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**GENERTEC UNIVERSAL MEDICAL GROUP
COMPANY LIMITED**

通用環球醫療集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 2666)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

FINANCIAL HIGHLIGHTS

- For the year ended 31 December 2022, the revenue amounted to approximately RMB11,912.1 million, representing an increase of 20.2% as compared with that of approximately RMB9,914.3 million for 2021, among which, the hospital group business recorded a revenue of approximately RMB6,211.2 million, up by 34.8% as compared to 2021, with its proportion to the total revenue increased to 52.1%.
- For the year ended 31 December 2022, the profit for the year amounted to approximately RMB2,087.5 million, representing an increase of 2.8% as compared with that of approximately RMB2,030.5 million for 2021, among which, the contribution from the hospital group business amounted to approximately RMB378.3 million, up by 48.0% as compared to 2021.
- For the year ended 31 December 2022, the profit for the year attributable to owners of the parent amounted to approximately RMB1,890.0 million, representing an increase of 3.0% as compared with that of approximately RMB1,835.2 million for 2021.
- As at 31 December 2022, the total assets amounted to approximately RMB76,870.8 million, representing an increase of 10.0% as compared with that of approximately RMB69,899.8 million as at 31 December 2021.
- As at 31 December 2022, the equity attributable to owners of the parent amounted to approximately RMB13,970.1 million, representing an increase of 6.6% as compared with that of approximately RMB13,104.0 million as at 31 December 2021.
- For the year ended 31 December 2022, the return on equity was 13.96%, and the return on total assets was 2.84%.

The Board is pleased to announce that the audited consolidated annual results of the Company and its subsidiaries for the year ended 31 December 2022 with the comparative figures for the year ended 31 December 2021 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
REVENUE	5	11,912,140	9,914,273
Cost of sales		<u>(7,426,151)</u>	<u>(5,714,834)</u>
Gross profit		4,485,989	4,199,439
Other income and gains	5	442,722	313,782
Selling and distribution costs		(441,603)	(462,005)
Administrative expenses		(899,168)	(739,754)
Impairment losses on financial assets, net		(311,012)	(318,235)
Loss on derecognition of financial assets measured at amortised cost		(1,154)	(942)
Other expenses		(549,631)	(285,210)
Finance costs		(35,319)	(29,132)
Share of profits of:			
A joint venture		13,450	13,673
Associates		12	192
PROFIT BEFORE TAX	6	2,704,286	2,691,808
Income tax expense	9	<u>(616,759)</u>	<u>(661,339)</u>
PROFIT FOR THE YEAR		<u>2,087,527</u>	<u>2,030,469</u>
Attributable to:			
Owners of the parent		1,890,012	1,835,233
Non-controlling interests		126,112	82,739
Other equity instruments		71,403	112,497
		<u>2,087,527</u>	<u>2,030,469</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	<i>11</i>		
Basic (<i>expressed in RMB per share</i>)		<u>1.00</u>	<u>0.99</u>
Diluted (<i>expressed in RMB per share</i>)		<u>0.93</u>	<u>0.91</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
PROFIT FOR THE YEAR		<u>2,087,527</u>	<u>2,030,469</u>
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss 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 year	18	417,262	88,433
Reclassification adjustments for gains included in the consolidated statement of profit or loss		(973,972)	(174,783)
Income tax effect		<u>105,134</u>	<u>28,682</u>
		(451,576)	(57,668)
Exchange differences on translation of foreign operations		<u>5,092</u>	<u>(1,632)</u>
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods		<u>(446,484)</u>	<u>(59,300)</u>
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:			
Actuarial gains/(losses) on the post-retirement benefit obligations, net of tax	28	<u>1,371</u>	<u>(4,842)</u>
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods		<u>1,371</u>	<u>(4,842)</u>
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		<u>(445,113)</u>	<u>(64,142)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>1,642,414</u>	<u>1,966,327</u>
Attributable to:			
Owners of the parent		1,444,229	1,773,456
Non-controlling interests		126,782	80,374
Other equity instruments		<u>71,403</u>	<u>112,497</u>
		<u>1,642,414</u>	<u>1,966,327</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	<i>12</i>	3,780,646	2,523,269
Right-of-use assets	<i>13(a)</i>	1,154,545	794,652
Loans and accounts receivables	<i>20</i>	41,404,185	39,518,628
Prepayments, other receivables and other assets	<i>21</i>	654,520	507,316
Goodwill	<i>14</i>	102,253	102,253
Deferred tax assets	<i>27</i>	743,021	561,184
Financial assets at fair value through profit or loss	<i>17</i>	245,987	366,470
Derivative financial instruments	<i>18</i>	100,544	6,915
Investment in a joint venture	<i>15</i>	486,195	476,015
Investment in associates	<i>16</i>	28,769	4,284
Other intangible assets		79,173	46,183
Total non-current assets		<u>48,779,838</u>	<u>44,907,169</u>
CURRENT ASSETS			
Inventories	<i>19</i>	375,728	265,427
Loans and accounts receivables	<i>20</i>	23,457,292	21,046,689
Prepayments, other receivables and other assets	<i>21</i>	668,574	383,576
Derivative financial instruments	<i>18</i>	131,610	–
Restricted deposits	<i>22</i>	778,303	954,862
Cash and cash equivalents	<i>22</i>	2,679,426	2,342,078
Total current assets		<u>28,090,933</u>	<u>24,992,632</u>
CURRENT LIABILITIES			
Trade and bills payables	<i>23</i>	2,247,218	1,111,983
Other payables and accruals	<i>24</i>	3,206,851	2,417,318
Interest-bearing bank and other borrowings	<i>25</i>	20,802,790	14,745,821
Derivative financial instruments	<i>18</i>	37,494	346,569
Tax payable		84,006	109,608
Total current liabilities	<i>2</i>	<u>26,378,359</u>	<u>18,731,299</u>
NET CURRENT ASSETS		<u>1,712,574</u>	<u>6,261,333</u>

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>50,492,412</u>	<u>51,168,502</u>
NON-CURRENT LIABILITIES			
Convertible bonds – host debts	26	982,982	882,689
Interest-bearing bank and other borrowings	25	25,125,611	28,544,061
Other payables and accruals	24	4,316,530	3,653,649
Other non-current liabilities	34	280,968	257,200
Derivative financial instruments	18	<u>83,308</u>	<u>207,648</u>
Total non-current liabilities		<u>30,789,399</u>	<u>33,545,247</u>
Net assets		<u>19,703,013</u>	<u>17,623,255</u>
EQUITY			
Equity attributable to the owners of the parent			
Share capital	29	5,297,254	5,297,254
Equity component of convertible bonds	26	75,486	75,486
Reserves	30	<u>8,597,375</u>	<u>7,731,249</u>
		<u>13,970,115</u>	<u>13,103,989</u>
Other equity instruments	36	1,660,414	1,661,840
Non-controlling interests		<u>4,072,484</u>	<u>2,857,426</u>
Total equity		<u>19,703,013</u>	<u>17,623,255</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

	Equity attributable to the owners of the parent													
	Share capital	Equity convertible bonds	Capital reserve*	Statutory reserve*	Share-based compensation reserve*	General and regulatory reserves*	Exchange fluctuation reserve*	Hedge reserve*	Post-retirement benefit reserve*	Retained profits*	Total	Other equity instruments	Non-controlling interests	Total equity
	RMB'000	RMB'000	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 29)	(Note 26)	(Note 30)	(Note 30)	(Note 30)	(Note 30)	(Note 30)	(Note 30)	(Note 30)	(Note 30)	(Note 30)	(Note 36)	(Note 36)	(Note 36)
At 1 January 2022	5,297,254	75,486	27,078	1,059,986	11,596	757,880	27,616	(34,578)	(5,709)	5,887,380	13,103,989	1,661,840	2,857,426	17,623,255
Profit for the year	-	-	-	-	-	-	-	-	-	1,890,012	1,890,012	71,403	126,112	2,087,527
Other comprehensive loss for the year:														
Cash flow hedges, net of tax	-	-	-	-	-	-	-	(451,576)	-	-	(451,576)	-	-	(451,576)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	5,092	-	-	-	5,092	-	-	5,092
Actuarial gains on the post-retirement benefit obligations, net of tax	-	-	-	-	-	-	-	-	701	-	701	-	670	1,371
Total comprehensive income for the year	-	-	-	-	-	-	5,092	(451,576)	701	1,890,012	1,444,229	71,403	126,782	1,642,414
Issue of renewable corporate bonds (Note 36)	-	-	-	-	-	-	-	-	-	-	-	480,000	-	480,000
Redemption of renewable corporate bonds (Note 36)	-	-	-	-	-	-	-	-	-	-	-	(480,000)	-	(480,000)
Acquisition of subsidiaries (Note 32)	-	-	-	-	-	-	-	-	-	-	-	-	1,090,280	1,090,280
Acquisition of non-controlling interests	-	-	(33)	-	-	-	-	-	-	-	(33)	-	(55)	(88)
Distribution paid to holders of renewable corporate bonds	-	-	-	-	-	-	-	-	-	-	-	(72,829)	-	(72,829)
Dividends	-	-	-	-	-	-	-	-	-	(578,512)	(578,512)	-	(1,949)	(580,461)
Recognition of equity-settled share-based payments	-	-	-	-	442	-	-	-	-	-	442	-	-	442
Appropriation of statutory reserve	-	-	-	193,398	-	-	-	-	-	(193,398)	-	-	-	-
Appropriation of general and regulatory reserves	-	-	-	-	-	49,829	-	-	-	(49,829)	-	-	-	-
At 31 December 2022	5,297,254	75,486	27,045	1,253,384	12,038	807,709	32,708	(486,154)	(5,008)	6,955,653	13,970,115	1,660,414	4,072,484	19,703,013

* These reserve accounts comprise the consolidated reserves of RMB8,597,375,000 (2021: RMB7,731,249,000) in the consolidated statement of financial position.

Equity attributable to the owners of the parent

	Share capital	Equity component of convertible bonds	Capital reserve	Statutory reserve	Share-based compensation reserve	General and regulatory reserves	Exchange fluctuation reserve	Hedge reserve	Post-retirement benefit reserve	Retained profits	Total	Other equity instruments	Non-controlling interests	Total equity
	RMB'000	RMB'000	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 29)	(Note 26)	(Note 30)	(Note 30)	(Note 30)	(Note 30)	(Note 30)					(Note 36)		
At 1 January 2021	4,327,842	-	34,774	870,192	5,798	-	29,248	23,090	(3,232)	5,482,802	10,770,514	1,652,387	2,542,434	14,965,335
Profit for the year	-	-	-	-	-	-	-	-	-	1,835,233	1,835,233	112,497	82,739	2,030,469
Other comprehensive loss for the year:														
Cash flow hedges, net of tax	-	-	-	-	-	-	-	(57,668)	-	-	(57,668)	-	-	(57,668)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(1,632)	-	-	-	(1,632)	-	-	(1,632)
Actuarial losses on the post-retirement benefit obligations, net of tax	-	-	-	-	-	-	-	-	(2,477)	-	(2,477)	-	(2,365)	(4,842)
Total comprehensive income for the year	-	-	-	-	-	-	(1,632)	(57,668)	(2,477)	1,835,233	1,773,456	112,497	80,374	1,966,327
Issue of shares	969,412	-	-	-	-	-	-	-	-	-	969,412	-	-	969,412
Issue of convertible bonds	-	75,486	-	-	-	-	-	-	-	-	75,486	-	-	75,486
Issue of renewable corporate bonds	-	-	-	-	-	-	-	-	-	-	-	1,643,300	-	1,643,300
Redemption of renewable corporate bonds	-	-	(7,696)	-	-	-	-	-	-	-	(7,696)	(1,652,304)	-	(1,660,000)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	234,618	234,618
Distribution paid to holders of renewable corporate bonds	-	-	-	-	-	-	-	-	-	-	-	(94,040)	-	(94,040)
Dividends	-	-	-	-	-	-	-	-	-	(482,981)	(482,981)	-	-	(482,981)
Recognition of equity-settled share-based payments	-	-	-	-	5,798	-	-	-	-	-	5,798	-	-	5,798
Appropriation of statutory reserve	-	-	-	189,794	-	-	-	-	-	(189,794)	-	-	-	-
Appropriation of general and regulatory reserves	-	-	-	-	-	757,880	-	-	-	(757,880)	-	-	-	-
At 31 December 2021	5,297,254	75,486	27,078	1,059,986	11,596	757,880	27,616	(34,578)	(5,709)	5,887,380	13,103,989	1,661,840	2,857,426	17,623,255

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		<u>2,704,286</u>	<u>2,691,808</u>
Adjustments for:			
Finance costs and interest expense		2,033,945	1,720,709
Interest income	5	(44,368)	(45,765)
Share of profits of a joint venture and associates		(13,462)	(13,865)
Derivative financial instruments – transactions not qualifying as hedges:			
Unrealised fair value (gains)/losses, net	6	(6,389)	241,377
Realised fair value (gains)/losses, net	6	(122,176)	24,682
Depreciation of property, plant and equipment	6	357,254	259,437
Depreciation of right-of-use assets	6	56,661	43,220
Loss on disposal of property, plant and equipment, net	6	5,675	4,737
Amortisation of intangible assets		24,436	16,807
Impairment of loans and accounts receivables and other receivables	6	311,012	318,235
Equity-settled share-based compensation expense	6	442	5,798
Foreign exchange losses/(gains), net	6	533,962	(30,609)
Interest income from continuing involvement in transferred assets	5	(29,595)	(10,931)
Gain on unlisted debt investments, at fair value	5	(12,810)	(7,842)
Fair value losses/(gains) from financial assets at fair value through profit or loss		483	(1,470)
Gain on bargain purchase	5	(950)	–
		<u>5,798,406</u>	<u>5,216,328</u>
Increase in inventories		(51,716)	(52,312)
Increase in loans and accounts receivables		(4,506,748)	(6,649,032)
Increase in prepayments, other receivables and other assets		(209,290)	(206,331)
Increase in amounts due from related parties		(4,043)	(147)
Increase in trade and bills payables		626,851	171,104
Increase in other payables and accruals		1,013,252	781,381
Increase/(decrease) in amounts due to related parties		<u>27,483</u>	<u>(1,409)</u>
Net cash flows from/(used in) operating activities before interest and tax		2,694,195	(740,418)
Interest received		68,785	49,541
Income tax paid		<u>(705,784)</u>	<u>(709,693)</u>
Net cash flows from/(used in) operating activities		<u>2,057,196</u>	<u>(1,400,570)</u>

	2022	2021
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
CASH FLOWS FROM INVESTING ACTIVITIES		
Realised losses on derivative financial instruments not qualifying as hedges	(112,828)	(37,600)
Realised gains on financial assets at fair value through profit or loss	12,810	7,842
Cash paid for acquisition of property, plant and equipment, intangible assets and other long term assets	(608,091)	(385,066)
Proceeds from disposal of items of property, plant and equipment	271	145
Acquisition of subsidiaries	421,853	47,473
Dividends received from an associate	98	123
Dividends received from a joint venture	3,270	–
Decrease in time deposits	23,000	74,500
Increase in amounts due from a related party	–	(15,000)
Other receipt of investments	35,307	14,511
Purchase of financial assets at fair value through profit or loss	–	(500,000)
Proceeds from disposal of financial assets at fair value through profit or loss	120,000	135,000
Addition to a joint venture	–	(6,450)
Addition to an associate	(24,571)	–
Net cash flows used in investing activities	(128,881)	(664,522)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of renewable corporate bonds	480,000	1,643,300
Proceeds from issue of convertible bonds	–	966,173
Proceeds from issue of shares	–	969,412
Redemption of renewable corporate bonds	(480,000)	(1,660,000)
Increase in amounts due to related parties	2,440,069	4,379,332
Decrease in amounts due to related parties	(840,631)	(6,035,021)
Acquisition of non-controlling interest	(88)	–
Cash received from borrowings	30,555,791	28,621,382
Repayments of borrowings	(30,201,823)	(23,580,303)
Principal portion of lease payments	(1,127,872)	(314,957)
Interest paid	(1,980,460)	(1,686,284)
Decrease/(increase) in restricted deposits	161,599	(363,385)
Dividends paid	(580,461)	(482,981)
Other cash receipts relating to financing activities	530,820	455,653
Other cash payments relating to financing activities	(522,663)	(520,543)
Net cash (used in)/flows from financing activities	(1,565,719)	2,391,778

	<i>Notes</i>	2022 RMB'000	2021 RMB'000
NET INCREASE IN CASH AND CASH EQUIVALENTS			
		362,596	326,686
Cash and cash equivalents at beginning of year		2,342,078	2,036,535
Effect of exchange rate changes on cash and cash equivalents		<u>(25,248)</u>	<u>(21,143)</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>2,679,426</u>	<u>2,342,078</u>
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		3,307,729	3,123,940
Less: Restricted deposits		<u>(628,303)</u>	<u>(781,862)</u>
Cash and cash equivalents as stated in the statement of financial position	22	<u>2,679,426</u>	<u>2,342,078</u>
Cash and cash equivalents as stated in the statement of cash flows		<u>2,679,426</u>	<u>2,342,078</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2022

1. CORPORATE AND GROUP INFORMATION

Genertec Universal Medical Group Company Limited (the “Company”) is a limited liability company which was incorporated in Hong Kong on 19 April 2012. Pursuant to the special resolutions of shareholders dated 6 February 2015 and 10 June 2015, respectively, the Company changed its name from Universal International Leasing Co., Limited to Universal Medical Services & Health Management Company Limited and then to Universal Medical Financial & Technical Advisory Services Company Limited. Pursuant to the special resolution of shareholders dated 5 June 2018, the Company changed its name from Universal Medical Financial & Technical Advisory Services Company Limited to Genertec Universal Medical Group Company Limited. The registered office of the Company is located at Room 702, Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong. The Company’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 8 July 2015.

