on equity was 17.05%.
- For the year ended 31 December 2018, the return on total assets was 3.18%.

In this announcement, "we", "us", "our" and "Universal Medical" 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 Genertec Universal Medical Group 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 2018 with the comparative figures for the year ended 31 December 2017 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2018

	Notes	**2018** *RMB'000*	2017 *RMB'000*
REVENUE	*5*	**4,296,866**	3,418,829
Cost of sales		**(1,705,442)**	(1,244,640)
Gross profit		**2,591,424**	2,174,189
Other income and gains	*5*	**150,740**	60,810
Selling and distribution costs		**(387,251)**	(334,203)
Administrative expenses		**(244,350)**	(189,620)
Impairment losses on financial assets, net		**(145,996)**	(113,667)
Financial costs		**(419)**	(122)
Other expenses		**(105,109)**	(20,926)
PROFIT BEFORE TAX	*6*	**1,859,039**	1,576,461
Income tax expense	*7*	**(508,375)**	(427,782)
PROFIT FOR THE YEAR		**1,350,664**	1,148,679
Attributable to:			
Owners of the parent		**1,352,173**	1,148,658
Non-controlling interests		**(1,509)**	21
		1,350,664	1,148,679
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)	*9*	**0.79**	0.67

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018	2017
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**1,350,664**	1,148,679
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the period	**33,296**	–
Reclassification adjustments for gains included in the consolidated statement of profit or loss	**(122,473)**	–
Income tax effect	**16,348**	–
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(72,829)**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,277,835**	1,148,679
Attributable to:		
Owners of the parent	**1,279,344**	1,148,658
Non-controlling interests	**(1,509)**	21
	1,277,835	1,148,679

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	**31 December 2018** *RMB'000*	31 December 2017 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**271,026**	86,883
Prepaid land lease payments	*11*	**132,134**	–
Loans and accounts receivables	*15*	**31,844,301**	25,385,314
Prepayments, deposits and other receivables	*16*	**–**	111,111
Available-for-sale investments	*12*	**–**	43,961
Goodwill		**9,211**	9,211
Deferred tax assets	*21*	**248,471**	163,876
Derivative financial instruments	*13*	**81,250**	–
Other assets		**9,953**	4,678
Total non-current assets		**32,596,346**	25,805,034
CURRENT ASSETS			
Inventories	*14*	**40,537**	21,045
Loans and accounts receivables	*15*	**11,826,005**	9,184,775
Prepayments, deposits and other receivables	*16*	**71,414**	34,126
Derivative financial instruments	*13*	**–**	5,273
Restricted deposits	*17*	**549,152**	932,376
Cash and cash equivalents	*17*	**2,173,473**	1,749,884
Total current assets		**14,660,581**	11,927,479
CURRENT LIABILITIES			
Trade payables	*18*	**482,381**	264,697
Other payables and accruals	*19*	**925,718**	845,314
Interest-bearing bank and other borrowings	*20*	**12,346,798**	10,963,552
Derivative financial instruments	*13*	**1,282**	16,844
Tax payable		**70,143**	70,355
Total current liabilities		**13,826,322**	12,160,762
NET CURRENT ASSETS/(LIABILITIES)		**834,259**	(233,283)
TOTAL ASSETS LESS CURRENT LIABILITIES		**33,430,605**	25,571,751

	Notes	31 December 2018 RMB'000	31 December 2017 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*20*	**20,635,191**	15,919,143
Other payables and accruals	*19*	**2,497,091**	2,139,821
Derivative financial instruments	*13*	**41,515**	–
Other liabilities		**–**	43,961
Total non-current liabilities		**23,173,797**	18,102,925
Net assets		**10,256,808**	7,468,826
Equity attributable to the owners of the parent			
Share capital	*22*	**4,327,842**	4,327,842
Reserves	*23*	**4,067,769**	3,140,759
		8,395,611	7,468,601
Holders of renewable corporate bond	*25*	**1,652,481**	–
Non-controlling interest		**208,716**	225
Total equity		**10,256,808**	7,468,826

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

	Equity attributable to the owners of the parent									
	Share capital	**Capital reserve***	**Statutory reserve***	**Exchange fluctuation reserve***	**Hedge reserve***	**Retained profits***	**Total**	**Holders of renewable corporate bond**	**Non-controlling interest**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 22)	*(Note 23)*	*(Note 23)*	*(Note 23)*						
At 31 December 2017	4,327,842	33,302	399,326	29,248	–	2,678,883	7,468,601	–	225	7,468,826
Effective of adoption of HKFRS 9 *(Note 2.2)*	–	–	(1,554)	–	–	(13,987)	(15,541)	–	–	(15,541)
At 1 January 2018	4,327,842	33,302	397,772	29,248	–	2,664,896	7,453,060	–	225	7,453,285
Profit for the year	–	–	–	–	–	1,352,173	1,352,173	–	(1,509)	1,350,664
Other comprehensive income for the year										
Cash flow hedges, net of tax	–	–	–	–	(72,829)	–	(72,829)	–	–	(72,829)
Total comprehensive income for the year	–	–	–	–	(72,829)	1,352,173	1,279,344	–	(1,509)	1,277,835
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	210,000	210,000
Issue of a renewable corporate bond	–	–	–	–	–	–	–	1,652,481	–	1,652,481
Dividends	–	–	–	–	–	(336,793)	(336,793)	–	–	(336,793)
Appropriation of reserves	–	–	142,183	–	–	(142,183)	–	–	–	–
At 31 December 2018	4,327,842	33,302	539,955	29,248	(72,829)	3,538,093	8,395,611	1,652,481	208,716	10,256,808

* These reserve accounts comprise the consolidated reserves of RMB4,067,769,000 (2017: RMB3,140,759,000) in the consolidated statement of financial position.

Year ended 31 December 2017

	Equity attributable to the owners of the parent							
	Share capital *RMB'000* *(Note 22)*	**Capital reserve*** *RMB'000* *(Note 23)*	**Statutory reserve*** *RMB'000* *(Note 23)*	**Exchange fluctuation reserve*** *RMB'000* *(Note 23)*	**Retained profits*** *RMB'000*	**Total** *RMB'000*	**Non-controlling interest** *RMB'000*	**Total** *RMB'000*
At 1 January 2017	4,327,842	33,302	278,201	29,248	1,905,798	6,574,391	–	6,574,391
Profit for the year	–	–	–	–	1,148,658	1,148,658	21	1,148,679
Other comprehensive income for the year	–	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	1,148,658	1,148,658	21	1,148,679
Acquisition of a subsidiary	–	–	–	–	–	–	204	204
Dividends	–	–	–	–	(254,448)	(254,448)	–	(254,448)
Appropriation of reserves	–	–	121,125	–	(121,125)	–	–	–
At 31 December 2017	4,327,842	33,302	399,326	29,248	2,678,883	7,468,601	225	7,468,826

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2018

	Notes	**2018** *RMB'000*	2017 *RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**1,859,039**	1,576,461
Adjustments for:			
Finance costs	*6*	**1,566,721**	1,130,294
Interest expense		**–**	122
Interest income	*5*	**(36,606)**	(18,253)
Derivative financial instruments – transactions not qualifying as hedges:			
Unrealised fair value (gains)/losses, net	*6*	**(22,000)**	19,399
Realised fair value losses, net	*6*	**14,605**	–
Depreciation		**30,145**	27,490
Gain on disposal of property, plant and equipment, net	*5*	**(48,293)**	–
Amortisation of intangible assets	*6*	**1,073**	427
Impairment of lease receivables	*15*	**146,176**	113,809
Impairment of accounts receivable	*15*	**(180)**	(142)
Investment income	*5*	**(7,945)**	(18,533)
Foreign exchange losses/(gains), net	*6*	**88,860**	(14,129)
		3,591,595	2,816,945
Increase in inventories		**(6,402)**	(10,527)
Increase in loans and accounts receivables		**(9,181,742)**	(7,875,914)
Decrease/(increase) in prepayments, deposits and other receivables		**115,225**	(145,421)
Decrease/(increase) in other assets		**105**	(380)
(Increase)/decrease in amounts due from related parties		**(2,122)**	7,169
Increase in trade payables and notes payable		**303,126**	346,683
(Decrease)/increase in other payables and accruals		**(40,731)**	302,592
(Decrease)/increase in amounts due to a related party		**(25)**	2,095
Net cash flows used in operating activities before interest and tax		**(5,220,971)**	(4,556,758)
Interest received		**36,606**	18,253
Income tax paid		**(544,280)**	(533,646)
Net cash flows used in operating activities		**(5,728,645)**	(5,072,151)

	2018	2017
	RMB'000	*RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment (losses)/income	**(4,523)**	18,533
Repayments of investments	**–**	8,359
Cash paid for acquisition of property, plant and equipment, intangible assets and other long term assets	**(17,640)**	(18,892)
Proceeds from disposal of items of property, plant and equipment	**72,163**	–
Acquisition of a subsidiary	**13,802**	(9,398)
Increase/(decrease) in time deposits	**442,198**	(88,770)
Other repayments of investments	**(147,745)**	–
Net cash flows from/(used in) investing activities	**358,255**	(90,168)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in amounts due to related parties	**1,000,000**	1,500,000
Decrease in amounts due to related parties	**(2,000,000)**	–
Cash received from borrowings	**23,143,492**	14,413,703
Repayments of borrowings	**(16,257,679)**	(8,554,315)
Interest paid	**(1,368,884)**	(1,197,735)
Cash paid for restricted deposits	**(4,491,691)**	(9,568,173)
Issue of a renewable corporate bond	**1,651,184**	–
Repayment of restricted deposits	**4,432,717**	9,384,973
Dividends paid	**(336,793)**	(254,448)
Net cash flows from financing activities	**5,772,346**	5,724,005
NET INCREASE IN CASH AND CASH EQUIVALENTS	**401,956**	561,686
Cash and cash equivalents at beginning of year	**1,749,884**	1,272,458
Effect of exchange rate changes on cash and cash equivalents	**21,633**	(84,260)
CASH AND CASH EQUIVALENTS AT END OF YEAR	**2,173,473**	1,749,884
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**2,614,953**	1,831,990
Less: Restricted deposits	**(441,480)**	(82,106)
Cash and cash equivalents as stated in the statement of financial position	**2,173,473**	1,749,884
Cash and cash equivalents as stated in the statement of cash flows	**2,173,473**	1,749,884

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

Genertec Universal Medical Group Company Limited (the "**Company**") is a limited liability company which was incorporated in Hong Kong on 19 April 2012. Pursuant to the special resolutions of 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. Pursuant to the special resolution of shareholders dated 5 June 2018, the Company changed its name from Universal Medical Financial & Technical Advisory Services Company Limited to Genertec Universal Medical Group 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2018. A subsidiary is an entity (including a structure entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee. The Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Except for the amendments to HKFRS 4 and Annual Improvements 2014-2016 Cycle, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs amendments are described below:

(a) Amendments to HKFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The amendments have had no impact on the financial position or performance of the Group as the Group does not have any cash-settled share-based payment transactions and has no share-based payment transactions with net settlement features for withholding tax.

(b) HKFRS 9 F*inancial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("**ECLs**").

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows:

	HKAS 39 measurement				HKFRS 9 measurement	
	Category	**Amount**	**Re-classification**	**ECL**	**Amount**	**Category**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	
Financial assets						
Loans and accounts receivable	L&R	34,570,089	–	(20,722)	34,549,367	AC
Financial assets included in prepayments, deposits and other receivables	L&R	114,535	43,961	–	158,496	AC
From: Available-for-sale investments		–	43,961	–	43,961	AC
Restricted deposits	L&R	932,376	–	–	932,376	AC
Available-for-sale investments	AFS	43,961	(43,961)	–	–	
To: Prepayments, deposits and other receivables	–	–	(43,961)	–	–	
Derivative financial instruments	FVPL	5,273	–	–	5,273	FVPL
Cash and cash equivalents	L&R	1,749,884	–	–	1,749,884	AC
Non-financial assets						
Include: Deferred tax assets		316,395	–	5,181	321,576	
Total assets		37,732,513	–	(15,541)	37,716,972	

	HKAS 39 measurement				HKFRS 9 measurement	
	Category	**Amount**	**Re-classification**	**ECL**	**Amount**	**Category**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	
Financial liabilities:						
Trade payables	AC	264,697	–	–	264,697	AC
Financial liabilities included in other payables and accruals	AC	2,547,015	–	–	2,547,015	AC
Derivative financial instruments	FVPL	16,844	–	–	16,844	FVPL
Interest-bearing bank and other borrowings	AC	26,882,695	–	–	26,882,695	AC
Non-financial liabilities						
Include: Deferred tax liabilities		552,436	–	–	552,436	
Total liabilities		30,263,687	–	–	30,263,687	

Note: L&R Loans and receivables
AFS Available for sale
AC Amortised cost
FVPL Fair value through profit or loss
ECL Expected credit loss

Impairment

The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9. Further details are disclosed in note 15 to the financial statements.

