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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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

FINANCIAL HIGHLIGHTS

- For the six months ended 30 June 2020, the revenue amounted to approximately RMB4,024.2 million, representing an increase of 25.9% as compared with that of approximately RMB3,195.4 million for the corresponding period of 2019.
- For the six months ended 30 June 2020, the profit for the period amounted to approximately RMB861.0 million, representing a decrease of 1.3% as compared with that of approximately RMB872.5 million for the corresponding period of 2019.
- For the six months ended 30 June 2020, the profit for the period attributable to owners of the parent amounted to approximately RMB793.4 million, representing a decrease of 2.3% as compared with that of approximately RMB812.0 million for the corresponding period of 2019.
- As at 30 June 2020, the total assets amounted to approximately RMB59,199.2 million, representing an increase of 2.3% as compared with that of approximately RMB57,852.5 million as at 31 December 2019.
- As at 30 June 2020, equity attributable to owners of the parent amounted to approximately RMB9,851.0 million, representing an increase of 3.8% as compared with that of approximately RMB9,489.3 million as at 31 December 2019.
- For the six months ended 30 June 2020, the return on equity was 16.41%.
- For the six months ended 30 June 2020, the return on total assets was 2.94%.

In this announcement, “we”, “us” and “our” refer to the Company and where the context otherwise requires, the Group.

The Board is pleased to announce that the unaudited condensed consolidated interim results of the Company and its subsidiaries for the six months ended 30 June 2020 with the comparative figures for the corresponding period or the end of 2019 are as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

	Notes	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
REVENUE	5	4,024,155	3,195,355
Cost of sales		<u>(2,310,364)</u>	<u>(1,550,366)</u>
Gross profit		1,713,791	1,644,989
Other income and gains	5	42,250	28,138
Selling and distribution costs		(180,529)	(172,465)
Administrative expenses		(256,464)	(182,566)
Impairment losses on financial assets, net		(118,925)	(91,559)
Other expenses		(62,606)	(31,487)
Finance costs		(13,991)	(1,035)
Share of profits and losses of:			
A joint venture		4,845	—
An associate		<u>(178)</u>	<u>—</u>
PROFIT BEFORE TAX	6	1,128,193	1,194,015
Income tax expense	7	<u>(267,215)</u>	<u>(321,490)</u>
PROFIT FOR THE PERIOD		<u>860,978</u>	<u>872,525</u>
Attributable to:			
Owners of the parent		793,402	811,985
Non-controlling interests		17,776	10,834
Other equity instruments		<u>49,800</u>	<u>49,706</u>
		<u>860,978</u>	<u>872,525</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (expressed in RMB per share)	9	<u>0.46</u>	<u>0.47</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*For the six months ended 30 June 2020*

	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
PROFIT FOR THE PERIOD	<u>860,978</u>	<u>872,525</u>
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	158,465	14,150
Reclassification adjustments included in the consolidated statement of profit or loss	(123,448)	4,695
Income tax effect	<u>(14,779)</u>	<u>(17,596)</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>20,238</u>	<u>1,249</u>
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Actuarial losses on the post-retirement benefit obligations, net of tax	<u>(1,367)</u>	<u>—</u>
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	<u>(1,367)</u>	<u>—</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>18,871</u>	<u>1,249</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>879,849</u>	<u>873,774</u>
Attributable to:		
Owners of the parent	812,941	813,234
Non-controlling interests	17,108	10,834
Other equity instruments	<u>49,800</u>	<u>49,706</u>
	<u>879,849</u>	<u>873,774</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	10	2,178,263	2,122,560
Right-of-use assets		721,651	689,937
Loans and accounts receivables	12	32,128,436	33,408,641
Prepayments, deposits and other receivables		64,796	12,313
Goodwill		69,908	69,908
Deferred tax assets		364,287	308,585
Derivative financial instruments		121,553	32,756
Investment in a joint venture		449,652	444,807
Investment in an associate		3,775	4,198
Other assets		56,162	44,559
Total non-current assets		36,158,483	37,138,264
CURRENT ASSETS			
Inventories		191,059	156,726
Loans and accounts receivables	12	18,423,507	16,123,097
Prepayments, deposits and other receivables		307,899	320,070
Derivative financial instruments		277,898	187,509
Restricted deposits		1,006,909	541,009
Cash and cash equivalents	13	2,833,422	3,385,867
Total current assets		23,040,694	20,714,278
CURRENT LIABILITIES			
Trade payables	14	614,230	1,289,436
Other payables and accruals		2,797,324	2,387,726
Interest-bearing bank and other borrowings	15	14,668,751	14,987,079
Derivative financial instruments		25,109	19,553
Tax payable		114,752	74,119
Total current liabilities		18,220,166	18,757,913
NET CURRENT ASSETS		4,820,528	1,956,365
TOTAL ASSETS LESS CURRENT LIABILITIES		40,979,011	39,094,629

		30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
	<i>Notes</i>		
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	15	24,363,289	23,015,764
Other payables and accruals		2,574,693	2,585,661
Derivative financial instruments		44,986	45,996
Total non-current liabilities		26,982,968	25,647,421
Net assets		13,996,043	13,447,208
EQUITY			
Equity attributable to owners of the parent			
Share capital	16	4,327,842	4,327,842
Reserves	17	5,523,183	5,161,462
		9,851,025	9,489,304
Other equity instruments		1,702,187	1,652,387
Non-controlling interests		2,442,831	2,305,517
Total equity		13,996,043	13,447,208

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

Attributable to owners of the parent											
Share capital	Capital reserve*	Statutory reserve*	Share-based Compensation Reserve*	Exchange fluctuation reserve*	Hedge reserve*	Retained profits*	Post-retirement benefit reserve*	Total	Other equity instruments	Non-controlling interests	Total
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Note 16)	(Note 17)	(Note 17)	(Note 17)	(Note 17)	(Note 17)						
At 31 December 2019											
(Audited)	4,327,842	33,302	691,382	-	29,248	(58,824)	4,468,192	(1,838)	9,489,304	1,652,387	13,447,208
Profit for the period	-	-	-	-	-	-	793,402	-	793,402	49,800	860,978
Other comprehensive income for the period											
Cash flow hedges, net of tax	-	-	-	-	-	20,238	-	-	20,238	-	20,238
Actuarial losses on the post-retirement benefit obligations, net of tax	-	-	-	-	-	-	-	(699)	(699)	-	(1,367)
Total comprehensive income for the period	-	-	-	-	-	20,238	793,402	(699)	812,941	49,800	879,849
Dividends (Note 8)	-	-	-	-	-	-	(454,117)	-	(454,117)	-	(454,117)
Recognition of equity-settled share-based payments	-	-	-	2,897	-	-	-	-	2,897	-	2,897
Acquisition of subsidiaries (Note 3)	-	-	-	-	-	-	-	-	-	120,206	120,206
At 30 June 2020 (Unaudited)	4,327,842	33,302	691,382	2,897	29,248	(38,586)	4,807,477	(2,537)	9,851,025	1,702,187	13,996,043

* These reserve accounts comprise the consolidated reserves of RMB5,523,183,000 (31 December 2019: RMB5,161,462,000) in the interim condensed consolidated statement of financial position.

For the six months ended 30 June 2019

	Attributable to owners of the parent							Non-		Total
	Share capital	Capital reserve*	Statutory reserve*	Exchange fluctuation reserve*	Hedge reserve*	Retained profits*	Total	Other equity instruments	controlling interests	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 16)	(Note 17)	(Note 17)	(Note 17)						
At 31 December 2018										
(Audited)	<u>4,327,842</u>	<u>33,302</u>	<u>539,955</u>	<u>29,248</u>	<u>(72,829)</u>	<u>3,538,093</u>	<u>8,395,611</u>	<u>1,652,481</u>	<u>208,716</u>	<u>10,256,808</u>
Profit for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>811,985</u>	<u>811,985</u>	<u>49,706</u>	<u>10,834</u>	<u>872,525</u>
Other comprehensive income for the period										
Cash flow hedges, net of tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,249</u>	<u>-</u>	<u>1,249</u>	<u>-</u>	<u>-</u>	<u>1,249</u>
Total comprehensive income for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,249</u>	<u>811,985</u>	<u>813,234</u>	<u>49,706</u>	<u>10,834</u>	<u>873,774</u>
Dividends (Note 8)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(407,210)</u>	<u>(407,210)</u>	<u>-</u>	<u>-</u>	<u>(407,210)</u>
Acquisition of subsidiaries	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,215,326</u>	<u>1,215,326</u>
At 30 June 2019 (Unaudited)	<u><u>4,327,842</u></u>	<u><u>33,302</u></u>	<u><u>539,955</u></u>	<u><u>29,248</u></u>	<u><u>(71,580)</u></u>	<u><u>3,942,868</u></u>	<u><u>8,801,635</u></u>	<u><u>1,702,187</u></u>	<u><u>1,434,876</u></u>	<u><u>11,938,698</u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Notes	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		1,128,193	1,194,015
Adjustments for:			
Finance costs and interest expense		926,181	900,906
Interest income	5	(21,917)	(10,406)
Share of profit and loss of a joint venture and an associate		(4,667)	–
Derivative instruments – transactions not qualifying as hedges:			
– Unrealised fair value gains, net	6	(15,877)	(7,347)
– Realised fair value (gains)/losses, net	6	(229)	3,450
Depreciation and amortisation, exclusive of right-of-use assets		110,632	46,501
Depreciation of right-of-use assets		23,305	5,440
Impairment of loans and accounts receivables and other receivables	6	118,925	91,559
Loss on disposal of items of property, plant and equipment		91	121
Equity-settled share-based compensation expense	6	2,897	–
Foreign exchange losses, net	6	56,369	26,798
		<u>2,323,903</u>	<u>2,251,037</u>
Increase in inventories		(25,335)	(4,569)
Increase in loans and accounts receivables		(1,123,771)	(6,410,091)
Decrease/(increase) in prepayments, deposits and other receivables		16,375	(149,102)
Increase in other assets		(3)	(802)
Decrease in amounts due from related parties		1,667	853
Decrease in trade payables		(707,853)	(183,574)
Increase in other payables and accruals		408,569	157,399
Increase in amounts due to related parties		22,189	26,785
Net cash flows from/(used in) operating activities before tax and interest		915,741	(4,312,064)
Interest received		10,633	10,406
Income tax paid		(312,395)	(304,775)
Net cash flows from/(used in) operating activities		<u>613,979</u>	<u>(4,606,433)</u>

	Notes	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from an associate		245	441
Realised losses on derivative financial instruments not qualifying as hedges		(70)	(3,450)
Decrease/(increase) in time deposits		69,762	(2,841,285)
Acquisition of subsidiaries		41,961	193,168
Other receipt of investments		67,468	—
Other repayments of investments		(10,000)	—
Proceeds from disposal of items of property, plant and equipment and other non-current assets		176	5
Cash paid for acquisition of property, plant and equipment and other non-current assets		(186,811)	(68,612)
Net cash flows used in investing activities		(17,269)	(2,719,733)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received from new borrowings		11,820,492	15,965,840
Repayments of borrowings		(10,092,628)	(9,384,646)
Cash paid for restricted deposits		(586,485)	(115,077)
Receipt of restricted deposits		63,993	394,343
Increase in amounts due to related parties		407,246	400,000
Decrease in amounts due to related parties		(653,572)	—
Interest paid		(805,311)	(975,499)
Principal portion of lease payments		(887,487)	906,639
Receipt of other financing activities		135,005	—
Cash paid on other financing activities		(92,921)	—
Dividends paid		(454,117)	(407,210)
Net cash flows (used in)/from financing activities		(1,145,785)	6,784,390
NET DECREASE IN CASH AND CASH EQUIVALENTS			
		(549,075)	(541,776)
Cash and cash equivalents at beginning of the period		3,385,867	2,173,473
Effect of exchange rate changes on cash and cash equivalents		(3,370)	2,177
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		2,833,422	1,633,874
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		3,840,331	4,801,750
Less: Restricted deposits and time deposits		(1,006,909)	(3,167,876)
Cash and cash equivalents as stated in the statement of financial position	13	2,833,422	1,633,874
Cash and cash equivalents as stated in the statement of cash flows	13	2,833,422	1,633,874

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

The financial information relating to the year ended 31 December 2019 that is included in the interim condensed consolidated statement of financial position as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance. The Company's auditors have reported on the financial statements for the year ended 31 December 2019. The auditor's report was unqualified; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 3

Amendments to HKFRS 9,

HKAS 39 and HKFRS 7

Amendment to HKAS 16

Amendments to HKAS 1 and HKAS 8

Definition of a Business

Interest Rate Benchmark Reform

Covid-19-Related Rent Concessions (early adopted)

Definition of Material

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

- (a) 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 has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group.
- (c) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the period ended 30 June 2020, certain monthly lease payments for the leases of the Group's office buildings have been reduced or waived by the lessors as a result of the covid-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the covid-19 pandemic during the period ended 30 June 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB5,543,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the period ended 30 June 2020.

- (d) 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. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

3. BUSINESS COMBINATIONS

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

On 30 November 2019, the Group and Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd. entered into a cooperation agreement with Chengdu CLP Jinjiang Information Industry Co. Ltd. in connection with the formation of Chengdu Genertec Jindian Hospital Management Co., Ltd., whose registered capital would be contributed by Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd. with cash in the amount of RMB8,966,000 and Chengdu CLP Jinjiang Information Industry Co. Ltd. with the assessed assets of Chengdu CEC Jinjiang Industry Company Hospital, respectively. Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd. acquired an 81.51% equity interest in Chengdu Genertec Jindian Hospital Management Co., Ltd. Upon completion of the transaction, Chengdu Genertec Jindian Hospital Management Co., Ltd. is the promoter of Chengdu CEC Jinjiang Industry Company Hospital. The acquisition was completed on 31 January 2020 and accounted for using the acquisition method. The consolidated financial statements include the results of the acquired subsidiary since its acquisition date.