The Company and its subsidiaries (the “Group”) are principally engaged in providing financing to its customers under finance lease arrangements, the provision of advisory services, the sale of medical equipment, medical equipment leases under operating lease arrangements, the hospital management business, the provision of medical services and the provision of other services as approved by the Ministry of Commerce of the People’s Republic of China (the “PRC”) in the Chinese mainland.

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2022. A subsidiary is an entity (including a structure entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 3
Amendments to HKAS 16

Reference to the Conceptual Framework
Property, Plant and Equipment: Proceeds before Intended Use

Amendments to HKAS 37
Annual Improvements to HKFRSs
2018-2020

Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 1, HKFRS 9, Illustrative
Examples accompanying HKFRS 16, and HKAS 41

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the “Conceptual Framework”) issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the year, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:
- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group’s financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i> ²
HKFRS 17	<i>Insurance Contracts</i> ¹
Amendments to HKFRS 17	<i>Insurance Contracts</i> ^{1,5}
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i> ⁶
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)</i> ^{2,4}
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i> ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> ¹
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i> ¹
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after 1 January 2024

³ No mandatory effective date yet determined but available for adoption

⁴ As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

⁵ As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

⁶ An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

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

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

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the HKICPA issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Classification between finance leases and operating leases

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

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

Estimation uncertainty

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

Impairment of non-financial assets (other than goodwill)

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

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Impairment of financial instruments

The measurement of impairment losses under HKFRS 9 across debt instruments recorded at amortised cost or at FVOCI and loans and accounts receivables requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of appropriate models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- (i) The Group's internal credit grading model, which assigns the probability of defaults to the individual grades
- (ii) The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment
- (iii) Development of ECL models, including the various formulas and the choice of inputs
- (iv) Determination of associations between macroeconomic scenarios and, economic inputs, and the effect on the probability of defaults, the exposure of defaults and the loss given defaults

The Group will regularly review the expected credit loss model in the context of actual loss experience and adjust it when necessary.

Fair value of financial instruments

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

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2022 was RMB102,253,000 (2021: RMB102,253,000). Further details are given in Note 14.

4. OPERATING SEGMENT INFORMATION

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

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

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 year ended 31 December 2022

	Finance business <i>RMB'000</i>	Hospital group business <i>RMB'000</i>	Adjustments and eliminations <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue:				
Sales to external customers	5,706,656	6,205,484	–	11,912,140
Intersegment sales	14,547	5,736	(20,283)	–
Cost of sales	(2,212,900)	(5,428,764)	215,513	(7,426,151)
Other income and gains	398,369	258,668	(214,315)	442,722
Selling and distribution costs and administrative expenses	(782,859)	(563,649)	5,737	(1,340,771)
Impairment losses on financial assets, net	(302,555)	(8,457)	–	(311,012)
Loss on derecognition of financial assets measured at amortised cost	(1,154)	–	–	(1,154)
Share of profit of associates	3	9	–	12
Share of profit of a joint venture	–	13,450	–	13,450
Other expenses	(540,733)	(8,898)	–	(549,631)
Finance costs	(1,657)	(47,010)	13,348	(35,319)
Profit before tax	2,277,717	426,569	–	2,704,286
Income tax expense	(568,468)	(48,291)	–	(616,759)
Profit after tax	<u>1,709,249</u>	<u>378,278</u>	<u>–</u>	<u>2,087,527</u>
Segment assets	<u>68,811,920</u>	<u>13,778,495</u>	<u>(5,719,644)</u>	<u>76,870,771</u>
Segment liabilities	<u>58,624,902</u>	<u>4,262,500</u>	<u>(5,719,644)</u>	<u>57,167,758</u>
Other segment information:				
Impairment losses recognised in the statement of profit or loss	302,555	8,457	–	311,012
Depreciation and amortisation	69,881	368,470	–	438,351
Investment in associates	24,575	4,194	–	28,769
Investment in a joint venture	–	486,195	–	486,195
Capital expenditure	84,859	523,232	–	608,091

As at and for the year ended 31 December 2021

	Finance business RMB'000	Hospital group business RMB'000	Adjustments and eliminations RMB'000	Total RMB'000
Segment revenue:				
Sales to external customers	5,307,546	4,606,727	–	9,914,273
Intersegment sales	–	1,650	(1,650)	–
Cost of sales	(1,829,066)	(4,022,583)	136,815	(5,714,834)
Other income and gains	293,549	157,048	(136,815)	313,782
Selling and distribution costs and administrative expenses	(769,608)	(433,801)	1,650	(1,201,759)
Impairment (losses)/reversal on financial assets, net	(323,191)	4,956	–	(318,235)
Loss on derecognition of financial assets measured at amortised cost	(942)	–	–	(942)
Share of profit of an associate	–	192	–	192
Share of profit of a joint venture	–	13,673	–	13,673
Other expenses	(274,024)	(11,186)	–	(285,210)
Finance costs	(3,609)	(25,523)	–	(29,132)
Profit before tax	2,400,655	291,153	–	2,691,808
Income tax expense	(625,838)	(35,501)	–	(661,339)
Profit after tax	<u>1,774,817</u>	<u>255,652</u>	<u>–</u>	<u>2,030,469</u>
Segment assets	<u>63,844,047</u>	<u>8,937,442</u>	<u>(2,881,688)</u>	<u>69,899,801</u>
Segment liabilities	<u>52,848,896</u>	<u>2,309,338</u>	<u>(2,881,688)</u>	<u>52,276,546</u>
Other segment information:				
Impairment losses/(reversal) recognised in the statement of profit or loss	323,191	(4,956)	–	318,235
Depreciation and amortisation	52,841	266,623	–	319,464
Investment in an associate	–	4,284	–	4,284
Investment in a joint venture	–	476,015	–	476,015
Capital expenditure	87,107	297,959	–	385,066

Geographical information

(a) Revenue from external customers

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Chinese Mainland	<u>11,912,140</u>	<u>9,914,273</u>

The revenue information above is based on the locations of customers.

(b) All non-current assets of the operations, excluding financial instruments, right-of-use assets and property, plant and equipment, are located in the Chinese Mainland.

Information about a major customer

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

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue		
Finance lease income	624,259	1,042,792
Long-term receivables income arising from sale-and-leaseback arrangements	3,911,957	3,416,105
Factoring income	101,445	43,501
Revenue from contracts with customers	7,257,158	5,397,813
Revenue from other sources – Others	54,393	51,046
Taxes and surcharges	<u>(37,072)</u>	<u>(36,984)</u>
	<u>11,912,140</u>	<u>9,914,273</u>

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2022

Segments	Finance business RMB'000	Hospital group business RMB'000	Total RMB'000
Types of goods or services			
Service fee income	1,096,514	40,641	1,137,155
Sale of finished goods	–	290,286	290,286
Healthcare service income	–	5,829,717	5,829,717
Total revenue from contracts with customers	<u>1,096,514</u>	<u>6,160,644</u>	<u>7,257,158</u>
Geographical market			
Chinese Mainland	<u>1,096,514</u>	<u>6,160,644</u>	<u>7,257,158</u>
Timing of revenue recognition			
Goods transferred at a point in time	–	290,286	290,286
Services transferred at a point in time	<u>1,096,514</u>	<u>5,870,358</u>	<u>6,966,872</u>
Total revenue from contracts with customers	<u>1,096,514</u>	<u>6,160,644</u>	<u>7,257,158</u>

For the year ended 31 December 2021

Segments	Finance business RMB'000	Hospital group business RMB'000	Total RMB'000
Types of goods or services			
Service fee income	833,456	18,517	851,973
Sale of finished goods	–	309,412	309,412
Healthcare service income	–	4,236,428	4,236,428
Total revenue from contracts with customers	<u>833,456</u>	<u>4,564,357</u>	<u>5,397,813</u>
Geographical market			
Chinese Mainland	<u>833,456</u>	<u>4,564,357</u>	<u>5,397,813</u>
Timing of revenue recognition			
Goods transferred at a point in time	–	309,412	309,412
Services transferred at a point in time	<u>833,456</u>	<u>4,254,945</u>	<u>5,088,401</u>
Total revenue from contracts with customers	<u>833,456</u>	<u>4,564,357</u>	<u>5,397,813</u>

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

For the year ended 31 December 2022

Segments	Finance business RMB'000	Hospital group business RMB'000	Total RMB'000
Revenue from contracts with customers			
External customers	1,096,514	6,160,644	7,257,158
Intersegment sales	<u>1,198</u>	<u>–</u>	<u>1,198</u>
	1,097,712	6,160,644	7,258,356
Intersegment adjustments and eliminations	<u>(1,198)</u>	<u>–</u>	<u>(1,198)</u>
Total revenue from contracts with customers	<u><u>1,096,514</u></u>	<u><u>6,160,644</u></u>	<u><u>7,257,158</u></u>

For the year ended 31 December 2021

Segments	Finance business RMB'000	Hospital group business RMB'000	Total RMB'000
Revenue from contracts with customers			
External customers	833,456	4,564,357	5,397,813
Intersegment sales	<u>–</u>	<u>1,650</u>	<u>1,650</u>
	833,456	4,566,007	5,399,463
Intersegment adjustments and eliminations	<u>–</u>	<u>(1,650)</u>	<u>(1,650)</u>
Total revenue from contracts with customers	<u><u>833,456</u></u>	<u><u>4,564,357</u></u>	<u><u>5,397,813</u></u>

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

	2022 RMB'000	2021 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Service fee income	3,108	51,959
Sale of finished goods	9,248	19,175
Healthcare services	<u>136,559</u>	<u>91,765</u>
	<u><u>148,915</u></u>	<u><u>162,899</u></u>

(ii) *Performance obligations*

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

Sale of finished goods

The performance obligation is satisfied upon delivery of the goods and payment is generally due within 90 to 180 days from delivery. Some contracts provide customers with a right of return which gives rise to variable consideration subject to certain restrictions.

Service fee income

The performance obligation is satisfied at the point in time as services are rendered and short-term advances are normally required before rendering the services.

Healthcare service income

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Other income and gains		
Interest income	44,368	45,765
Foreign exchange incomes, net	–	30,609
Government grants (<i>note 5a</i>)	207,201	211,508
Derivative financial instruments – transactions not qualifying as hedges:		
– Unrealised fair value gains, net	6,389	–
– Realised fair value gains, net	122,176	–
Gain on unlisted debt investments, at fair value	12,810	7,842
Interest income from continuing involvement in transferred assets	29,595	10,931
Fair value gains from financial assets at fair value through profit or loss	–	1,470
Gain on bargain purchase	950	–
Others	19,233	5,657
	<u>442,722</u>	<u>313,782</u>

5A. GOVERNMENT GRANTS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Government special subsidies	<u>207,201</u>	<u>211,508</u>

6. PROFIT BEFORE TAX

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Cost of borrowings included in cost of sales	1,998,626	1,691,577
Cost of inventories sold	195,138	207,835
Cost of medical services	3,521,268	2,328,687
Cost of others	25,407	22,579
Depreciation of property, plant and equipment	357,254	259,437
Loss on disposal of property, plant and equipment, net	5,675	4,737
Depreciation of right-of-use assets	56,661	43,220
Amortisation of intangible assets*	24,436	16,807
Lease payments not included in the measurement of lease liabilities	10,911	10,621
Auditor's remuneration – audit services	3,515	3,515
– other services	7,065	2,691
Research and development expenses	48,073	25,844
Employee benefit expense* (including directors' remuneration (<i>Note 7</i>))		
– Equity-settled share-based compensation expense	442	5,798
– Wages and salaries	1,817,898	1,368,619
– Pension scheme contributions (defined contribution schemes)	268,344	186,256
– Other employee benefits	669,241	557,137
	<u>2,755,925</u>	<u>2,117,810</u>
Impairment of loans and accounts receivables, other receivables and subordinated tranches of asset-backed securities	311,012	318,235
Foreign exchange losses/(gains), net	533,962	(30,609)
– Cash flow hedges (transfer from equity to offset foreign exchange)	241,552	(174,783)
– Others - foreign exchange losses	292,410	144,174
Derivative financial instruments – transactions not qualifying as hedges:		
– Unrealised fair value (gains)/losses, net	(6,389)	241,377
– Realised fair value (gains)/losses, net	(122,176)	24,682

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

7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Group	
	2022	2021
	RMB'000	RMB'000
Fees	<u>1,376</u>	<u>773</u>
Other emoluments:		
Salaries, allowances and benefits in kind	4,200	5,103
Performance related bonuses*	8,423	5,986
Pension scheme contributions	<u>632</u>	<u>492</u>
	<u>13,255</u>	<u>11,581</u>
	<u>14,631</u>	<u>12,354</u>

* Certain executive directors of the Company are entitled to bonus payments which are determined based on the business performance of the Group.

As at 31 December 2019, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, details of which are set out in Note 35 to the financial statements.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2022	2021
	RMB'000	RMB'000
Mr. Li Yinquan	344	172
Mr. Chow Siu Lui	344	172
Mr. Han Demin (ii)	174	172
Mr. Liao Xinbo (ii)	174	172
Mr. Chan, Hiu Fung Nicholas (i)	170	–
Mr. Xu Zhiming (i)	<u>170</u>	<u>–</u>
	<u>1,376</u>	<u>688</u>

Notes:

(i) Appointed on 22 June 2022

(ii) Resigned on 22 June 2022

There were no other emoluments payable to the independent non-executive directors during the year (2021: Nil).