	Impairment allowances under HKAS 39 at 31 December 2017 RMB'000	**Re-measurement** RMB'000	**ECL allowances under HKFRS 9 at 1 January 2018** RMB'000
Loans and accounts receivable	518,397	20,722	539,119
	518,397	20,722	539,119

Impact on reserves and retained profits

The impact of transition to HKFRS 9 on reserves and retained profits is as follows:

Retained profits and reserves	**Statutory reserve**	**Retained profits**
Balance as at 31 December 2017 under HKAS 39	399,326	2,678,883
Recognition of expected credit losses for loans and accounts receivables under HKFRS 9	–	(20,722)
Statutory reserve adjustment	(1,554)	1,554
Deferred tax in relation to the above	–	5,181
Balance as at 1 January 2018 under HKFRS 9	397,772	2,664,896

(c) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The disclosures are included in note 5 to the financial statements. The Group adopted the transitional provisions in HKFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits at 1 January 2018. Since the Group's current practice is in line with the clarifications issued, there is no impact on its financial statements.

(d) Amendments to HKAS 40 clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments have had no impact on the financial position or performance of the Group.

(e) HK(IFRIC)-Int 22, provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. The interpretation has had no impact on the Group's financial statements as the Group's accounting policy for the determination of the exchange rate applied for initial recognition of non-monetary assets or non-monetary liabilities is consistent with the guidance provided in the interpretation.

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 3	*Definition of a Business*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 16	*Leases*[1]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements *2015-2017 Cycl*e	*Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23*[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt HKFRS 16 from 1 January 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During 2018, the Group has performed a detailed assessment on the impact of adoption of HKFRS 16. The Group has estimated that right-of-use assets and lease a liability which will be recognised at 1 January 2019 will not be significant.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on 1 January 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on 1 January 2019 using the transitional requirements in the amendments. The Group also intends to apply the relief from restating comparative information for prior periods upon adoption of the amendments.

HK(IFRIC)-Int 23, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Classification between finance leases and operating leases

Leases are required to be classified as either finance leases (which transfer substantially all the risks and rewards of ownership, and give rise to asset and liability recognition by the lessee and a receivable by the lessor) and operating leases (which result in expense recognition by the lessee, with the asset remaining recognised by the lessor).

The determination of whether the Group has transferred substantially all the risks and rewards incidental to ownership depends on an assessment of the relevant arrangements relating to the lease and this has involved critical judgements by management.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the tax positions, the likely timing and level of future taxable profits which are affected by future actual operation, tax regulations, market or economic conditions.

Provision for expected credit losses on lease receivables

The Group uses a provision matrix to calculate ECLs for loans and receivables. Management measures and monitors the asset quality of the lease receivable portfolio by classifying the lease receivables using the 5-category classification system by referring to guidelines promulgated by the China Banking Regulatory Commission relating to asset quality for financial institutions under its regulation. The provision rates are based on similar credit risk characteristics for groupings of various customer segments that have similar loss patterns (i.e., by geography, customer type and 5-category classification, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's loans and receivables is disclosed in note 15 to the financial statements.

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.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2018 was RMB9,211,000 (2017: RMB9,211,000).

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 organised into different operating segments.

Geographical information

(a) Revenue from external customers

	2018	2017
	RMB'000	*RMB'000*
Mainland China	**4,296,469**	3,418,829
Hong Kong	**397**	–
	4,296,866	3,418,829

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

Information about a major customer

There was no single customer from whom the revenue derived amounted to 10% or more of the total revenue of the Group during the year.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2018	2017
	RMB'000	*RMB'000*
Revenue		
Finance lease income	**3,232,943**	2,468,362
Revenue from contracts with customers		
Service fee income	**945,876**	843,756
Sale of goods	**132,432**	107,305
Revenue from other sources		
Operating lease income	**11,705**	16,712
Others	**155**	257
Taxes and surcharges	**(26,245)**	(17,563)
	4,296,866	3,418,829

Revenue from contracts with customers

(i) Disaggregated revenue information

	2018
	RMB'000
For the year ended 31 December 2018	
Type of goods or service	
Sale of goods	132,432
Service fee income	945,876
Total revenue from contracts with customers	1,078,308
Timing of revenue recognition	
Goods transferred at a point in time	132,432
Services transferred at a point in time	945,876
Total revenue from contracts with customers	1,078,308
Revenue from contracts with customers	
External customers	1,078,308

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2018
	RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Sale of goods	2,631
	2,631

(ii) ***Performance obligations***

Information about the Group's performance obligations is summarised below:

Sale of goods

The performance obligation is satisfied upon delivery of the goods and payment is generally due within 30 to 210 days from delivery, except for new customers, where payment in advance is normally required. Some contracts provide customers with a right of return which gives rise to variable consideration subject to certain restrictions.

Service fee income

The performance obligation is satisfied at a point in time as services are rendered.

	2018	2017
	RMB'000	*RMB'000*
Other income and gains		
Gains on disposal of property, plant, and equipment	**48,293**	–
Bank interest income	**36,606**	18,253
Government grants *(note 5a)*	**35,448**	23,393
Fair value gains, net from derivative instruments –Transactions not qualifying as hedges	**22,000**	–
Interest income from subordinated tranches of asset-backed securities	**7,945**	16,095
Others	**448**	479
Investment income from derivative instruments	**–**	2,438
Foreign exchange gains	**–**	152
	150,740	60,810

5a. GOVERNMENT GRANTS

	2018	2017
	RMB'000	*RMB'000*
Government special subsidies	**35,448**	23,393

6. PROFIT BEFORE TAX

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

	2018	2017
	RMB'000	*RMB'000*
Cost of borrowings included in cost of sales	**1,566,721**	1,130,294
Cost of inventories sold	**113,592**	94,124
Cost of operating leases	**24,769**	20,222
Cost of others	**361**	–
Depreciation	**5,376**	7,268
Amortisation of intangible assets	**1,073**	427
Rental expenses	**29,824**	27,064
Auditor's remuneration		
– audit services	**2,300**	2,100
– other services	**1,823**	740
Employee benefit expense (including directors' remuneration)		
– Wages and salaries	**367,303**	299,428
– Pension scheme contributions	**39,053**	32,243
– Other employee benefits	**54,094**	43,099
	460,450	374,770
Impairment of loans and accounts receivables	**145,996**	113,667
Foreign exchange losses/(gains),net	**88,860**	(152)
Cash flow hedges (transfer from equity to offset foreign exchange)	**(122,473)**	–
Others	**211,333**	(152)
Derivative financial instruments – transactions not qualifying as hedges:		
– Unrealised fair value (gains)/losses, net *(note 5)*	**(22,000)**	19,399
– Realised fair value losses/(gains), net	**14,605**	(2,438)

7. INCOME TAX EXPENSE

	2018	2017
	RMB'000	*RMB'000*
Current – Hong Kong		
Underprovision in prior years	**78**	–
Current – Mainland China		
Charge for the year	**574,091**	540,334
Overprovision in prior years	**(2,729)**	(2,282)
Deferred tax	**(63,065)**	(110,270)
Total tax charge for the year	**508,375**	427,782

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 (2017: 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:

	2018	2017
	RMB'000	*RMB'000*
Profit before tax	**1,859,039**	1,576,461
At the PRC statutory income tax rate of 25%	**464,760**	394,115
Expenses not deductible for tax purposes	**16,187**	4,022
Income not subject to tax	**(3,774)**	(849)
Adjustment on current income tax in respect of prior years	**(2,729)**	(2,282)
Unrecognised tax losses	**8,431**	10,976
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**25,500**	21,800
Income tax expense as reported in the consolidated statement of profit or loss	**508,375**	427,782

8. DIVIDENDS

	2018	2017
	RMB'000	*RMB'000*
Proposed final dividend – HK$0.27(2017: HK$0.24) per ordinary share	**405,652**	344,597

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

	2018	2017
	RMB'000	*RMB'000*
Profit attributable to ordinary equity holders of the parent	**1,352,173**	1,148,658

	2018	2017
Weighted average number of ordinary shares in issue	**1,716,304,580**	1,716,304,580

	2018	2017
	RMB	*RMB*
Basic and diluted earnings per share	**0.79**	0.67

Diluted earnings per share amounts for the years ended 31 December 2018 and 2017 were the same as the basic earnings per share amounts as there were no potential dilutive ordinary shares outstanding.

10. PROPERTY, PLANT AND EQUIPMENT

31 December 2018

	Transportation equipment *RMB'000*	Office equipment *RMB'000*	Electronic equipment *RMB'000*	Medical equipment *RMB'000*	Leasehold improvements *RMB'000*	Buildings *RMB'000*	Others *RMB'000*	Total *RMB'000*
At 1 January 2018:								
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**
At 1 January 2018, net of accumulated depreciation	**2,410**	**3,196**	**5,192**	**59,544**	**13,051**	**–**	**3,490**	**86,883**
Additions	**–**	**857**	**3,313**	**11**	**2,201**	**–**	**7,557**	**13,939**
Acquisition of a subsidiary	**522**	**4,309**	**12,971**	**35,446**	**–**	**169,434**	**175**	**222,857**
Depreciation provided during the year	**(383)**	**(813)**	**(1,948)**	**(24,768)**	**(1,862)**	**–**	**(408)**	**(30,182)**
Transfers	**–**	**–**	**3,026**	**–**	**100**	**–**	**(3,126)**	**–**
Disposals	**(11)**	**–**	**(45)**	**(22,415)**	**–**	**–**	**–**	**(22,471)**
At 31 December 2018, net of accumulated depreciation	**2,538**	**7,549**	**22,509**	**47,818**	**13,490**	**169,434**	**7,688**	**271,026**
At 31 December 2018:								
Cost	**5,037**	**9,718**	**29,811**	**108,661**	**16,304**	**169,434**	**9,221**	**348,186**
Accumulated Depreciation	**(2,499)**	**(2,169)**	**(7,302)**	**(60,843)**	**(2,814)**	**–**	**(1,533)**	**(77,160)**
Net carrying amount	**2,538**	**7,549**	**22,509**	**47,818**	**13,490**	**169,434**	**7,688**	**271,026**

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
Acquisition of a subsidiary	268	581	204	–	–	31	1,084
Depreciation provided during the year	(389)	(511)	(1,203)	(20,222)	(2,584)	(421)	(25,330)
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

11. PREPAID LAND LEASE PAYMENTS

	2018 *RMB'000*
Cost:	
At the beginning of the year	–
Acquisition of a subsidiary	132,134
At the end of the year	132,134
Net carrying amount:	
At the end of the year	132,134
At the beginning of the year	–

12. AVAILABLE-FOR-SALE INVESTMENTS (POLICIES UNDER HKAS 39 APPLICABLE BEFORE 1 JANUARY 2018)

	2018	2017
	RMB'000	*RMB'000*
Asset-backed securities	**–**	43,961

As at 31 December 2017, the Group invested in asset-backed securities issued by special purpose trusts. The asset-backed securities were redeemed in 2018.

13. DERIVATIVE FINANCIAL INSTRUMENTS

		2018		2017	
	Notes	**Assets**	**Liabilities**	Assets	Liabilities
		RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Forward currency contracts	*a*	**81,250**	**34,480**	–	16,844
Interest rate swaps	*b*	**–**	**152**	5,273	–
Non-deliverable currency options	*c*	**–**	**6,883**	–	–
Cross-currency interest rate swaps	*d*	**–**	**1,282**	–	–
		81,250	**42,797**	5,273	16,844
Portion classified as non-current:					
Forward currency contracts		**81,250**	**34,480**	–	–
Interest rate swaps		**–**	**152**	–	–
Non-deliverable currency options		**–**	**6,883**	–	–
		81,250	**41,515**	–	–
Current portion		**–**	**1,282**	5,273	16,844

a. Forward currency contracts with a total nominal amount USD70,000,000 are not designated for hedge purposes and are measured at fair value through profit or loss. An unrealised gain on the fair value of these financial derivatives amounting to RMB30,318,000 (2017: a loss of RMB16,844,000) was credited to the statement of profit or loss during the year ended 31 December 2018.

Cash flow hedge under HKFRS 9 – Foreign currency risk

During the year, the Group designated 21 (2017: Nil) foreign exchange rate contracts as hedges for future cash flows arising from borrowings which will be settled in United States Dollar.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign exchange contracts match the terms of the bank loan (i.e., notional amount and expected payment date). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risks of the foreign exchange contracts are identical to the hedged risk components. To measure the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

The Group holds forward currency contracts, with a total negative net fair value of RMB33,296,000 (31 December 2017: Nil), and a total notional amount of USD850,000,000 (31 December 2017: Nil) at a average forward rate of USD/RMB6.81 as of 31 December 2018, which were designated as hedging instruments in cash flow hedges of currency risks arising from bank loans (with remaining maturity from 1 to 2 years) denominated in United States Dollar and Hong Kong Dollar.