In June 2019, Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd., a wholly-owned subsidiary of the Group, entered into a cooperation agreement with China Railway State Asset Management Co., Ltd. (“CR State Asset”) in connection with the formation of Genertec CREC (Beijing) Hospital Management Co., Ltd., whose registered capital would be contributed by Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd. with cash in the amount of RMB5,100,000 and CR State Asset with cash in the amount of RMB4,900,000, respectively. On 31 March 2020, Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd., entered into the Capital Increase Agreement with CR State Asset, pursuant to which Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd. and CR State Asset agreed to further increase the capital of Genertec CREC (Beijing) Hospital Management Co., Ltd. in proportion to their respective shareholdings in Genertec CREC (Beijing) Hospital Management Co., Ltd. Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd. and CR State Asset will contribute RMB225,253,000 in cash and RMB216,419,000 by injecting assets of the six medical institutions, respectively. Upon the completion of the capital increase, Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd. will contribute RMB230,353,000 and acquired a 51% equity interest in Genertec CREC (Beijing) Hospital Management Co., Ltd. Upon completion of the transaction, Genertec CREC (Beijing) Hospital Management Co., Ltd. is the promoter of the six medical institutions. The acquisition of the three medical Institutions was completed on 30 April 2020 and accounted for using the acquisition method. The consolidated financial statements include the results of the acquired subsidiary since its acquisition date.

In February 2020, the Group and Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd. entered into a cooperation agreement with the No.206 Research Institute of China Ordnance Industries in connection with the formation of Genertec Universal NORINCO (Xi'an) Hospital Management Co., Ltd, whose registered capital would be contributed by Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd. with cash in the amount of RMB19,776,000 and the 206th Institute of China North Industries Group Corporation Limited with the assessed assets of NORINCO Xi'an Hospital, respectively. Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd. acquired a 51% equity interest in Genertec Universal NORINCO (Xi'an) Hospital Management Co., Ltd. Upon completion of the transaction, Genertec Universal NORINCO (Xi'an) Hospital Management Co., Ltd. is the promoter of NORINCO Xi'an Hospital. The acquisition was completed on 31 May 2020 and accounted for using the acquisition method. The consolidated financial statements include the results of the acquired subsidiary since its acquisition date.

**Fair value
recognised on
acquisition**
RMB'000
(Unaudited)

Assets

Property, plant and equipment	51,112
Right-of-use assets	53,936
Cash and cash equivalents	41,961
Loans and accounts receivables	16,603
Prepayments, deposits and other receivables	15,790
Receivable of consideration to be paid as capital injection	131,976
Inventories	8,998
Other assets	546
	320,922

Liabilities

Trade payables	32,624
Other payables and accruals	36,116
	68,740

Total identifiable net assets at fair value	252,182
Non-controlling interests	(120,206)

Purchase consideration transferred	131,976
Including:	
Consideration paid as additional capital injection to the subsidiaries after acquisition	76,288
Consideration unpaid as additional capital injection to the subsidiaries after acquisition	55,688

Analysis of cash flows on acquisition:

Net cash acquired with the subsidiaries included in cash flows from investing activities	41,961
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Net inflow of cash and cash equivalents included in cash flows from investing activities	41,961
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Transaction costs of the acquisition included in cash flows from operating activities	969
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The Group incurred transaction costs of RMB969,000 for these acquisitions. These transaction costs have been expensed and are included in other expenses in the interim condensed consolidated statement of profit or loss.

The assessments of the fair values of the identifiable assets and liabilities are still ongoing and the information of the fair values of the identifiable assets and liabilities is provisional. The finalised information will be disclosed in the consolidated financial statements of the Group for the year ending 31 December 2020.

4. OPERATING SEGMENT INFORMATION

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

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

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

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

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

As at and for the six months ended 30 June 2020

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

As at and for the six months ended 30 June 2019

	Finance and advisory <i>RMB'000</i> (Unaudited)	Hospital group <i>RMB'000</i> (Unaudited)	Adjustments and eliminations <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Segment revenue:				
Sales to external customers	2,471,613	723,742	–	3,195,355
Cost of sales	(923,353)	(635,638)	8,625	(1,550,366)
Other income and gains	23,773	12,990	(8,625)	28,138
Selling and distribution costs and administrative expenses	(287,024)	(68,007)	–	(355,031)
Impairment losses on financial assets, net	(83,914)	(7,645)	–	(91,559)
Other expenses	(31,340)	(147)	–	(31,487)
Finance costs	<u>(359)</u>	<u>(676)</u>	<u>–</u>	<u>(1,035)</u>
Profit before tax	1,169,396	24,619	–	1,194,015
Income tax expense	<u>(319,339)</u>	<u>(2,151)</u>	<u>–</u>	<u>(321,490)</u>
Profit after tax	<u>850,057</u>	<u>22,468</u>	<u>–</u>	<u>872,525</u>
Segment assets	<u>54,840,466</u>	<u>4,656,994</u>	<u>(1,919,660)</u>	<u>57,577,800</u>
Segment liabilities	<u>46,744,729</u>	<u>814,033</u>	<u>(1,919,660)</u>	<u>45,639,102</u>
Other segment information:				
Impairment losses recognised in the statement of profit or loss	83,914	7,645	–	91,559
Depreciation and amortisation	12,144	39,797	–	51,941
Capital expenditure	<u>2,983</u>	<u>65,629</u>	<u>–</u>	<u>68,612</u>

Geographical information

(a) Sales to external customers

	For the six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Mainland China	4,022,047	3,195,355
Hong Kong	<u>2,108</u>	<u>–</u>
	<u>4,024,155</u>	<u>3,195,355</u>

The revenue information is based on the locations of customers.

(b) Non-current assets

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

Information about a major customer

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

5. REVENUE, OTHER INCOME AND GAINS

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

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue		
Finance lease income	1,069,625	1,693,676
Long-term receivable income arising from sale-and-leaseback arrangements (<i>Note i</i>)	988,864	205,448
Revenue from contracts with customers	1,971,242	1,301,490
Revenue from other sources		
Operating lease income	–	4,438
Others	8,831	1,754
Tax and surcharges	(14,407)	(11,451)
	<u>4,024,155</u>	<u>3,195,355</u>

Note i: Upon the application of HKFRS 16 on 1 January 2019, part of the receivables arising from sale-and-leaseback transactions newly entered into on or after 1 January 2019 is classified as long-term receivables. Accordingly, the related income is the interest revenue calculated using the effective interest method.

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2020

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

For the six months ended 30 June 2019

Segments	Finance and advisory <i>RMB'000</i> (Unaudited)	Hospital group <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Types of goods or services			
Service fee income	560,949	–	560,949
Sale of industrial products	17,717	56,359	74,076
Healthcare service income	–	666,465	666,465
	<u>578,666</u>	<u>722,824</u>	<u>1,301,490</u>
Geographical market			
Mainland China	<u>578,666</u>	<u>722,824</u>	<u>1,301,490</u>
	<u>578,666</u>	<u>722,824</u>	<u>1,301,490</u>
Timing of revenue recognition			
Goods transferred at a point in time	17,717	56,359	74,076
Services transferred at a point in time	<u>560,949</u>	<u>666,465</u>	<u>1,227,414</u>
	<u>578,666</u>	<u>722,824</u>	<u>1,301,490</u>

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

For the six months ended 30 June 2020

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

For the six months ended 30 June 2019

Segments	Finance and advisory <i>RMB'000</i> (Unaudited)	Hospital group <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Revenue from contracts with customers			
External customers	578,666	722,824	1,301,490
Intersegment sales	–	–	–
Intersegment adjustments and eliminations	–	–	–
Total revenue from contracts with customers	<u>578,666</u>	<u>722,824</u>	<u>1,301,490</u>

	For the six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Other income and gains		
Interest income	21,917	10,406
Derivative instruments – transactions not qualifying as hedges		
– Unrealised fair value gains, net	15,877	7,347
– Realised fair value gains, net	229	–
Government grants (<i>note 5a</i>)	2,047	9,964
Others	2,180	421
	<u>42,250</u>	<u>28,138</u>

5a. GOVERNMENT GRANTS

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Government special subsidies	<u>2,047</u>	<u>9,964</u>

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of borrowings included in cost of sales	912,190	900,376
Cost of inventories sold	49,088	58,078
Cost of operating leases	–	4,633
Cost of medical services	843,607	586,997
Cost of others	4,888	282
Depreciation and amortisation	133,937	7,510
Loss on disposal of items of property, plant and equipment	153	121
Research and development expenses	8,506	–
Employee benefit expense (including directors' remuneration excluding R&D employees' benefit expense)		
– Equity-settled share-based compensation expense	2,897	–
– Wages and salaries	547,850	236,273
– Pension scheme contributions	40,042	20,185
– Other employee benefits	87,447	27,502
	<u>678,236</u>	<u>283,960</u>
Impairment of loans and accounts receivables and other receivables	118,925	91,559
Foreign exchange losses, net	56,369	26,798
– Cash flow hedges (transfer from equity to offset foreign exchange)	(123,448)	4,695
– Others	179,817	22,103
Derivative instruments – transactions not qualifying as hedges		
– Unrealised fair value gains, net (<i>note 5</i>)	(15,877)	(7,347)
– Realised fair value (gains)/losses, net (<i>note 5</i>)	(229)	3,450

7. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current – Mainland China		
Charge for the period	349,079	362,912
(Overprovision)/Underprovision in prior years	(11,357)	2,159
Deferred tax	<u>(70,507)</u>	<u>(43,581)</u>
Total tax charge for the period	<u>267,215</u>	<u>321,490</u>

Hong Kong profits tax is provided at the rate of 16.5% (six months ended 30 June 2019: 16.5%) on the estimated assessable profits arising in Hong Kong. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

The income tax provision of the Group in respect of its operations in Mainland China has been calculated at the applicable tax rate of 0% to 25% (six months ended 30 June 2019: 0% to 25%) on the estimated assessable profits for the six months ended 30 June 2020 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 majority of its subsidiaries are domiciled to the tax charge at the effective tax rate is as follows:

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit before tax	<u>1,128,193</u>	<u>1,194,015</u>
At PRC statutory income tax rate	282,048	298,504
Expenses not deductible for tax purposes	4,638	2,187
Income not subject to tax	(11,739)	(9,275)
Profits attributable to a joint venture and an associate	(1,211)	–
Adjustment on current income tax in respect of prior years	(11,357)	2,159
Unrecognised tax losses	4,429	14,807
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	14,452	13,108
Additional deductible expense	<u>(14,045)</u>	<u>–</u>
Income tax expense as reported in the interim condensed consolidated statement of profit or loss	<u>267,215</u>	<u>321,490</u>

The share of tax attributable to an associate and a joint venture amounting to approximately nil (six months ended 30 June 2019: Nil) and RMB1,492,000 (six months ended 30 June 2019: Nil), respectively, is included in “Share of profit and loss of an associate” and “Share of profit and loss of a joint venture” in the consolidated statement of profit or loss.

8. DIVIDENDS

A final dividend of HK\$0.29 per share totalling HK\$497,728,000 (equivalent to RMB454,117,000) in respect of the year ended 31 December 2019 had been approved at the annual general meeting of the Company held on 9 June 2020 and was paid on 24 June 2020.

The board of directors resolved not to declare any interim dividend to shareholders in respect of the period for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

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

Basic earnings per share for the six months ended 30 June 2020 and 2019 are calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the respective periods.

The calculation of the diluted earnings per share amount is based on the consolidated net profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group has one category of dilutive potential ordinary shares: share options, and the number of shares is compared with the number of shares that would have been issued assuming the exercise of the share options.

The calculation of basic earnings per share is based on:

Earnings

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<u>793,402</u>	<u>811,985</u>

Shares

	Number of shares For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation	<u>1,716,304,580</u>	<u>1,716,304,580</u>
Effect of dilution – weighted average number of ordinary shares: Share options	–	–
Weighted average number of ordinary shares for diluted earnings per share	<u>1,717,828,136</u>	<u>1,716,304,580</u>

	For the six months ended 30 June	
	2020	2019
	RMB	RMB
	(Unaudited)	(Unaudited)
Basic and diluted earnings per share	0.46	0.47

For the six months ended 30 June 2020, the unvested share options under the Share Option Scheme had no dilutive effect on earnings per share. The Group had no other potentially dilutive ordinary shares in issue. There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of approval of these financial statements.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired property, plant and equipment at a total cost of RMB160,347,000 (six months ended 30 June 2019: RMB920,081,000), including those through acquisition of subsidiaries.

Assets with a net book value of RMB267,000 were disposed of by the Group during the six months ended 30 June 2020 (30 June 2019: RMB126,000), resulting in a net loss on disposal of RMB91,000 (30 June 2019: RMB121,000).