(b) Executive directors, non-executive directors and the chief executive

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2022					
Executive directors:					
Ms. Peng Jiahong	–	1,447	2,981	235	4,663
Mr. Yu Gang	–	1,306	2,716	235	4,257
Chief executive:					
Mr. Wang Wenbing (i)	–	1,447	2,726	162	4,335
Non-executive directors:					
Mr. Chan Kai Kong (iii)	–	–	–	–	–
Mr. Che Lingyun (ii)	–	–	–	–	–
Mr. Xu Ming (iii)	–	–	–	–	–
Mr. Feng Songtao (iv)	–	–	–	–	–
Mr. Tong Chaoyin (v)	–	–	–	–	–
Mr. Zhao Yan (vii)	–	–	–	–	–
Mr. Zhu Ziyang (viii)	–	–	–	–	–
	–	4,200	8,423	632	13,255
2021					
Executive directors:					
Ms. Peng Jiahong	–	2,239	2,628	226	5,093
Mr. Yu Gang	–	2,133	2,500	226	4,859
Chief executive:					
Mr. Wang Wenbing (i)	–	731	858	40	1,629
Non-executive directors:					
Mr. Zhao Yan (vii)	–	–	–	–	–
Mr. Tong Chaoyin (v)	–	–	–	–	–
Mr. Feng Songtao (iv)	–	–	–	–	–
Ms. Liu Kun (x)	–	–	–	–	–
Mr. Liu Zhiyong (x)	–	–	–	–	–
Mr. Zhang Yichen (vi)	–	–	–	–	–
Mr. Zhu Ziyang (viii)	–	–	–	–	–
Mr. Liu Xiaoping (ix)	43	–	–	–	43
Mr. Su Guang (x)	42	–	–	–	42
	85	5,103	5,986	492	11,666

Notes:

- (i) Appointed on 13 September 2021
- (ii) Appointed on 1 March 2022 and resigned on 22 June 2022
- (iii) Appointed on 22 June 2022
- (iv) Appointed on 13 September 2021 and resigned on 9 February 2022
- (v) Appointed on 14 May 2021
- (vi) Resigned on 27 August 2021
- (vii) Appointed on 27 August 2021 and resigned on 22 June 2022
- (viii) Appointed on 7 July 2021
- (ix) Resigned on 6 March 2021
- (x) Resigned on 9 September 2021

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2021: Nil).

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors (2021: the five highest paid employees during the year included two directors), details of whose remuneration are set out in Note 7 above. Details of the remuneration for the year of the remaining two (2021: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, allowances and benefits in kind	1,838	3,950
Performance related bonuses	5,323	16,936
Pension scheme contributions	369	625
	<u>7,530</u>	<u>21,511</u>

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2022	2021
HKD3,500,001 to HKD4,000,000 (RMB3,126,551 to RMB3,573,200)	1	–
HKD4,000,001 to HKD4,500,000 (RMB3,573,201 to RMB4,019,850)	1	–
HKD4,500,001 to HKD5,000,000 (RMB4,019,851 to RMB4,466,500)	–	2
HKD14,500,001 to HKD15,000,000 (RMB12,952,851 to RMB13,399,500)	–	1
	<u>2</u>	<u>3</u>

As at 31 December 2019, certain highest paid employees were granted share options, in respect of their services to the Group, under the share option scheme of the Company, details of which are set out in Note 35 to the financial statements.

9. INCOME TAX EXPENSE

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Current – Chinese Mainland		
Charge for the year	728,457	793,864
(Overprovision in)/charge for prior years	(34,995)	1,238
Deferred tax	<u>(76,703)</u>	<u>(133,763)</u>
Total tax charge for the year	<u>616,759</u>	<u>661,339</u>

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the year (2021: 16.5%).

The income tax provision of the Group in respect of its operations in the Chinese Mainland has been calculated at the applicable tax rate of 25% on the estimated assessable profits for the year, based on existing legislation, interpretations and practices in respect thereof.

The subsidiaries incorporated in the Cayman Islands and British Virgin Islands are exempted.

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

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before tax	<u>2,704,286</u>	<u>2,691,808</u>
At the PRC statutory income tax rate	676,072	672,952
Expenses not deductible for tax purposes	15,671	3,851
Income not subject to tax	(54,341)	(48,190)
Profits attributable to a joint venture and associates	(3,365)	(3,466)
Adjustment on current income tax in respect of prior years	(34,995)	1,238
Unrecognised tax losses	16,602	3,842
Additional deductible expense	(27,416)	(28,424)
Utilisation of previously unrecognised tax losses	(1,069)	(1,364)
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	<u>29,600</u>	<u>60,900</u>
Income tax expense as reported in the consolidated statement of profit or loss	<u>616,759</u>	<u>661,339</u>

The share of tax attributable to associates and a joint venture amounting to approximately RMB2,000 (2021: RMB5,000) and RMB4,312,000 (2021: RMB1,323,000), respectively, is included in "Share of profit of associates" and "Share of profit of a joint venture" in the consolidated statement of profit or loss.

10. DIVIDENDS

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Proposed final dividend – HKD0.34 (2021: HKD0.36) per ordinary share	<u>567,004</u>	<u>550,570</u>

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

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,891,539,661 (2021: 1,859,853,318) in issue during the year.

The calculation of the diluted earnings per share amounts is based on the consolidated net profit for the period attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the convertible bonds. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, 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. For the year ended 31 December 2022, the unvested share options under the Share Option Scheme had an anti-dilutive effect on the basic earnings per share for the year and were ignored in the calculation of diluted earnings per share.

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Profit attributable to ordinary equity holders of the parent	1,890,012	1,835,233
Interest on convertible bonds	37,979	27,776
	<u>1,927,991</u>	<u>1,863,009</u>
Profit attributable to ordinary equity holders of the parent, before the above impact arising from convertible bonds	1,927,991	1,863,009
	<u>1,927,991</u>	<u>1,863,009</u>
	Number of shares	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	1,891,539,661	1,859,853,318
	<u>1,891,539,661</u>	<u>1,859,853,318</u>
Effect of dilution – weighted average number of ordinary shares:		
Share options	–	686,724
Convertible bonds	185,560,510	177,210,365
	<u>185,560,510</u>	<u>177,210,365</u>
Weighted average number of ordinary shares for diluted earnings per share	2,077,100,171	2,037,750,407
	<u>2,077,100,171</u>	<u>2,037,750,407</u>

12. PROPERTY, PLANT AND EQUIPMENT

31 December 2022

	Transportation equipment RMB'000	Office equipment RMB'000	Electronic equipment RMB'000	Medical equipment RMB'000	Leasehold improvements RMB'000	Buildings RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2022								
Cost	23,773	44,400	459,044	860,836	73,357	1,504,563	154,050	3,120,023
Accumulated depreciation	(8,652)	(21,410)	(154,763)	(270,555)	(34,786)	(106,588)	-	(596,754)
Net carrying amount	<u>15,121</u>	<u>22,990</u>	<u>304,281</u>	<u>590,281</u>	<u>38,571</u>	<u>1,397,975</u>	<u>154,050</u>	<u>2,523,269</u>
At 1 January 2022, net of accumulated depreciation	15,121	22,990	304,281	590,281	38,571	1,397,975	154,050	2,523,269
Additions	4,607	13,609	49,971	186,497	5,728	3,049	294,956	558,417
Acquisition of subsidiaries (note 32)	4,174	1,782	29,704	230,309	77,614	716,921	9,209	1,069,713
Depreciation provided during the year	(3,351)	(12,394)	(32,163)	(210,192)	(28,503)	(70,651)	-	(357,254)
Transfers	-	-	-	5,024	-	40,550	(45,574)	-
Disposals	(43)	(81)	(315)	(21)	-	(271)	(12,768)	(13,499)
At 31 December 2022, net of accumulated depreciation	<u>20,508</u>	<u>25,906</u>	<u>351,478</u>	<u>801,898</u>	<u>93,410</u>	<u>2,087,573</u>	<u>399,873</u>	<u>3,780,646</u>
At 31 December 2022								
Cost	32,468	58,611	537,167	1,280,892	156,699	2,264,010	399,873	4,729,720
Accumulated depreciation	(11,960)	(32,705)	(185,689)	(478,994)	(63,289)	(176,437)	-	(949,074)
Net carrying amount	<u>20,508</u>	<u>25,906</u>	<u>351,478</u>	<u>801,898</u>	<u>93,410</u>	<u>2,087,573</u>	<u>399,873</u>	<u>3,780,646</u>

As at 31 December 2022, the Group has not obtained the property ownership certificates for buildings with a net book value of RMB1,233,290,000 (31 December 2021: RMB584,737,000). The Group was in the process of applying for the property ownership certificates for the above buildings as at 31 December 2022.

As at 31 December 2022, no property, plant and equipment (31 December 2021: Nil) were pledged to secure general banking facilities granted to the Group.

31 December 2021

	Transportation equipment <i>RMB'000</i>	Office equipment <i>RMB'000</i>	Electronic equipment <i>RMB'000</i>	Medical equipment <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Buildings <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2021:								
Cost	19,742	42,775	431,864	663,776	62,959	1,338,037	134,380	2,693,533
Accumulated depreciation	(5,819)	(14,162)	(94,625)	(146,585)	(22,626)	(63,115)	-	(346,932)
Net carrying amount	<u>13,923</u>	<u>28,613</u>	<u>337,239</u>	<u>517,191</u>	<u>40,333</u>	<u>1,274,922</u>	<u>134,380</u>	<u>2,346,601</u>
At 1 January 2021, net of								
accumulated depreciation	13,923	28,613	337,239	517,191	40,333	1,274,922	134,380	2,346,601
Additions	3,980	1,901	26,344	161,096	10,398	1,824	111,936	317,479
Acquisition of subsidiaries	1,670	2,177	1,057	42,289	-	79,375	-	126,568
Depreciation provided during the year	(3,316)	(8,608)	(59,800)	(127,567)	(12,160)	(47,986)	-	(259,437)
Transfers	-	-	-	-	-	92,266	(92,266)	-
Disposals	(1,136)	(1,093)	(559)	(2,728)	-	(2,426)	-	(7,942)
At 31 December 2021, net of accumulated depreciation	<u>15,121</u>	<u>22,990</u>	<u>304,281</u>	<u>590,281</u>	<u>38,571</u>	<u>1,397,975</u>	<u>154,050</u>	<u>2,523,269</u>
At 31 December 2021:								
Cost	23,773	44,400	459,044	860,836	73,357	1,504,563	154,050	3,120,023
Accumulated depreciation	(8,652)	(21,410)	(154,763)	(270,555)	(34,786)	(106,588)	-	(596,754)
Net carrying amount	<u>15,121</u>	<u>22,990</u>	<u>304,281</u>	<u>590,281</u>	<u>38,571</u>	<u>1,397,975</u>	<u>154,050</u>	<u>2,523,269</u>

13. LEASES

The Group as a lessee

The Group has lease contracts for various items of properties and equipments used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 38 years to indefinite useful life, and no ongoing payments will be made under the terms of these land leases. The right-of-use land for certain hospitals, allocated from the government, is restricted to change its use nature. Leases of properties and equipments generally have lease terms between 2 and 10 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) *Right-of-use assets*

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	<u>Right-of-use assets</u>		
	Property and Equipment RMB'000	Leasehold land RMB'000	Total RMB'000
As at 1 January 2021	90,678	672,411	763,089
Additions	24,633	–	24,633
Acquisition of subsidiaries	–	52,395	52,395
Depreciation charge	(40,276)	(2,944)	(43,220)
Revision of a lease term arising from a change in the non-cancellable period of a lease	(2,245)	–	(2,245)
As at 31 December 2021 and 1 January 2022	72,790	721,862	794,652
Additions	193,148	–	193,148
Acquisition of subsidiaries (<i>Note 32</i>)	13,238	205,554	218,792
Depreciation charge	(53,069)	(3,592)	(56,661)
Revision of a lease term arising from a change in the non-cancellable period of a lease	4,623	–	4,623
Disposals	(9)	–	(9)
As at 31 December 2022	<u>230,721</u>	<u>923,824</u>	<u>1,154,545</u>

(b) Lease liabilities

The carrying amount of lease liabilities (included under interest-bearing bank and other borrowings) and the movements during the year are as follows:

	2022	2021
	RMB'000	RMB'000
Carrying amount at 1 January	1,899,907	2,174,077
New leases	193,148	524,633
Accretion of interest recognised during the year	63,791	99,246
Payments	(1,180,091)	(897,333)
Acquisition of subsidiaries (<i>Note 32</i>)	8,549	1,529
Revision of a lease term arising from a change in the non-cancellable period of a lease	4,623	(2,245)
	<u>989,927</u>	<u>1,899,907</u>
Carrying amount at 31 December	<u>989,927</u>	<u>1,899,907</u>
Analysed into:		
Current portion	807,942	1,120,162
Non-current portion	181,985	779,745

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2022	2021
	RMB'000	RMB'000
Interest on lease liabilities	63,791	99,246
Depreciation charge of right-of-use assets	56,661	43,220
Expense relating to short-term leases	10,911	10,621
	<u>131,363</u>	<u>153,087</u>
Total amount recognised in profit or loss	<u>131,363</u>	<u>153,087</u>

(d) The total cash outflow for leases is disclosed in Note 33(c) to the financial statements.

14. GOODWILL

	<i>RMB'000</i>
At 1 January 2021:	
Cost	69,908
Accumulated impairment	<u>—</u>
Net carrying amount	<u><u>69,908</u></u>
Cost at 1 January 2021, net of accumulated impairment	69,908
Acquisition of subsidiaries	32,345
Impairment during the year	<u>—</u>
Cost and net carrying amount at 31 December 2021	<u><u>102,253</u></u>
At 31 December 2021	
Cost	102,253
Accumulated impairment	<u>—</u>
Net carrying amount	<u><u>102,253</u></u>
Cost at 1 January 2022, net of accumulated impairment	102,253
Impairment during the year	<u>—</u>
Cost and net carrying amount at 31 December 2022	<u><u>102,253</u></u>
At 31 December 2022:	
Cost	102,253
Accumulated impairment	<u>—</u>
Net carrying amount	<u><u>102,253</u></u>

Goodwill acquired through business combinations is allocated to each of the acquired subsidiaries which are the cash-generating units (“CGUs”) for impairment testing within the hospital group business.

The recoverable amount of CGUs has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period which can be justified approved by senior management. The post-tax discount rate applied to the cash flow projections is 13% to 15% (2021: 15%). The implied pre-tax discount rate for the cash flow projections is 14.44% to 15% (2021: 13.98% to 15%). As at 31 December 2022, the Group assessed the impairment of goodwill and the recoverable amount exceeded the carrying amount, and hence the goodwill was not regarded as impaired (2021: Nil).

Assumptions were used in the value in use calculation of the CGUs for 31 December 2022 and 31 December 2021. The following describes each key assumption on which management has based its cash flows projections to undertake impairment testing of goodwill.

Budgeted gross margin – the basis used to determine the value assigned to the budgeted gross margin is the average gross margin achieved in the year immediately before the budget year, increased for expected efficiency improvement, and expected market development.

Discount rate – the discount rate used reflects specific risks relating to the unit. The values assigned to the key assumptions on market development, and the discount rate are comparable to external information sources.

15. INVESTMENT IN A JOINT VENTURE

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Carrying amount of the investment	<u>486,195</u>	<u>476,015</u>

Particulars of the Group's joint venture are as follows:

Company name	Place of incorporation/ registration and business	Percentage of Ownership interest	Profit sharing	Principal activities
四川環康醫院管理有限公司 (Sichuan Huankang Hospital Management Co., Ltd.)	PRC/Chinese Mainland	53.30%	53.30%	Hospital management

Under a joint venture agreement with a joint venture partner of Panzhihua Iron and Steel (Group) Company Limited and Panzhihua Pangang Group Mining Company dated 30 September 2019, both parties have agreed to share the control over the economic activities of Sichuan Huankang Hospital Management Co., Ltd. amongst the joint venture partners.

The following table illustrates the summarised financial information in respect of Sichuan Huankang Hospital Management Co., Ltd. adjusted for any differences in accounting policies and reconciled to the carrying amount of the net assets in the financial statements.

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Non-current assets	<u>339,533</u>	<u>339,676</u>
Cash and cash equivalents	40	34
Current assets	<u>624,063</u>	<u>603,337</u>
Current liabilities	<u>(9,754)</u>	<u>(8,264)</u>
Non-current liabilities	<u>-</u>	<u>-</u>
Net assets	<u><u>953,882</u></u>	<u><u>934,783</u></u>
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	53.30%	53.30%
Group's share of net assets of the joint venture	508,419	498,239
Effect of unpaid consideration on the share of net asset	<u>(22,224)</u>	<u>(22,224)</u>
Carrying amount of the investment	<u><u>486,195</u></u>	<u><u>476,015</u></u>

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue	42,257	36,828
Administrative expenses	(6,763)	(5,987)
Other expenses	(39)	(28)
Profit and total comprehensive income for the period after the Group's investment	<u><u>25,235</u></u>	<u><u>25,653</u></u>

16. INVESTMENT IN ASSOCIATES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Share of net assets	<u>28,769</u>	<u>4,284</u>
	<u><u>28,769</u></u>	<u><u>4,284</u></u>

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Carrying amount of the investments	<u>28,769</u>	<u>4,284</u>
Share of the associates' profit for the period after the Group's investment	<u>12</u>	<u>192</u>

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Unlisted debt investments, at fair value	<u>245,987</u>	<u>366,470</u>

The above debt investments were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

The above debt investments at 31 December 2022 included a carrying amount of RMB245,987,000 (31 December 2021: RMB366,470,000), and they were investments of priorities tranches of asset-backed securities. The Group does not have the current ability to direct the activities of those products that significantly affect their returns. The Group's maximum exposure to those debt investments approximates to their carrying amounts.