The impacts of the hedging instruments on the statement of financial position are as follows:

As at 31 December 2018	**Cash flow hedge reserve** *RMB'000*
Unsecured bank loans	72,829

The effects of the cash flow hedge on the statement of profit or loss and the statement of comprehensive income are as follows:

	Year ended **31 December 2018** *RMB'000*
Total hedging gain recognised in other comprehensive income	
Gross amount	(33,296)
Tax effect	4,047
	(29,249)
Amount reclassified from other comprehensive income to profit or loss	
Gross amount	122,473
Tax effect	(20,395)
	102,078

Gross amount reclassified from other comprehensive income to profit or loss is represented as finance cost in the statement of profit or loss.

b. Interest rate swaps with a total nominal amount RMB115,750,000 are not designated for hedge purposes and are measured at fair value through profit or loss. An unrealised loss on fair value of the financial derivatives amounting to RMB152,000 (2017: a gain of RMB5,273,000) was debited to the statement of profit or loss during the year ended 31 December 2018.

c. Non-deliverable currency options with a total nominal amount USD295,000,000 are not designated for hedge purposes and are measured at fair value through profit or loss. An unrealised loss on fair value of the financial derivatives amounting to RMB6,883,000 (2017: Nil) was debited to the statement of profit or loss during the year ended 31 December 2018.

d. Cross-currency interest rate swaps with a total nominal amount USD55,900,000 are not designated for hedge purposes and are measured at fair value through profit or loss. An unrealised loss on fair value of the financial derivatives amounting to RMB1,282,000 (2017: Nil) was debited to the statement of profit or loss during the year ended 31 December 2018.

14. INVENTORIES

	2018	2017
	RMB'000	*RMB'000*
Medical goods	**40,537**	21,045

15. LOANS AND ACCOUNTS RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Loans and accounts receivables due within 1 year	**11,826,005**	9,184,775
Loans and accounts receivables due after 1 year	**31,844,301**	25,385,314
	43,670,306	34,570,089

15a. Loans and accounts receivables by nature

	2018	**2017**
	RMB'000	*RMB'000*
Gross lease receivables *(note 15b)*	**52,064,559**	41,226,465
Less: Unearned finance income	**(7,793,895)**	(6,205,173)
Net lease receivables *(note 15b)*	**44,270,664**	35,021,292
Accounts receivable *(note 15d)*	**85,315**	67,752
Subtotal of loans and accounts receivables	**44,355,979**	35,089,044
Less:		
Impairment of accounts receivables *(note 15c)*	**(378)**	(558)
Impairment of lease receivables *(note 15c)*	**(685,295)**	(518,397)
	43,670,306	34,570,089

15b(1). An ageing 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:

	2018	2017
	RMB'000	*RMB'000*
Gross lease receivables:		
Within 1 year	**22,205,420**	19,456,422
1 to 2 years	**15,526,914**	13,664,716
2 to 3 years	**9,924,656**	5,834,517
3 years and beyond	**4,407,569**	2,270,810
	52,064,559	41,226,465

	2018	2017
	RMB'000	*RMB'000*
Net lease receivables:		
Within 1 year	**18,267,549**	16,229,377
1 to 2 years	**13,351,465**	11,654,265
2 to 3 years	**8,693,929**	5,084,218
3 years and beyond	**3,957,721**	2,053,432
	44,270,664	35,021,292

15b(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:

	2018	2017
	RMB'000	*RMB'000*
Gross lease receivables:		
Due within 1 year	**14,911,405**	11,566,541
Due in 1 to 2 years	**14,921,639**	10,597,208
Due in 2 to 3 years	**11,188,175**	9,227,610
Due after 3 years and beyond	**11,043,340**	9,835,106
	52,064,559	41,226,465

	2018	2017
	RMB'000	*RMB'000*
Net lease receivables:		
Due within 1 year	**11,994,156**	9,304,757
Due in 1 to 2 years	**12,441,386**	8,696,021
Due in 2 to 3 years	**9,732,913**	8,024,276
Due after 3 years and beyond	**10,102,209**	8,996,238
	44,270,664	35,021,292

15c. Change in loss allowance for impairment for lease receivables and accounts receivables

Loss allowance for impairment for lease receivables

Impairment under HKFRS 9 for the year ended 31 December 2018

The Group has applied the simplified approach to providing for expected credit losses prescribed by HKFRS 9 from 1 January 2018, which permits the use of the lifetime expected loss provision for lease receivables. To measure the expected losses, lease receivables have been grouped based on similar credit risk characteristics. The expected credit losses below also incorporate forward looking information. The Group has performed historical analysis and identified industry or geographical location of each lessor as the key economic variable impacting credit risk and expected credit losses.

The movements in the loss allowance for impairment of lease receivables during the year are as follows:

	2018
	RMB'000
At beginning of year	518,397
Effect of adoption of HKFRS 9	20,722
At beginning of year (restated)	539,119
Impairment losses	146,176
At the year end	685,295

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

As at 31 December 2018

	Pass	**Special Mention**	**Substandard**	**Doubtful**	**Loss**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2018						
Expected loss rate	1.10%	2.28%	25.29%	–	100.00%	1.55%
Gross carrying amount	37,280,136	6,630,305	318,537	–	41,686	44,270,664
Expected credit losses	411,645	151,408	80,556	–	41,686	685,295

Impairment under HKAS 39 for the year ended 31 December 2017

The loss allowance provisions as of 31 December 2017 are determined as follows:

	Individually assessed 2017	**Collectively assessed 2017**	**Total 2017**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	88,557	316,031	404,588
Charge for the year	10,409	103,400	113,809
At end of year	98,966	419,431	518,397

As at 31 December 2018, the amounts of the gross lease receivables and net lease receivables pledged as security for Group's borrowings were RMB5,643,899,000 and RMB4,855,986,000 (2017: RMB4,080,017,000 and RMB3,554,938,000), respectively (note 20).

Loss allowance for impairment for accounts receivable

	At beginning of year	Acquisitions of a subsidiary	Reverse	Provision	At end of year
2018	558	–	(460)	280	378
2017	–	700	(142)	–	558

15d. An ageing 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:

	2018	2017
	RMB'000	*RMB'000*
Within 1 year	**82,033**	63,818
More than 1 year	**3,282**	3,934
	85,315	67,752

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.

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Current:		
Prepayments	**16,038**	10,020
Other receivables	**52,616**	20,658
Other current assets	**958**	1,310
Due from related parties	**1,802**	2,138
	71,414	34,126
Non-current:		
Prepayments for non-current assets	**–**	111,111
	–	111,111
	71,414	145,237

17. CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS

	2018	2017
	RMB'000	*RMB'000*
Cash and bank balances	**2,614,953**	1,831,990
Time deposits	**107,672**	850,270
	2,722,625	2,682,260
Less:		
Pledged deposits and restricted bank deposits related to asset-backed securitisations	**(441,480)**	(403,106)
Time deposits with original maturity of more than three months	**(107,672)**	(529,270)
Cash and cash equivalents	**2,173,473**	1,749,884

As at 31 December 2018, the cash and bank balances of the Group denominated in RMB amounted to RMB2,152,030,000 (2017: RMB1,728,774,000). RMB is 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 2018, cash of RMB441,480,000 (2017: RMB346,741,000) was pledged or charged for bank borrowings (note 20).

As at 31 December 2018, no cash (2017: RMB56,365,000) was 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. The cash collected by the Group from the associated finance lease contracts of the securitisation transactions has to be passed on to the investors of the asset-backed securities without material delay.

As at 31 December 2018, cash of RMB651,293,000 (2017: RMB130,955,000) was deposited with Genertec Finance Co., Ltd., a related party.

18. TRADE PAYABLES

	2018	2017
	RMB'000	*RMB'000*
Trade payables	**482,236**	264,574
Due to related parties	**145**	123
	482,381	264,697

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

18a. An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2018	2017
	RMB'000	*RMB'000*
Within 1 year	**466,068**	246,141
1 to 2 years	**42**	7,708
2 to 3 years	**7,606**	2,199
Over 3 years	**8,665**	8,649
	482,381	264,697

19. OTHER PAYABLES AND ACCRUALS

	2018	2017
	RMB'000	*RMB'000*
Current:		
Lease deposits due within one year	**195,111**	230,498
Accrued salaries	**128,119**	128,912
Welfare payables	**8,508**	8,671
Contract liabilities *(note 19a)*	**40,182**	–
Advances from customers	**–**	7,261
Due to a related party	**–**	47
Other taxes payable	**51,488**	24,672
Interest payable	**299,325**	133,386
Other payables	**202,985**	311,867
	925,718	845,314
Non-current:		
Lease deposits due after 1 year	**2,093,213**	1,880,570
Accrued salaries	**403,878**	259,251
	2,497,091	2,139,821
	3,422,809	2,985,135

19a. Balance with contract liabilities

Details of contract liabilities as at 31 December 2018 and 1 January 2018 are as follows:

	31 December 2018	1 January 2018
	RMB'000	*RMB'000*
Contract liabilities	**40,182**	7,261
	40,182	7,261

Contract liabilities include short-term advances received to deliver goods.

20. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2018			2017		
	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	**3.43~5.22**	**2019**	**2,146,653**	2.17~5.00	2018	2,734,863
Current portion of long-term bank loans						
– secured	**4.28~5.70**	**2019**	**582,125**	4.28~5.23	2018	731,818
– unsecured	**4.28~5.94**	**2019**	**3,160,445**	4.29~4.99	2018	1,972,736
Current portion of long-term other loans						
– secured	**–**	**–**	**–**	–	–	–
– unsecured	**5.00**	**2019**	**450,000**	5.00	2018	600,000
Finance lease payables						
– secured	**4.75~5.04**	**2019**	**321,232**	4.75~4.83	2018	99,694
Bonds payable						
– secured	**–**	**–**	**–**	5.20	2018	218,910
– unsecured	**4.08~5.50**	**2019**	**4,687,901**	4.69~4.90	2018	2,291,130
Due to a related party						
– unsecured	**4.75**	**2019**	**998,442**	4.35~4.75	2018	2,000,000
			12,346,798			10,963,552
Non-current:						
Bank loans						
– secured	**4.75~5.70**	**2020~2023**	**1,152,033**	4.28~5.23	2019~2022	663,921
– unsecured	**2.42~5.94**	**2020~2023**	**9,402,798**	2.70~5.23	2019~2020	8,367,632
Other loans – unsecured	**–**	**–**	**–**	5.00	2019	900,000
Bonds payable						
– secured	**5.50~6.43**	**2020**	**546,169**	5.50~6.43	2020	546,169
– unsecured	**3.13~6.50**	**2021~2023**	**7,530,288**	3.13~4.08	2019~2021	3,045,939
Finance lease payables						
– secured	**4.75~5.04**	**2020~2022**	**1,007,381**	4.75~4.83	2020	1,395,482
Due to a related party						
– unsecured	**4.75**	**2019~2021**	**996,522**	4.75	2019	1,000,000
			20,635,191			15,919,143
			32,981,989			26,882,695

	2018	2017
	RMB'000	*RMB'000*
Analysed into:		
Bank loans repayable:		
Within one year	**5,889,223**	5,753,818
In the second year	**2,857,355**	3,268,298
In the third to fifth years, inclusive	**7,697,476**	5,763,255
	16,444,054	14,785,371
Other borrowings repayable:		
Within one year	**6,457,575**	5,209,734
In the second year	**1,871,169**	2,441,980
In the third to fifth years, inclusive	**8,209,191**	4,445,610
	16,537,935	12,097,324
	32,981,989	26,882,695

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 2018, the amortised cost of the debt securities issued amounted to RMB546,169,000 (2017: RMB765,079,000).

(b) As at 31 December 2018, the Group's bank and other borrowings secured by lease receivables, cash and bank balances and time deposits were RMB3,608,940,000 (2017: RMB3,970,395,000); the Group's gross lease receivables and net lease receivables pledged or charged as security for the Group's bank and other borrowings were RMB5,643,899,000 and RMB4,855,986,000, respectively (2017: RMB4,080,017,000 and 3,554,938,000); and the Group's bank and other borrowings secured by cash and bank balances and time deposits amounted to RMB1,734,158,000 (2017: RMB1,001,045,000).

(c) As at 31 December 2018, the balances due to related parties were due to Genertec Finance Co., Ltd. and China General Technology (Group) Holding Co., Ltd. (PRC) (2017: Genertec Finance Co., Ltd.).

21. DEFERRED TAX

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

Deferred tax assets

	Impairment *RMB'000*	**Salary and welfare payable** *RMB'000*	**Cash flow hedge** *RMB'000*	**Total** *RMB'000*
Gross deferred tax assets at 1 January 2018	121,771	69,514	–	191,285
Effect of adoption of HKFRS 9	5,181	–	–	5,181
At 1 January 2018 (restated)	126,952	69,514	–	196,466
Credited to the statement of profit or loss during the year	36,499	24,857	3,998	65,354
Credited to reserve	–	–	16,349	16,349
Gross deferred tax assets at 31 December 2018	163,451	94,371	20,347	278,169
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

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 2018	26,091	1,318	27,409
Charged to the statement of profit or loss during the year	3,548	(1,259)	2,289
Gross deferred tax liabilities at 31 December 2018	29,639	59	29,698
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

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:

	2018 ***RMB'000***	2017 *RMB'000*
Net deferred tax assets recognised in the consolidated statement of financial position	**248,471**	163,876

The Company has tax losses arising in Hong Kong of RMB79,513,000 (2017: RMB61,337,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose and tax losses arising in Mainland China of RMB8,529,000 (2017: RMB1,436,000) that will expire in one to five years for offsetting against future taxable profits. 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 2018, 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 RMB3,051,194,000 (2017: RMB2,404,347,000).