11. FINANCIAL INSTRUMENTS BY CATEGORY

	30 June 2020	31 December 2019
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Financial assets		
Debt instruments at amortised cost:		
Loans and accounts receivables	50,551,943	49,531,738
Financial assets included in prepayments, deposits and other receivables	131,827	249,983
Restricted deposits	1,006,909	541,009
Cash and cash equivalents	2,833,422	3,385,867
Financial assets at fair value through profit or loss:		
Derivative financial assets	64,928	69,652
Hedging instruments designated in cash flow hedges:		
Derivative financial instruments designated as cash flow hedging	334,523	150,613
Total	54,923,552	53,928,862
Financial liabilities		
Financial liabilities at amortised cost:		
Trade payables	614,230	1,289,436
Financial liabilities included in other payables and accruals	3,864,770	3,908,968
Interest-bearing bank and other borrowings	39,032,040	38,002,843
Financial liabilities at fair value through profit or loss:		
Derivative financial liabilities	830	2,869
Hedging instruments designated in cash flow hedges:		
Derivative financial instruments designated as cash flow hedging	69,265	62,680
Total	43,581,135	43,266,796

12. LOANS AND ACCOUNTS RECEIVABLES

	30 June 2020 <i>RMB'000</i> (Unaudited)	31 December 2019 <i>RMB'000</i> (Audited)
Loans and accounts receivables due within one year	18,423,507	16,123,097
Loans and accounts receivables due after one year	<u>32,128,436</u>	<u>33,408,641</u>
	<u>50,551,943</u>	<u>49,531,738</u>

12a. Loans and accounts receivables by nature

	30 June 2020 <i>RMB'000</i> (Unaudited)	31 December 2019 <i>RMB'000</i> (Audited)
Gross lease receivables (<i>note 12b</i>)*	28,737,834	34,361,725
Less: Unearned finance income	<u>(3,458,481)</u>	<u>(4,474,394)</u>
Net lease receivables (<i>note 12b</i>)*/**	25,279,353	29,887,331
Long-term receivables arising from sale-and-leaseback arrangements (<i>note 12c</i>)*/**	<u>25,590,222</u>	<u>19,898,308</u>
Subtotal of interest-earning assets	50,869,575	49,785,639
Accounts receivables (<i>note 12d</i>)*	721,003	666,309
Bills receivable (<i>note 12e</i>)*	<u>500</u>	<u>—</u>
Subtotal of loans and accounts receivables	51,591,078	50,451,948
Less:		
Provision for accounts receivables (<i>note 12d</i>)	(48,127)	(34,835)
Provision for long-term receivables arising from sale-and-leaseback arrangements (<i>note 12f</i>)	(270,012)	(196,323)
Provision for lease receivables (<i>note 12f</i>)	<u>(720,996)</u>	<u>(689,052)</u>
Total	<u>50,551,943</u>	<u>49,531,738</u>

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

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

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Gross lease receivables		
1 to 2 years	7,704,971	16,980,689
2 to 3 years	11,509,689	9,524,527
3 years and beyond	9,523,174	7,856,509
	<u>28,737,834</u>	<u>34,361,725</u>
Total		
Net lease receivables		
1 to 2 years	6,563,802	14,452,050
2 to 3 years	10,191,119	8,344,531
3 years and beyond	8,524,432	7,090,750
	<u>25,279,353</u>	<u>29,887,331</u>
Total		

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Gross lease receivables		
Due within 1 year	13,333,959	13,520,871
Due in 1 to 2 years	8,563,322	10,189,446
Due in 2 to 3 years	5,143,379	6,896,503
Due after 3 years and beyond	1,697,174	3,754,905
	<u>28,737,834</u>	<u>34,361,725</u>
Total		
Net lease receivables		
Due within 1 year	11,511,749	11,474,588
Due in 1 to 2 years	7,448,126	8,709,385
Due in 2 to 3 years	4,722,452	6,197,283
Due after 3 years and beyond	1,597,026	3,506,075
	<u>25,279,353</u>	<u>29,887,331</u>
Total		

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

As at 30 June 2020, the amounts of the gross lease receivables and net lease receivables pledged as security for the Group's borrowings were RMB3,983,850,000 and RMB3,588,007,000 (As at 31 December 2019: RMB6,238,432,000 and RMB5,500,055,000).

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Within 1 year	17,326,785	19,898,308
1 to 2 years	8,263,437	—
Total	<u>25,590,222</u>	<u>19,898,308</u>

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Due within 1 year	6,761,459	4,404,034
Due in 1 to 2 years	6,109,471	4,386,836
Due in 2 to 3 years	5,379,793	4,166,812
Due after 3 years and beyond	7,339,499	6,940,626
Total	<u>25,590,222</u>	<u>19,898,308</u>

Upon the application of HKFRS 16 on 1 January 2019, part of the receivables arising from sale-and-leaseback transactions newly entered into on or after 1 January 2019 is classified as long term receivables arising from sale-and-leaseback arrangements within the scope of HKFRS 9. The measurement of sale-and-leaseback transactions entered into before 1 January 2019 remains unchanged.

As at 30 June 2020, the Group's long-term receivables arising from sale-and-leaseback arrangements pledged or charged as security for the Group's bank and other borrowings amounted to RMB2,108,779,000. (As at 31 December 2019: RMB1,508,560,000).

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Within 1 year	696,497	646,182
More than 1 year	24,506	20,127
Total	721,003	666,309

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

12d. (2) **Provision for accounts receivables**

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
At beginning of period/year	34,835	378
Provision	13,292	34,457
At end of period/year	48,127	34,835

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

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

As at 30 June 2020 (Unaudited)			
	Within 1 year	Ageing Over 1 years	Total
Gross carrying amount (RMB'000)	696,497	24,506	721,003
Expected credit loss (RMB'000)	41,419	6,708	48,127
Average expected credit loss rate	6%	27%	7%
As at 31 December 2019 (Audited)			
	Within 1 year	Ageing Over 1 years	Total
Gross carrying amount (RMB'000)	646,182	20,127	666,309
Expected credit loss (RMB'000)	33,011	1,824	34,835
Average expected credit loss rate	5%	9%	5%

- 12e.** An ageing analysis of bills receivable, determined based on the age of receivables since the recognition date, as at the end of the reporting period is as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Within 1 year	<u>500</u>	<u>—</u>
Total	<u><u>500</u></u>	<u><u>—</u></u>

12f. Analysis of interest-earning assets by assessments

	Stage I (12-month ECL) RMB'000	Stage II (Lifetime ECL) RMB'000	Stage III (Lifetime ECL- impaired) RMB'000	Total RMB'000
As at 30 June 2020 (Unaudited)				
Net interest-earning assets	41,014,976	9,358,310	496,289	50,869,575
Allowance for impairment losses	<u>(461,407)</u>	<u>(341,513)</u>	<u>(188,088)</u>	<u>(991,008)</u>
Interest-earning assets, net	<u><u>40,553,569</u></u>	<u><u>9,016,797</u></u>	<u><u>308,201</u></u>	<u><u>49,878,567</u></u>
As at 31 December 2019 (Audited)				
Net interest-earning assets	40,200,852	9,138,659	446,128	49,785,639
Allowance for impairment losses	<u>(403,611)</u>	<u>(303,539)</u>	<u>(178,225)</u>	<u>(885,375)</u>
Interest-earning assets, net	<u><u>39,797,241</u></u>	<u><u>8,835,120</u></u>	<u><u>267,903</u></u>	<u><u>48,900,264</u></u>

12g. Change in provision for interest-earning assets

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

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

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

Six months period ended 30 June 2020				
	Stage I	Stage II	Stage III	
	(12-month	(Lifetime	(Lifetime	
	ECL)	ECL)	ECL-	
	RMB'000	RMB'000	impaired)	Total
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At beginning of the period	403,611	303,539	178,225	885,375
Impairment losses for the period	14,331	1,799	89,503	105,633
Conversion to Stage I	85,806	(85,806)	–	–
Conversion to Stage II	(42,341)	131,964	(89,623)	–
Conversion to Stage III	–	(9,983)	9,983	–
At end of the period	<u>461,407</u>	<u>341,513</u>	<u>188,088</u>	<u>991,008</u>

Year ended 31 December 2019				
	Stage I	Stage II	Stage III	
	(12-month	(Lifetime	(Lifetime	
	ECL)	ECL)	ECL-	
	RMB'000	RMB'000	impaired)	Total
	(Audited)	(Audited)	(Audited)	(Audited)
At beginning of the year	388,859	174,194	122,242	685,295
Impairment losses for the year	44,831	65,576	89,673	200,080
Conversion to Stage I	52,621	(52,621)	–	–
Conversion to Stage II	(82,700)	121,369	(38,669)	–
Conversion to Stage III	–	(4,979)	4,979	–
At end of the year	<u>403,611</u>	<u>303,539</u>	<u>178,225</u>	<u>885,375</u>

12h. Balances with related parties

The balances of loans and accounts receivables of the Group including the balances with related parties are as follows:

Gross lease receivables:

		30 June 2020	31 December 2019
	<i>Note</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
Staff Hospital of Qiqihar No.2 Machine Tool (Group) Co., Ltd.	(i)	<u>–</u>	<u>1,245</u>

Net lease receivables:

		30 June 2020	31 December 2019
	<i>Note</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
Staff Hospital of Qiqihar No.2 Machine Tool (Group) Co., Ltd.	(i)	<u>–</u>	<u>1,188</u>

Accounts receivables:

		30 June 2020	31 December 2019
	<i>Note</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
China National Instruments Import & Export (Group) Corporation	(ii)	<u>1,805</u>	<u>1,805</u>

The above related parties are subsidiaries of China Genertec Technology (Group) Holding Limited (“**Genertec Group**”).

Notes:

- (i) As at 31 December 2019, the balances of the net lease receivables bore interest at an annual interest rate of 8.69%.
- (ii) The balance with the related party is unsecured, interest-free and repayable on demand.

13. CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Cash and bank balances	3,592,831	3,679,376
Time deposits	<u>247,500</u>	<u>247,500</u>
	3,840,331	3,926,876
Less:		
Pledged deposits	(759,409)	(293,509)
Time deposits with original maturity of more than three months	<u>(247,500)</u>	<u>(247,500)</u>
Cash and cash equivalents	<u>2,833,422</u>	<u>3,385,867</u>

As at 30 June 2020, the cash and bank balances of the Group denominated in RMB amounted to RMB2,598,689,000 (31 December 2019: RMB3,126,757,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

As at 30 June 2020, cash of RMB759,409,000 (31 December 2019: RMB293,509,000) was pledged for bank and other borrowings.

As at 30 June 2020, cash of RMB1,096,904,000 (31 December 2019: RMB997,959,000) was deposited with Genertec Finance Co., Ltd., which is a related party.

14. TRADE PAYABLES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Trade payables	614,036	1,289,265
Due to related parties (<i>note 14a</i>)	<u>194</u>	<u>171</u>
	<u>614,230</u>	<u>1,289,436</u>

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

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Within 1 year	584,380	1,260,601
1 to 2 years	9,892	6,213
2 to 3 years	6,431	495
Over 3 years	13,527	22,127
	<u>614,230</u>	<u>1,289,436</u>

14a. Balances with related parties

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Trade payables:		
Genertec International Logistic Co., Ltd.	109	87
Genertec Italia s.r.l.	85	84
	<u>194</u>	<u>171</u>

The above related parties are subsidiaries of Genertec Group.

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

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2020 (Unaudited)			31 December 2019 (Audited)		
	Effective annual interest rate (%)	Maturity	RMB'000	Effective annual interest rate (%)	Maturity	RMB'000
Current:						
Bank loans – secured	4.05	2020	150,000	–	–	–
– unsecured	1.45~4.57	2020~2021	2,639,500	2.73~4.57	2020	2,578,394
Current portion of long-term bank loans:						
– secured	4.10~5.51	2020~2021	1,218,845	4.50~5.51	2020	880,540
– unsecured	1.79~5.00	2020~2021	5,276,629	2.00~5.94	2020	5,607,520
Lease liabilities						
– secured	3.85~5.04	2020~2021	861,862	4.75~5.04	2020	1,157,341
– unsecured	4.75~4.90	2020~2021	40,972	4.75~4.90	2020	43,313
Bonds payable						
– secured	–	–	–	5.50~6.43	2020	224,088
– unsecured	1.90~5.44	2020~2021	3,233,164	2.80~3.45	2020	4,000,000
Due to related parties						
– unsecured	4.35~4.75	2020~2021	<u>1,247,779</u>	4.75	2020	<u>495,883</u>
			<u>14,668,751</u>			<u>14,987,079</u>
Non-current:						
Bank loans – secured	4.10~5.51	2021~2025	1,738,122	4.50~5.51	2021~2024	1,393,421
– unsecured	1.60~4.99	2021~2023	8,637,786	2.00~5.94	2021~2022	7,619,195
Bonds payable						
– unsecured	3.13~6.50	2021~2025	11,912,619	3.13~6.50	2021~2024	10,585,552
Lease liabilities						
– secured	3.85~5.04	2021~2023	1,265,576	4.75~5.04	2021~2022	1,837,496
– unsecured	4.75~4.90	2021~2025	60,464	4.75~4.90	2021~2023	82,092
Due to related parties						
– unsecured	4.35~4.75	2021~2024	<u>748,722</u>	4.35~4.75	2021~2022	<u>1,498,008</u>
			<u>24,363,289</u>			<u>23,015,764</u>
			<u>39,032,040</u>			<u>38,002,843</u>

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Analysed into:		
Bank loans repayable:		
Within one year	9,284,974	9,066,454
In the second year	7,104,819	6,278,205
In the third to fifth years, inclusive	<u>3,271,089</u>	<u>2,734,411</u>
	<u>19,660,882</u>	<u>18,079,070</u>
Other borrowings repayable:		
Within one year	5,383,777	5,920,625
In the second year	8,710,818	8,997,272
In the third to fifth years, inclusive	<u>5,276,563</u>	<u>5,005,876</u>
	<u>19,371,158</u>	<u>19,923,773</u>
	<u><u>39,032,040</u></u>	<u><u>38,002,843</u></u>

Notes:

- (a) As at 30 June 2020, the Group's bank and other borrowings secured by lease receivables and cash and bank balances were RMB5,234,405,000 (31 December 2019: RMB5,492,886,000).
- (b) As at 30 June 2020, the principal amounts of the Group's borrowings from related parties were RMB1,000,000,000 from China General Technology (Group) Holding Co., Ltd. (PRC), RMB1,000,000,000 from Genertec HONGKONG International Capital Limited and RMB711,000 from Paryocean Properties Co., Ltd. (31 December 2019: RMB1,000,000,000 from China General Technology (Group) Holding Co., Ltd. (PRC), RMB1,000,000,000 from Genertec HONGKONG International Capital Limited and RMB1,313,000 from Paryocean Properties Co., Ltd.).
- (c) As at 30 June 2020, China General Technology (Group) Holding Co., Ltd. (PRC) provided a comfort letter for bank borrowings in the amount of RMB10,825,238,000 (31 December 2019: RMB10,053,113,000).

16. SHARE CAPITAL

	Number of shares		Share capital	
	30 June 2020 (Unaudited)	31 December 2019 (Audited)	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Issued and fully paid ordinary shares	<u>1,716,304,580</u>	<u>1,716,304,580</u>	<u>4,327,842</u>	<u>4,327,842</u>

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

	Number of shares in issue	Share capital RMB'000
As at 1 January 2020 and 31 December 2019 (Audited)	<u>1,716,304,580</u>	<u>4,327,842</u>
As at 30 June 2020 (Unaudited)	<u>1,716,304,580</u>	<u>4,327,842</u>
As at 1 January 2019 and 31 December 2018 (Audited)	<u>1,716,304,580</u>	<u>4,327,842</u>
As at 31 December 2019 (Audited)	<u>1,716,304,580</u>	<u>4,327,842</u>

17. RESERVES

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

Capital reserve

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

Statutory reserve

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

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

Exchange fluctuation reserve

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

Share-based compensation reserve

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

18. CONTINGENT LIABILITIES

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

19. PLEDGE OF ASSETS

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

20. COMMITMENTS

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

(a) Capital commitments

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Contracted, but not provided for	<u>55,948</u>	<u>41,158</u>

In addition to the capital commitments listed above, the Group has agreed with certain parties related hospital investment and cooperation arrangements including:

- i) The Group entered into a Cooperation Agreement with First Affiliated Hospital of Xi'an Jiaotong University (the "First Affiliated Hospital") on 30 August 2016, pursuant to which the Group has agreed to (i) establish a wholly-owned project company (the "Project Company") to construct Xi'an Jiaotong University International Land Port Hospital ("International Land Port Hospital") for First Affiliated Hospital (the "Project Construction"), provide a total amount of no more than RMB2 billion in cash to fund the project and manage and operate International Land Port Hospital in a manner as agreed by both parties after the completion of the Project Construction; and (ii) through the Project Company, make a capital contribution of RMB28,000,000 to establish a company with First Affiliated Hospital to provide services including procurement and logistics to International Land Port Hospital, First Affiliated Hospital and other third party hospitals.