18. DERIVATIVE FINANCIAL INSTRUMENTS

	2022		2021	
	Assets <i>RMB'000</i>	Liabilities <i>RMB'000</i>	Assets <i>RMB'000</i>	Liabilities <i>RMB'000</i>
Forward currency contracts	146,220	120,802	–	544,448
Interest rate swaps	62,642	–	6,915	1,403
Cross-currency interest rate swaps	<u>23,292</u>	<u>–</u>	<u>–</u>	<u>8,366</u>
	<u>232,154</u>	<u>120,802</u>	<u>6,915</u>	<u>554,217</u>
Portion classified as non-current:				
Forward currency contracts	20,320	83,308	–	201,687
Interest rate swaps	56,932	–	6,915	815
Cross-currency interest rate swaps	<u>23,292</u>	<u>–</u>	<u>–</u>	<u>5,146</u>
	<u>100,544</u>	<u>83,308</u>	<u>6,915</u>	<u>207,648</u>
Current portion	<u>131,610</u>	<u>37,494</u>	<u>–</u>	<u>346,569</u>

Cash flow hedge under HKFRS 9

During the year, the Group designated 19 (2021: 23) foreign exchange rate contracts, (2021:4 interest rate swap contracts and 7 cross-currency interest rate swaps) as hedges for future cash flows arising from borrowings which will be settled in United States dollars.

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

The Group holds forward currency contracts, with a positive net fair value of RMB22,146,000 (31 December 2021: a negative net fair value of RMB306,328,000) and a total notional amount of USD1,783,123,000 (31 December 2021: USD1,042,900,000); These forward currency contracts were designated as hedging instruments in cash flow hedges of currency risks arising from bank loans denominated in United States dollars.

The Group holds interest rate swap contracts, with (i) a positive net fair value of RMB37,215,000 (31 December 2021: RMB4,673,000), and a total notional amount of USD118,250,000 (31 December 2021: USD118,250,000) whereby the Group pays a fixed rate of interest on the USD notional amount at 1.76% to 2.37% per annum. The swaps are being used to hedge the interest rate exposure of three floating rate long-term borrowings denominated in United States dollars with the total face value of USD118,250,000 (31 December 2021: USD118,250,000); and (ii) a positive net fair value of RMB25,427,000 (31 December 2021: RMB839,000), and a total notional amount of HKD540,150,000 (31 December 2021: HKD930,150,000) whereby the Group pays a fixed rate of interest on the HKD notional amount at 2.00% to 2.47% per annum. The swaps are being used to hedge the interest rate exposure of two floating rate long-term borrowing denominated in Hong Kong dollars with the total face value of HKD540,150,000 (31 December 2021: HKD930,150,000).

The Group holds cross-currency interest rate swaps, with a positive net fair value of RMB23,292,000 (31 December 2021: a negative net fair value of RMB8,366,000), and a total notional amount of USD48,843,000 (31 December 2021: USD92,942,000) whereby the Group pays a fixed rate of interest on the USD notional amount at 3.72% to 3.90% per annum. These swaps were designated as hedging instruments in cash flow hedges of currency risks arising from bank loans denominated in United States dollars and are being used to hedge the interest rate exposure of six floating rate long-term borrowing denominated in United States dollars with the total face value of USD48,843,000 (31 December 2021: USD92,942,000).

The Group holds the following forward currency contracts, interest rate swap contracts and cross-currency interest rate swaps:

	Maturity						Total
	Less than 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 5 years	
As at 31 December 2022							
Forward currency contracts							
Notional amount (<i>in USD'000</i>)	4,600	73,300	4,600	803,300	897,323	–	1,783,123
Average forward rate (<i>USD/RMB</i>)	6.76	7.01	6.82	6.63	6.75	–	
Interest rate swap contracts							
Notional amount (<i>in USD'000</i>)	–	49,000	–	–	69,250	–	118,250
Average fixed rate	–	1.76%	–	–	2.18%	–	
Notional amount (<i>in HKD'000</i>)	–	–	–	–	540,150	–	540,150
Average fixed rate	–	–	–	–	2.23%	–	
Cross-currency interest rate swaps							
Notional amount (<i>in USD'000</i>)	–	–	–	–	48,843	–	48,843
Average forward rate (<i>USD/RMB</i>)	–	–	–	–	6.43	–	
Average fixed rate	–	–	–	–	3.89%	–	
Hedge rate	100.00%	100.00%	100.00%	100.00%	100.00%	–	

	Maturity						Total
	Less than 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 5 years	
As at 31 December 2021							
Forward currency contracts							
Notional amount (<i>in USD'000</i>)	10,150	113,300	10,150	79,700	85,800	743,800	1,042,900
Average forward rate (<i>USD/RMB</i>)	6.89	6.66	6.95	7.01	6.85	6.83	
Interest rate swap contracts							
Notional amount (<i>in USD'000</i>)	–	–	–	–	49,000	69,250	118,250
Average fixed rate	–	–	–	–	1.76%	2.18%	
Notional amount (<i>in HKD'000</i>)	–	390,000	–	–	–	540,150	930,150
Average fixed rate	–	2.47%	–	–	–	2.23%	
Cross-currency interest rate swaps							
Notional amount (<i>in USD'000</i>)	–	30,000	–	–	–	62,942	92,942
Average forward rate (<i>USD/RMB</i>)	–	6.46	–	–	–	6.43	
Average fixed rate	–	3.85%	–	–	–	3.89%	
Hedge rate	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	

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

	Notional amount <i>USD/HKD'000</i>	Carrying amount <i>RMB'000</i>	Line item in the statement of financial position	Change in fair value <i>RMB'000</i>
As at 31 December 2022				
Forward currency contracts (<i>USD/RMB</i>)	1,783,123	22,146	Derivative financial instruments (asset/liabilities)	328,474
Interest rate swaps (<i>in USD'000</i>)	118,250	37,215	Derivative financial instruments (assets)	32,542
Interest rate swaps (<i>in HKD'000</i>)	540,150	25,427	Derivative financial instruments (assets)	24,588
Cross-currency interest rate swaps (<i>USD/RMB</i>)	48,843	23,292	Derivative financial instruments (assets)	31,658
As at 31 December 2021				
Forward currency contracts (<i>USD/RMB</i>)	1,042,900	(306,328)	Derivative financial instruments (liabilities)	53,905
Forward currency contracts (<i>HKD/USD</i>)	–	–	N/A	(9,173)
Interest rate swaps (<i>in USD'000</i>)	118,250	4,673	Derivative financial instruments (assets)	30,020
Interest rate swaps (<i>in HKD'000</i>)	930,150	839	Derivative financial instruments (asset/liabilities)	2,654
Cross-currency interest rate swaps (<i>USD/RMB</i>)	92,942	(8,366)	Derivative financial instruments (liabilities)	11,027

The impacts of the hedged items on the statement of financial position are as follows:

	Cash flow hedge reserve	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Unsecured bank loans	<u>708,556</u>	<u>(265,424)</u>

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

Year ended 31 December 2022

	<u>Total hedging gain/(loss) recognised in other comprehensive income</u>			<u>Amount reclassified from other comprehensive income to profit or loss</u>			Line item in the statement of profit or loss
	Gross amount	Tax effect	Total	Gross amount	Tax effect	Total	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Forward currency contracts	328,474	(71,634)	256,840	(941,045)	176,457	(764,588)	Other expense/Other income and gains
Cross-currency interest rate swaps	31,658	(7,915)	23,743	(32,927)	8,226	(24,701)	Other expense/Other income and gains
Interest rate swaps	57,130	-	57,130	-	-	-	N/A
Total	<u>417,262</u>	<u>(79,549)</u>	<u>337,713</u>	<u>(973,972)</u>	<u>184,683</u>	<u>(789,289)</u>	

Year ended 31 December 2021

	<u>Total hedging gain/(loss) recognised in other comprehensive income</u>			<u>Amount reclassified from other comprehensive income to profit or loss</u>			Line item in the statement of profit or loss
	Gross amount	Tax effect	Total	Gross amount	Tax effect	Total	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Forward currency contracts	44,732	(21,720)	23,012	(167,962)	51,454	(116,508)	Other expense/Other income and gains
Cross-currency interest rate swaps	11,027	(2,757)	8,270	(6,821)	1,705	(5,116)	Other expense/Other income and gains
Interest rate swaps	32,674	-	32,674	-	-	-	N/A
Total	<u>88,433</u>	<u>(24,477)</u>	<u>63,956</u>	<u>(174,783)</u>	<u>53,159</u>	<u>(121,624)</u>	

Derivative financial instruments – transactions not qualifying as hedges:

Forward currency contracts with a total nominal amount of USD182,477,000 (2021: a total nominal amount of USD967,837,000) are not designated for hedge purposes and are measured at fair value through profit or loss. An unrealised profit on the fair value of these financial derivatives amounting to RMB6,389,000 (2021: a loss of RMB241,377,000) was included in the statement of profit or loss during the year ended 31 December 2022.

Interest rate benchmark reform

Following the decision by global regulators to phase out the existing interest rate benchmarks and replace them with RFRs, the Group is evaluating the impact on its existing hedge relationships. The evaluation is performed by a team headed by the chief financial officer and progress updates are made to the audit committee twice a year for interim and annual financial reporting. The Group has adopted the temporary reliefs provided by the amendments to HKFRS 9, HKAS 39 and HKFRS 7 which enable the hedge accounting of the Group to continue during the period of uncertainty, which is before the replacement of an existing interest rate benchmark with an RFR.

The table below indicates the nominal amount and weighted average maturity of derivatives in hedging relationships that may be affected by the interest rate benchmark reform, analysed by interest rate benchmarks. The derivative hedging instruments provide a close approximation to the extent of the risk exposure that the Group manages through hedging relationships.

Year ended 31 December 2022

	Nominal amount RMB'000	Weighted average maturity (Years)
Interest rate swap – United States dollar LIBOR	823,564	1.17
Cross-currency interest rate swap – United States dollar LIBOR	<u>340,175</u>	1.42
	<u>1,163,739</u>	

Year ended 31 December 2021

	Nominal amount RMB'000	Weighted average maturity (Years)
Interest rate swap – United States dollar LIBOR	753,927	2.17
Cross-currency interest rate swap – United States dollar LIBOR	<u>592,573</u>	1.76
	<u>1,346,500</u>	

* London Interbank Offered Rate (“LIBOR”).

19. INVENTORIES

	2022 RMB'000	2021 RMB'000
Finished goods	<u>375,728</u>	<u>265,427</u>

20. LOANS AND ACCOUNTS RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Loans and accounts receivables due within 1 year	23,457,292	21,046,689
Loans and accounts receivables due after 1 year	<u>41,404,185</u>	<u>39,518,628</u>
	<u>64,861,477</u>	<u>60,565,317</u>

20a. Loans and accounts receivables by nature

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Gross lease receivables (<i>note 20b</i>)	7,324,293	11,581,268
Less: Unearned finance income	<u>(1,510,528)</u>	<u>(1,523,108)</u>
Net lease receivables (<i>note 20b</i>) **	5,813,765	10,058,160
Long-term receivables arising from sale-and-leaseback arrangements (<i>note 20c</i>) **	58,011,919	50,169,353
Factoring receivables (<i>note 20d</i>) **	<u>1,408,147</u>	<u>900,094</u>
Subtotal of interest-earning assets	65,233,831	61,127,607
Accounts receivable (<i>note 20e</i>) *	1,338,850	882,565
Notes receivable (<i>note 20f</i>)	<u>1,900</u>	<u>759</u>
Subtotal of loans and accounts receivables	66,574,581	62,010,931
Less:		
Provision for lease receivables (<i>note 20g</i>)	(777,701)	(757,343)
Provision for long-term receivables arising from sale-and-leaseback arrangements (<i>note 20g</i>)	(895,092)	(665,396)
Provision for factoring receivables (<i>note 20g</i>)	(21,958)	(9,542)
Provision for accounts receivable (<i>note 20e</i>)	<u>(18,353)</u>	<u>(13,333)</u>
	<u>64,861,477</u>	<u>60,565,317</u>

* These balances included balances with a related party which are disclosed in Note 20i to the financial statements.

** These balances are included in the interest-earning assets disclosed in Note 20g.

20b(1). An ageing analysis of the lease receivables, determined based on the age of the receivables since the effective dates of the relevant lease contracts, as at the end of the reporting period is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Gross lease receivables:		
3 years and beyond	<u>7,324,293</u>	<u>11,581,268</u>

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Net lease receivables:		
3 years and beyond	<u>5,813,765</u>	<u>10,058,160</u>

20b(2). The table below illustrates the gross and net amounts of the lease receivables the Group expects to receive in the following consecutive accounting years:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Gross lease receivables:		
Due within 1 year	4,754,900	7,168,599
Due in 1 to 2 years	1,802,753	3,648,919
Due in 2 to 3 years	653,316	630,256
Due after 3 years and beyond	<u>113,324</u>	<u>133,494</u>
	<u>7,324,293</u>	<u>11,581,268</u>

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Net lease receivables:		
Due within 1 year	3,695,780	6,061,836
Due in 1 to 2 years	1,537,037	3,355,899
Due in 2 to 3 years	560,898	574,388
Due after 3 years and beyond	<u>20,050</u>	<u>66,037</u>
	<u>5,813,765</u>	<u>10,058,160</u>

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

As at 31 December 2022, the amounts of the gross lease receivables and net lease receivables pledged as security for the Group's borrowings were RMB300,478,000 and RMB282,716,000 (As at 31 December 2021: RMB1,308,453,000 and RMB1,212,912,000), respectively.

20c(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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 1 year	23,420,268	26,114,907
1 to 2 years	19,579,695	13,874,035
2 to 3 years	8,585,709	10,180,411
3 years and beyond	6,426,247	—
	<u>58,011,919</u>	<u>50,169,353</u>

20c(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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Due within 1 year	18,561,312	14,371,463
Due in 1 to 2 years	16,636,111	13,446,498
Due in 2 to 3 years	12,846,286	11,715,243
Due after 3 years and beyond	9,968,210	10,636,149
	<u>58,011,919</u>	<u>50,169,353</u>

As at 31 December 2022, 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 RMB6,133,017,000 (31 December 2021: RMB5,382,843,000).