22. SHARE CAPITAL

	2018	2017
	RMB'000	*RMB'000*
Issued and fully paid:		
1,716,304,580 (2017: 1,716,304,580) ordinary shares	**4,327,842**	4,327,842

23. 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 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 its profits after taxation reported in its statutory financial statements prepared under the applicable PRC accounting standards to the statutory surplus reserve.

If a subsidiary is registered as a wholly-foreign-invested enterprise or a domestic limited liability company, it is required to appropriate 10% of each year's statutory net profits to the statutory surplus reserve according to the PRC accounting standards and regulations (after offsetting previous years' losses) to the statutory surplus reserve. The PRC subsidiary may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. Upon contribution to the statutory surplus reserve using its post-tax profit, a company may make further 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.

24. TRANSFERS OF FINANCIAL ASSETS

Securitisation transactions

The Group entered 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 2018, no lease receivables (2017: RMB543,513,000) have been securitised by the Group under arrangements in which the Group retained continuing involvement in assets.

25. RENEWABLE CORPORATE BOND

China Universal Leasing Co., Ltd. ("China Universal Leasing"), a wholly-owned subsidiary of the Group, issued the first tranche of the bonds (the "T1 Bonds") of renewable corporate bonds with total principal amount of RMB1.66 billion, with a basic term of three years from 27 December 2018. The T1 Bonds are with a fixed interest rate of 6% per annum. The issue price is RMB100 per bond, which is equal to 100% of the principal value of the T1 Bonds. China Universal Leasing is entitled, at the end of the agreed basic term and each extended period, to an option to extend the term of the bonds. Distributions of the renewable bond may be paid annually and may be deferred at the discretion of China Universal Leasing unless a compulsory distribution payment event (including distributions to shareholders of China Universal Leasing) has occurred. Following a deferral, arrears of distributions are cumulative. As the Group has no contractual obligation to deliver cash or another financial asset, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group, the Group classified the renewable corporate bond issued as an equity instrument.

26. EVENTS AFTER THE REPORTING PERIOD

On 1 January 2019, the Group acquired a 55% interest in XD Group Hospital. The purchase consideration of RMB550,000,000 for the acquisition was in the form of cash. The Group plans to measure the non-controlling interest at fair value.

Because the acquisition was effected shortly before the date of approval of these financial statements, it is not practicable to disclose further details about the acquisition.

PERFORMANCE OVERVIEW

	For the year ended 31 December				
	2018	2017	2016	2015	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Operating Results					
Income	**4,296,866**	3,418,829	2,700,916	2,193,398	1,552,682
Finance lease income*	**3,216,174**	2,457,728	1,941,183	1,462,018	1,032,757
Industry, equipment and financing advisory income*	**784,381**	703,240	601,303	585,555	441,973
Clinical department upgrade services income*	**185,595**	180,135	156,500	143,452	77,514
Hospital operation and management income*	**110,716**	77,468	–	–	–
Cost of sales	**(1,705,442)**	(1,244,640)	(965,970)	(884,851)	(619,594)
Interest expense	**(1,566,721)**	(1,130,294)	(940,155)	(864,165)	(596,954)
Cost of clinical department upgrade services	**(35,740)**	(42,895)	(25,815)	(20,581)	(22,537)
Cost of hospital operation and management	**(102,981)**	(71,451)	–	–	–
Profit before tax	**1,859,039**	1,576,461	1,205,945	900,274	611,082
Profit for the year	**1,350,664**	1,148,679	872,310	658,526	456,638
Profit for the year attributable to the ordinary share holders of the Company	**1,352,173**	1,148,658	872,310	658,526	456,638
Basic and diluted earnings per share (RMB)	**0.79**	0.67	0.51	0.44	0.51
Profitability Indicators					
Return on total assets(1)	**3.18%**	3.44%	3.32%	3.29%	3.40%
Return on equity(2)	**17.05%**	16.36%	14.01%	15.85%	25.40%
Net interest margin(3)	**4.10%**	4.41%	4.36%	3.42%	3.73%
Net interest spread(4)	**3.23%**	3.51%	3.31%	2.56%	2.93%
Net profit margin(5)	**31.43%**	33.60%	32.30%	30.02%	29.41%
Cost to income ratio(6)	**24.37%**	24.09%	25.27%	29.91%	24.76%

* 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 or during the period attributable to the ordinary share holders of the Company/average balance of equity at the beginning and the end of the period attributable to the ordinary share holders of the Company;

(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 2018	31 December 2017	31 December 2016	31 December 2015	31 December 2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Assets and Liabilities					
Total assets	**47,256,927**	37,732,513	28,964,583	23,657,881	16,385,316
Net lease receivables	**44,270,664**	35,021,292	27,160,141	21,600,652	15,850,139
Total liabilities	**37,000,119**	30,263,687	22,390,192	17,776,681	13,957,817
Interest-bearing bank and other borrowings	**32,981,989**	26,882,695	19,485,459	15,458,354	11,408,252
Total equity	**10,256,808**	7,468,826	6,574,391	5,881,200	2,427,499
Equity attributable to the ordinary share holders of the Company	**8,395,611**	7,468,601	6,574,391	5,881,200	2,427,499
Net assets per share (RMB)	**4.89**	4.35	3.83	3.43	1.91
Financial Indicators					
Debt ratio(1)	**78.30%**	80.21%	77.30%	75.14%	85.18%
Gearing ratio(2)	**3.22**	3.60	2.96	2.63	4.70
Current ratio(3)	**1.06**	0.98	1.25	0.98	0.88
Asset Quality					
Non-performing assets ratio(4)	**0.81%**	0.78%	0.81%	0.78%	0.83%
Provision coverage ratio(5)	**190.24%**	189.92%	183.85%	171.47%	166.10%
Write-off of non-performing assets ratio(6)	**0.00%**	0.00%	0.00%	0.00%	0.00%
Overdue ratio (over 30 days)(7)	**0.62%**	0.44%	0.51%	0.46%	0.96%

(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 year;

(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 2018, the Group further advanced in the medical industry and made significant strategic progress. Guided by the strategic goal of building a leading medical and health conglomerate in China, we seized the golden policy and market opportunities and made great achievements from the spin-off and takeover of medical institutions of state owned enterprises ("**SOEs**"), which laid a solid foundation for building a medical and health conglomerate with synergic advantage. In 2018, the Group innovated and upgraded its strategic layout, solidly optimized various operations, strictly controlled operational risks, improved management ability, and strengthened its comprehensive strength, therefore making steady growth in operating performance. Our revenue increased by 25.7% year-on-year to RMB4,296.9 million. Our profit before tax increased by 17.9% year-on-year to RMB1,859.0 million. The asset size grew steadily and asset quality continued to maintain its leading position in the industry. The corporate credit rating of China Universal Leasing Co., Ltd., (中國環球租賃有限公司), a wholly-owned subsidiary of the Group, was successively uprated to AAA by China Cheng Xin International Credit Rating Co., Ltd. (中誠信國際信用評級有限責任公司) and Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. (上海新世紀資信投資服務有限公司), which further enhanced the Group's overall financing capabilities.

1.1 Hospital operation and management Business

In 2018, on the one hand, the Group seized the opportunity from the reform policy to comprehensively roll out the reintegration work on spin-off and takeover of medical institutions of SOEs, and made great achievements. On the other hand, it steadily advanced the implementation of the construction and operation cooperation projects and the launch of intended cooperation projects, and initially established a number of region-based medical centers with Shaanxi, Hebei, and Anhui as the core, laying a solid foundation for building a nationwide medical and health conglomerate with synergic advantage.

1.1.1 Great achievements made on the spin-off and takeover of medical institutions of SOEs

On 3 August 2017, six ministries and commissions including the State-owned Assets Supervision and Administration Commission of the State Council (the "**SASAC**") jointly issued *the Guidance on Deepening the Reform of Educational and Medical Institutions of State-owned Enterprises* (《關於國有企業辦教育醫療機構深化改革的指導意見》)(Guo Zi Fa Gai Ge [2017] No.134). This guidance requires the reform of medical institutions of SOEs by way of spin-off should be substantially completed by the end of 2018, and proposes to support the SOEs primarily engaged in healthcare business to reintegrate the resources of the medical institutions. Subsequently, in order to urge implementation of the reform of medical institutions owned by SOEs, SASAC further issued relevant notices, requiring, among others, all central SOEs should ensure that reform of medical institutions of SOEs be completed by the end of 2018. Six central SOEs including China Genertec Technology (Group) Holding Company Limited (中國通用技術（集團）控股有限責任公司, "**GT-PRC**") are allowed to participate in resources reintegration of medical institutions of SOEs. As the main operating entity of the medical and health segment of GT-PRC, the Group actively responded to these policies. In 2018, the Group has been in close contact with several state-owned groups and their quality hospitals to participate in the spin-off and takeover of medical institutions of SOEs through formation of joint ventures and open market bidding, and entered into contracts for several projects in the same year.

Yantai Port Hospital (煙台海港醫院)

On 14 September 2018, the Group entered into a cooperation agreement with Yantai Port Group Co., Ltd. (煙台港集團有限公司, "**Yantai Port Group**") in connection with the formation of a joint venture, which will assume all of the practicing licenses, qualifications, management team and business resources of Yantai Port Hospital and be held by the Group as to 65%. Yantai Port Hospital, with a certified capacity of 500 beds, is a non-profit Grade II Class A hospital administered by Yantai Port Group and enjoys the reputation with its comprehensive medical technology in the local area. The registered capital contributed by the Group to the joint venture is intended to be used for increasing beds and procuring equipment for Yantai Port Hospital. The Group will also further enhance medical technology and service capacity of Yantai Port Hospital in a systematic way by upgrading disciplines, introducing advanced technology, training talents, optimizing managerial mechanisms, and etc.

XD Group Hospital (西電集團醫院)

On 19 December 2018, the Group entered into a cooperation agreement with China XD Group Co., Ltd. (中國西電集團有限公司, "**XD Group**") in connection with the formation of a joint venture, which will become the new promoter of Xi'an XD Group Hospital ("**XD Group Hospital**") and be held by the Group as to 55%. XD Group Hospital, with an actual capacity of 900 beds, is a Grade III Class A comprehensive hospital administered by XD Group with various functions including medical treatment, emergency, training, research, rehabilitation, prevention, community health and physical examination. XD Group Hospital boasts a complete system of disciplines and advanced medical equipment, enjoying the reputation in Shaanxi Province with its comprehensive medical technology in gynecology & obstetrics and neurology. The XD Group Hospital Chest Pain Center, which is directed by cardiovascular department, has obtained an initial certification of national chest pain center network. In the future, the Group will follow the development strategy of "Strong Specialties, Solid Comprehensive Strengths and Multi-platform" and make XD Group Hospital key medical resources in Northwest China. We will establish a comprehensive medical institution with several national well-known outstanding specialties in a central city by introducing capital and medical resources, optimizing remuneration mechanisms, and expanding open bed space for XD Group Hospital.

Hefei Anhua Hospital (合肥安化醫院)

In December 2018, the Group participated in the assets delisting procedures of the Hefei Anhua Hospital on Beijing Equity Exchange, and finally won the bid by public tender and became the new promoter of Hefei Anhua Hospital. Hefei Anhua Hospital is a Grade II hospital specialized in rehabilitation with a capacity of 200 beds. It was administered by CNSG Anhui Hong Sifang Co., Ltd. (中鹽安徽紅四方股份有限公司, "**CNSG Hong Sifang**") before its listing. China National Salt Industry Group Co., Ltd. (中國鹽業集團有限公司), the controlling shareholder of CNSG Hong Sifang, is a large central SOE supervised by the SASAC. In the future, Universal Medical will work with Hefei Anhua Hospital to establish the development path of the hospital by step based on its scale, existing resources and characteristics of disciplines and identify key disciplines and relevant development directions. The hospital's rehabilitation department will be built into a rehabilitation medical center, which will be upgraded systematically in terms of talents, technology, equipment, management and services, to build a first-class modern rehabilitation medical center in the province with technical characteristics and excellent diagnosis and treatment services.

Xi'an Aero-Engine Hospital (西航職工醫院)

On 21 December 2018, the Group entered into a cooperation agreement with AECC Xi'an Aero-Engine Ltd. (中國航發西安航空發動機有限公司, "**Xi'an Aero-Engine**") in connection with the formation of a joint venture, which will assume all of the practicing licenses, qualifications, management team and business resources of Xi'an Aero-Engine Hospital and be held by the Group as to 78.57%. Xi'an Aero-Engine Hospital, with an actual capacity of 300 beds, is a Grade II Class A comprehensive hospital administered by Xi'an Aero-Engine with various functions including medical treatment, research, disease prevention and emergency treatment. In the future, based on the coordination of the epidemiology survey in Xi'an and even the Northwest region, the current situation of Xi'an Aero-Engine Hospital, and the prediction of the medical development trends, the Company will enhance the comprehensive strength and brand influence of Xi'an Aero-Engine Hospital by planning hospital development, introducing quality medical resources and promoting development of disciplines, thus laying a solid foundation for the development of the hospital.