As of 30 June 2020, the Group had invested RMB84,437,000 to establish the project company, Xi'an Ronghui Hospital Construction Management Co., Ltd., and Xi'an Wanheng Medical Technology Development Co., Ltd. to provide services including procurement and logistics to International Land Port Hospital, First Affiliated Hospital and other third party hospitals. As of 30 June 2020, the Group had invested RMB12,768,000 to the project.

- ii) On 9 August 2018, the Company entered into the 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, which will be a new branch of Handan First Hospital. Pursuant to the Cooperation Agreement, the Company has agreed to establish a wholly-owned project company to construct the new east district of Handan First Hospital, provide a total amount of no more than RMB2,000,000,000 in cash to fund the Project Construction, and participate in the management and operation of Handan First Hospital (including the new east district of Handan First Hospital) in a manner as agreed by all parties; and through the Project Company, make a capital contribution of no more than RMB28,000,000 to establish a joint venture with Handan First Hospital to provide medical supply procurement services to Handan First Hospital (including the new east district of Handan First Hospital).

As of 30 June 2020, the Group had invested RMB2,300,000 to establish the project company, Genertec Universal Medical Hospital Management Handan Co., Ltd.. As of 30 June 2020, the Group had invested RMB1201,000 to the project.

- iii) On 31 January 2019, the Group and Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd. entered into a cooperation agreement with Panzhihua Iron and Steel (Group) Company Limited and Panzhihua Pangang Group Mining Company Limited in connection with the formation of Sichuan Huankang Hospital Management Co., Ltd. Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd. acquired a 53.3% equity interest in Sichuan Huankang Hospital Management Co., Ltd. with cash of RMB496,025,000. As of 30 June 2020, Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd. invested RMB441,986,000.

(b) Credit commitments

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Credit commitments	<u>987,722</u>	<u>1,411,699</u>

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

21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Financial instruments not measured at fair value

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

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

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

Lease receivables, long-term receivables and long-term interest-bearing bank and other borrowings excluding bonds issued

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

Bonds issued

The fair value of the bonds was calculated based on quoted market prices or a discounted cash flow model that is based on a current yield curve appropriate for the remaining term to maturity.

The table below summarises the carrying amounts and fair values of bonds issued which are included in interest-bearing bank and other borrowings not presented at fair values in the statement of financial position.

	Carrying amounts		Fair values	
	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Bonds issued	<u>15,145,783</u>	<u>14,809,640</u>	<u>15,157,013</u>	<u>14,863,388</u>

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

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

Financial instruments measured at fair value

Interest rate swap contracts

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

Forward currency contracts

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

Non-deliverable currency options

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

Cross-currency interest rate swaps

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

Fair value hierarchy

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

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

The fair value of the asset-backed securities is based on unobservable inputs which include the default rate, loss given default, and prepayment rate and yield of the securities' underlying assets. As at 30 June 2020, fair value changes resulting from changes in the unobservable inputs were not significant.

Assets and liabilities measured at fair value:

As at 30 June 2020 (Unaudited)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Derivative financial assets				
– Forward currency contracts	–	399,451	–	399,451
	<u>–</u>	<u>399,451</u>	<u>–</u>	<u>399,451</u>
Derivative financial liabilities				
– Interest rate swap contracts	–	65,371	–	65,371
– Non-deliverable currency options	–	775	–	775
– Cross-currency interest rate swaps	–	3,949	–	3,949
	<u>–</u>	<u>70,095</u>	<u>–</u>	<u>70,095</u>

As at 31 December 2019 (Audited)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Derivative financial assets				
– Forward currency contracts	–	212,471	–	212,471
– Interest rate swap contracts	–	133	–	133
– Cross-currency interest rate swaps	–	7,661	–	7,661
	<u>–</u>	<u>220,265</u>	<u>–</u>	<u>220,265</u>
Derivative financial liabilities				
– Forward currency contracts	–	22,739	–	22,739
– Interest rate swap contracts	–	41,591	–	41,591
– Non-deliverable currency options	–	1,219	–	1,219
	<u>–</u>	<u>65,549</u>	<u>–</u>	<u>65,549</u>

Liabilities for which fair values are disclosed:

As at 30 June 2020 (Unaudited)

	Level 1	Level 2	Level 3	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bonds issued	<u>15,157,013</u>	<u>–</u>	<u>–</u>	<u>15,157,013</u>

As at 31 December 2019 (Audited)

	Level 1	Level 2	Level 3	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bonds issued	<u>14,677,264</u>	<u>186,124</u>	<u>–</u>	<u>14,863,388</u>

During the six months ended 30 June 2020, there were no transfers at fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3 (year ended 31 December 2019: Nil).

22. EVENTS AFTER THE REPORTING PERIOD

As of 26 August 2020, there were no significant events after the reporting period.

PERFORMANCE OVERVIEW

	For the six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Operating Results		
Income*¹	4,024,155	3,195,355
Finance and advisory business income* ²	2,480,455	2,471,613
Hospital group business income* ²	1,543,700	723,742
Cost of sales	(2,310,364)	(1,550,366)
Cost of finance and advisory business* ²	(958,975)	(923,353)
Cost of hospital group business* ²	(1,398,174)	(635,638)
Profit before tax	1,128,193	1,194,015
Profit for the period	860,978	872,525
Profit for the period attributable to owners of the parent	793,402	811,985
Basic and diluted earnings per share (RMB)	0.46	0.47
Profitability Indicators		
Return on total assets ⁽¹⁾	2.94%	3.33%
Return on equity ⁽²⁾	16.41%	18.89%
Net interest margin ⁽³⁾	4.13%	4.03%
Net interest spread ⁽⁴⁾	3.55%	3.41%

*1 After taxes and surcharges

*2 Before inter-segment offset

- (1) Return on total assets = profit for the period/average balance of assets at the beginning and end of the period, presented on an annualised basis;
- (2) Return on equity = profit for the period attributable to owners of the parent/average balance of equity at the beginning and end of the period attributable to owners of the parent, presented on an annualised basis;
- (3) Net interest margin is calculated by dividing net interest income by average balance of interest-earning assets, presented on an annualised basis;
- (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 interest-earning assets before provision as at each month end within the reporting period; average balance of interest-bearing liabilities is calculated based on the average balance of bank and other borrowings and lease deposits as at each month end within the reporting period.

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Assets and Liabilities		
Total assets	59,199,177	57,852,542
Net interest-earning assets	50,869,575	49,785,639
Total liabilities	45,203,134	44,405,334
Interest-bearing bank and other borrowings	39,032,040	38,002,843
Total equity	13,996,043	13,447,208
Profit for the period attributable to owners of the parent	9,851,025	9,489,304
Net assets per share (RMB)	5.74	5.53
Financial Indicators		
Debt ratio ⁽¹⁾	76.36%	76.76%
Gearing ratio ⁽²⁾	2.79	2.83
Current ratio ⁽³⁾	1.26	1.10
Asset Quality		
Non-performing assets ratio ⁽⁴⁾	0.98%	0.90%
Provision coverage ratio ⁽⁵⁾	199.68%	198.46%
Write-off of non-performing assets ratio ⁽⁶⁾	0.00%	0.00%
Ratio of overdue interest-earning assets (over 30 days) ⁽⁷⁾	0.92%	0.84%

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

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS REVIEW AND PROSPECTS

At the beginning of 2020, the outbreak of the COVID-19 epidemic brought major uncertainties to the economic environment both at home and abroad. China still suffers the aftermath of the economic shutdown in the first quarter, and the negative impact of the continuous spread of the epidemic overseas on the world economy has worsened the international economic situation for China. In the first half of 2020, the Group, together with its member medical institutions, resolutely implemented the national epidemic control arrangements, and was actively engaged in epidemic prevention and control. In the second quarter, we orderly promoted the resumption of work and production, while adapting to the new normal of ongoing epidemic control. At the same time, under the integrated development strategy for medical and health industry, we kept building a health industry ecosystem which is centered on medical service, and supported by financial service to achieve win-win results shared by all. In the first half of 2020, the operating results of the Group were generally stable. The Group recorded revenue of RMB4,024.2 million, representing an increase of 25.9% as compared to the corresponding period of the previous year, as a result of more medical institutions being consolidated into the Group's financial statements in the second half of 2019 and the first half of 2020; recorded profit for the period of RMB861.0 million, representing a slight decrease of 1.3% as compared to the corresponding period of the previous year due to the impact of the epidemic; recorded profit for the period attributable to owners of the parent of RMB793.4 million, representing a slight decrease of 2.3% as compared to the corresponding period of the previous year; and recorded total assets of RMB59,199.2 million as of 30 June 2020, representing an increase of 2.3% as compared to the end of 2019, with asset quality generally safe and controllable.

1.1 Hospital Group Business

Hospital group is the most essential resources of building a medical and health conglomerate. In the first half of 2020, the Group continued to actively participate in the integration and takeover of medical institutions of SOEs, and build up a tightly-knit medical networks surrounding key regions and cities across China. As of 30 June 2020, the Group had entered into contracts in relation to takeover of 48 medical institutions (including 5 Grade III Class A hospitals and 24 Grade II hospitals) with actual capacity of over 15,000 beds. Meanwhile, the Group continued to improve the post-investment management of our medical institutions, and comprehensively improved the medical technology, management efficiency and service capabilities of our medical institutions by focusing on discipline construction, operation management, organization management innovation, service system construction, hospital digitalization, supply chain management, hospital renovation and expansion, so as to ensure their sound and orderly development.

In the first half of 2020, the Group newly consolidated the accounts of 5 medical institutions, namely Chengdu CEC Jinjiang Technology Industry Company Hospital (成都中電錦江醫院) (community hospital), Genertec Universal NORINCO Xi'an Hospital (通用環球兵工

西安醫院) (Grade I general hospital), Genertec Universal CREC Wuhu Hospital (通用環球中鐵蕪湖醫院) (Grade II general hospital), Genertec Universal CREC Shanhaiguan Bridge Hospital (通用環球中鐵山橋醫院) (Grade II general hospital) and Genertec Universal CREC Hangzhou Hospital (通用環球中鐵杭州醫院) (Grade I general hospital), with an actual capacity of 981 beds in total. As of 30 June 2020, the Group had consolidated the accounts of 29 medical institutions (including 3 Grade III Class A hospitals and 14 Grade II hospitals), with an actual capacity of 8,405 beds in total (excluding Qianshan Hot Spring Sanatorium (千山溫泉療養院)).

Affected by the epidemic control in the first half of 2020, most of the medical service business of the Group's medical institutions was suspended, with the number of outpatient visits decreasing by approximately 15% as compared to the corresponding period of the previous year, the number of inpatient visits decreasing by approximately 18% as compared to the corresponding period of the previous year, and the number of medical examination services decreasing by approximately 25% as compared to the corresponding period of the previous year, resulting in varying degrees of decline in the income of medical institutions of the Group and their profit contribution to the Group. In the first half of 2020, as for the medical institutions consolidated into the Group, the number of outpatient visits and inpatient visits amounted to 1,596,800 and 86,500, respectively, and the hospital operation recorded revenue of RMB1,462.3 million in total. The Group believes that the impact of the epidemic on the business of member medical institutions is temporary. With the epidemic under control in the second quarter, the number of patient visits of the medical institutions of the Group has rebounded significantly. Since May 2020, the overall monthly income has basically recovered to the same level for the corresponding period of the previous year, and the monthly income of most medical institutions in June 2020 has exceeded the level of the corresponding period of the previous year.

The Geographical Distribution of the Medical Institutions Consolidated into the Group as of 30 June 2020

Province	Grade III hospitals	Grade II hospitals	Others (note)	Total
Shaanxi	1	6	3	10
Shanxi	1	2	4	7
Anhui	0	2	2	4
Shandong	0	1	0	1
Hebei	0	2	0	2
Liaoning	1	1	1	3
Zhejiang	0	0	1	1
Sichuan	0	0	1	1
Total	<u>3</u>	<u>14</u>	<u>12</u>	<u>29</u>

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

General Operating Data of the Consolidated Medical Institutions in the First Half of 2020

Category	Capacity	Visits in the first half of 2020			Medical business income in the first half of 2020 (RMB ten thousand)				The first half of 2020		
		Outpatient	Inpatient	Visits for medical examination	Outpatient income	Inpatient income	Medical examination income	Total	Income per bed* (RMB ten thousand)	Outpatient fee per visit (RMB)	Inpatient fee per visit (RMB)
Grade III	3,408	713,794	41,440	39,844	24,987	55,027	1,155	81,169	47.6	350	13,279
Grade II and others (note)	4,997	882,999	45,041	152,191	27,229	34,108	2,252	65,060	26.0	308	7,573
Total	8,405	1,596,793	86,481	192,035	52,217	89,135	3,407	146,229	34.8	327	10,307

Note: Others include Grade I hospitals, community service centers and other non-rated medical institutions. The operating data does not include that of Qianshan Hot Spring Sanatorium.

* On an annualized basis

1.2 Finance and Advisory Business

The Group's finance business, which is the cornerstone underpinning the Group's steady development, mainly provides finance lease services for county level public hospitals, and provides financial support for the Company to build a hospital group and health industry ecosystem. The Group's advisory business mainly includes industry, equipment and financing advisory services, and clinical department upgrade services for the prevention, treatment and rehabilitation of CVA and other major diseases with high prevalence. The Group relied on its expanding medical resource platform to improve partner hospitals' medical technology service capabilities and management efficiency in accordance with specific stages of hospital operation and clinical department development's characteristics.