20d. An ageing analysis of the factoring receivables, determined based on the age of the receivables since the recognition date of the factoring receivables, as at the end of the year is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 1 year	986,647	888,730
More than 1 year	421,500	11,364
	<u>1,408,147</u>	<u>900,094</u>

20e(1). An ageing analysis of the accounts receivable, determined based on the age of the receivables since the recognition date of the accounts receivable, as at the end of the year is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 1 year	1,273,280	849,462
More than 1 year	<u>65,570</u>	<u>33,103</u>
	<u>1,338,850</u>	<u>882,565</u>

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

20e(2). **Provision for accounts receivable**

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 receivable using a provision matrix:

As at 31 December 2022

	<u>Ageing</u>		Total <i>RMB'000</i>
	Within 1 year <i>RMB'000</i>	Over 1 years <i>RMB'000</i>	
Gross carrying amount	1,273,280	65,570	1,338,850
Expected credit loss	1,186	17,167	18,353
Average expected credit loss rate	0.09%	26.18%	1.37%

As at 31 December 2021

	<u>Ageing</u>		Total <i>RMB'000</i>
	Within 1 year <i>RMB'000</i>	Over 1 years <i>RMB'000</i>	
Gross carrying amount	849,462	33,103	882,565
Expected credit loss	1,202	12,131	13,333
Average expected credit loss rate	0.14%	36.65%	1.51%

20f. An ageing analysis of the notes receivable, determined based on the age of the receivables since the recognition date of the notes receivable, as at the end of the year is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 1 year	<u>1,900</u>	<u>759</u>

20g. Analysis of interest-earning assets

As at 31 December 2022	Stage I (12-month ECLs) <i>RMB'000</i>	Stage II (Lifetime ECLs) <i>RMB'000</i>	Stage III (Lifetime ECLs – impaired) <i>RMB'000</i>	Total <i>RMB'000</i>
Total interest-earning assets	58,052,407	6,342,938	838,486	65,233,831
Allowance for impairment losses	<u>(688,107)</u>	<u>(639,852)</u>	<u>(366,792)</u>	<u>(1,694,751)</u>
Interest-earning assets, net	<u>57,364,300</u>	<u>5,703,086</u>	<u>471,694</u>	<u>63,539,080</u>
As at 31 December 2021	Stage I (12-month ECLs) <i>RMB'000</i>	Stage II (Lifetime ECLs) <i>RMB'000</i>	Stage III (Lifetime ECLs – impaired) <i>RMB'000</i>	Total <i>RMB'000</i>
Total interest-earning assets	53,626,877	6,705,055	795,675	61,127,607
Allowance for impairment losses	<u>(589,413)</u>	<u>(498,358)</u>	<u>(344,510)</u>	<u>(1,432,281)</u>
Interest-earning assets, net	<u>53,037,464</u>	<u>6,206,697</u>	<u>451,165</u>	<u>59,695,326</u>

20h. Movements in provision for interest-earning assets

The Group has applied the general approach to providing for expected credited losses (“ECLs”), 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 ECLs 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 ECLs 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 ECLs 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 flows and liquidity by an 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.

2022				
	Stage I (12-month ECLs) RMB'000	Stage II (Lifetime ECLs) RMB'000	Stage III (Lifetime ECLs – impaired) RMB'000	Total RMB'000
At beginning of the year	589,413	498,358	344,510	1,432,281
Impairment losses for the year	104,091	135,543	64,900	304,534
Conversion to Stage I	41,668	(41,668)	–	–
Conversion to Stage II	(47,065)	84,580	(37,515)	–
Conversion to Stage III	–	(36,961)	36,961	–
Write-off	–	–	(42,064)	(42,064)
At end of the year	<u>688,107</u>	<u>639,852</u>	<u>366,792</u>	<u>1,694,751</u>
2021				
	Stage I (12-month ECLs) RMB'000	Stage II (Lifetime ECLs) RMB'000	Stage III (Lifetime ECLs – impaired) RMB'000	Total RMB'000
At beginning of the year	498,020	393,522	234,515	1,126,057
Impairment losses for the year	118,020	62,657	125,547	306,224
Conversion to Stage I	32,049	(32,049)	–	–
Conversion to Stage II	(58,676)	109,299	(50,623)	–
Conversion to Stage III	–	(35,071)	35,071	–
At end of the year	<u>589,413</u>	<u>498,358</u>	<u>344,510</u>	<u>1,432,281</u>

20i. Balances with a related party

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

Accounts receivable:

		2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
China National Instruments Import & Export (Group) Corporation	(i)	<u>1,805</u>	<u>1,805</u>

The above related party is a subsidiary of China General Technology (Group) Holding Company Limited (“Genertec Group”).

(i) The balances with the related party are unsecured, interest-free and repayable on demand.

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	<i>Note</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current:			
Prepayments		109,356	96,194
Other receivables		484,310	225,561
Other current assets		49,948	38,520
Due from related parties	21a	20,999	16,956
Interest receivables		<u>3,961</u>	<u>6,345</u>
		<u>668,574</u>	<u>383,576</u>
Non-current:			
Subordinated tranches of asset-backed securities		161,529	133,174
Continuing involvement in transferred assets (<i>Note 37</i>)		280,968	257,200
Prepayments for non-current assets		192,222	97,688
Other receivables for non-current assets		–	12,344
Other non-current assets		<u>19,801</u>	<u>6,910</u>
		<u>654,520</u>	<u>507,316</u>
		<u>1,323,094</u>	<u>890,892</u>

21a. Balances with related parties

Particulars of amounts due from related parties are as follows:

		2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Due from related parties:			
Beijing Haidian District Xisanqi Street Xincai Community Healthcare Service Station (Beijing Xincai Hospital)			
Beijing Xincai Hospital	(i)	15,000	15,000
Instrimpex International Tendering Co., Ltd.	(i)	2,495	–
Genertec Hong Kong International Capital Limited	(i)	1,126	–
China Telecommunication Construction No.5 Engineering Co., Ltd.	(i)	850	–
Genertec Finance Co., Ltd.	(i)	636	122
Paryocean Properties Co., Ltd.	(i)	322	294
Sichuan Huankang Hospital Management Co., Ltd.	(ii)	316	–
China National Instruments Import & Export (Group) Corporation	(i)	159	121
China General Technology (Group) Holding Company Limited	(i)	54	–
China Meheco Beijing Baitai-Borui Technology Co., Ltd.	(i)	40	–
Genertec International Logistics Co., Ltd.	(i)	1	–
Beijing 618 Hospital	(i)	–	1,419
		<u>20,999</u>	<u>16,956</u>

- (i) The above related parties are subsidiaries of Genertec Group. The balances with the related parties are unsecured and interest-free.
- (ii) The above related parties is a joint venture of the Group. The balance with the related party is unsecured and interest-free.

22. CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Cash and bank balances	3,307,729	3,123,940
Time deposits	<u>150,000</u>	<u>173,000</u>
	3,457,729	3,296,940
Less: Restricted deposits:		
Pledged deposits and restricted bank deposits	(628,303)	(781,862)
Time deposits with original maturity of more than three months	<u>(150,000)</u>	<u>(173,000)</u>
	(778,303)	(954,862)
Cash and cash equivalents	<u>2,679,426</u>	<u>2,342,078</u>

As at 31 December 2022, the cash and bank balances of the Group denominated in RMB amounted to RMB3,043,384,000 (31 December 2021: RMB2,910,903,000). RMB is freely convertible into other currencies, however, under the Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

As at 31 December 2022, cash of RMB628,303,000 (31 December 2021: RMB781,862,000) was pledged and restricted for bank and other borrowings.

As at 31 December 2022, cash of RMB1,214,811,000 (31 December 2021: RMB1,491,458,000) was deposited with Genertec Finance Co., Ltd., a related party.

23. TRADE AND BILLS PAYABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Bills payables	615,096	–
Trade payables	1,604,475	1,111,819
Due to related parties (<i>note 23b</i>)	<u>27,647</u>	<u>164</u>
	<u><u>2,247,218</u></u>	<u><u>1,111,983</u></u>

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

23a. An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 1 year	2,190,111	1,055,530
1 to 2 years	30,744	29,456
2 to 3 years	2,320	6,289
Over 3 years	<u>24,043</u>	<u>20,708</u>
	<u><u>2,247,218</u></u>	<u><u>1,111,983</u></u>

23b. Balances with related parties

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade payables:		
Genertec International Logistics Co., Ltd.	79	87
Genertec Italia s.r.l.	79	77
Genertec Europe Temax GmbH	319	–
China Xinxing Construction Engineering Co., Ltd.	<u>27,170</u>	<u>–</u>
	<u>27,647</u>	<u>164</u>

The above related parties are subsidiaries of Genertec Group.

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

24. OTHER PAYABLES AND ACCRUALS

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current:			
Lease deposits due within one year		455,431	394,964
Accrued salaries		302,588	291,098
Welfare payables		49,033	37,289
Current portion of post-retirement benefit obligation	28	7,179	7,446
Contract liabilities	24a	249,795	148,915
Due to related parties	24b	363,280	466,640
Other taxes payable		85,677	111,491
Interest payable		315,649	280,620
Funds collected on behalf of special purpose entities in relation to asset-backed securitisations		619,573	264,329
Other payables		<u>758,646</u>	<u>414,526</u>
		<u>3,206,851</u>	<u>2,417,318</u>
Non-current:			
Lease deposits due after 1 year		3,348,185	2,812,407
Accrued salaries		850,392	726,886
Non-current post-employment benefit obligation	28	84,924	88,513
Deferred income		13,481	12,093
Other payables		<u>19,548</u>	<u>13,750</u>
		<u>4,316,530</u>	<u>3,653,649</u>
		<u>7,523,381</u>	<u>6,070,967</u>

24a. Details of contract liabilities are as follows:

	31 December 2022 RMB'000	31 December 2021 RMB'000	1 January 2021 RMB'000
Service fee income	67,025	3,108	51,959
Sale of finished goods	31,040	9,248	19,175
Healthcare service	151,730	136,559	91,765
	<u>249,795</u>	<u>148,915</u>	<u>162,899</u>

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

24b. Balances with related parties

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

		2022 RMB'000	2021 RMB'000
Due to related parties			
Genertec Hong Kong International Capital Limited	(i)	11,303	14,068
Sichuan Huankang Hospital Management Co., Ltd.	(ii)	351,977	452,572
		<u>363,280</u>	<u>466,640</u>

- (i) The above related party is subsidiary of Genertec Group. The balance with related party was unsecured and repayable based on the payment schedule agreed between the Group and the related party.
- (ii) The above related party is a joint venture of the Group. The balance with a related party was unsecured and repayable based on the payment schedule agreed between the Group and the related party.

25. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2022			31 December 2021		
	Effective annual interest rate (%)	Maturity	RMB'000	Effective annual interest rate (%)	Maturity	RMB'000
Current:						
Bank loans						
– secured	2.80	2023	200,000	3.65	2022	90,000
– unsecured	2.05~3.98	2023	2,318,976	0.92~4.55	2022	3,787,871
Current portion of long-term bank loans:						
– secured	3.05~4.99	2023	1,811,973	3.60~4.99	2022	1,518,722
– unsecured	3.20~5.57	2023	8,519,140	1.59~4.60	2022	3,124,284
Lease liabilities						
– secured	3.85	2023	767,574	3.85~5.04	2022	1,079,488
– unsecured	4.75~4.90	2023	40,368	4.75~4.90	2022	40,674
Bonds payables						
– unsecured	1.80~4.30	2023	7,144,759	2.60~4.19	2022	4,854,782
Due to a related party						
– unsecured	–	–	–	4.00	2022	250,000
			<u>20,802,790</u>			<u>14,745,821</u>
Non-current:						
Bank loans						
– secured	3.05~4.70	2024~2027	3,213,343	3.60~4.99	2023~2026	2,813,112
– unsecured	2.50~5.59	2024~2027	8,216,816	0.88~4.45	2023~2024	12,973,292
Bonds payables						
– unsecured	3.08~4.33	2024~2027	9,420,547	3.40~4.50	2023~2025	9,952,772
Lease liabilities						
– secured	–	–	–	3.85	2023	756,456
– unsecured	4.75~4.90	2024~2031	181,985	4.75~4.90	2023~2030	23,289
Due to related parties						
– unsecured	3.80~5.31	2024~2025	4,092,920	1.92~4.00	2023~2024	2,025,140
			<u>25,125,611</u>			<u>28,544,061</u>
Convertible bonds						
– host debts (Note 26)	2.00	2026	982,982	2.00	2026	882,689
			<u>26,108,593</u>			<u>29,426,750</u>
			<u>46,911,383</u>			<u>44,172,571</u>

	2022	2021
	RMB'000	RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	12,850,089	8,520,877
In the second year	8,634,240	6,818,187
In the third to fifth years, inclusive	2,795,919	8,968,217
	<u>24,280,248</u>	<u>24,307,281</u>
Other borrowings repayable:		
Within one year	7,952,701	6,224,944
In the second year	292,831	760,903
In the third to fifth years, inclusive	14,385,603	12,873,900
Beyond five years	<u>-</u>	<u>5,543</u>
	<u>22,631,135</u>	<u>19,865,290</u>
	<u>46,911,383</u>	<u>44,172,571</u>

Notes:

- (a) As at 31 December 2022, the Group's bank and other borrowings secured by loans and accounts receivables, cash and bank balances and time deposits were RMB5,992,890,000 (31 December 2021: RMB6,257,778,000).
- (b) As at 31 December 2022, the principal amounts of the Group's borrowings from related parties were RMB2,092,920,000 from Genertec Hong Kong International Capital Limited and RMB2,000,000,000 from China General Technology (Group) Holding Company Limited (31 December 2021: RMB2,275,140,000 from Genertec Hong Kong International Capital Limited).
- (c) As at 31 December 2022, China General Technology (Group) Holding Company Limited provided a comfort letter for bank borrowings in an amount of RMB11,335,933,000 (31 December 2021: RMB11,105,434,000).

26. CONVERTIBLE BONDS

On 25 March 2021, Genertec Universal Medical Development (BVI) Co., Ltd, a wholly-owned subsidiary of the Company issued the Convertible Bonds under the Specific Mandate (the “Convertible Bonds”) with a nominal value of USD150,000,000. The Convertible Bonds will be unconditionally and irrevocably guaranteed by the Company. There was no movement in the number of these convertible bonds during the year. The Convertible Bonds are convertible at the option of the bondholders into ordinary shares of the Company with the initial conversion price of HKD6.56 per share at any time on or after 25 March 2021 (the “Issue Date”) and up to 5:00 p.m. on the fifteenth day prior to 25 March 2026 (the “Maturity Date”). The conversion price of the Convertible Bonds was adjusted from HKD6.56 per share to HKD6.47 per share with effect from 18 June 2021 as a result of the declaration of the final dividend for the year ended 31 December 2020, and was further adjusted from HKD6.47 per share to HKD6.28 per share with effect from 16 June 2022 as a result of the declaration of the final dividend for the year ended 31 December 2021. The Convertible Bonds are redeemable at the option of the bondholders at 100.00 percent of their principal amount on 25 March 2024 or 2025. Any of the Convertible Bonds not converted will be redeemed on 25 March 2026 at 100.00 percent of their principal amount. The Convertible Bonds carry interest at a rate of 2.0 percent per annum, and interest is payable semi-annually in arrears on 25 March and 25 September.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders’ equity.

The convertible bonds issued during the year have been split into the liability and equity components as follows:

	2022 <i>RMB’000</i>	2021 <i>RMB’000</i>
Nominal value of convertible bonds issued during the year	979,230	979,230
Equity component	(75,486)	(75,486)
Direct transaction costs attributable to the equity component	(1,020)	(1,020)
Direct transaction costs attributable to the liability component	<u>(12,037)</u>	<u>(12,037)</u>
Liability component at the issuance date	890,687	890,687
Interest expense	65,755	27,776
Interest paid	(29,685)	(9,704)
Exchange realignment	<u>56,225</u>	<u>(26,070)</u>
Liability component at 31 December (<i>Note 25</i>)	<u><u>982,982</u></u>	<u><u>882,689</u></u>

27. DEFERRED TAX

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

Deferred tax assets

	Impairment <i>RMB'000</i>	Salary and welfare payable <i>RMB'000</i>	Cash flow hedges <i>RMB'000</i>	Fair value loss on derivative financial instruments <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Gross deferred tax assets at 1 January 2022	354,632	168,785	27,524	45,103	6,335	602,379
Credited to the statement of profit or loss during the year	67,858	30,860	27,666	(34,938)	1,435	92,881
Credited to reserves	—	—	105,134	—	—	105,134
Gross deferred tax assets at 31 December 2022	<u>422,490</u>	<u>199,645</u>	<u>160,324</u>	<u>10,165</u>	<u>7,770</u>	<u>800,394</u>
Gross deferred tax assets at 1 January 2021	273,834	161,620	—	617	2,413	438,484
Credited to the statement of profit or loss during the year	80,798	7,165	18,345	44,486	3,922	154,716
Credited to reserves	—	—	9,179	—	—	9,179
Gross deferred tax assets at 31 December 2021	<u>354,632</u>	<u>168,785</u>	<u>27,524</u>	<u>45,103</u>	<u>6,335</u>	<u>602,379</u>

Deferred tax liabilities

	Lease deposits <i>RMB'000</i>	Cash flow hedges <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Gross deferred tax liabilities at 1 January 2022	37,889	—	3,306	41,195
Charged to the statement of profit or loss during the year	10,240	—	5,938	16,178
Credited to reserves	—	—	—	—
Gross deferred tax liabilities at 31 December 2022	<u>48,129</u>	<u>—</u>	<u>9,244</u>	<u>57,373</u>
Gross deferred tax liabilities at 1 January 2021	30,293	8,227	1,225	39,745
Charged to the statement of profit or loss during the year	7,596	11,276	2,081	20,953
Credited to reserves	—	(19,503)	—	(19,503)
Gross deferred tax liabilities at 31 December 2021	<u>37,889</u>	<u>—</u>	<u>3,306</u>	<u>41,195</u>

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Net deferred tax assets recognised in the consolidated statement of financial position	<u>743,021</u>	<u>561,184</u>

The Company has tax losses arising in Hong Kong of RMB188,204,000 (2021: RMB147,000,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose and tax losses arising in the Chinese Mainland of RMB45,014,000 (2021: RMB49,262,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in the Company that has been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

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

At 31 December 2022, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the Chinese Mainland (2021: Nil). In the opinion of the directors, part of the Chinese Mainland subsidiaries' profits will be retained to expand the operations in the Chinese Mainland and it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in the Chinese Mainland for which deferred tax liabilities have not been recognised totalled approximately RMB5,747,745,000 (2021: RMB4,796,212,000).