Ansteel General Hospital (鞍鋼總醫院)

On 30 January 2019, the Group entered into a cooperation agreement with Ansteel Group Corporation Limited (鞍鋼集團有限公司, "**Ansteel Group**") in connection with the formation of a joint venture, which will become the new promoter of Ansteel Group General Hospital ("**Ansteel General Hospital**") and be held by the Group as to 51%. Ansteel General Hospital is a Grade III Class A comprehensive hospital administered by Ansteel Group with various functions including medical treatment, research, training, rehabilitation, disease prevention and emergency treatment. With an actual capacity of 1,445 beds, Ansteel General Hospital boasts a complete system of disciplines and advanced medical equipment, enjoying the reputation in Liaoning Province with its comprehensive medical technology. In the future, the Group will follow the development strategy of "Solid Comprehensive Strengths and Strong Specialties" and make Ansteel General Hospital key medical resources in Northeast China. We will introduce capital, medical resources and optimize its remuneration mechanisms, and expand open bed space for Ansteel General Hospital.

Pangang General Hospital (攀鋼總醫院) and Pangang Chengdu Hospital (攀鋼成都醫院)

On 31 January 2019, the Group entered into a cooperation agreement with Panzhihua Iron and Steel (Group) Company Limited (攀鋼集團有限公司, "**Pangang Group**") and Panzhihua Pangang Group Mining Company (攀鋼集團礦業有限公司), a wholly-owned subsidiary of Pangang Group, in connection with the formation of a joint venture, which will become the promoter of Pangang Group General Hospital ("**Pangang General Hospital**") and the manager of Pangang Group Chengdu Hospital ("**Pangang Chengdu Hospital**") and be held by the Group as to 53.30%. Pangang General Hospital is a Grade III Class A comprehensive hospital administered by Pangang Group with an actual capacity of 1,300 beds and various functions including medical treatment, research, training, rehabilitation, disease prevention and emergency treatment. Pangang Chengdu Hospital, with an actual capacity of 364 beds, is a Grade II Class A comprehensive hospital and enjoys geographical advantage in central area of Chengdu City. In the future, the Group will follow the development strategy of "Solid Comprehensive Strengths and Strong Specialties" and make Pangang General Hospital and Pangang Chengdu Hospital key medical resources in Southwest China. Through the implementation of a series of measures such as technology introducing, hardware upgrading and personnel training, the Group will promote the overall development of Pangang General Hospital and Pangang Chengdu Hospital.

Xianyang Caihong Hospital (咸陽彩虹醫院)

On 18 March 2019, the Group entered into a cooperation agreement with Xianyang CEC Caihong Group Holding Co., Ltd. (咸陽中電彩虹集團控股有限公司, "**CEC Caihong**"), a wholly owned subsidiary of China Electronics Corporation (中國電子信息產業集團有限公司, "**CEC**"), in connection with the formation of a joint venture, which will become the promoter of Xianyang Caihong Hospital and be held by the Group as to 52.63%. Xianyang Caihong Hospital is a Grade II Class A hospital for women and children administered by CEC Caihong with an actual capacity of 579 beds and various functions including medical treatment, emergency treatment, training, research, rehabilitation, disease prevention and health management service. In the future, the Group will provide strong support for the construction of a leading women and children center in the Northwest China through planning hospital development, introducing quality medical resources, promoting discipline development and strengthening the comprehensive strength and brand influence of the hospital.

In addition, the spin-off and takeover of medical institutions by the Group from other SOE groups is also progressing in an orderly manner. Up to the date of this announcement, we have managed and operated 8 hospitals owned by SOEs in 5 provinces in China, i.e. Shaanxi, Shandong, Anhui, Liaoning and Sichuan (3 Grade III hospitals and 5 Grade II hospitals) with a capacity totaling 6,000 beds. In the future, based on the coordination of the epidemiology survey in the local area and the current situation of each hospital, and the prediction of medical development trends, the Group will enhance the comprehensive strength and brand influence of these hospitals by planning their development orientation, introducing quality medical resources and promoting discipline development to develop regional medical centers with characteristics.

Table of Hospitals Owned by SOEs under the Group (as of 27 March 2019)

Name of hospital	Time of contract	Partner	Location	Level	Number of bed (s)
Yantai Port Hospital	September 2018	Yantai Port Group	Yantai, Shandong	Grade II Class A	500
XD Group Hospital	December 2018	XD Group	Xi'an, Shaanxi	Grade III Class A	900
Hefei Anhua Hospital	December 2018	CNSG Group	Hefei, Anhui	Grade II specialized hospital	200
Xi'an Aero-Engine Hospital	December 2018	Xi'an Aero-Engine	Xi'an, Shaanxi	Grade II Class A	300
Ansteel General Hospital	January 2019	Ansteel Group	Anshan, Liaoning	Grade III Class A	1,445
Pangang General Hospital	January 2019	Pangang Group	Panzhihua, Sichuan	Grade III Class A	1,300
Pangang Chengdu Hospital	January 2019	Pangang Group	Chengdu, Sichuan	Grade II Class A	364
Xianyang Caihong Hospital	March 2019	CEC	Xianyang, Shaanxi	Grade II Class A	579

The year of 2019 is still the policy period for the reform of medical institutions of SOEs by way of spin-off. The Group will continue to consolidate quality hospitals owned by SOEs, unfold its layout in key areas, and expand the size of hospital groups. For newly incorporated hospitals, we will launch a series of post-investment management measures in 2019 in terms of discipline construction, operation management, system and mechanism establishment, and cultural integration.

1.1.2 Hospital investment, construction and operation projects were well underway

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

On 9 August 2018, the Group formally entered into a contract with the Health and Family Planning Committee of Handan and Handan First Hospital in connection with the joint establishment of the new east district of Handan First Hospital. Handan is an important portal city in southern Hebei province and located at the conjunction of Shanxi, Hebei, Shandong and Henan provinces. Handan First Hospital is a large-scale comprehensive Grade III Class A hospital that integrates medical services, teaching, scientific research, disease prevention, health care and rehabilitation. Handan First Hospital plays a leading role in terms of its comprehensive medical strength in the whole city. The new east district planned will operate as a new branch of Handan First Hospital with 2,000 registered beds (to be built in two phases), and position as a comprehensive hospital with top specialized departments. In the future, the new branch will work with Handan First Hospital to provide medical services for approximately 25 million people in Shanxi, Hebei, Shandong and Henan provinces. The Group will invest a total amount of no more than RMB2 billion and is entitled to two rights: a construction and operation right of Handan First Hospital (including the new east district), and an exclusive right to provide medical supplies procurement service to Handan First Hospital (including the new east district). Please refer to the announcement published by the Company on 9 August 2018 for details.

The Group will, on the one hand, use its financial resources and integrate healthcare resources to provide funding, technology, talents and advanced operating and managing mechanisms to Handan First Hospital, and on the other hand, leverage the strengths of Handan First Hospital in medical treatment, education, scientific research and brand, to make Handan First Hospital a high-quality healthcare center in the four neighboring provinces including Shanxi, Hebei, Shandong and Henan, benefiting local people's livelihood through its advanced medical technology and premium services.

By the end of 2018, the preparation of the medical operation planning and design specification for the new east district have been completed; the construction land has been approved; and the approval process for the construction project is underway. The supply chain project working group has prepared the business plan for medicines and consumables. The acquisition of local supply chain companies is progressing in an orderly manner. In 2019, the Group expects to carry out various projects such as project construction and supply chain business.

International Land Port Hospital

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 Commission (國家衛生健康委員會) with leading medical technology and service quality in Northwest China. 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.

In 2018, progress on the construction project of International Land Port Hospital jointly undertaken by the Group and First Affiliated Hospital achieved further milestones. The Company signed a Sunshine Procurement Service Agreement (《陽光採購服務協議》) with First Affiliated Hospital. A management platform of transparent procurement of medical supplies has been set up to analyze purchasing data such as mix structure and share of suppliers, laying a solid foundation for taking over the supply chain management of the hospital. Meanwhile, the International Land Port Hospital has started the bidding and procurement of cost contract, and completed the medical operation planning, the overall planning of the hospital, the preliminary plan for the layout of the building, and temporary building and preparation for the earthwork on the construction land for cultural relics exploration, on-site geological survey and high-voltage line relocation. The program to deepen the design work was officially launched at the end of 2018. In 2019, on the one hand, the Group will arrange the process in an orderly manner on the basis of solid design work, and actively promote the construction of International Land Port Hospital; on the other hand, it will start to select suppliers and accelerate the implementation of supply chain business operations.

1.1.3 Solid progress was made in hospital operation and management capability

In 2018, while accelerating the development of hospital operation and management business, the Group focused on improving its own strength and continuously enhanced its hospital operation and management capability:

- Organization: Taking the development of the hospital as the core, the Group further optimized the organizational structure of the headquarters to output resources and offer effective services. At the same time, we set up managerial groups from headquarters to hospitals, and clarified the respective responsibilities and mutual relations of the headquarters, subsidiaries, regional business departments and hospitals. A group management and control system with smooth communication channels and flexible coordination mechanism was established.

- Talents: The Group continued to optimize its talent team and has more than 300 employees with medical background based at the headquarters. On this basis, on the one hand, the headquarters continues to recruit professional talents to consolidate the core team ability of the hospital before and after investment; on the other hand, leading medical talents joined the management to guarantee the professional operation and development of the hospital group.

- Disciplines: The Group is building a unique discipline brand which focuses on the development of five core disciplines, namely cardiovascular department, orthopedics department, oncology, neurology, gynaecology and obstetrics. Moreover, based on the specialty of each hospital, key disciplines will be specifically developed in addition to those five ones. We continued to accumulate various types of medical resources, and have established strategic cooperative relationship with dozens of top international medical institutions, top domestic hospitals and medical colleges. We plan to establish clinical medical schools and regional doctors' clubs to broadly attract medical experts and academic leaders in various disciplines. This also helps to establish close ties between regional medical center hospitals and primary medical institutions in the region, and provide a comprehensive medical resource platform to support the development of the hospital group's disciplines.

- Operation management: Guided by the concept of delicacy management, the Group established a comprehensive hospital operation management system, including quality and safety management and performance management. We are committed to ensuring medical quality and safety and stimulating the enthusiasm of medical staff through a series of operation management measures, such as establishing standardized quality management system, optimizing performance evaluation system and building hospital brand. By doing this, we will develop a medical group with leading scale, outstanding technology and efficient management. In addition, the Group has also set up an integrated hospital supply chain operation system, which is centrally managed by the headquarters. After the supply chain business reaches a certain scale, the headquarters will set up a centralized procurement center to carry out unified procurement and distribution business for its hospitals, so as to achieve resource sharing and optimal scale effect.

1.2 Medical Finance Business

In 2018, facing changing environment in domestic and international finance markets and even more fierce competition in finance lease market, the Group's staff worked meticulously in their market sectors, continuing to intensify market exploitation and enhance existing customers stickiness by providing differentiated and high-quality services, which helped steadily increase the Group's asset size. Meanwhile, we continued flexible financing strategies to optimize debt structures and control the average cost rate of interest-bearing liabilities. As always, we executed prudent risk control processes and strict asset management measures to ensure that our asset quality maintains the leading position in the industry.

- Net interest spread remained at an excellent level in the industry. In 2018, despite the increasingly fierce competition in the financial leasing market, the Group continued to cooperate with high-credit clients by virtue of our strong customer stickiness. The yield of interest-earning assets dropped slightly to 7.95% from 8.14% of the previous year. At the same time, given the tight market funds and rising financing costs, the Group continued to deepen its cooperation with various financial institutions, actively expand financing channels, enrich financing types, and optimize its debt structure. On the premise of ensuring sufficient liquidity, we have controlled our financing cost in a reasonable and effective way. The average cost rate of interest-bearing liabilities increased slightly from 4.63% in 2017 to 4.72%, making the net interest spread of 3.23% still leading the industry.

- Assets steadily grew with good quality. As at 31 December 2018, the total assets of the Group amounted to RMB47,256.9 million, representing an increase of 25.2% as compared with the end of 2017. The proportion of healthcare assets in finance lease receivables was 78.3%, showing the Group's assets concentration in healthcare industry. Non-performing assets ratio was 0.81% and the overdue ratio (30 days) was 0.62%, representing a long-term leading position in the industry. We maintained a prudent provision policy and the Group's asset provision coverage ratio reached 190.24% as of 31 December 2018.

1.3 Medical Digitalization Business

The medical digitalization business of the Group is based on member hospitals, features independent research and development technology, and focuses on three aspects, namely Internet-based health services, smart hospital overall solutions, and medical big data and artificial intelligence services, striving for building a leading medical digitalization service system in China. In 2018, the Group further optimized its self-developed Internet-based health platform and provided technical support for member hospitals to implement online medical care. The 1.0 version of the platform was released covering the functions of offering medical advice in image-text, video and audio forms and family doctor contracting. This version came into service firstly in Yantai Port Hospital at the end of 2018. Meanwhile, the Group has gradually developed an independent market, and the medical digitalization business cooperation with People's Hospital of Baoqing (寶清縣人民醫院) has entered the implementation stage. In the future, the medical digitalization sector will bring about a deep integration of the Internet and medical services to improve patient experience, promote disease source management, and ensure the medical quality and safety of patients in a practical way. This sector will facilitate and guarantee hospital management, and become a strategic business pillar of the Group.