In the first half of the year, affected by the epidemic control policies, the development of the Group's finance and advisory business and collection of receivables from hospital customers relatively slowed down. Meanwhile, due to the continued and steady downward adjustment of the national monetary policies after the Loan Prime Rate (LPR) reform, the interest rate of the Group's new leasing business decreased accordingly. Therefore, the average yield dropped as compared to the corresponding period of the previous year, and the operating performance of the finance and advisory business experienced short-term fluctuations. During the reporting period, the finance and advisory business of the Group recorded revenue of RMB2,480.5 million, increased by 0.4% as compared to the corresponding period of the previous year; recorded gross profit of RMB1,521.5 million, decreased by 1.7% as compared to the corresponding period of the previous year. Finance lease business recorded revenue of RMB2,049.7 million, increased by 8.3% as compared to the corresponding period of the previous year; recorded gross profit of RMB1,090.7 million,

increased by 10.9% as compared to the corresponding period of the previous year; the net interest spread was 3.55% and the net interest margin was 4.13%, still a high ranking among domestic competitors. As at 30 June 2020, the Group's leased assets reached RMB50,869.6 million, representing an increase of 2.2% as compared with the beginning of the year; non-performing assets ratio was 0.98% and the overdue ratio (30 days) was 0.92%. The Group strictly controlled the operating risks, and continuously enhanced internal management. Although the non-performing assets ratio and the overdue ratio (30 days) slightly increased due to the epidemic, the overall asset quality was safe and controllable and continued to maintain its leading position in the industry.

1.3 Layout of Health Industry Chain

In the first half of 2020, the Group continued to promote model exploration, pilot projects and layout in various fields of the health industry chain based on our hospital group, and focused on the Internet medical business. As of 30 June 2020, 4 member medical institutions of the Group, namely XD Hospital, Genertec Universal Xi'an Aero-Engine Hospital (通用環球西安西航醫院), Xianyang Caihong Hospital (咸陽彩虹醫院) and Yantai Port Hospital (煙台海港醫院), were approved for conducting Internet hospital business. A total of 13 member medical institutions went online based on the Internet platform, with the offline to online conversion rate reaching 5.1% within 4 months, over 30% of online patients showing needs for offline medical services and the patient satisfaction rate reaching 99%.

In addition, based on full evaluation of our existing advantages, market prospects and our talent strategies, the Group actively developed businesses of equipment sales and maintenance, and third-party inspection center through various cooperation modes, such as acquisition of majority interest, investment in minority interest and strategic alliance, to build a health industry ecosystem and realize win-win results enjoyed by all.

1.4 Prospect for the Second Half of the Year and the Future

In the second half of 2020, under the new norm of epidemic control, the Group will vigorously advance the finance and advisory business, enhance risk management and overdue assets collection, and reasonably control financing costs, as a way to minimize the impact of the epidemic as much as possible. Besides, the Group will continuously promote the layout of hospital group business, accelerate the implementation of proposed quality cooperation projects, and steadily integrate the management and improve the efficiency of the partner medical institutions to strive for a stable and healthy development of the operation and management of the Group as a whole. In addition, the Group will closely follow the market trends, and seek opportunities in fields such as specialized medical services, medical and elderly care integration, and medical industry investment. In the future, the Group will continue to uphold the philosophy of whole industry chain and whole life cycle, which is centered on medical services and supported by financial services, to build a shared and win-win health industry ecosystem, strive for a trustworthy medical and health group, and contribute to the construction of "Healthy China".

2. ANALYSIS OF STATEMENT OF PROFIT OR LOSS

2.1 Overview

In the first half of 2020, the Group recorded revenue of RMB4,024.2 million, representing an increase of 25.9% as compared to the corresponding period of the previous year. Profit before tax was recorded RMB1,128.2 million, representing a decrease of 5.5% as compared to the corresponding period of the previous year. Profit for the period attributable to owners of the parent was RMB793.4 million, representing a decrease of 2.3% as compared to the corresponding period of the previous year. In the first half of 2020, being a special period during which the COVID-19 epidemic broke out and spread, was gradually controlled and finally contained on a regular and long-term basis, the Group focused on production and operation without compromising epidemic prevention and control, so as to strive to minimize the impact of the epidemic on business advancement.

The following table sets forth the Group's statement of profit or loss for the six months ended 30 June 2020:

	For the six months ended 30 June		
	2020	2019	Change %
	<i>RMB'000</i>	<i>RMB'000</i>	
	(Unaudited)	(Unaudited)	
Revenue	4,024,155	3,195,355	25.9%
Cost of sales	(2,310,364)	(1,550,366)	49.0%
Gross profit	1,713,791	1,644,989	4.2%
Other income and gains	42,250	28,138	50.2%
Selling and distribution costs	(180,529)	(172,465)	4.7%
Administrative expenses	(256,464)	(182,566)	40.5%
Impairment of financial assets	(118,925)	(91,559)	29.9%
Financial costs	(13,991)	(1,035)	1,251.8%
Other expenses	(62,606)	(31,487)	98.8%
Share of profit/(loss) of:			
An associate	(178)	—	-100.0%
A joint venture	4,845	—	100.0%
Profit before tax	1,128,193	1,194,015	-5.5%
Income tax expense	(267,215)	(321,490)	-16.9%
Profit for the period	860,978	872,525	-1.3%
Profit for the period attributable to owners of the parent	793,402	811,985	-2.3%
Basic and diluted earnings per share (<i>RMB</i>)	0.46	0.47	-2.3%

2.2 Analysis of business revenue

In the first half of 2020, the Group recorded revenue of RMB4,024.2 million, of which finance and advisory business recorded revenue of RMB2,480.5 million, accounting for 61.6%; hospital group business recorded revenue of RMB1,543.7 million, accounting for 38.4%. The Group recorded gross profit from operations of RMB1,713.8 million, of which finance and advisory business recorded gross profit from operations of RMB1,521.5 million, accounting for 88.8%, while hospital group business recorded gross profit from operations of RMB145.5 million, accounting for 8.5%.

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

	For the six months ended 30 June				
	2020		2019		Change %
	<i>RMB'000</i> (Unaudited)	% of total	<i>RMB'000</i> (Unaudited)	% of total	
Finance and advisory business	2,480,455	61.6%	2,471,613	77.4%	0.4%
Hospital group business	1,543,700	38.4%	723,742	22.6%	113.3%
Offset	—	—	—	—	—
Total	<u>4,024,155</u>	<u>100.0%</u>	<u>3,195,355</u>	<u>100.0%</u>	<u>25.9%</u>

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

	For the six months ended 30 June				
	2020		2019		Change %
	<i>RMB'000</i> (Unaudited)	% of total	<i>RMB'000</i> (Unaudited)	% of total	
Finance and advisory business	1,521,480	88.8%	1,548,260	94.1%	-1.7%
Hospital group business	145,526	8.5%	88,104	5.4%	65.2%
Offset	46,785	2.7%	8,625	0.5%	442.4%
Total	<u>1,713,791</u>	<u>100.0%</u>	<u>1,644,989</u>	<u>100.0%</u>	<u>4.2%</u>

2.2.1 Finance and advisory business

In the first half of 2020, the development of the Group's finance and advisory business relatively slowed down due to the COVID-19 epidemic, and recorded revenue of RMB2,480.5 million, representing an increase of RMB8.8 million or 0.4% as compared to the corresponding period of the previous year; recorded gross profit of RMB1,521.5 million, representing a decrease of RMB26.8 million or 1.7% as compared to the corresponding period of the previous year.

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

	For the six months ended 30 June				
	2020		2019		Change %
	RMB'000 (Unaudited)	% of total	RMB'000 (Unaudited)	% of total	
Finance and advisory business income	2,480,455		2,471,613		0.4%
Including:					
Finance lease	2,049,671	82.6%	1,892,573	76.6%	8.3%
Advisory service	<u>430,256</u>	<u>17.3%</u>	<u>556,816</u>	<u>22.5%</u>	<u>-22.7%</u>

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

	For the six months ended 30 June				
	2020		2019		Change %
	RMB'000 (Unaudited)	% of total	RMB'000 (Unaudited)	% of total	
Gross profit from finance and advisory business	1,521,480		1,548,260		-1.7%
Including:					
Finance lease	1,090,695	71.7%	983,572	63.5%	10.9%
Advisory service	<u>430,256</u>	<u>28.3%</u>	<u>556,816</u>	<u>36.0%</u>	<u>-22.7%</u>

2.2.1.1 Finance lease business

The Group's revenue from finance lease business is interest income. In the first half of 2020, the Group recorded interest income of RMB2,049.7 million, representing an increase of RMB157.1 million or 8.3% as compared to the corresponding period of the previous year. In the first half of 2020, the Group paid close attention to the development of the COVID-19 epidemic, and under the condition of ensuring the safety of personnel, properly arranged business travels.

The Group continued to work meticulously in key niche market, accurately responded to customer needs, and improved business development efficiency. At the same time, the Group explored leasing business in new sectors as a way to fully make up for the impact of the epidemic on business development.

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

	For the six months ended 30 June				
	2020		2019		Change %
	<i>RMB'000</i>	% of total	<i>RMB'000</i>	% of total	
	(Unaudited)		(Unaudited)		
Healthcare	1,397,869	68.2%	1,459,747	77.1%	-4.2%
Other	651,802	31.8%	432,826	22.9%	50.6%
Total	<u>2,049,671</u>	<u>100.0%</u>	<u>1,892,573</u>	<u>100.0%</u>	<u>8.3%</u>

In the first half 2020, the gross profit of interest margin was RMB1,090.7 million, representing an increase of RMB107.1 million, or 10.9%, as compared to the corresponding period of the previous year. The increase of the gross profit of interest margin was due to the increase in the size of interest-earning assets and the rise of net interest spread of finance lease business.

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

	30 June 2020			30 June 2019		
	Average balance	Interest income ⁽¹⁾ /expense ⁽²⁾	Average yield ⁽³⁾ /cost rate ⁽⁴⁾	Average balance	Interest income ⁽¹⁾ /expense ⁽²⁾	Average yield ⁽³⁾ /cost rate ⁽⁴⁾
	<i>RMB'000</i>	<i>RMB'000</i>		<i>RMB'000</i>	<i>RMB'000</i>	
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
Interest-earning assets	51,081,039	2,058,489	8.10%	47,026,834	1,899,124	8.14%
Interest-bearing liabilities	44,555,237	1,008,759	4.55%	40,883,785	958,323	4.73%
Net interest margin ⁽⁵⁾			4.13%			4.03%
Net interest spread ⁽⁶⁾			<u>3.55%</u>			<u>3.41%</u>

(1) Interest income represents the interest income from finance lease business;

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

(3) Average yield = interest income/average balance of interest-earning assets, presented on an annualised basis;

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

In the first half of 2020, the Group's net interest spread of finance lease was 3.55%, representing an increase of 0.14 percentage point from 3.41% in the corresponding period of the previous year, remaining at a good level in the industry.

Average yield of interest-earning assets: in the first half of 2020, the Group's average yield of interest-earning assets was 8.10%, representing a decrease of 0.04 percentage point from 8.14% in the corresponding period of the previous year. In the first half of 2020, under the influence of the COVID-19 epidemic, the Group adjusted its market development strategy in accordance with changes in the market. The yield of new interest-earning assets decreased as compared to the corresponding period of the previous year, making the average yield of interest-earning assets in the first half of 2020 slightly lower than that of the corresponding period of the previous year, but still remained stable.

Average cost rate of interest-bearing liabilities: in the first half of 2020, the average cost rate of interest-bearing liabilities of the Group was 4.55%, representing a decrease of 0.18 percentage point from 4.73% in the corresponding period of the previous year. Affected by the COVID-19 epidemic, China implemented a relatively easy monetary policy in the first half of 2020. The newly added financing costs of the Group dropped significantly, which drove the Group's average cost rate of interest-bearing liabilities in the first half of 2020 to decrease as compared to that of the corresponding period of the previous year. The Group will continue to deepen cooperation with financial institutions, actively expand financing channels, enrich financing instruments, optimize liability structure, and reasonably and effectively control financing costs on the premise of ensuring sufficient capital liquidity.

2.2.1.2 Advisory services business

The Group's advisory services business includes industry, equipment and financing advisory services as well as clinical department upgrade services. Leveraging on our expanding healthcare resources platform, and in accordance with the characteristics of hospital operation at all stages, we provided customers with valuable, flexible and diversified comprehensive services comprising financial services, equipment replacement, technology and management advice, clinical

department upgrade so as to improve the technical service capabilities and management efficiency of cooperative hospitals. In the first half of 2020, due to the COVID-19 epidemic, the gross profit from advisory services was RMB430.3 million, representing a decrease of RMB126.6 million or 22.7% as compared to the corresponding period of the previous year.

2.2.2 Hospital group business

The Group's hospital group business includes integrated healthcare services and supply chain business, etc. In the first half of 2020, the hospital group business recorded income of RMB1,543.7 million, representing an increase of RMB820.0 million or 113.3% as compared to the corresponding period of the previous year, and recorded gross profit of RMB145.5 million, representing an increase of RMB57.4 million or 65.2% as compared to the corresponding period of the previous year.

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

	For the six months ended 30 June				
	2020		2019		Change %
	<i>RMB'000</i>	% of total	<i>RMB'000</i>	% of total	
	(Unaudited)		(Unaudited)		
Hospital group business					
Income from integrated healthcare services	1,468,956	95.2%	665,417	91.9%	120.8%
Income from supply chain business, etc.	221,785	14.4%	86,529	12.0%	156.3%
Offset	(147,041)	-9.6%	(28,204)	-3.9%	421.4%
Total	<u>1,543,700</u>	<u>100.0%</u>	<u>723,742</u>	<u>100.0%</u>	<u>113.3%</u>

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

	For the six months ended 30 June				
	2020		2019		Change %
	RMB'000 (Unaudited)	% of total	RMB'000 (Unaudited)	% of total	
Hospital group business					
Gross profit from integrated healthcare services	117,963	81.1%	80,364	91.2%	46.8%
Gross profit from supply chain business, etc.	27,642	19.0%	7,740	8.8%	257.1%
Offset	(79)	-0.1%	–	0.0%	-100.0%
Total	145,526	100.0%	88,104	100.0%	65.2%

In the first half of 2020, the Group continued the work on integration and takeover of medical institutions of SOEs. As of 30 June 2020, Group had consolidated 29 medical institutions, representing an increase of 13 medical institutions as compared to the corresponding period of the previous year. The increase in the number of medical institutions was the main reason for the increase in income and gross profit of the hospital group business. Affected by the COVID-19 epidemic, the income and gross profit of the hospitals under the Group declined to varying degrees in the first half of the year. With the gradual control of the epidemic in the second quarter, the number of the patients of the Group's medical institutions has seen a significant rebound. Since May 2020, the overall monthly income has basically returned to the level of the corresponding period of the previous year. In June 2020, the monthly income of most medical institutions exceeded the level of the corresponding period of the previous year.