28. POST-RETIREMENT BENEFIT OBLIGATIONS

The Group provides eligible retirees with other post-retirement benefits, including retirement subsidies, transportation allowance as well as other welfare. The expected cost of providing these post-retirement benefits is actuarially determined and recognised by using the projected unit credit method, which involves a number of assumptions and estimates, including the inflation rate, discount rate, etc.

The plan is exposed to interest rate risk and the risk of changes in the life expectancy for pensioners.

The most recent actuarial valuation of the post-retirement benefit obligations was carried out at 31 December 2022 using the projected unit credit actuarial valuation method.

The post-retirement benefit obligations recognised in the consolidated statement of financial position are as follows:

	2022	2021
	RMB'000	RMB'000
Post-retirement benefit obligations	92,103	95,959
Less: current portion	(7,179)	(7,446)
Non-current portion	84,924	88,513

The principal actuarial assumptions utilised as at the end of the reporting period are as follows:

	2022	2021
Discount rate for post-retirement benefits	2.90%	3.10%
Mortality rate	China Insurance Life Mortality Table (2010-2013). CL5 for Male and CL6 for Female	China Insurance Life Mortality Table (2010-2013). CL5 for Male and CL6 for Female
Total military welfare expense growth rate	6.00%	6.00%
Growth rate of work-related injury and living expenses	2.50%	2.50%

A quantitative sensitivity analysis for significant assumptions at the end of the reporting period is shown below:

	2022		2021	
	Increase in rate %	Increase/ (decrease) in post-retirement benefit obligations RMB'000	Decrease in rate %	Increase/ (decrease) in post-retirement benefit obligations RMB'000
Discount rates for post-retirement benefits	0.25	(2,422)	0.25	2,529
Annual increase rate of military welfare expense	0.25	757	0.25	(729)
Annual increase rate of work-related injury and living expenses	0.25	24	0.25	(23)
	2022		2021	
	Increase in rate %	Increase/ (decrease) in post-retirement benefit obligations RMB'000	Decrease in rate %	Increase/ (decrease) in post-retirement benefit obligations RMB'000
Discount rates for post-retirement benefits	0.25	(2,530)	0.25	2,642
Annual increase rate of military welfare expense	0.25	767	0.25	(738)
Annual increase rate of work-related injury and living expenses	0.25	23	0.25	(22)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on net post-retirement benefit obligations as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

Expected contributions to be made in the future years out of the post-retirement benefit obligations were as follows:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	7,179	7,446
Between 2 and 5 years	27,243	28,412
Between 6 and 10 years	30,051	31,509
Over 10 years	71,945	78,326
	<hr/>	<hr/>
Total expected payments	<u>136,418</u>	<u>145,693</u>

The average duration of the post-retirement benefit obligations at the end of 2022 was 10.30 years (2021: 12.64 years).

The movements in the post-retirement benefit obligations were as follows:

	<i>RMB'000</i>
1 January 2022	95,959
<i>Pension cost charged to profit or loss:</i>	
Past service cost	1,537
Net interest	3,061
	<hr/>
Sub-total included in profit or loss	4,598
<i>Remeasurement profits in other comprehensive income:</i>	
Changes of the financial assumptions	1,946
Experience adjustments	(3,317)
	<hr/>
Sub-total included in other comprehensive income	(1,371)
Benefits settled	(7,083)
	<hr/>
31 December 2022	<u>92,103</u>

	<i>RMB'000</i>
1 January 2021	94,899
<i>Pension cost charged to profit or loss:</i>	
Past service cost	165
Net interest	<u>3,280</u>
Sub-total included in profit or loss	3,445
<i>Remeasurement losses in other comprehensive loss:</i>	
Changes of the financial assumptions	2,435
Experience adjustments	<u>2,407</u>
Sub-total included in other comprehensive loss	4,842
Benefits settled	<u>(7,227)</u>
31 December 2021	<u><u>95,959</u></u>

29. SHARE CAPITAL

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Issued and fully paid:		
1,891,539,661 (2021: 1,891,539,661) ordinary shares	<u>5,297,254</u>	<u>5,297,254</u>

30. RESERVES

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

Capital reserve

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

Statutory reserve

Pursuant to the relevant laws and regulations and the articles of association of the subsidiaries of the Company in the Chinese Mainland, if a subsidiary is registered as a Sino-foreign joint venture, it is required to, at the discretion of the board of directors, transfer a portion of its profits after taxation reported in its statutory financial statements prepared under the applicable PRC accounting standards to the statutory 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 reserve according to the PRC accounting standards and regulations (after offsetting previous years' losses) to the statutory reserve. The PRC subsidiary may discontinue the contribution when the aggregate sum of the statutory reserve is more than 50% of its registered capital. Upon contribution to the statutory reserve using its post-tax profit, a company may make further contributions to the statutory reserve using its post-tax profit in accordance with a resolution of the board of directors. The appropriation to statutory and discretionary 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 reserve after such transfer is not less than 25% of its registered capital.

Exchange fluctuation reserve

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

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 for share options 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.

General and regulatory reserves

The Group maintains a general reserve within equity, through the appropriation of profit, which sets aside to guard against losses on risk assets.

31. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2022	2021
Percentage of equity interest held by non-controlling interest:		
Genertec Universal Huayang Shanxi Healthcare Industry Co., Ltd.	49.00%	49.00%
Genertec Ansteel Hospital Management Co., Ltd.	<u>48.85%</u>	<u>48.85%</u>
	2022	2021
	RMB'000	RMB'000
(Loss)/profit for the year allocated to non-controlling interests:		
Genertec Universal Huayang Shanxi Healthcare Industry Co., Ltd.	(5,308)	(89)
Genertec Ansteel Hospital Management Co., Ltd.	<u>27,745</u>	<u>30,517</u>
Accumulated balances of non-controlling interests at the reporting dates:		
Genertec Universal Huayang Shanxi Healthcare Industry Co., Ltd.	660,072	665,380
Genertec Ansteel Hospital Management Co., Ltd.	<u>568,241</u>	<u>541,775</u>

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	Genertec Universal Huayang Shanxi Healthcare Industry Co., Ltd. RMB'000	Genertec Ansteel Hospital Management Co., Ltd. RMB'000
2022		
Revenue	845,556	816,308
Total expenses	856,389	760,340
(Loss)/profit for the year	(10,833)	55,968
Total comprehensive (loss)/income for the year	<u>(10,833)</u>	<u>57,339</u>
Current assets	1,183,693	705,778
Non-current assets	663,141	760,493
Current liabilities	(494,478)	(211,559)
Non-current liabilities	<u>(5,269)</u>	<u>(93,096)</u>
Net cash flows from operating activities	16,451	32,707
Net cash flows used in investing activities	(14,598)	(55,331)
Net cash flows from financing activities	<u>—</u>	<u>23,934</u>
Net increase in cash and cash equivalents	<u>1,853</u>	<u>1,310</u>

	Genertec Universal Huayang Shanxi Healthcare Industry Co., Ltd. RMB'000	Genertec Ansteel Hospital Management Co., Ltd. RMB'000
2021		
Revenue	892,885	762,882
Total expenses	893,067	706,049
(Loss)/profit for the year	(182)	56,833
Total comprehensive (loss)/income for the year	<u>(182)</u>	<u>51,990</u>
Current assets	1,201,862	672,956
Non-current assets	700,167	775,270
Current liabilities	(537,445)	(244,544)
Non-current liabilities	<u>(6,665)</u>	<u>(95,416)</u>
Net cash flows from operating activities	25,385	29,907
Net cash flows used in investing activities	(25,724)	(27,965)
Net cash flows used in financing activities	<u>—</u>	<u>(1,706)</u>
Net (decrease)/increase in cash and cash equivalents	<u>(339)</u>	<u>236</u>

32. BUSINESS COMBINATIONS

The acquisition of subsidiaries accounted for as business combinations is set out as follows:

Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd., a wholly-owned subsidiary of the Group (“Hospital Investment Co., Ltd.”), contributed to Genertec Minmetals Hospital Management (Beijing) Co., Ltd. (“Genertec Minmetals Co., Ltd.”) with cash of RMB1,277,406,000. Certain subsidiaries of China Minmetals Corporation (“Minmetals Shareholders”) contributed to Genertec Minmetals Co., Ltd. with assessed assets of some medical institutions (“Minmetals Medical Institutions”). Minmetals Medical Institutions included Minmetal Hanxing General Hospital, MCC22 Hospital, China MCC5 Group Hospital, China MCC19 Group Hospital, Ma’anshan MCC17 Hospital, Taiyuan No.7 People’s Hospital, and Shanghai MCC Hospital. The transaction had been completed on 1 March 2022. Hospital Investment Co., Ltd. acquired a 46% equity interest in Genertec Minmetals Co., Ltd., and Genertec Minmetals Co., Ltd. became the promoter of Minmetals Medical Institutions. According to a concerted action agreement with other shareholders, the Group acquired 56% voting shares of Genertec Minmetals Co., Ltd., and controlled Genertec Minmetals Co., Ltd.

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

	Fair value recognised on acquisition <i>RMB'000</i>
Assets	
Property, plant and equipment (<i>note 12</i>)	1,069,713
Right-of-use assets (<i>note 13(a)</i>)	218,792
Cash and cash equivalents	421,853
Loans and accounts receivables	86,170
Prepayments, other receivables and other assets	171,485
Receivable of consideration to be paid as capital injection	1,277,406
Inventories	58,585
Other intangible assets	<u>20,847</u>
	<u>3,324,851</u>
Liabilities	
Trade and bills payables	451,269
Other payables and accruals	496,397
Interest-bearing bank and other borrowings	<u>8,549</u>
	<u>956,215</u>
Total identifiable net assets at fair value	2,368,636
Non-controlling interests	(1,090,280)
Goodwill on acquisition	<u>(950)</u>
Purchase consideration transferred	
Including:	
Consideration paid as additional capital injection to the subsidiaries after acquisition	<u><u>1,277,406</u></u>
Analysis of cash flows on acquisition:	
Net cash acquired with the subsidiaries included in cash flows from investing activities	421,853
Cash paid	<u>—</u>
Net inflow of cash and cash equivalents included in cash flows from investing activities	<u>421,853</u>
Transaction costs of the acquisition included in cash flows from operating activities	<u><u>(856)</u></u>

If the acquisition had taken place at the beginning of the year, the revenue of the Group for the year would have been RMB13,609,313,000 and the net profit of the Group for the year would have been RMB2,102,759,000.

The fair values of the loans and accounts receivables and prepayments, other receivables and other assets as at the dates of acquisitions amounted to RMB86,170,000 and RMB171,485,000, respectively. The gross contractual amount of loans and accounts receivables was RMB88,776,000, of which RMB2,606,000 was expected to be uncollectible. The gross contractual amount of prepayments, other receivables and other assets was RMB175,427,000, of which RMB3,942,000 was expected to be uncollectible.

The Group incurred transaction costs of RMB856,000 for these acquisitions. These transaction costs have been expensed and are included in other expenses in the consolidated statement of profit or loss.

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB193,148,000 (2021: RMB24,633,000) and RMB193,148,000 (2021: RMB24,633,000), respectively, in respect of lease arrangements for property.

(b) Changes in liabilities arising from financing activities

	Bank and other loans <i>RMB'000</i>	Bonds <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>	Due to related parties <i>RMB'000</i>	Convertible bonds <i>RMB'000</i>
At 1 January 2022	24,307,281	14,807,554	1,899,907	2,275,140	882,689
Proceeds from new borrowings	16,223,371	14,332,420	-	2,400,000	-
Increase arising from acquisition of subsidiaries	-	-	8,549	-	-
New leases	-	-	193,148	-	-
Foreign exchange movement	1,284,914	-	-	116,545	82,295
Repayment of borrowings	(17,621,902)	(12,583,500)	(1,127,872)	(700,000)	-
Revision of a lease term arising from a change in the non-cancellable period of a lease	-	-	4,623	-	-
Interest expense	86,584	8,832	63,791	1,235	37,979
Interest paid	-	-	(52,219)	-	(19,981)
At 31 December 2022	<u>24,280,248</u>	<u>16,565,306</u>	<u>989,927</u>	<u>4,092,920</u>	<u>982,982</u>

	Bank and other loans <i>RMB'000</i>	Bonds <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>	Due to related parties <i>RMB'000</i>	Convertible bonds <i>RMB'000</i>
At 1 January 2021	20,303,240	13,555,787	2,174,077	3,948,237	–
Proceeds from new borrowings	15,526,382	13,095,000	500,000	4,330,004	966,173
Increase arising from acquisition of subsidiaries	–	–	1,529	–	–
New leases	–	–	24,633	–	–
Foreign exchange movement	(283,578)	–	–	(7,971)	(26,070)
Repayment of borrowings	(11,296,067)	(11,850,000)	(814,957)	(5,995,130)	–
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	–	(2,245)	–	–
Equity component of convertible bonds	–	–	–	–	(75,486)
Interest expense	57,304	6,767	99,246	–	27,776
Interest paid	–	–	(82,376)	–	(9,704)
At 31 December 2021	<u>24,307,281</u>	<u>14,807,554</u>	<u>1,899,907</u>	<u>2,275,140</u>	<u>882,689</u>

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within operating activities	10,911	10,621
Within financing activities	<u>1,127,872</u>	<u>314,957</u>
	<u>1,138,783</u>	<u>325,578</u>

34. OTHER NON-CURRENT LIABILITIES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Continuing involvement in transferred assets	<u>280,968</u>	<u>257,200</u>

35. SHARE OPTION SCHEME

Pursuant to a resolution in writing passed on 31 December 2019 by the shareholders of the Company, a share option scheme (the “Share Option Scheme”) has been adopted by the Company.

The Company operates the Share Option Scheme for the purpose of providing incentives and rewards to eligible participants and certain qualified participants who contribute to the success of the Group’s operations. Eligible participants of the Share Option Scheme include senior and middle management personnel, as well as other key employees of the Company or any other subsidiary (the “Grantees”). The total number of new shares in respect of which options may be granted under the Share Option Scheme is 16,065,000 shares, which is 0.94% of the Company’s issued share capital as at the date of approval of the Share Option Scheme by the shareholders at the General Meeting. The Share Option Scheme will be valid for 5 years from the date of its adoption.

The offer of a grant of share options (“Share Options”) may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HKD1 in total by the Grantees subject to any early termination, the Share Option Scheme will remain in force for a period of 5 years commencing on the date on which the Share Option Scheme is approved by the shareholders of the Company. The vesting of the Share Options is mainly subject to fulfilment of the Company’s performance targets, the Grantees remaining at all times after the offer date and on each vesting date as an employee of the Group, as well as the Grantees achieving a specified level in annual personal performance evaluations.