1.4 Medical Technology Service

With domestic and international resources diversifying, the Group has further expanded its medical technology services to help partner hospitals access appropriate high-quality medical resources to improve their medical technology and management as a whole. In 2018, the Group further expanded its scope of cooperation in cerebral vascular accident ("**CVA**") projects, and concentrated efforts on prevention and rehabilitation of chronic diseases with support from medical alliances. It also provided expert resources to organize trainings as technology support to each center in undertaking local prevention and treatment services. In 2018, the Group successively initiated the establishment of several CVA centers, among others, at the People's Hospital of Baihe County (白河縣人民醫院), Zhuhai Golden Bay Centre Hospital (珠海市金灣中心醫院), Zhoukou Yongxing Hospital (周口永興醫院), and Yantai Port Hospital. It assisted Ankang Central Hospital in becoming an advanced CVA center certified by the Stroke Centre of Brain Disease Control Committee of the National Health Commission. Besides, the Group launched a medical consortium project in prevention of CVA of Wuzhou Health and Family Planning Commission, demonstrating the technology upgrading service of the Group transforming from a single hospital and a single department to a specialized association, medical alliance and even multi-discipline system. At the same time, the Group also successfully participated in the oragnization of the 8th U.S.-China Health Forum and hosted the CVA Prevention Sub-forum. It cooperated with Ansteel Group General Hospital to hold the 3rd Academic Summit of Cancer Precision Medicine (第三屆腫瘤精准醫學學術高峰論壇), which provided an effective information exchange platform for domestic and foreign experts and scholars.

While promoting the potential market of clinical department upgrade services centered on CVA projects, the Group has continued to select cutting-edge medical devices with a promising prospect in global medical device market, and provided services on registration and introduction of these devices and related services in China. At present, the Group is the exclusive general agent and regional agent in China for 19 categories of medical device products and cooperates with up to 6 medical device suppliers, covering more than 200 products.

1.5 Prospects for the Future

In the future, the Group will continue to focus on the development trends in medical sector, build up its strength, lay a solid foundation for medical finance business and strengthen our market position. It will seize policy and market opportunities to develop hospital operation and management business, constantly expand the scale of medical institutions, and improve their overall capacity. Besides, the Group will actively expand the medical digitalization business, establish differentiated competitive advantages, and extend hospital value chain. It will continue to improve the medical technology service and expand the service scope, striving to build Universal Medical into a leading medical and health conglomerate and make contribution to the "Healthy China" plan.

2. ANALYSIS OF STATEMENT OF PROFIT OR LOSS

2.1 Overview

In 2018, the Group seized the development opportunities in the healthcare industry, continued to consolidate its operational foundation, and achieved a steady growth in operating results. In 2018, the Group recorded a revenue of RMB4,296.9 million, representing an increase of RMB878.0 million or 25.7% as compared to the corresponding period of the previous year. Profit before tax was RMB1,859.0 million, representing an increase of RMB282.6 million or 17.9% as compared to the corresponding period of the previous year. Profit for the year attributable to the ordinary share holders of the Company was RMB1,352.2 million, representing an increase of RMB203.5 million or 17.7% as compared to the corresponding period of 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		
	2018	2017	Change %
	RMB'000	*RMB'000*	
Revenue	**4,296,866**	3,418,829	25.7%
Cost of sales	**(1,705,442)**	(1,244,640)	37.0%
Gross profit	**2,591,424**	2,174,189	19.2%
Other income and gains	**150,740**	60,810	147.9%
Selling and distribution costs	**(387,251)**	(334,203)	15.9%
Administrative expenses	**(244,350)**	(189,620)	28.9%
Impairment losses on financial assets, net	**(145,996)**	(113,667)	28.4%
Financial costs	**(419)**	(122)	243.4%
Other expenses	**(105,109)**	(20,926)	402.3%
Profit before tax	**1,859,039**	1,576,461	17.9%
Income tax expense	**(508,375)**	(427,782)	18.8%
Profit for the year	**1,350,664**	1,148,679	17.6%
Profit for the year attributable to the ordinary share holders of the Company	**1,352,173**	1,148,658	17.7%
Basic and diluted earnings per share (RMB)	**0.79**	0.67	17.7%

2.2 Analysis of Business Revenue

Focusing on the fast-growing healthcare service industry in China while adhering to the integrated development strategy, the Group saw synergetic development in various business segments. In 2018, the Group achieved a stable growth in revenue from all business segments.

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

	For the year ended 31 December				
	2018		2017		
	Gross profit *RMB'000*	**% of total**	Gross profit *RMB'000*	% of total	Change %
Finance lease	**1,649,453**	**63.6%**	1,327,434	61.1%	24.3%
Industry, equipment and financing advisory	**784,381**	**30.3%**	703,240	32.3%	11.5%
Clinical department upgrade services	**149,855**	**5.8%**	137,498	6.3%	9.0%
Hospital operation and management business	**7,735**	**0.3%**	6,017	0.3%	28.6%
Total	**2,591,424**	**100.0%**	2,174,189	100.0%	19.2%

In 2018, the Group's gross profit was RMB2,591.4 million, representing an increase of RMB417.2 million or 19.2% as compared to the corresponding period of the previous year. In particular, interest margin gross profit of finance lease business was RMB1,649.5 million, representing an increase of RMB322.0 million or 24.3% as compared to the corresponding period of the previous year; gross profit of industry, equipment and financing advisory services was RMB784.4 million, representing an increase of RMB81.1 million or 11.5% as compared to the corresponding period of the previous year; gross profit of clinical department upgrade services was RMB149.9 million, representing an increase of RMB12.4 million or 9.0% as compared to the corresponding period of the previous year. The hospital operation and management business achieved a gross profit of RMB7.7 million, representing an increase of RMB1.7 million or 28.6% as compared to the corresponding period of the previous year.

2.2.1 Finance lease business

In 2018, the Group continued developing the finance lease business in a prudent manner, strengthened intra-regional intensive management of business personnel, further 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 %
	2018		2017		
	RMB'000	**% of total**	*RMB'000*	% of total	
Healthcare	**2,410,688**	**75.0%**	1,704,397	69.3%	41.4%
Other	**805,486**	**25.0%**	753,331	30.7%	6.9%
Total	**3,216,174**	**100.0%**	2,457,728	100.0%	30.9%

The Group's finance lease income is mainly comprised of interest income. In 2018, the Group recorded interest income of RMB3,216.2 million from finance lease business, representing an increase of RMB758.4 million or 30.9% as compared to the corresponding period of the previous year. The Group focused on healthcare sector, and the interest income from healthcare industry was RMB2,410.7 million, accounting for 75.0% over the total interest income in 2018.

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

	For the year ended 31 December					
	2018			2017		
	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	**40,662,307**	**3,232,943**	**7.95%**	30,320,834	2,468,362	8.14%
Interest-bearing liabilities	**33,226,265**	**1,566,721**	**4.72%**	24,413,022	1,130,294	4.63%
Net interest margin(5)	**–**	**–**	**4.10%**	–	–	4.41%
Net interest spread(6)	**–**	**–**	**3.23%**	–	–	3.51%

(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.

In 2018, the Group's net interest margin of finance lease was 4.10%, representing a decrease of 0.31 percentage point from 4.41% in the corresponding period of the previous year; net interest spread was 3.23%, representing a decrease of 0.28 percentage point from 3.51% in the corresponding period of the previous year, maintaining at a good level in the industry.

Net interest spread is the difference between average yield of interest-earning assets and average cost rate of interest-bearing liabilities: in 2018, the Group's average yield of interest-earning assets was 7.95%, representing a decrease of 0.19 percentage point from 8.14% in the corresponding period of the previous year. In spite of increased competition in finance lease market, in light of good customer loyalty, the Group still insisted on cooperation with high-credit customers to maintain the stable growth of the Group's financial leasing business revenue; in 2018, the average cost rate of interest-bearing liabilities of the Group was 4.72%, representing an increase of 0.09 percentage point from 4.63% in the corresponding period of the previous year. Facing tight market funds and increasing financing costs, the Group continues to deepen cooperation with financial institutions, actively expand financing channels, enrich financing varieties, optimize debt structure, and reasonably and effectively control financing costs on the premise of sufficient liquidity of funds.

2.2.2 Industry, equipment and financing advisory

Industry, equipment and financing advisory services is part of the Group's integrated services. In 2018, the gross profit from industry, equipment and financing advisory services was RMB784.4 million, representing an increase of RMB81.1 million or 11.5% as compared to the corresponding period of the previous year. Leveraging on our expanding healthcare resources platform, we continuously optimized the organization allocation in accordance with the characteristics of hospital operation at all stages and strengthened internal collaboration and staff training so as to provide customers with valuable, flexible and diversified comprehensive services that comprised financial services, equipment replacement, technology and management advisory, and to efficiently 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 regarding CVA and related diseases, such as mid-to-long term planning for hospital development, disciplinary groups planning, speciality 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 aimed to enhance the technical service capabilities and management efficiency of partner hospitals with leasing and sales of equipment as supporting business. In 2018, the gross profit from clinical department upgrade services was RMB149.9 million, representing an increase of RMB12.4 million, or 9.0%, as compared to the corresponding period of 2017.

2.2.4 Hospital operation and management business

In 2018, the Group's hospital operation and management business steadily progressed under policy opportunities, brought the hospital operation and management business with income of RMB110.7 million, representing an increase of 42.9%, as compared to the corresponding period of the previous year; and gross profit of RMB7.7 million, representing an increase of 28.6%, as compared to the corresponding period of the previous year.

2.3 Operating cost

In 2018, the Group's sales and distribution costs amounted to RMB387.3 million, representing an increase of RMB53.0 million, or 15.9%, as compared to the corresponding period of the previous year. Administrative expenses amounted to RMB244.4 million, representing an increase of RMB54.7 million, or 28.9%, as compared to the corresponding period of the previous year. The increase in operating cost was mainly due to the Company's continuous promotion of various business segments. On the one hand, the Company strived to constantly attract more professionals. The increase in personnel corresponds to the increase in their salary and welfare expenses and the increase in office rental expenses. On the other hand, according to the needs to undertake the spin-off and takeover of SOE-affiliated hospitals and the needs of hospital management projects, the expenditure of auditing, evaluation and consulting fees increased significantly.

In 2018, the Group continued to remain high operating efficiency and the cost to income ratio was 24.37%, representing a slight increase of 0.28 percentage point as compared to 24.09% for the corresponding period of the previous year.

2.4 Income tax expenses

In 2018, the Group's income tax expenses of RMB508.4 million increased by RMB80.6 million as compared with the same period of the previous 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 2018, the Group's total assets was RMB47,256.9 million, representing an increase of RMB9,524.4 million or 25.2% as compared to the end of the previous year. In particular, our loans and accounts receivable was RMB43,670.3 million, representing an increase of RMB9,100.2 million or 26.3% as compared to the end of the previous year; our cash and cash equivalents was RMB2,173.5 million, representing an increase of RMB423.6 million or 24.2% as compared to the end of the previous year. With respect to assets structure, the cash and cash equivalents accounted for 4.5% of the total assets; and our loan and accounts receivable accounted for 92.4% of the total assets.

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

	31 December 2018		31 December 2017		
	RMB'000	**% of total**	*RMB'000*	% of total	Change %
Restricted deposits	**549,152**	**1.2%**	932,376	2.5%	-41.1%
Cash and cash equivalents	**2,173,473**	**4.5%**	1,749,884	4.6%	24.2%
Inventories	**40,537**	**0.1%**	21,045	0.1%	92.6%
Loans and accounts receivable	**43,670,306**	**92.4%**	34,570,089	91.6%	26.3%
Prepayments, deposits and other receivables.	**71,414**	**0.2%**	145,237	0.4%	-50.8%
Property, plant and equipment[(1)]	**271,026**	**0.6%**	86,883	0.3%	211.9%
prepaid land lease payments[(2)]	**132,134**	**0.3%**	–	0.0%	100.0%
Available-for-sale investments	**–**	**0.0%**	43,961	0.1%	-100.0%
Deferred tax assets	**248,471**	**0.5%**	163,876	0.4%	51.6%
Derivative financial instruments	**81,250**	**0.2%**	5,273	0.0%	1440.9%
Goodwill	**9,211**	**0.0%**	9,211	0.0%	0.0%
Other assets	**9,953**	**0.0%**	4,678	0.0%	112.8%
Total	**47,256,927**	**100.0%**	37,732,513	100.0%	25.2%

(1) The spin-off and takeover of Yantai Port Hospital were completed by the end of 2018, resulting in an increase of RMB222.9 million.

(2) It is the prepaid land lease payments for Yantai Port Hospital.

3.1.1 Restricted deposits and cash and cash equivalents

As at 31 December 2018, the Group had restricted deposits of RMB549.2 million, which mainly comprised pledged project refunds resulting from business such as factoring activities.