2.2.2.1 Integrated healthcare services

The Group's integrated healthcare services come from the integrated healthcare services provided by consolidated medical institutions. Revenue from integrated healthcare services is mainly consisted of revenue generated from the healthcare service, examination, medicine and hygiene materials, physical examination and other services provided to outpatients, emergency patients and inpatients. Costs of integrated healthcare services include costs of medicine and hygiene materials, labor costs as well as depreciation and amortization expenses. In the first half of 2020, the Group achieved comprehensive medical service income of RMB1,469.0 million, representing an increase of RMB803.5 million or 120.8% as compared to the corresponding period of the previous year; recorded gross profit of RMB118.0 million, representing an increase of RMB37.6 million or 46.8% as compared to the corresponding period of the previous year.

2.2.2.2 Supply chain business, etc.

The hospital supply chain business, etc. mainly provides supply chain distribution services for hospitals inside and outside the Group, as well as a small amount of medical device sales and other businesses. In the first half of 2020, the Group achieved income from supply chain business, etc. of RMB221.8 million, representing an increase of RMB135.3 million or 156.3% as compared to the corresponding period of the previous year; recorded gross profit of RMB27.6 million, representing an increase of RMB19.9 million or 257.1% as compared to the corresponding period of the previous year.

2.2.3 Operating cost

In the first half of 2020, the Group's sales and distribution costs amounted to RMB180.5 million, representing an increase of RMB8.1 million, or 4.7%, as compared to the corresponding period of the previous year.

Administrative expenses amounted to RMB256.5 million, representing an increase of RMB73.9 million, or 40.5%, as compared to the corresponding period of the previous year, which was mainly due to the increase of administrative expenses incurred by consolidated medical institutions. Administrative expenses from finance and advisory business amounted to RMB133.2 million, accounting for 51.9% of the total administrative expenses, representing an increase of RMB14.8 million, or 12.4%, as compared to the corresponding period of the previous year. The increase in finance and advisory business was mainly due to the increase of labor costs. We constantly attracted more professional senior management talents in order to implement the Group's strategy in the first half of 2020. Administrative expenses from hospital group business amounted to RMB123.2 million, accounting for 48.1% of the total administrative expenses, representing an increase of RMB59.2 million, or 92.3%, as compared to the corresponding period of the previous year, mainly due to the increase in the consolidated medical institutions.

2.2.4 Profit before tax

In the first half of 2020, the Group recorded profit before tax of RMB1,128.2 million, representing a decrease of RMB65.8 million or 5.5%, as compared to the corresponding period of the previous year.

2.2.5 Profit for the period attributable to owners of the parent

In the first half of 2020, the Group recorded profit for the period attributable to owners of the parent of RMB793.4 million, representing a decrease of RMB18.6 million or 2.3%, as compared to the corresponding period of the previous year.

2.2.6 Revenue from hospital group operation

As of 30 June 2020, the Group had completed the acquisition of 29 medical institutions, compared with 16 medical institutions in the corresponding period of the previous year. The following sets forth the operating income of the hospital group during the consolidation period (excluding that of the hospital investment platform).

In the first half of 2020, the hospital group recorded revenue of RMB1,544.5 million during the consolidation period, representing an increase of RMB820.7 million, or 113.4%, as compared to the corresponding period of the previous year; recorded profit for the period of RMB34.5 million, representing an increase of RMB12.5 million, or 56.4%, as compared to the corresponding period of the previous year. Affected by the COVID-19 epidemic, the gross profit margin from operations was 9.5%, representing a decrease of 2.7 percentage points from 12.2% in the corresponding period of the previous year; the net profit margin was 2.2%, representing a decrease of 0.9 percentage point from 3.1% in the corresponding period of the previous year.

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

	For the six months ended 30 June		Change %
	2020	2019	
	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Unaudited)	
Revenue	1,544,484	723,742	113.4%
Costs	(1,398,173)	(635,638)	120.0%
Gross profit	146,311	88,104	66.1%
Other income and gains	43,560	12,437	250.2%
Selling and distribution costs	(9,912)	(3,918)	153.0%
Administrative expenses	(122,801)	(64,059)	91.7%
Impairment on financial assets	(13,292)	(7,645)	73.9%
Financial costs	(3,727)	(675)	452.1%
Share of profit/(loss) of an associate	(178)	–	-100.0%
Other expenses	(3,062)	(146)	1,997.3%
Profit before tax	36,899	24,098	53.1%
Income tax expense	(2,372)	(2,021)	17.3%
Profit for the period	34,527	22,077	56.4%

3. FINANCIAL POSITION ANALYSIS

3.1 Overview of Assets

As at 30 June 2020, the Group's total assets was RMB59,199.2 million, representing an increase of RMB1,346.6 million or 2.3% as compared to the end of the previous year. In particular, our restricted deposits was RMB1,006.9 million, representing an increase of RMB465.9 million or 86.1% as compared to the end of the previous year, accounting for 1.7% of the total assets; our cash and cash equivalents was RMB2,833.4 million, representing a decrease of RMB552.4 million or 16.3% as compared to the end of the previous year, accounting for 4.8% of the total assets; our loans and accounts receivables was RMB50,551.9 million, representing an increase of RMB1,020.2 million or 2.1% as compared to the end of the previous year, accounting for 85.4% of the total assets.

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

	30 June 2020		31 December 2019		
	<i>RMB'000</i>	% of total	<i>RMB'000</i>	% of total	Change %
	(Unaudited)		(Audited)		
Restricted deposits	1,006,909	1.7%	541,009	0.9%	86.1%
Cash and cash equivalents	2,833,422	4.8%	3,385,867	5.8%	-16.3%
Inventories	191,059	0.3%	156,726	0.3%	21.9%
Loans and accounts receivables	50,551,943	85.4%	49,531,738	85.6%	2.1%
Prepayments, deposits and other receivables	372,695	0.6%	332,383	0.6%	12.1%
Property, plant and equipment	2,178,263	3.7%	2,122,560	3.7%	2.6%
Investment in a joint venture	449,652	0.8%	444,807	0.8%	1.1%
Investment in an associate	3,775	0.0%	4,198	0.0%	-10.1%
Deferred tax assets	364,287	0.6%	308,585	0.5%	18.1%
Derivative financial assets	399,451	0.7%	220,265	0.4%	81.4%
Right-of-use asset	721,651	1.2%	689,937	1.2%	4.6%
Goodwill	69,908	0.1%	69,908	0.1%	0.0%
Other assets	56,162	0.1%	44,559	0.1%	26.0%
Total	<u>59,199,177</u>	<u>100.0%</u>	<u>57,852,542</u>	<u>100.0%</u>	<u>2.3%</u>

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

	30 June 2020		31 December 2019		
	<i>RMB'000</i>	% of total	<i>RMB'000</i>	% of total	Change %
Finance and advisory business	53,771,095	90.8%	52,014,941	89.9%	3.4%
Hospital group business	8,123,918	13.7%	6,957,350	12.0%	16.8%
Inter-segment offset	(2,695,836)	-4.5%	(1,119,749)	-1.9%	140.8%
Total	<u>59,199,177</u>	<u>100.0%</u>	<u>57,852,542</u>	<u>100.0%</u>	<u>2.3%</u>

3.1.1 Restricted deposits

As at 30 June 2020, the Group had restricted deposits of RMB1,006.9 million, representing an increase of RMB465.9 million or 86.1% as compared to the end of the previous year, and accounting for 1.7% of total assets. Restricted deposits mainly comprised pledged project refunds from factoring business, time deposits and financing deposits. The increase in this year was mainly due to the increase in financing deposits.

3.1.2 Cash and cash equivalents

As at 30 June 2020, the Group had cash and cash equivalents of RMB2,833.4 million, representing a decrease of RMB552.4 million or 16.3% as compared to the end of the previous year, accounting for 4.8% of the total assets. The balance of cash and cash equivalents will be gradually applied in accordance with the Group's business plan.

3.1.3 Loans and accounts receivables

As at 30 June 2020, the balance of the Group's loans and accounts receivables was RMB50,551.9 million, representing an increase of RMB1,020.2 million or 2.1% as compared to the end of the previous year. The net interest-earning assets was RMB49,878.6 million, accounting for 98.7% of the loans and accounts receivables; and net accounts receivables was RMB672.9 million, accounting for 1.3% of the loans and accounts receivables.

3.1.3.1 Interest-earning assets

In the first half of 2020, given the continuing downward trend in China's macro-economic environment as affected by the COVID-19 epidemic, the Group strengthened its risk management and control in a prudent manner, and expanded the lease business with cautious while ensuring asset security. As at 30 June 2020, the Group's net interest-earning assets was RMB49,878.6 million, representing an increase of RMB978.3 million or 2.0% as compared to the end of the previous year.

Net interest-earning assets by industry

In the first half of 2020, the Group continued to lay emphasis on adjustment to interest-earning assets structure and risk prevention and control, and on the basis of effective control of risks, actively explored finance lease business in new sectors.

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

	30 June 2020		31 December 2019		
	<i>RMB'000</i>	% of total	<i>RMB'000</i>	% of total	Change %
	(Unaudited)		(Audited)		
Healthcare	32,974,122	64.8%	34,629,870	69.6%	-4.8%
Others	17,895,453	35.2%	15,155,769	30.4%	18.1%
Net interest-earning assets	50,869,575	100.0%	49,785,639	100.0%	2.2%
Less: Provision for asset impairment	(991,008)		(885,375)		11.9%
Net value of interest-earning assets	49,878,567		48,900,264		2.0%

The maturity profile of the net interest-earning assets

The Group formulated reasonable business investment strategies according to the strategic plan so as to ensure sustainable and steady cash inflow. As at 30 June 2020, the distribution of maturity of the Group's net interest-earning assets was relatively balanced.

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

	30 June 2020		31 December 2019		
	<i>RMB'000</i>	% of total	<i>RMB'000</i>	% of total	Change %
	(Unaudited)		(Audited)		
Within 1 year	18,273,208	35.9%	15,878,622	31.9%	15.1%
1-2 years	13,557,597	26.6%	13,096,221	26.3%	3.5%
2-3 years	10,102,245	19.9%	10,364,095	20.8%	-2.5%
Over 3 years	8,936,525	17.6%	10,446,701	21.0%	-14.5%
Net interest-earning assets	50,869,575	100.0%	49,785,639	100.0%	2.2%

Quality of interest-earning assets

The Group has been implementing robust asset management policies and continuously adopting stringent and prudent asset classification policies. As at 30 June 2020, the Group had non-performing assets of RMB496.3 million, representing an increase of RMB50.2 million as compared to 31 December 2019. The Group continuously improved its risk management system, adopted effective risk prevention measures and increased the effort in the collection of non-performing assets. As at 30 June 2020, the Group's non-performing assets ratio was 0.98%.

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

	30 June 2020		31 December 2019		Change %
	<i>RMB'000</i> (Unaudited)	% of total	<i>RMB'000</i> (Audited)	% of total	
Pass	40,885,718	80.37%	40,200,852	80.75%	1.7%
Special attention	9,487,568	18.65%	9,138,659	18.35%	3.8%
Substandard	454,603	0.90%	404,442	0.82%	12.4%
Doubtful	–	0.00%	–	0.00%	0.0%
Loss	41,686	0.08%	41,686	0.08%	0.0%
Net interest-earning assets	50,869,575	100.00%	49,785,639	100.00%	2.2%
Non-performing assets ⁽¹⁾	496,289		446,128		11.2%
Non-performing assets ratio ⁽²⁾	<u>0.98%</u>		<u>0.90%</u>		

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

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

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

Ratio of overdue interest-earning assets

In the first half of 2020, the Group implemented prudent risk control and asset management policy and continued improving the risk management system. However, certain clients were affected by the epidemic, resulting in unsatisfied operation performance and temporarily tightened cashflow. As at 30 June 2020, the overdue ratio (over 30 days) was 0.92%, increased by 0.08 percentage point as compared to 0.84% at the end of the previous year.

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

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Overdue ratio (over 30 days) ⁽¹⁾	<u>0.92%</u>	<u>0.84%</u>

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

Provision for impairment of interest-earning assets

As at 30 June 2020, the Group's provision coverage ratio was 199.68%, representing an increase of 1.22 percentage points as compared to the end of the previous year. With the expansion of its business, the Group's management believes that it is imperative to take prudent measures to protect the Group against systematic risks and move towards the international standards and practices. As such, the Group maintained its asset provision coverage ratio at an appropriate level. During the reporting period, the Group's loss assets were RMB41.7 million. Despite the Group's effort in collection through judicial means, those assets available for enforcement were unable to cover risk exposure. The Group will continue to take various ways to recover the leased assets to the maximum extent.

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

	As at 30 June 2020			Total
	Stage 1 (12-month expected credit loss) RMB'000 (Unaudited)	Stage 2 (Lifetime expected credit loss) RMB'000 (Unaudited)	Stage 3 (Lifetime expected credit loss-impaired) RMB'000 (Unaudited)	
Net interest-earning assets	41,014,976	9,358,310	496,289	50,869,575
Provision for impairment of interest-earning assets	(461,407)	(341,513)	(188,088)	(991,008)
Interest-earning assets, net	<u>40,553,569</u>	<u>9,016,797</u>	<u>308,201</u>	<u>49,878,567</u>
	As at 31 December 2019			Total
	Stage 1 (12-month expected credit loss) RMB'000 (Audited)	Stage 2 (Lifetime expected credit loss) RMB'000 (Audited)	Stage 3 (Lifetime expected credit loss-impaired) RMB'000 (Audited)	
Net interest-earning assets	40,200,852	9,138,659	446,128	49,785,639
Provision for impairment of interest-earning assets	(403,611)	(303,539)	(178,225)	(885,375)
Interest-earning assets, net	<u>39,797,241</u>	<u>8,835,120</u>	<u>267,903</u>	<u>48,900,264</u>

3.1.3.2 Accounts receivables

As at 30 June 2020, the Group's net accounts receivables was RMB672.9 million, representing an increase of RMB41.4 million or 6.6% as compared to the end of the previous year. The increase of accounts receivables was mainly due to the increase of receivables of medical institutions consolidated by the Group in the first half of the year.