The exercise price in respect of any option shall be such price as determined by the Board or the Administration Committee of the Share Option Scheme and notified to the Grantees and which shall not be less than the highest of: (i) the closing price of the shares on the Stock Exchange as stated in the Stock Exchange’s daily quotation sheet on the offer date; (ii) the average of the closing prices of the shares on the Stock Exchange as stated in the Stock Exchange’s daily quotation sheets for the five trading days immediately preceding the Offer Date; and (iii) the nominal value of the shares as at the offer date. The exercise price of the Share Options is subject to adjustment in the case of rights or other similar changes in the Company’s share capital.

On 31 December 2019, the Board announced that, the Company has resolved the offer to grant Share Options to the Grantees under the Share Option Scheme to subscribe for a total of 16,065,000 ordinary shares in the capital of the Company, including 991,000 reserved options. On 31 December 2021, the reserved options were expired.

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Expiry date	Exercise period	Exercise price per share option* HKD	Number of share options
31 December 2023	2023/1/1-2023/12/31	5.97	4,068,002
31 December 2024	2024/1/1-2024/12/31	5.97	4,068,002

* Movements in the number of the Share Options outstanding and their related weighted average exercise prices granted under the Share Option Scheme during the year are as follows:

Exercise price per share option (HKD)	Date of grant	Outstanding as at 1 January 2022	Granted during the year	Expired during the year	Forfeited during the year	Outstanding as at 31 December 2022
5.97	2019/12/31	15,074,000	–	(4,067,996)	(2,870,000)	8,136,004

The fair value (measured as at the grant dates) of the Share Options that were outstanding as at 31 December 2022 was RMB9,117,000 (2021: RMB16,312,000). The weighted average fair values were HKD1.12, HKD1.22 and HKD1.28 per option for each of the three tranches with two-year, three-year and four-year vesting periods, respectively. The share option expense recognised was RMB442,000 (2021: RMB5,798,000) during the year ended 31 December 2022 in employee benefit expense.

The fair values of the Share Options were estimated as at their respective dates of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the main inputs to the model used:

Expected dividend yield (%)	4.61
Expected volatility (%)	30.62
Risk-free interest rate (%)	1.70
Validity period of the Share Options (year)	5
Share price (HKD per share)	5.97
Expected exercise trigger multiple	2

Estimation of the value of the Share Options is subjective and uncertain as such values are subject to a number of assumptions and with regard to the limitation of the model. The expected volatility is based on the historical volatility reflecting the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. The expected exercise trigger multiple is also estimated and is not necessarily indicative of the exercise patterns that may occur.

All significant features necessary to be considered for the measurement of fair values of the Share Options granted in the year were incorporated into such measurement.

At 31 December 2022, the Company had 8,136,004 (31 December 2021: 15,074,000) non-vested Share Options (including 1,762,666 (31 December 2021: 2,644,000) non-vested Share Options granted to certain executive directors, 2,546,000 (31 December 2021: 4,235,000) non-vested Share Options granted to certain employees among the five highest paid employees and 3,064,000 (31 December 2021: 4,596,000) non-vested Share Options granted to certain key management personnel) outstanding under the Share Option Scheme. Should all of them be vested, the exercise in full of the outstanding Share Options would, under the present capital structure of the Company, result in the issue of 8,136,004 additional ordinary shares of the Company.

At the date of approval of these financial statements, the Company had 8,136,004 (2021: 15,074,000) Share Options outstanding under the Share Option Scheme, which represented approximately 0.43% (2021: 0.80%) of the Company's shares in issue as at that date.

36. OTHER EQUITY INSTRUMENTS

China Universal Leasing Co., Ltd. ("China Universal Leasing"), a wholly-owned subsidiary of the Group, issued the first tranche of the bonds (the "2021 T1 Bonds") of the renewable corporate bond with a total principal amount of RMB500,000,000, with a basic term of two years from 28 June 2021. The 2021 T1 Bonds are with a fixed interest rate of 5.1% per annum. The issue price is RMB100 per bond, which is equal to 100% of the principal value of the 2021 T1 Bonds.

China Universal Leasing issued the second tranche of the bonds (the "T2 Bonds") of the renewable corporate bond with a total principal amount of RMB670,000,000, with a basic term of two years from 25 October 2021. The T2 Bonds are with a fixed interest rate of 4.83% per annum. The issue price is RMB100 per bond, which is equal to 100% of the principal value of the T2 Bonds.

China Universal Leasing issued the third tranche of the bonds (the "T3 Bonds") of the renewable corporate bond with a total principal amount of RMB480,000,000, with a basic term of one year from 16 November 2021. The T3 Bonds are with a fixed interest rate of 3.77% per annum. The issue price is RMB100 per bond, which is equal to 100% of the principal value of the T3 Bonds. The Renewable Bonds have been fully redeemed on 16 November 2022.

China Universal Leasing issued the first tranche of the bonds (the "2022 T1 Bonds") of the renewable corporate bond with a total principal amount of RMB480,000,000, with a basic term of one year from 22 December 2022. The 2022 T1 Bonds are with a fixed interest rate of 5.00% per annum. The issue price is RMB100 per bond, which is equal to 100% of the principal value of the 2022 T1 Bonds.

China Universal Leasing is entitled, at the end of the agreed basic term and each extended period, to an option to extend the term of the bonds. Distributions of the renewable bonds may be paid annually and may be deferred at the discretion of China Universal Leasing unless a compulsory distribution payment event (including distributions to shareholders of China Universal Leasing) has occurred. Following a deferral, arrears of distributions are cumulative. As the Group has no contractual obligation to deliver cash or another financial asset, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group, the Group classified the renewable corporate bonds issued as equity instruments.

For the year ended 31 December 2022, the profits attributable to holders of the renewable corporate bonds based on the applicable distribution rates were RMB71,403,000 (For the year ended 31 December 2021: RMB112,497,000) and the distribution made by the Group to the holders of the renewable corporate bonds was RMB72,829,000 (For the year ended 31 December 2021: RMB94,040,000).

37. TRANSFERS OF FINANCIAL ASSETS AND INTERESTS IN THE UNCONSOLIDATED STRUCTURED ENTITIES

The Group enters into securitisation transactions in the normal course of business whereby it transfers loans and accounts receivables to special purpose entities. These special purpose entities are structured entities established with the narrow and well-defined objectives to provide investors opportunities to invest in those loans and accounts receivables and they generally finance the purchase of the loans and accounts receivables by issuing asset-backed securities to investors. The Group assessed and determined that those structured entities need not be consolidated as the Group has no control over them.

The Group may hold some subordinated tranches of those asset-backed securities and accordingly may retain portions of the risks and rewards of the transferred loans and accounts receivables. The Group would determine whether or not to derecognise the transferred loans and accounts receivables mainly by evaluating the extent to which it retains the risks and rewards of the transferred assets.

During the year ended 31 December 2022, the Group transferred an aggregate carrying amount of RMB6,801,000,000 (2021: RMB1,632,000,000) of loans and accounts receivables to the unconsolidated structured entity, which qualified for full derecognition. Hence, the Group derecognised those assets.

The Group also transferred loans and accounts receivables to other unconsolidated structured entity, where the Group held some subordinated tranches and hence retained continuing involvement in the transferred assets (i.e. loans and accounts receivables amounting to RMB2,169,000,000 as at 31 December 2021). As a result, as at 31 December 2022, the balance of subordinated tranches of asset-backed securities held by the Group amounted to RMB172,518,000 (2021: RMB148,750,000). The Group provided liquidity support amounting to RMB108,450,000 to the unconsolidated structured entity. In addition, the balances of continuing involvement in transferred assets and associated liabilities both amounted to RMB280,968,000 (2021: RMB257,200,000), which approximate the maximum exposure to losses from its involvement in such securitisation arrangement and the unconsolidated structured entity.

During the year ended 31 December 2022, as a result of the securitisation transactions, the Group recognised losses of RMB1,154,000 (2021: RMB942,000) from transfers of loans and accounts receivables.

38. EVENTS AFTER THE REPORTING PERIOD

On 30 July 2022, Hospital Investment Co., Ltd. and Genertec Minmetals Co., Ltd. (“Target Company”) entered into (i) the Equity Transfer Agreement I with Minmetals Shareholders, pursuant to which Hospital Investment Co., Ltd. (as the purchaser) had conditionally agreed to acquire, and Minmetals Shareholders (as vendors) had conditionally agreed to sell a total of 44% of the equity interest in the Target Company, for a total consideration of RMB1,096.2 million; and (ii) the Equity Transfer Agreement II with CITIC Capital Equity Investment (Tianjin) Co., Ltd., pursuant to which Hospital Investment Co., Ltd. (as the purchaser) had conditionally agreed to acquire, and CITIC Capital (Tianjin) Co., Ltd. (as the vendor) had conditionally agreed to sell 10% of the equity interest in the Target Company, at nil consideration. The acquisition had been completed on 1 March 2023. Upon completion of the transactions, the Target Company was owned as to 100% by Hospital Investment Co., Ltd., and accordingly, became an indirect wholly-owned subsidiary of the Company.

PERFORMANCE OVERVIEW

	For the year ended 31 December				
	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Operating Results					
Income	11,912,140	9,914,273	8,521,238	6,815,587	4,296,866
Hospital group business income ^{*1/2}	6,211,220	4,608,377	3,623,001	2,046,942	131,730
Finance business income ^{*1/2}	5,721,203	5,307,546	4,899,669	4,768,645	4,165,136
Cost of sales	(7,426,151)	(5,714,834)	(4,967,263)	(3,636,505)	(1,705,442)
Cost of hospital group business ^{*2}	(5,428,764)	(4,022,583)	(3,243,661)	(1,757,074)	(113,592)
Cost of finance business ^{*2}	(2,212,900)	(1,829,066)	(1,840,231)	(1,926,405)	(1,591,850)
Profit before tax	2,704,286	2,691,808	2,365,014	2,211,859	1,859,039
Profit for the year	2,087,527	2,030,469	1,813,910	1,634,392	1,350,664
Profit for the year attributable to owners of the parent	1,890,012	1,835,233	1,647,537	1,488,736	1,352,173
Basic earnings per share (RMB)	1.00	0.99	0.96	0.87	0.79
Diluted earnings per share (RMB)^{*3}	0.93	0.91	0.96	0.87	0.79
Profitability Indicators					
Return on total assets ⁽¹⁾	2.84%	3.09%	3.04%	3.11%	3.18%
Return on equity ⁽²⁾	13.96%	15.37%	16.26%	16.65%	17.05%
Net interest margin ⁽³⁾	3.67%	4.40%	4.27%	3.79%	4.13%
Net interest spread ⁽⁴⁾	3.24%	3.91%	3.72%	3.28%	3.26%

*1 After taxes and surcharges

*2 Before inter-segment offset

*3 The potential dilutive shares of the Company include the shares to be issued under the share option scheme of the Company and the shares convertible from the convertible bonds

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

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

(3) Net interest margin = net interest income/average balance of interest-earning assets;

(4) Net interest spread = average yield of interest-earning assets – average cost rate of interest-bearing liabilities. Average balance of interest-earning assets is calculated based on the average balance of net lease receivables and factoring receivables 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.

	31 December 2022 RMB'000	31 December 2021 RMB'000	31 December 2020 RMB'000	31 December 2019 RMB'000	31 December 2018 RMB'000
Assets and Liabilities					
Total assets	76,870,771	69,899,801	61,511,013	57,852,542	47,256,927
Net interest-earning assets	65,233,831	61,127,607	54,650,222	49,785,639	44,270,664
Total liabilities	57,167,758	52,276,546	46,545,678	44,405,334	37,000,119
Interest-bearing bank and other borrowings	46,911,383	44,172,571	39,981,341	38,002,843	32,981,989
Total equity	19,703,013	17,623,255	14,965,335	13,447,208	10,256,808
Equity attributable to owners of the parent	13,970,115	13,103,989	10,770,514	9,489,304	8,395,611
Net assets per share (RMB)	<u>7.39</u>	<u>7.05</u>	<u>6.28</u>	<u>5.53</u>	<u>4.89</u>
Financial Indicators					
Debt ratio ⁽¹⁾	74.37%	74.79%	75.67%	76.76%	78.30%
Gearing ratio ⁽²⁾	2.38	2.51	2.67	2.83	3.22
Current ratio ⁽³⁾	<u>1.06</u>	<u>1.33</u>	<u>0.94</u>	<u>1.1</u>	<u>1.06</u>
Asset Quality					
Non-performing assets ratio ⁽⁴⁾	0.99%	0.98%	1.00%	0.90%	0.81%
Provision coverage ratio ⁽⁵⁾	263.11%	238.29%	205.52%	198.46%	190.24%
Write-off of non-performing assets ratio ⁽⁶⁾	7.00%	0.00%	9.34%	0.00%	0.00%
Ratio of overdue interest-earning assets (over 30 days) ⁽⁷⁾	<u>0.86%</u>	<u>0.76%</u>	<u>0.94%</u>	<u>0.84%</u>	<u>0.62%</u>

(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 = non-performing assets/net interest-earning assets;

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

(6) Write-off of non-performing assets ratio = written-off assets/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

Universal Medical is a listed company controlled by a central enterprise and focusing on healthcare industry. As of 31 December 2022, Universal Medical (i) consolidated the accounts of 55 medical institutions, and provided the public with quality medical services; (ii) provided various services for customers in hospitals in the PRC such as life cycle management of equipment, discipline operation and Internet-based healthcare services; and (iii) offered comprehensive financial solutions centered on finance leasing for customers.

In 2022, in the face of impacts from various unexpected factors such as intricate circumstances at home and abroad and the pandemic, the Group adhered to the “Healthy China” strategy and continued to expand its footprint in the healthcare sector. The continuous improvement in the core capacity of the hospital group, the gradual perfection of and breakthroughs in the footprint expansion of the specialty business and the health conglomerate’s units, and the smooth and stable development of the finance business all contributed to the realization of the vision of “To Be the Most Trusted Global Leader in Medical & Healthcare Services”. In 2022, the Group recorded a revenue of RMB11,912.1 million in total, up by 20.2% as compared to the previous year. In particular, the hospital group business recorded a revenue of RMB6,211.2 million, up by 34.8% as compared to the previous year, with its proportion to the total revenue increased to 52.1%; the Group recorded a profit for the year of RMB2,087.5 million, up by 2.8% as compared to the previous year, of which, the hospital group business contributed RMB378.3 million, up by 48.0% as compared to the previous year; the Group recorded a profit attributable to owners of the parent of RMB1,890.0 million, up by 3.0% as compared to the previous year, of which, the hospital group business contributed RMB252.2 million, up by 45.8% as compared to the previous year; and the Group recorded a return on total assets (ROA) of 2.84% and a return on equity attributable to ordinary shareholders (ROE) of 13.96%. The indicators of income and the assets conditions maintained a steady and excellent performance.

1.1 Integrated healthcare business

The medical institutions are not only our core resources to build a healthcare conglomerate, but also the R&D and training center of the Group’s specialized medical business, as well as the project cultivation and commercialization pool and the sharing center for basic resources and practice of the industrial units. With respect to the integrated healthcare service segment, focusing on the development of the hospital group’s core capacity, we continuously build up the competition advantages of central state-owned enterprises in running medical care by reinforcing group management and control and upgrading professional operation, so as to facilitate positive and continuous development of the state-owned hospitals and constantly improve operation efficiency and effectiveness.

In December 2022, the “Work Plan for Supporting the High-quality Development of Medical Institutions Run by State-owned Enterprises” (《支持國有企業辦醫療機構高質量發展工作方案》) (Guo Zi Fa Gai Ge [2022] No. 77) was issued jointly by the State-owned Assets Supervision and Administration Commission and other 12 ministries and commissions of the State Council, which for the first time recognized the status of the medical institutions run by state-owned enterprises (the “Hospitals of SOEs”) as “an integral part of China’s medical service and healthcare system and an important force in building Healthy China”, and required that local governments should grant the Hospitals of SOEs the same development preference as those medical institutions run by the governments, therefore providing the integrated healthcare business with more favorable policy conditions.