As at 31 December 2018, the Group had cash and cash equivalents of RMB2,173.5 million, which mainly comprised the unutilized renewable corporate bonds 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 2018, the balance of the Group's loans and accounts receivable was RMB43,670.3 million, among which the net lease receivables was RMB43,585.4 million, accounting for 99.8% of the loans and accounts receivable.

Finance lease receivables

In 2018, 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 finance lease receivables by industry

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

	31 December 2018		31 December 2017		
	RMB'000	**% of total**	*RMB'000*	% of total	Change %
Healthcare	**34,649,213**	**78.3%**	24,545,511	70.1%	41.2%
Others	**9,621,451**	**21.7%**	10,475,781	29.9%	-8.2%
Net finance lease receivables	**44,270,664**	**100.0%**	35,021,292	100.0%	26.4%
Less: Provision for impairment of assets	**(685,295)**		(518,397)		32.2%
Net finance lease receivables	**43,585,369**		34,502,895		26.3%

As at 31 December 2018, net finance lease receivables of the Group was RMB43,585.4 million, representing an increase of RMB9,082.5 million or 26.3% as compared to the end of last year. The increase was due to a steady increase in both the number of customers served and the number of new contracts entered into by the Group, as a result of the continuous and steady expansion of financial lease business of the Group on a basis of the Group's effective risk control in 2018.

The maturity profile of the net finance lease receivables

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

	31 December 2018		31 December 2017		
	RMB'000	**% of total**	*RMB'000*	% of total	Change %
Within 1 year	**11,994,156**	**27.1%**	9,304,757	26.6%	28.9%
1-2 years	**12,441,386**	**28.1%**	8,696,021	24.8%	43.1%
2-3 years	**9,732,913**	**22.0%**	8,024,276	22.9%	21.3%
Over 3 years	**10,102,209**	**22.8%**	8,996,238	25.7%	12.3%
Net finance lease receivables	**44,270,664**	**100.0%**	35,021,292	100.0%	26.4%

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 2018, the distribution of maturity of the Group's net finance lease receivables was relatively balanced.

Quality of finance lease receivables

The following table sets forth the classification of five categories (Note) of the net finance lease receivables of the Group:

	31 December 2018		31 December 2017		
	RMB'000	**% of total**	*RMB'000*	% of total	Change %
Pass	**37,280,136**	**84.21%**	29,537,050	84.34%	26.2%
Special attention	**6,630,305**	**14.98%**	5,211,287	14.88%	27.2%
Substandard	**318,537**	**0.72%**	231,269	0.66%	37.7%
Doubtful	**–**	**0.00%**	41,686	0.12%	-100.0%
Loss	**41,686**	**0.09%**	–	0.00%	0.0%
Net finance lease receivables	**44,270,664**	**100.00%**	35,021,292	100.00%	26.4%
Non-performing assets(1)	**360,223**		272,955		32.0%
Non-performing assets ratio(2)	**0.81%**		0.78%		

(1) Non-performing assets are defined as those lease receivables having objective evidence of impairment as a result of one or more events that occur after initial recognition and that event has an impact on the estimated future cash flows of lease receivables that can be reliably estimated. These lease receivables are classified as "substandard", "doubtful" or "loss".

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

Note: Please refer to "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 2018, the Group had non-performing assets of RMB360.2 million, representing an increase of RMB87.3 million as compared to 31 December 2017, 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 2018, the Group's non-performing asset ratio was 0.81%.

Ratio of overdue finance lease receivables

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

	31 December 2018	31 December 2017
Overdue ratio (over 30 days)[1]	**0.62%**	0.44%

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

In 2018, the Group implemented prudent risk control and asset management policy and continued improving the risk management system. However, certain individual clients were affected by local policy, resulting in poor operation performance and temporarily tightened capital chain. As at 31 December 2018, the overdue ratio (over 30 days) was 0.62%, increased by 0.18 percentage point as compared to 0.44% at the end of last year.

Provision for impairment of finance lease receivables

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

	Pass	Special mention	Substandard	Doubtful	Loss	Total
As at 1 January 2018						
Expected loss rate %	0.97%	2.96%	27.78%	83.29%	0.00%	1.54%
Provision (RMB'000)	285,709	154,444	64,246	34,720	–	539,119
Net finance lease receivables (RMB'000)	29,537,050	5,211,287	231,269	41,686	–	35,021,292
As at 31 December 2018						
Expected loss rate %	**1.10%**	**2.28%**	**25.29%**	**0.00%**	**100.00%**	**1.55%**
Provision (RMB'000)	**411,645**	**151,408**	**80,556**	**–**	**41,686**	**685,295**
Net finance lease receivables (RMB'000)	**37,280,136**	**6,630,305**	**318,537**	**–**	**41,686**	**44,270,664**

As at 31 December 2018, the Group's provision coverage ratio was 190.24%, representing an increase of 0.32 percentage point as compared to the end of the previous year. With the expansion of its business, the Group's management believes that it is imperative to take prudent measures to protect the Group against systematic risks and move towards the international standards and practices. As such, the Group maintained its asset provision coverage ratio at an appropriate level. During the reporting period, the Group's loss assets was RMB41.7 million. Despite its effort in collection through judicial means, the Group's exercisable assets were unable to cover risk exposure. The Group will continue to take various ways to recover the leased assets to the maximum extent.

3.2 *Overview of liabilities*

As at 31 December 2018, the Group's total liabilities was RMB37,000.1 million, representing an increase of RMB6,736.4 million or 22.3% as compared to 31 December 2017.

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

	31 December 2018		31 December 2017		
	RMB'000	**% of total**	*RMB'000*	% of total	Change %
Interest-bearing bank and other borrowings	**32,981,989**	**89.1%**	26,882,695	88.8%	22.7%
Trade and bills payable	**482,381**	**1.3%**	264,697	0.9%	82.2%
Other payables and accruals	**3,422,809**	**9.3%**	2,985,135	9.9%	14.7%
Derivative financial instruments	**42,797**	**0.1%**	16,844	0.1%	154.1%
Taxes payable	**70,143**	**0.2%**	70,355	0.2%	-0.3%
Other liabilities	**–**	**0.0%**	43,961	0.1%	-100.0%
Total	**37,000,119**	**100.0%**	30,263,687	100.0%	22.3%

3.2.1 Interest-bearing bank and other borrowings

In 2018, under the complicated domestic and overseas financial environments, the Group actively adjusted financing strategies and enriched its financing channels and optimized its debt structure of diversified financing instruments, decentralized financing areas and multi-level financing arrangements, and continued to maintain competitive cost advantages to reduce dependence on a single market. In the direct financing market, the Group further enriched bond instruments and successfully issued innovative products such as non-publicly oriented debt financing instruments ("**PPN**") and renewable corporate bonds, and expanded bond registration or filing quotas, issuing super-short-term financing bonds, short-term financing bonds, medium-term notes, PPN, corporate bonds and other instruments; in the indirect financing market, the Group continued to establish strategic partnerships with several banks to further promote financing business. At the same time, we will vigorously expand the overseas financing market and actively carry out the USD and HK$ syndicated business to meet the peak demand for funds.

The Group's interest-bearing bank and other borrowings is mainly used to provide capital for its finance lease business. As at 31 December 2018, the Group's interest-bearing bank and other borrowings was RMB32,982.0 million, representing an increase of RMB6,099.3 million or 22.7% as compared to 31 December 2017. The borrowings of the Group are mainly at fixed interest rates or at benchmark lending interest rates promulgated by the People's Bank of China, the London Interbank Offered Rate, Hong Kong Interbank Offered Rate and other floating rates.

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

	31 December 2018		31 December 2017		
	RMB'000	**% of total**	*RMB'000*	% of total	Change %
Bank loans	**16,444,054**	**49.9%**	14,785,371	55.0%	11.2%
Due to related parties	**1,994,964**	**6.0%**	3,000,000	11.2%	-33.5%
Bonds	**12,764,358**	**38.7%**	6,102,148	22.7%	109.2%
Other loans	**1,778,613**	**5.4%**	2,995,176	11.1%	-40.6%
Total	**32,981,989**	**100.0%**	26,882,695	100.0%	22.7%

As at 31 December 2018, the balance of the Group's bank loans amounted to RMB16,444.1 million, accounting for 49.9% of its total interest-bearing bank and other borrowings, representing a decrease of 5.1 percentage points as compared to 55.0% as at 31 December 2017. In 2018, the scale of domestic bank loans continued to be tight and the financing costs were high. The Group actively adjusted its financing strategy and tended to obtain funds through the bond market and increase the proportion of bond balances.

Breakdown of interest-bearing and other borrowings by currency:

	31 December 2018		31 December 2017		
	RMB'000	**% of total**	*RMB'000*	% of total	Change %
RMB	**25,776,703**	**78.2%**	22,949,964	85.4%	12.3%
USD	**4,100,430**	**12.4%**	2,414,831	9.0%	69.8%
HKD	**3,104,856**	**9.4%**	1,517,900	5.6%	104.5%
Total	**32,981,989**	**100.0%**	26,882,695	100.0%	22.7%

As at 31 December 2018, the Group's interest-bearing bank and other borrowings denominated in RMB was RMB25,776.7 million, which accounted for 78.2% of its total interest-bearing bank and other borrowings, representing a decrease of 7.2 percentage points as compared to 85.4% as at 31 December 2017.

In 2018, due to the impact of a series of strict regulation policies, the domestic bank liquidity and the scale of RMB loan of the domestic banks were tight, the difficulty in obtaining domestic capital was increased, and the cost kept rising. Therefore, the Group increased the proportion of foreign currency financing and made relevant financial derivatives to hedge the exchange rate risk.

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

	31 December 2018		31 December 2017		
	RMB'000	**% of total**	*RMB'000*	% of total	Change %
Domestic	**25,776,703**	**78.2%**	23,145,990	86.1%	11.4%
Overseas	**7,205,286**	**21.8%**	3,736,705	13.9%	92.8%
Total	**32,981,989**	**100.0%**	26,882,695	100.0%	22.7%

As at 31 December 2018, the Group's domestic financing balance was RMB25,776.7 million, accounting for 78.2% of the total interest-bearing bank and other borrowings, representing a decrease of 7.9 percentage points as compared to 86.1% as at 31 December 2017. Due to the domestic rising financing costs in 2018, the Group actively expanded the overseas financing channels to meet capital demand.

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

	31 December 2018		31 December 2017		
	RMB'000	**% of total**	*RMB'000*	% of total	Change %
Current	**12,346,798**	**37.4%**	10,963,552	40.8%	12.6%
Non-current	**20,635,191**	**62.6%**	15,919,143	59.2%	29.6%
Total	**32,981,989**	**100.0%**	26,882,695	100.0%	22.7%

As at 31 December 2018, the total balance of the Group's current interest-bearing bank and other borrowings amounted to RMB12,346.8 million, accounting for 37.4% of its total interest-bearing bank and other borrowings, representing a decrease of 3.4 percentage points as compared to 40.8% as at the end of the previous year. In 2018, the domestic medium and long-term borrowing costs increased significantly. On the premise that sufficient liquidity and reasonable debt structure are ensured, the Group seized the time window to increase the proportion of non-current interest-bearing liabilities and actively optimize liability structure.

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

	31 December 2018		31 December 2017		
	RMB'000	**% of total**	*RMB'000*	% of total	Change %
Secured	**3,608,940**	**10.9%**	3,970,395	14.8%	-9.1%
Unsecured	**29,373,049**	**89.1%**	22,912,300	85.2%	28.2%
Total	**32,981,989**	**100.0%**	26,882,695	100.0%	22.7%

As at 31 December 2018, the Group's total secured interest-bearing bank and other borrowings amounted to RMB3,608.9 million, accounting for 10.9% of its total interest-bearing bank and other borrowings, representing a decrease of 3.9 percentage points as compared to 14.8% as at the end of the previous year. The Group's secured assets were mainly finance lease assets, and the decrease in its proportion indicated a further improvement of the Group's own financing capabilities.

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

	31 December 2018		31 December 2017		
	RMB'000	**% of total**	*RMB'000*	% of total	Change %
Direct financing	**12,764,358**	**38.7%**	6,102,148	22.7%	109.2%
Indirect financing	**20,217,631**	**61.3%**	20,780,547	77.3%	-2.7%
Total	**32,981,989**	**100.0%**	26,882,695	100.0%	22.7%

As at 31 December 2018, among the balance of the Group's interest-bearing bank and other borrowings, the direct financing amounted to RMB12,764.4 million, accounting for 38.7% of its total interest-bearing bank and other borrowings, representing an increase of 16.0 percentage points as compared to 22.7% as at the end of the previous year. As the capital cost in domestic bond market in 2018 was lower than that of indirect financing such as bank loans, the Group adjusted its financing strategy and increased 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 2018, other payables and accruals amounted to RMB3,422.8 million, representing an increase of RMB437.7 million as compared to the end of the previous year.

3.3 Shareholders' Equity

At the end of 2018, the Group's total equity amounted to RMB10,256.8 million, representing an increase of RMB2,788.0 million or 37.3% as compared to the end of last year.