3.1.4 Other assets

As at 30 June 2020, the Group's balance of inventory was RMB191.1 million, representing an increase of RMB34.3 million as compared to the beginning of the year, which was mainly due to the increase of balance of inventory from medical institutions consolidated by the Group in the first half of the year.

As at 30 June 2020, the Group's balance of right-of-use assets was RMB721.7 million, of which, right-of-use assets recognized in office lease was RMB99.7 million, representing an increase of RMB31.7 million as compared to the beginning of the year, and such increase was mainly due to the land use right of RMB53.9 million from medical institutions consolidated by the Group in the first half of the year.

As at 30 June 2020, the Group's balance of property, plant and equipment was RMB2,178.3 million, representing an increase of RMB55.7 million as compared to the beginning of the year, which was mainly due to the increase of balance of property, plant and equipment from medical institutions consolidated by the Group in the first half of the year.

As at 30 June 2020, the Group's balance of prepayments, deposits and other receivables was RMB372.7 million, representing an increase of RMB40.3 million as compared to the beginning of the year, which were mainly due to the increase of prepayments from medical institutions consolidated by the Group in the first half of the year.

As at 30 June 2020, the balance of the Group's investment in joint venture was RMB449.7 million, which was the investment in Sichuan Huankang Hospital Management Company Limited (四川環康醫院管理公司); the balance of investment in associates was RMB3.8 million, which was investment in the associates under Ansteel General Hospital.

As at 30 June 2020, the Group's balance of goodwill was RMB69.9 million, which maintained at the same level as compared to the beginning of the year, which included goodwill of RMB58.9 million arising from the acquisition of XD Hospital, goodwill of RMB0.8 million arising from the acquisition of Ansteel General Hospital and goodwill of RMB1.0 million arising from the acquisition of Xianyang Caihong Hospital.

As at 30 June 2020, the Group's balance of other assets was RMB56.2 million, representing an increase of RMB11.6 million, which was mainly due to the increase of the balance of intangible assets from update and upgrade of software systems by the Group in the first half of the year.

3.2 Overview of Liabilities

As at 30 June 2020, the Group's total liabilities amounted to RMB45,203.1 million, representing an increase of RMB797.8 million, or 1.8%, as compared to the end of the previous year. In particular, the balance of interest-bearing bank and other borrowings amounted to RMB39,032.0 million, representing an increase of RMB1,029.2 million, or 2.7%, as compared to the end of the previous year, accounting for 86.3% of the total liabilities; the balance of other payables and accruals amounted to RMB5,372.0 million, representing an increase of RMB398.6 million, or 8.0%, as compared to the end of the previous year, accounting for 11.9% of the total liabilities.

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

	30 June 2020		31 December 2019		
	RMB'000	% of total	RMB'000	% of total	Change %
	(Unaudited)		(Audited)		
Interest-bearing bank and other borrowings	39,032,040	86.3%	38,002,843	85.6%	2.7%
Trade payables	614,230	1.4%	1,289,436	2.9%	-52.4%
Other payables and accruals	5,372,017	11.9%	4,973,387	11.2%	8.0%
Derivative financial instruments	70,095	0.2%	65,549	0.1%	6.9%
Tax payable	114,752	0.2%	74,119	0.2%	54.8%
Total	<u>45,203,134</u>	<u>100.0%</u>	<u>44,405,334</u>	<u>100.0%</u>	<u>1.8%</u>

3.2.1 Interest-bearing bank and other borrowings

In the first half of 2020, under the relatively easy monetary policies as affected by the COVID-19 epidemic, the Group actively explored various channels to ensure low-cost capital as required in business development. In the direct financing market, leveraging on advantage of domestic AAA rating and the market incentive policies, the Group issued batches of bonds at low cost for epidemic prevention and control, and also registered different kinds of bonds including medium-term notes, corporate bonds, super short-term financing bonds and Principal-Protected Note (PPN), so as to reserve sufficient sources of funds. In the domestic bank loan market, the Group has established strategic partnerships with several large state-owned banks, national-wide joint-stock banks and local city commercial banks with strong capacity to further develop financing business both in depth and width. Meanwhile, under the favourable factor of decline of USD financing cost arising from the reduction of interest by Federal Reserve Board (FED), the Group continued to promote overseas financing and actively carried out foreign currency syndicated loans business and bilateral loans business. In the second half of the year, the Group will, according to market condition, actively adjust financing strategies and optimize its debt structure

of diversified financing instruments, decentralize financing areas, diversify financing arrangements, and continue to maintain competitive cost advantages.

The Group's interest-bearing bank and other borrowings is mainly used to provide capital for its finance lease business. As at 30 June 2020, the balance of the Group's interest-bearing bank and other borrowings was RMB39,032.0 million, representing an increase of RMB1,029.2 million or 2.7% as compared to 31 December 2019. 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 (Libor), Hong Kong Interbank Offered Rate and other floating rates.

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

	30 June 2020		31 December 2019		
	<i>RMB'000</i>	% of total	<i>RMB'000</i>	% of total	Change %
	(Unaudited)		(Audited)		
Bank loans	19,660,882	50.4%	18,079,070	47.6%	8.7%
Due to related parties	1,996,501	5.1%	1,993,891	5.2%	0.1%
Bonds	15,145,783	38.8%	14,809,640	39.0%	2.3%
Other loans	2,228,874	5.7%	3,120,242	8.2%	-28.6%
Total	<u>39,032,040</u>	<u>100.0%</u>	<u>38,002,843</u>	<u>100.0%</u>	<u>2.7%</u>

As at 30 June 2020, the balance of the Group's bank loans amounted to RMB19,660.9 million, accounting for 50.4% of the total interest-bearing bank and other borrowings, representing an increase of 2.8 percentage points as compared to 47.6% as at 31 December 2019. In the first half of 2020, both the LPR and the USD Libor continued to decline, which lowered the financing cost of domestic and foreign banks, thus the Group put more effort in cooperation with domestic and foreign banks and the proportion of balance of bank loans increased.

Breakdown of interest-bearing and other borrowings by currency:

	30 June 2020		31 December 2019		
	<i>RMB'000</i>	% of total	<i>RMB'000</i>	% of total	Change %
	(Unaudited)		(Audited)		
RMB	26,852,931	68.8%	26,857,298	70.7%	0.0%
USD	6,813,317	17.5%	6,249,690	16.4%	9.0%
HKD	5,365,792	13.7%	4,895,855	12.9%	9.6%
Total	<u>39,032,040</u>	<u>100.0%</u>	<u>38,002,843</u>	<u>100.0%</u>	<u>2.7%</u>

As at 30 June 2020, the balance of the Group's interest-bearing bank and other borrowings denominated in RMB was RMB26,852.9 million, which accounted for 68.8% of its total interest-bearing bank and other borrowings, representing a decrease of 1.9 percentage points as compared to 70.7% as at 31 December 2019. In the first half of 2020, as the deduction of interest by the FED lowered USD financing cost, the Group put more effort in foreign currency financing, and the proportion of foreign currency financing increased.

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

	30 June 2020		31 December 2019		
	<i>RMB'000</i>	% of total	<i>RMB'000</i>	% of total	Change %
	(Unaudited)		(Audited)		
Domestic	25,752,931	66.0%	25,857,299	68.0%	-0.4%
Overseas	13,279,109	34.0%	12,145,544	32.0%	9.3%
Total	<u>39,032,040</u>	<u>100.0%</u>	<u>38,002,843</u>	<u>100.0%</u>	<u>2.7%</u>

As at 30 June 2020, the Group's domestic financing balance was RMB25,752.9 million, accounting for 66.0% of the total interest-bearing bank and other borrowings, representing a decrease of 2.0 percentage points as compared to 68.0% as at 31 December 2019.

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

	30 June 2020		31 December 2019		
	<i>RMB'000</i>	% of total	<i>RMB'000</i>	% of total	Change %
	(Unaudited)		(Audited)		
Current	14,668,751	37.6%	14,987,079	39.4%	-2.1%
Non-current	24,363,289	62.4%	23,015,764	60.6%	5.9%
Total	<u>39,032,040</u>	<u>100.0%</u>	<u>38,002,843</u>	<u>100.0%</u>	<u>2.7%</u>

As at 30 June 2020, the total balance of the Group's current interest-bearing bank and other borrowings amounted to RMB14,668.8 million, accounting for 37.6% of its total interest-bearing bank and other borrowings, representing a decrease of 1.8 percentage points as compared to 39.4% as at 31 December 2019. In the first half of 2020, on the premise that sufficient liquidity and reasonable debt structure are ensured, the Group actively optimized the maturity structure of liabilities, therefore, the ratio of current liabilities decreased slightly and the overall structure of assets and liabilities was favourable.

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

	30 June 2020		31 December 2019		Change %
	<i>RMB'000</i> (Unaudited)	% of total	<i>RMB'000</i> (Audited)	% of total	
Secured	5,234,405	13.4%	5,492,886	14.5%	-4.7%
Unsecured	33,797,635	86.6%	32,509,957	85.5%	4.0%
Total	<u>39,032,040</u>	<u>100.0%</u>	<u>38,002,843</u>	<u>100.0%</u>	<u>2.7%</u>

As at 30 June 2020, the Group's total secured interest-bearing bank and other borrowings amounted to RMB5,234.4 million, accounting for 13.4% of its total interest-bearing bank and other borrowings, representing a decrease of 1.1 percentage points as compared to 14.5% as at 31 December 2019. The Group's secured assets were mainly finance lease assets. In order to expand financing channels, diversify financing instruments, and on the basis of stably improving the matching of maturity structure of the assets and liabilities, the proportion of the secured interest-bearing liabilities decreased slightly in the first half of the year.

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

	30 June 2020		31 December 2019		Change %
	<i>RMB'000</i> (Unaudited)	% of total	<i>RMB'000</i> (Audited)	% of total	
Direct financing	15,247,930	39.1%	14,809,640	39.0%	3.0%
Indirect financing	23,784,110	60.9%	23,193,203	61.0%	2.5%
Total	<u>39,032,040</u>	<u>100.0%</u>	<u>38,002,843</u>	<u>100.0%</u>	<u>2.7%</u>

As at 30 June 2020, the balance of the direct financing of the Group's interest-bearing bank and other borrowings amounted to RMB15,247.9 million, accounting for 39.1% of its total interest-bearing bank and other borrowings, representing an increase of 0.1 percentage point as compared to 39.0% as at 31 December 2019.

3.2.2 Other payables and accruals

Other payables and accruals primarily comprise the lease deposits paid by customers, the accrued interests on borrowings, as well as the accrued salary and welfare payables. As at 30 June 2020, other payables and accruals amounted to RMB5,372.0 million in total, representing an increase of RMB398.6 million as compared to the end of the previous year, mainly due to increase in lease deposits of the Group and increase in receivables and payables, security deposits and guarantee deposits resulted from the medical institutions consolidated by the Group.

3.3 Shareholders' Equity

As at 30 June 2020, the Group's total equity was RMB13,996.0 million, representing an increase of RMB548.8 million or 4.1% as compared to the end of the previous year, among which the non-controlling interests were RMB2,442.8 million, representing an increase of RMB137.3 million or 6.0% as compared to the end of the previous year, which was mainly due to the increase of non-controlling interests from the newly consolidated medical institutions in the first half of 2020.

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

	30 June 2020		31 December 2019		Change %
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	
Share capital	4,327,842	30.9%	4,327,842	32.2%	0.0%
Reserves	5,523,183	39.5%	5,161,462	38.4%	7.0%
Equity attributable to owners of the parent	9,851,025	70.4%	9,489,304	70.6%	3.8%
Perpetual bonds holders	1,702,187	12.2%	1,652,387	12.3%	3.0%
Non-controlling interests	2,442,831	17.4%	2,305,517	17.1%	6.0%
Total	13,996,043	100.0%	13,447,208	100.0%	4.1%

4. CASH FLOWS ANALYSIS

In the first half of 2020, the Group's net cash inflow from operating activities amounted to RMB614.0 million, representing an increase of inflow of RMB5,220.4 million as compared to that of the corresponding period of the previous year, which was mainly due to the expansion of finance and advisory business and the slowdown of scale increase in interest-earning assets as affected by the COVID-19 epidemic. Net cash outflows from investing activities amounted to RMB17.3 million, representing a decrease of outflow of RMB2,702.5 million as compared to that of the corresponding period of the previous year, primarily due to the decrease in term deposits

of RMB2,758.3 million. Net cash outflow from financing activities amounted to RMB1,145.8 million, representing a decrease of inflow of RMB7,930.2 million as compared to that of the corresponding period of the previous year, primarily due to the decrease in interest-bearing bank and other borrowings as a result of the slowdown of expansion of the Group's finance and advisory business.

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

	For the six months ended 30 June		
	2020	2019	
	RMB'000	RMB'000	Change %
	(Unaudited)	(Unaudited)	
Net cash flows from/(used in) operating activities	613,979	(4,606,433)	-113.3%
Net cash flows used in investing activities	(17,269)	(2,719,733)	-99.4%
Net cash flows (used in)/from financing activities	(1,145,785)	6,784,390	-116.9%
Effect of exchange rate changes on cash and cash equivalents	(3,370)	2,177	-254.8%
Net decrease in cash and cash equivalents	<u>(552,445)</u>	<u>(539,599)</u>	<u>2.4%</u>

5. CAPITAL MANAGEMENT

The primary objective of the Group's capital management activities is to ensure that it maintains healthy capital ratios, so as to support the Group's business and maximize its shareholders' benefits. The Group uses debt ratio and gearing ratio to monitor its capital status. As at 30 June 2020, no change was made to the Group's objectives, policies or processes for capital management.

Debt ratio

	30 June 2020	31 December 2019
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Total assets	59,199,177	57,852,542
Total liabilities	45,203,134	44,405,334
Total equity	13,996,043	13,447,208
Debt ratio	<u>76.36%</u>	<u>76.76%</u>

Gearing ratio

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Interest-bearing bank and other borrowings	39,032,040	38,002,843
Total equity	13,996,043	13,447,208
Gearing ratio	<u>2.79</u>	<u>2.83</u>

As at 30 June 2020, 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 projects and expenditure relating to office facilities. In the first half of 2020, the Group had capital expenditure of RMB186.8 million.

Use of Proceeds from the Initial Public Offering

The shares of the Company were listed on the Main Board of the Stock Exchange on 8 July 2015. On 30 July 2015, after deducting underwriting commissions and all related expenses, the net proceeds from the initial public offering amounted to approximately RMB2,775.5 million. As of 30 June 2020, the Group did not expect to make any change in the proposed use of proceeds set out in the Prospectus.

The Board closely monitored the use of proceeds from the initial public offering with reference to the use of proceeds disclosed in the Prospectus and confirmed that there was no material change in the proposed use of proceeds as previously disclosed in the Prospectus. As of 30 June 2020, RMB1,249.0 million which we planned to use for supporting our finance lease business, RMB277.6 million which we planned to use for funding general corporate purposes, and RMB416.3 million which we planned to use for our hospital operation and management business, out of the net proceeds from the initial public offering of the Group, have been fully utilized according to the usages disclosed in the Prospectus.

In the first half of 2020, the Group utilized RMB26.3 million in development and operation of hospital digitalization business, and RMB15.1 million in development of CVA project solutions and clinical department upgrade services in other new areas.

As of 30 June 2020, the remaining balance of net proceeds of the Group which we planned to use for hospital digitalization business, CVA project solutions and clinical department upgrade services in other new areas was RMB292.3 million and RMB101.9 million, respectively.

The remaining amount of RMB101.9 million for CVA project solutions and clinical department upgrade services in other new areas will be used for further development of CVA project solutions and clinical department upgrade services in other new areas and providing hospital customers with financial support for clinical department upgrade in coming years. The remaining amount of RMB292.3 million for hospital digitalization business will be used in coming years, according to the Company's development strategy and plan, for the development and operation of hospital digitalization business, further recruitments to expand our technology solutions team, continuous development of proprietary information management system for hospitals as well as related marketing activities.

7. RISK MANAGEMENT

The Group's principal financial instruments include loans and accounts 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 loans and accounts 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 finance 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	
	30 June 2020	31 December 2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Change in base points		
+100 base points	81,834	165,379
-100 base points	<u>(81,834)</u>	<u>(165,379)</u>

7.2 Currency Risk

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

The Group conducts its business mainly in RMB, with certain financing activities denominated in USD and other currencies pegged to the USD. The Group's currency risk mainly arises from the transactions denominated in currencies other than RMB. In order to control currency risk, the Group adopted prudent currency risk management strategies which hedges risk exposures one by one under comprehensive risk exposure management. It proactively hedged against foreign exchange exposure based on the currency and terms through using the operation of financial instruments such as forward exchange rate. As of 30 June 2020, the Group's exposure to foreign exchange risk amounted to approximately USD1,551.9 million, USD1,540.3 million or 99.26% of which had been hedged against by various financial instruments. Thus, the Group's exposure to foreign exchange risk is basically covered.

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

	Change in	Increase/decrease in profit before tax	
	exchange rate	30 June	31 December
	%	2020	2019
		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited)
If RMB strengthens against USD/HKD	(1)	907	(299)
If RMB weakens against USD/HKD	<u>1</u>	<u>(907)</u>	<u>299</u>

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

7.3 Credit Risk

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

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

Classification criteria

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

Special Mention. Even though the lessee has been able to pay the lease payments in a timely manner, there are still some factors that could adversely affect its ability to pay. These factors include changes in economy, policies and regulations and industry environment, changes in property structures, significant negative events and significant fall in key financial indicators occurred to 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 interest-earning assets for this lease contract should be classified as special mention or lower.

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

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

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

Asset management measures

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

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

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

On-site customer visits

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

Material events handling and reporting procedures

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

Regular assessments on asset quality and update on reclassification

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

Credit Risk Analysis

Analysis on the industry concentration of interest-earning assets

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

	30 June 2020		31 December 2019	
	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>
	<i>(Unaudited)</i>		<i>(Audited)</i>	
Healthcare	32,974,122	64.8%	34,629,870	69.6%
Others	17,895,453	35.2%	15,155,769	30.4%
Total	<u>50,869,575</u>	<u>100.0%</u>	<u>49,785,639</u>	<u>100.0%</u>

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 mainly arises from loans and accounts receivables, deposits and other receivables. The analysis of financial assets which are neither past due nor impaired is as follows:

	30 June	31 December
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Net interest-earning assets	49,505,006	48,857,612
Accounts receivables	672,871	631,474
Deposits and other receivables	131,827	249,983
Derivative financial assets	<u>399,451</u>	<u>220,265</u>

7.4 Liquidity Risk

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

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

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

	On demand	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	<i>RMB'000</i>					
	<i>30 June 2020</i>					
	<i>(Unaudited)</i>					
Total financial assets	3,173,366	6,228,577	16,866,909	37,026,311	33,397	63,328,560
Total financial liabilities	(1,516,689)	(4,633,023)	(12,440,889)	(28,385,768)	(12,809)	(46,989,178)
Net liquidity gap ⁽¹⁾	<u>1,656,677</u>	<u>1,595,554</u>	<u>4,426,020</u>	<u>8,640,543</u>	<u>20,588</u>	<u>16,339,382</u>
	<i>31 December 2019</i>					
	<i>(Audited)</i>					
Total financial assets	3,655,877	5,792,264	14,543,548	38,657,506	104,163	62,753,358
Total financial liabilities	(496,991)	(6,327,831)	(12,603,141)	(27,164,976)	(21,645)	(46,614,584)
Net liquidity gap ⁽¹⁾	<u>3,158,886</u>	<u>(535,567)</u>	<u>1,940,407</u>	<u>11,492,530</u>	<u>82,518</u>	<u>16,138,774</u>

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

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

8. PLEDGE OF GROUP ASSETS

As at 30 June 2020, the Group had interest-earning assets of RMB5,696.8 million and cash of RMB759.4 million pledged or paid to banks to secure the bank borrowings.

9. MATERIAL INVESTMENTS, ACQUISITIONS AND DISPOSALS

On 28 February 2020, the Group and its wholly-owned subsidiary, Hospital Investment Co., Ltd. entered into a cooperation agreement with No.206 Research Institute of China Ordnance Industries (中國兵器工業第二〇六研究所) (“**No.206 Research Institute**”). The parties agreed to jointly establish a joint venture (“**206 Joint Venture**”) with cash of RMB19,776,000 contributed by Hospital Investment Co., Ltd. and the net assets of hospitals contributed by No.206 Research Institute. Pursuant to the cooperation agreement, the 206 Joint Venture, upon its establishment, will be held as to 51% and 49% by Hospital Investment Co., Ltd. and No.206 Research Institute, respectively.

On 31 March 2020, Hospital Investment Co., Ltd. entered into a capital increase agreement with CR State Asset. Both parties agreed to jointly increase the capital of Genertec CR (Beijing) Hospital Management Co., Ltd. (通用中鐵(北京)醫院管理有限公司) (“**CR Joint Venture**”) with cash of approximately RMB225,250,000 contributed by Hospital Investment Co., Ltd. and the net assets of hospitals contributed by CR State Asset. Pursuant to the capital increase agreement, the CR Joint Venture, upon completion of the capital increase, will be held as to 51% and 49% by Hospital Investment Co., Ltd. and CR State Asset, respectively.

On 31 May 2020, Hospital Investment Co., Ltd. entered into a capital increase agreement with the Minmetals Investors, Minmetals Innovation Investment Company Limited (五礦創新投資有限公司, “**Minmetals Innovation Investment**”), CITIC Capital Equity Investment (Tianjin) Corporation Limited (中信資本股權投資(天津)股份有限公司, “**CITIC Capital (Tianjin)**”). The parties agreed to jointly increase the capital of Genertec Minmetals Hospital Management (Beijing) Company Limited (通用五礦醫院管理(北京)有限公司) (“**Minmetals Joint Venture**”) with cash of RMB385,020,000 contributed by Genertec Universal, assets of hospitals contributed by the Minmetals Investors, cash of RMB41,850,000 by Minmetals Innovation Investment and cash of RMB83,700,000 by CITIC Capital (Tianjin). Pursuant to the capital increase agreement, the Minmetals Joint Venture, upon completion of the capital increase, will be held by Hospital Investment Co., Ltd., the Minmetals Investors, Minmetals Innovation Investment and CITIC Capital (Tianjin) as to 46%, 39%, 5% and 10%, respectively.

There were no significant investments held, nor were there any material disposals of subsidiaries during the six months ended 30 June 2020.

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

10.1 Contingent Liabilities

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Legal proceedings	—	—
Claimed amounts	<u>—</u>	<u>—</u>

10.2 Capital Commitments and Credit Commitments

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Capital expenditure under signed contracts but not appropriated ⁽¹⁾	55,948	41,158
Credit commitments ⁽²⁾	<u>987,722</u>	<u>1,411,699</u>

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

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

11. HUMAN RESOURCES

As of 30 June 2020, we had a total of 12,783 employees, representing an increase of 4,022 or 45.9%, compared to 8,761 employees as of 31 December 2019, which is mainly due to transfer of employees from consolidated medical institutions.

We have a highly-educated and high-quality work force, with about 52.3% of our employees holding bachelor's degrees and above, about 7.8% holding master's degrees and above, about 37.1% with intermediate title and above, and about 14.3% with senior vice title and above as of 30 June 2020.

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

In accordance with applicable PRC regulations, we have made contributions to social security insurance funds (including pension insurance, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for our employees. We also provide other insurance plans for eligible employees such as supplementary pension, additional medical insurance and accident insurance in addition to those required under the PRC regulations. For the six months ended 30 June 2020, the Group complied with all statutory social insurance and housing fund obligations applicable to us under the PRC laws in all material respects.

DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 June 2020.

CORPORATE GOVERNANCE CODE

During the period from 1 January 2020 to 30 June 2020, the Company has complied with all code provisions as set out in the CG Code save for the deviation from code provision A.4.2.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Having made specific enquiry to all the Directors, all of them confirmed that they have complied with the Model Code and the Securities Dealing Code throughout the period from 1 January 2020 to the date of this announcement.

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

REVIEW OF FINANCIAL INFORMATION

The Company has established the Audit Committee in compliance with Rule 3.21 of the Listing Rules. It comprises three members, namely Mr. Li Yinquan (chairman), Mr. Liu Xiaoping and Mr. Chow Siu Lui.

The Audit Committee has discussed with the management and the external auditor and reviewed the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2020 and this announcement.

In addition, Ernst & Young, the external auditor of the Company, has independently reviewed the interim condensed consolidated financial statements of the Group for the six months ended 30 June 2020 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

DISCLOSURE UNDER SECTION 436 OF THE COMPANIES ORDINANCE

The financial information relating to the year ended 31 December 2019 that is included in these unaudited condensed interim consolidated financial statements for the six months ended 30 June 2020 as comparative information does not constitute the statutory annual consolidated financial statements of the Company for that year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2019 to the Registrar of Companies as required under section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has submitted a report on the consolidated financial statements for the year ended 31 December 2019. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2020.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.universalsm.com, respectively. The interim report of the Company for the six months ended 30 June 2020 containing all the information required under the Listing Rules will be despatched to the shareholders of the Company and published on the above-mentioned websites in due course.

DEFINITION

“Ansteel General Hospital”	Ansteel Group General Hospital (鞍鋼集團公司總醫院), a leading Grade III Class A general hospital in Anshan City, Liaoning Province, the PRC
“Articles”	the Company’s articles of association
“Audit Committee”	the audit committee of the Board
“Board” or “Board of Directors”	the board of directors of the Company
“CG Code”	the “Corporate Governance Code” contained in Appendix 14 to the Listing Rules
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong, which has become effective from 3 March 2014), as amended, supplemented or otherwise modified from time to time
“Company” or “Universal Medical”	Genertec Universal Medical Group Company Limited (通用環球醫療集團有限公司) (formerly known as Universal Medical Financial & Technical Advisory Services Company Limited (環球醫療金融與技術諮詢服務有限公司), Universal Medical Services & Health Management Company Limited (環球醫療服務有限公司) and Universal International Leasing Co., Limited (環球國際租賃有限公司)), a company incorporated with limited liability under the laws of Hong Kong on 19 April 2012
“CR State Asset”	China Railway State Asset Management Co., Ltd. (中鐵國資資產管理有限公司)
“CVA”	cerebral vascular accident
“Director(s)”	the director(s) of the Company
“Group”, “we” or “us”	the Company and its subsidiaries
“HKD” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hospital Investment Co., Ltd.”	Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd. (通用環球醫院投資管理(天津)有限公司), previously known as Wiseman Hospital Investment Management (Tianjin) Co., Ltd. (融慧濟民醫院投資管理(天津)有限公司), a wholly-owned subsidiary of the Company established in the PRC in 2015
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
“Minmetals Investors”	Minmetals Assets Management Company Limited, China MCC 5 Group Co., Ltd. (中國五冶集團有限公司), China MCC 19 Group Co., Ltd. (中國十九冶集團有限公司), China MCC 17 Group Co., Ltd. (中國十七冶集團有限公司) and Minmetals (Handan) Real Estate Management Company Limited (五礦(邯鄲)房產管理有限公司)
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
“PRC” or “China”	The People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan
“Prospectus”	the prospectus issued by the Company on 24 June 2015
“RMB”	Renminbi, the lawful currency of the PRC
“Securities Dealing Code”	the Company’s own code of conduct regarding directors’ and employees’ dealings in the Company’s securities
“Share(s)”	ordinary share(s) in the share capital of the Company
“SOE”	State-owned enterprise

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“USD”	United States dollars, the lawful currency of the United States
“XD Hospital”	Xi’an XD Group Hospital (西電集團醫院), a leading Grade III Class A general hospital in Xi’an City, Shaanxi Province, the PRC

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, 26 August 2020

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. Han Demin and Mr. Liao Xinbo.