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

	31 December 2018		31 December 2017		
	RMB'000	**% of total**	*RMB'000*	% of total	Change %
Share capital	**4,327,842**	**42.2%**	4,327,842	57.9%	0.0%
Reserves	**4,067,769**	**39.7%**	3,140,759	42.1%	29.5%
Equity attributable to the ordinary share holders of the Company	**8,395,611**	**81.9%**	7,468,601	100.0%	12.4%
Renewable corporate bond holders[1]	**1,652,481**	**16.1%**	–	0.0%	100.0%
Non-controlling interest[2]	**208,716**	**2.0%**	225	0.0%	92662.7%
Total	**10,256,808**	**100.0%**	7,468,826	100.0%	37.3%

(1) In December 2018, the Group issued RMB1,660.0 million of renewable corporate bonds with a primary period of 3 years. The Group is entitled to exercise the option to renew at the end of primary period agreed and each of the cycle at the coupon rate of 6.0%.

(2) The spin-off and takeover of Yantai Port Hospital were completed by the end of 2018, forming a non-controlling interest of RMB210.0 million.

At 31 December 2018, the Group's distributable reserves, calculated under Part 6 of the Companies Ordinance, amounted to RMB3,580.4 million.

4. CASH FLOWS ANALYSIS

	For the year ended 31 December		
	2018	2017	Change %
	RMB'000	*RMB'000*	
Net cash flows used in operating activities	**(5,728,645)**	(5,072,151)	12.9%
Net cash flows used in investing activities	**358,255**	(90,168)	-497.3%
Net cash flows from financing activities	**5,772,346**	5,724,005	0.8%
Effect of exchange rate changes on cash and cash equivalents	**21,633**	(84,260)	-125.7%
Net increase in cash and cash equivalents	**423,589**	477,426	-11.3%

Due to the Group's business expansion and an increase in the size of interest-earning assets in 2018, net cash outflows from operating activities amounted to RMB5,728.6 million. Net cash inflows from investing activities amounted to RMB358.3 million, primarily due to the Group's recovery of investment principal such as fixed deposits. Net cash inflow from financing activities amounted to RMB5,772.3 million, primarily due to increase in cash inflows including bank and other borrowings of the Group.

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 maximize its shareholders' benefits. The Group uses debt ratio and gearing ratio to monitor its capital status. In 2018, no changes were made to the Group's objectives, policies or processes for capital management.

Debt ratio

	31 December 2018	31 December 2017
	RMB'000	*RMB'000*
Total assets	**47,256,927**	37,732,513
Total liabilities	**37,000,119**	30,263,687
Total equity	**10,256,808**	7,468,826
Debt ratio	**78.30%**	80.21%

Gearing ratio

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000*
Interest-bearing bank and other borrowings	**32,981,989**	26,882,695
Total equity	**10,256,808**	7,468,826
Gearing ratio	**3.22**	3.60

As at 31 December 2018, the Group's debt ratio and gearing ratio decreased slightly as compared to the end of the previous year.

6. CAPITAL EXPENDITURE

The Group's capital expenditure primarily consists of expenditure on the purchase of medical equipment and other equipment relating to the Group's operating lease business, construction expenditure on hospital operation and management projects, and expenditure relating to office facilities. In 2018, the Group had capital expenditure of RMB19.3 million, primarily due to the construction of hospital operation and management projects, the development of digitalization projects, the procurement of equipment and office refurbishment.

Use of Proceeds from the Initial Public Offering

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (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 change in the proposed use of proceeds set out in the prospectus issued by the Company on 24 June 2015 (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 2018, RMB1,249.0 million which we planned to use for supporting our finance lease business and RMB277.6 million which we planned to use for funding general corporate purposes, out of net proceeds from the initial public offering of the Group, have been fully utilized according to the usages disclosed in the Prospectus.

In 2018, the Group utilized RMB11.5 million in research, development and operation of hospital digitalization services; RMB143.1 million in the development of our hospital operation and management business; RMB21.9 million in the development of CVA project solutions and department upgrade services in other new areas.

As of 31 December 2018, the remaining net proceeds of the Group which we planned to use for hospital operation and management business, hospital digitalization business, and CVA project solutions and department upgrade services in other new areas was RMB131.4 million, RMB517.5 million and RMB137.4 million, respectively.

The remaining amount of RMB131.4 million for hospital operation and management business will be used for market development and expansion of external medical resources, recruitment of hospital management experts team and professional training to internal personnel for hospitals merged or acquired by the Group in coming years.

The remaining amount of RMB137.4 million for CVA project solutions and department upgrade services in other new areas will be used for further development of CVA project solutions and department upgrade services in other new areas and providing hospital customers with financial support for clinical department upgrade in coming years; and

The remaining amount of RMB517.5 million for hospital digitalization business will be used in coming years, according to the Company's development strategy and plan, for the development of our hospital operation and management business, further recruitments to increase the size of our technology solutions team, continuous development of proprietary information management system for hospitals as well as related marketing activities.

7. RISK MANAGEMENT

The Group's principal financial instruments include 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 2018	31 December 2017
	RMB'000	*RMB'000*
Change in base points		
+100 base points	**75,794**	28,730
-100 base points	**(75,794)**	(28,730)

7.2 Currency Risk

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

The Group conducts its businesses mainly in RMB, with certain financing activities 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 currencies other than RMB. In order to control currency risk, the Group adopted prudent currency risk management which hedges risk exposures one by one under comprehensive risk exposure management. It proactively hedged against foreign exchange exposure based on the currency and terms through using the operation of financial instruments such as forward exchange transaction. As at 31 December 2018, the Group's exposure to foreign exchange risk amounted to approximately US$981.1 million, US$975.9 million or 99.5% of which had been hedged against by various financial instruments. Thus, the Group's exposure to foreign exchange risk is limited.

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 exchange rate %	**31 December 2018** *RMB'000*	31 December 2017 *RMB'000*
If RMB strengthens against USD/HKD	(1)	**460**	29,997
If RMB weakens against USD/HKD	1	**(460)**	(29,997)

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

7.3 Credit Risk

Credit risk is the risk of loss arising from a lessee's or counterparty's inability to meet its obligations. The Group enters into transactions only with 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 some factors that could adversely affect its ability to pay. These factors include changes in economy, policies and regulations and industry environment, changes in property structures, significant negative events and significant fall in key financial indicators occurred to debtors, sharp lag of infrastructure projects behind the original plan, or heavy over- run of budget, impact of changes in core asset value on repayment abilities of the debtors, as well as emerging of position relating to guarantors impacting their financial and operating conditions. In addition, the Group takes into account impacts of subjective factors on asset quality such as changes in repayment willingness of the debtors, for example, if payments have been overdue and the financial position of the lessee has worsened, then the lease receivables for this lease contract should be classified as special mention or lower.

Substandard. The lessee's ability to pay the principal and interests of the lease receivables is in question as it is unable to make its payments in full with its operating revenues and the Group is likely to incur losses notwithstanding the enforcement of any guarantees. 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 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 expected credit loss model to classify its assets underlying lease receivables. 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 2018		31 December 2017	
	RMB'000	**% of total**	*RMB'000*	% of total
Healthcare	**34,649,213**	**78.3%**	24,545,511	70.1%
Others	**9,621,451**	**21.7%**	10,475,781	29.9%
Total	**44,270,664**	**100.0%**	35,021,292	100.0%

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

The data of exposure to credit risk arises from loans and accounts 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 2018	31 December 2017
	RMB'000	*RMB'000*
Net finance lease receivables	**43,588,515**	34,737,651
Accounts receivable	**85,316**	67,194
Deposits and other receivables	**24,431**	114,535
Available-for-sale investment	**–**	43,961
Derivative financial assets	**81,250**	5,273

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

	31 December 2018	31 December 2017
	RMB'000	*RMB'000*
Net finance lease receivables	**360,223**	272,955

Impaired finance 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 finance 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	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2018						
Total financial assets	**2,345,585**	**3,817,378**	**11,320,692**	**36,389,135**	**435,276**	**54,308,066**
Total financial liabilities	**(42,315)**	**(3,143,147)**	**(11,817,594)**	**(23,829,627)**	**(21,502)**	**(38,854,185)**
Net liquidity gap[(1)]	**2,303,270**	**674,231**	**(496,902)**	**12,559,508**	**413,774**	**15,453,881**
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

(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 of 31 December 2018, the Group had finance lease receivables of RMB5,643.9 million and cash of RMB441.5 million pledged or paid to banks to secure the bank borrowings.

9. Material Investments, Acquisitions and Disposals

On 9 August 2018, the Company entered into a cooperation agreement with the Health and Family Planning Commission of Handan and Handan First Hospital in connection with the joint establishment and operation of the new east district of Handan First Hospital. Pursuant to the cooperation agreement, the Company has agreed to (i) establish a wholly-owned project company to construct the new east district, provide a total amount of no more than RMB2 billion in cash to fund the construction, and participate in the management and operation of Handan First Hospital in a manner as agreed by all parties; and (ii) through the project company, make a capital contribution of no more than RMB28 million to establish a joint venture with Handan First Hospital to provide medical supplies procurement service to Handan First Hospital.

On 14 September 2018, the Company and Wiseman Hospital Investment Management (Tianjin) Co., Ltd. (融慧濟民醫院投資管理(天津)有限公司, "**Wiseman**"), a wholly-owned subsidiary of the Company, entered into a cooperation agreement in relation to restructuring of Yantai Port Hospital with Yantai Port Group in connection with the formation of a joint venture. Upon its establishment, the joint venture will be held by Wiseman and Yantai Port Group as to 65% and 35%, respectively. All of the practicing licenses, qualifications, management team and business resources of Yantai Port Hospital will be succeeded by the joint venture.

On 19 December 2018, the Company and its subsidiary, Wiseman, entered into a cooperation agreement jointly with XD Group in connection with the formation of a joint venture. Pursuant to the cooperation agreement, the total investment of the joint venture is RMB1 billion. Upon its establishment, the joint venture will be held by Wiseman and XD Group as to 55% and 45%, respectively.

10. Circumstances Including Contractual Obligations, Contingent Liabilities and Capital Commitments

10.1 Contingent Liabilities

	31 December 2018 ***RMB'000***	31 December 2017 *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 2018 *RMB'000*	31 December 2017 *RMB'000*
Capital expenditure under signed contracts but not appropriated[(1)]	**30,120**	2,377
Credit commitments[(2)]	**1,722,496**	1,528,274

(1) Capital expenditure under signed contracts but not appropriated during the period represents project funds under signed contracts but not yet paid for hospital operation and management projects.

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

11. Human Resources

As of 31 December 2018, we had a total of 705 employees, representing an increase of 56 or 8.6%, compared to 649 as of 31 December 2017.

We have a highly-educated and high-quality work force, with about 87.1% of our employees holding bachelor degrees and above, about 43.7% holding master's degrees and above, and about 3% holding doctor's degrees as of 31 December 2018.

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

In accordance with applicable PRC regulations, we have made contributions to social security insurance funds (including pension insurance, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for our employees. We also provide other insurance plans for our employees such as supplementary pension, additional medical insurance and accident insurance in addition to those required under the PRC regulations. As of 31 December 2018, the Group had complied with all statutory social insurance and housing fund obligations applicable to us under the PRC laws in all material respects.

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 provisions A.4.2 and E.1.2.

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.

Code provision E.1.2 of the CG Code stipulates that the chairman of the board of directors should attend the annual general meeting. However, the chairman did not attend the annual general meeting held on 5 June 2018 due to a business trip. He will use his best endeavours to attend all future general meetings of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the securities dealing code 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 in writing 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 2018 or the date of his or her appointment as Director (as the case may be) and up to the date of his or her resignation as Director or the date of this announcement (as the case may be).

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 the external auditor and reviewed the audited annual consolidated financial statements of the Group for the year ended 31 December 2018 and the annual results.

In addition, Ernst & Young, the external auditor of the Company, has independently audited the consolidated financial statements of the Group for the year ended 31 December 2018 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 2018, 2017, 2016, 2015 and 2014 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 2017, 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 2018 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 Company's auditor has reported on the consolidated financial statements for the years ended 31 December 2018, 2017, 2016, 2015 and 2014. 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 recommended the payment of a final dividend of HK$0.27 per share for the year ended 31 December 2018 to Shareholders whose names appear on the register of members of the Company on Friday, 14 June 2019. The proposed final dividend will be paid on Tuesday, 25 June 2019, subject to the approval of the Shareholders at the annual general meeting of the Company to be held on Wednesday, 5 June 2019 (the "**Annual General Meeting**").

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

(i) from Friday, 31 May 2019 to Wednesday, 5 June 2019, 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 Thursday, 30 May 2019; and

(ii) from Wednesday, 12 June 2019 to Friday, 14 June 2019, both days inclusive and during which period no share transfer will be registered, for the purpose of ascertaining Shareholders' entitlement to the proposed final dividend. In order to establish entitlements to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, 11 June 2019.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of Hong Kong Exchanges and Clearing Limited 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 2018 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
Genertec Universal Medical Group Company Limited
通用環球醫療集團有限公司
Peng Jiahong
Executive Director

Hong Kong, 27 March 2019

As at the date of this announcement, the executive Directors are Ms. Peng Jiahong (Vice-chairwoman) and Mr. Yu Gang; the non-executive Directors are Mr. Zhang Yichen (Chairman), Ms. Liu Kun, 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.