In boosting the high-quality development of the Hospitals of SOEs, we facilitated the continuous improvement of comprehensive strengths of all affiliated hospitals in terms of technology, operation, service and environment in light of the needs of the public and the policy orientation, while at the same time, continued to build differentiated competitive strengths and establish a new landscape for high-quality development based on different characteristics of various types of hospitals at different levels:

- Grade III Class A hospitals: pursue the overall development objective of establishing “regional medical centers”, facilitate the comprehensive and coordinated development of healthcare, teaching and research by means such as the establishment of provincial and municipal key specialties, creation of scientific research platforms and construction of teaching hospitals, and make constant innovations and take the lead in refined operation, service mode, talent cultivation and other aspects, so as to facilitate constant improvement in performance appraisal of public hospitals, and amplify their regional influence and their role as the driving force to hospitals at Grade II and below.
- Grade II hospitals: pursue the overall development objective of “prioritizing specialties while providing comprehensive services” or transformation into specialty hospital, focus on developing advantageous specialties and enhancing special medical care based on the Company’s specialty business and relevant hospital’s own characteristics to strengthen their regional competitiveness with their specialties and special medical care, and shape differentiated competitiveness in terms of operational efficiency and humanistic services, etc. Certain qualified Grade II hospitals are also allowed to gradually develop into Grade III hospitals.
- Primary hospitals: focus on the priority of developing “basic medical care, public healthcare services and special projects”, continuously enhance basic medical services and public healthcare services, conduct special medical care projects that cater to the needs of the general public, proactively explore new service modes such as contracted family doctor, Internet+, door-to-door service and health management of chronic disease, and explore the potential medical needs of the surrounding communities to address the connection of “last kilometer” for healthcare services.

The results contributions of the consolidated Hospitals of SOEs were included in “Integrated healthcare services” business under the “Hospital group business” segment in the Group’s financial report. In 2022, they contributed to the Group a revenue of RMB6,022.9 million, up by 37.2% as compared to the previous year; they recorded a profit for the year of RMB290.3 million in total, up by 50.2% as compared to the previous year; and the net profit margin was 4.82%, up by 0.42 percentage point from 4.40% of the previous year. The development of the Hospitals of SOEs in 2022 was as follows:

In terms of bed capacity: in 2022, the Group consolidated the accounts of seven additional medical institutions with a capacity of 3,357 beds in total; and the number of consolidated medical institutions as at 31 December 2022 increased to 55 (including 4 Grade III Class A hospitals and 26 Grade II hospitals), with a capacity of 13,615 beds in total. The number of beds of medical institutions that were included within the management system but not yet consolidated was over 2,000. The currently planned number of internally built beds exceeded 4,000 in total. In the future, based on the existing operation scale, we will continue to expand the scale of the hospital group through internal construction and mergers and acquisitions of/cooperation with external hospitals. The geographical location of medical institutions consolidated into the Group is as follows:

**The Geographical Location of Medical Institutions
Consolidated into the Group as of 31 December 2022**

Province	Grade III hospitals	Grade II hospitals	Others (note)	Total
Shaanxi	1	7	9	17
Shanxi	1	4	4	9
Anhui	1	2	5	8
Liaoning	1	1	1	3
Hebei	–	5	3	8
Sichuan	–	3	1	4
Shandong	–	1	–	1
Hunan	–	1	–	1
Jiangsu	–	1	–	1
Shanghai	–	1	–	1
Zhejiang	–	–	1	1
Beijing	–	–	1	1
	<u>4</u>	<u>26</u>	<u>25</u>	<u>55</u>
Total	4	26	25	55

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

The operating performance of the consolidated medical institutions during 2020 to 2022 is as follows:

2022

Category	Visits in 2022				Medical business income in 2022 (RMB ten thousand)				Average index		
	Capacity	Outpatient and emergency visits	Inpatient	Visits for medical examination	Outpatient and emergency income	Inpatient income	Medical examination income	Total medical business income (including financial subsidy income)	Income per bed (RMB ten thousand)	Outpatient fee per visit ^(*) (RMB)	Inpatient fee per visit (RMB)
		visits			income						
Grade III	3,716	4,523,293	126,911	160,166	87,795	143,994	9,272	243,914	66	386	11,346
Grade II	8,392	5,468,536	210,768	772,971	136,934	193,781	18,553	350,378	42	392	9,194
Others (note)	1,507	803,516	15,643	70,073	30,916	7,476	1,773	44,626	30	403	4,779
Total	13,615	10,795,345	353,322	1,003,210	255,645	345,251	29,598	638,918	47	391	9,772

2021

Category	Visits in 2021				Medical business income in 2021 (RMB ten thousand)				Average index		
	Capacity	Outpatient and emergency visits	Inpatient	Visits for medical examination	Outpatient and emergency income	Inpatient income	Medical examination income	Total medical business income (including financial subsidy income)	Income per bed (RMB ten thousand)	Outpatient fee per visit ^(*) (RMB)	Inpatient fee per visit (RMB)
		visits			income						
Grade III	3,859	2,844,746	124,370	213,133	82,160	148,347	7,653	238,584	62	361	11,928
Grade II	8,443	3,840,806	208,577	738,486	110,526	189,956	14,297	317,697	38	331	9,107
Others (note)	1,588	801,547	15,647	147,472	26,158	7,613	2,144	38,675	24	356	4,866
Total	13,890	7,487,099	348,594	1,099,091	218,844	345,916	24,094	594,956	43	345	9,923

2020

Category	Visits in 2020			Medical business income in 2020 (RMB ten thousand)					Average index		
	Capacity	Outpatient and emergency visits	Inpatient	Visits for medical examination	Outpatient and emergency income	Inpatient income	Medical examination income	Total medical business income (including financial subsidy income)	Income per bed (RMB ten thousand)	Outpatient fee per visit (RMB)	Inpatient fee per visit (RMB)
Grade III	3,874	2,152,395	115,919	208,036	69,058	142,588	7,894	219,838	57	321	12,301
Grade II	8,340	2,868,835	192,063	597,723	82,458	172,274	13,455	269,662	32	287	8,970
Others (note)	1,476	739,606	14,918	128,204	24,077	7,323	1,432	35,425	24	326	4,909
Total	13,690	5,760,836	322,900	933,963	175,593	322,186	22,781	524,925	38	305	9,978

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

* Outpatient fee per visit for 2022 and 2021 has been calculated without taking into account the impact of outpatient and emergency visits for nucleic acid tests

In terms of overall operation:

- **Revenue from medical business recorded steady growth with significant increase in income per bed**

Revenue from medical business contributed by the consolidated medical institutions for the year amounted to RMB6,389.2 million in aggregate, representing an increase of approximately 7.4% as compared to the corresponding period of the previous year. Average income per bed for the year increased to approximately RMB470,000, representing an increase of approximately 9.6% as compared to the corresponding period of the previous year.

- **With improving anti-risk capability, overall business volume maintained a growing momentum despite the severe impact of the pandemic throughout the year**

The total number of medical treatments in the consolidated medical institutions was approximately 11,799,000, representing an increase of 37.4% as compared to the previous year. In particular: the number of outpatient and emergency visits amounted to approximately 10,795,000, representing an increase of 44.2% as compared to the previous year or, without taking into account of the impact of nucleic acid visits, an increase of 3.0% as compared to the previous year. The number of visits for medical examination reached approximately 1,003,000, representing a decrease of 8.7% as compared to the previous year. However, due to the continuous increase in medical examination service capacity, revenue from such services for the year increased by 22.8% as compared to the corresponding period of the previous year to RMB295.98 million. The number of inpatient visits based on discharges amounted to approximately 353,000, representing an increase of 1.4% as compared to the previous year.

- **We actively responded to China’s requirements for high-quality development of public hospitals with increasing surgical capacity and further improvement of business structure**

The patient structure was improved as the proportion of surgical patients increased, and the number of surgeries amounted to 92,946. The surgical rate among inpatient based on discharge increased from 26.1% in 2021 to 26.3% in 2022, of which the number of Grade III and Grade IV surgeries amounted to 60,916 with its proportion increasing from 62.4% in 2021 to 65.5% in 2022, thus leading to a substantial increase in the revenue from medical services, with the proportion of effective medical revenue (有效醫療收入佔比) increasing from 55.1% in 2021 to 58.1% in 2022.

The Group continued to cultivate its core capabilities for group development through standardised construction and digital transformation. Focusing on the primary goals of “comfortable environment, top-notch services, advanced technology and efficient operation”, we are determined to developing into a role model in the industry with quality medical services. In 2022, we continued to empower the development of the Hospitals of SOEs in the following aspects:

Comfortable environment

During the year, we effectively implemented nine major renovation projects with the planned number of internally built beds exceeding 4,000 in total, completed of the topping-out of the new outpatient and inpatient multifunction buildings of Xianyang Caihong Hospital (咸陽彩虹醫院) and Xi’an Aero-Engine Hospital (西航醫院), and pushed forward the renovation works on 46 infrastructure facilities of 18 hospitals, resulting in rapid improvement in the environment of the outpatient and emergency department and the inpatient department as well as core service capabilities in medical areas. In addition, we continued to enhance standard management and advantage in group cost control, so as to significantly reduce project investments while improving construction quality.

Top-notch services

Adhering to a patient-oriented approach, efforts have been made to optimise service process and innovate service mode, with an aim to build harmonious relationship between the doctors and the patients and establish long-term mechanism for constant improvement of patient experience. We continued to improve the brand awareness and brand building capability of the hospitals, build up hospital reputation among the patients and explore new service areas, in an effort to improve patient satisfaction and revisit rate. Leveraging the “Xinyan Charity Fund (新燕公益基金)” established with donation by the Group, we exerted charity power by offering financial support for clinical treatment of patients with financial difficulties who suffer with acute and serious disease in many regions, demonstrating our commitment to our social responsibilities as a central state-owned enterprise and also empowering the improvement of specialized medical service capability and the building of regional brand influence.

Advanced technology

Two provincial key disciplines and five municipal key disciplines were created, and one stroke center (卒中中心) and five cardiovascular centers were established. We launched nearly 300 new technologies and new projects, with the core treatment technologies of some key disciplines reaching the advanced standard at provincial or above level. A total of six provincial or above scientific research projects have been approved, and we have completed five national continuing education projects and 22 provincial continuing education projects. One university affiliated hospital/teaching hospital was added. The average rating of the four Grade III Class A hospitals that participated in the national performance appraisal of Grade III public hospitals for the year 2021 (2021年度國家三級公立醫院績效考核) was improved by 80 scores, with 40 ranks higher in average ranking.

Efficient operation

Efforts have been made to perfect the three-level operation and management system and talent development system covering the headquarters, hospitals and departments, comprehensively improving the overall refined management standard of the hospital group. We proactively responded to the pilot reform on medical insurance payment approach, leading to further improvement in the scientific and standardized management of medical insurance. With increasing proportion of centralised procurement of medical consumables and equipment year by year, we enhanced our bargaining power by leveraging the advantages of collectivization scale, with an aim to implement scientific and rational cost control.

Digital transformation

We primarily completed the standardization of the core information system of each hospital, laying a solid foundation for the promotion of criteria standardization and interconnection and interoperability at the group level. We have 40 online hospitals on the Internet healthcare platform that are independently developed and operated by the Group with over 3 million registered users, achieving in-depth connection with the hospital systems and facilitating the improvement of operation efficiency of the hospitals and service experience of the patients. We participated in the establishment and were entrusted with the management of Genertec Digital Health Technology (Beijing) Co., Ltd. (通用技術集團健康數字科技(北京)有限公司), and launched the 2.0 data middle-end platform which covers the full chain processes including collection, governance, analysis and application, providing support for clinical treatment and management such as operation management, patient services and commercialization of scientific research achievements. In addition, we made great efforts to improve the digital transformation of group operation and management of the listed company, and continuously enhanced digital infrastructure development such as medical data pool, information security and cloud internet, with successful cloud-based deployment of nearly 130 systems covering 38 institutions.

Excluding the impact of newly consolidated medical institutions in 2022, the existing hospitals recorded respective increases in both revenue and net profit of 11.1% and 19.4% in aggregate, as compared to the corresponding period of the previous year.

1.2 Specialties and Healthcare Industry

With the business foundation and professional core talent team of our own hospital group, we strived to build replicable capabilities of specialties and industry operation while serving internal quality and efficiency enhancement, so as to create new growth drivers for the listed company. The financial contribution of this new business segment mainly comes from providing hospital clients with life cycle management of medical equipment and medical devices sales, which recorded a total revenue of RMB83.8 million in 2022 and a total profit of RMB8.6 million for the year.

Over the past year, we took solid steps in constructions of featured specialties such as nephrology and oncology as well as building core capabilities of the life cycle management of equipment:

Nephrology: the Group plans to promote the “full-course management model for chronic kidney diseases” featuring the combination of TCM and western medicine by investing/building a series of nephrology specialist hospitals and chain hemodialysis centers, providing high-standard full-course management services for patient with kidney disease. Focusing on enhancing the core capabilities for nephropathy diagnosis and treatment of primary-level hospitals, the establishment of nephropathy diagnosis and treatment flagship centers and municipal and provincial key specialties and the construction of high-quality blood purification centers, we continuously deepened the industry layout of nephrology specialties through the scientific research results supported by digitalization. In 2022, the Group opened 13 new specialties departments in its member hospitals, and continued to build a rapidly replicable operating system of “opening departments in three to six months, reaching break-even in six months, and achieving profitability within one year”. In February 2023, the Group founded the nephropathy industry research institute, and worked with a team of nearly 100 industry experts to advance the building of “hospital, university, research and industry” integrated innovative business model for nephropathy specialties.

Oncology: the Group continues to push forward the construction, operation and standardization of tumor precision diagnosis and treatment centers, pool internal and external resources to build the flagship tumor specialty diagnosis and treatment benchmark inside and outside the hospital group, develop tumor radiotherapy business product solutions, expand the chain business scale through investment/construction, and promote the standardized, collaborative and efficient development of oncology specialties. In 2022, we built a new tumor precision diagnosis and treatment center at Maanshan MCC 17 Hospital (馬鞍山十七冶醫院); and the Cancer Hospital of Ansteel General Hospital (鞍鋼總醫院腫瘤醫院) successfully passed the international accreditation of the Imaging and Radiation Oncology Core (IROC) services of the United States, marking that precision tumor radiotherapy has reached international standards.

The Life Circle Management of Equipment: the Group relies on its own hospital group as a team capability training and business practice base to provide hospital customers with life cycle management services for medical equipment from procurement planning, repair and maintenance to refined operation management. This model has achieved good results in internal hospital implementations, and in the process, we have built the Beijing R&D center, trained and formed a team of nearly 100 engineers, and are capable of completing over 70% of medical equipment repair. Giving full play to the digital advantages, we have developed an equipment operation and management platform with independent intellectual property rights, which has gradually covered over a thousand units of equipment in our member hospitals. We have obtained maintenance authorizations and training support from many major equipment manufacturers at home and abroad, and established the Beijing-provincial capital city-hospital three-level spare parts warehouse. Based on our equipment management and operation capabilities and financial strength accumulated over the years, we believe that the Group can achieve rapid improvement of the business scale and core capabilities of the equipment life cycle management through endogenous development and extensional mergers and acquisitions, so as to open up broader development space.

In addition, the Group has made various progress in the business layout of disciplines such as TCM, ophthalmology, stomatology as well as healthcare industry including Internet-based healthcare and health insurance.

As a listed company in the field of medical and healthcare, the Group strives to develop into a medical and healthcare conglomerate with financial service capabilities, featured specialty services and differentiated industrial business advantages, and gradually unleashes the value of its various business segments and assets. Looking forward, we will rely on the development foundation of the hospital group, and continue to build the industrial development foundation and team capabilities, with an aim to create more high-value profitable segments for the listed company while serving the Group's member hospitals to reduce costs and increase efficiency.

1.3 Finance Business

The Group's finance business mainly focuses on finance leasing business, and centered on further exploration and development based on the development prospect, profitability, revenue/risk profile, cashflow stability of the industry and other criteria. As the continuous profit contributor of the Group, the finance business will always strive to maintain healthy and steady development while ensuring asset security, laying a solid foundation and cash cow for the sustainable development of the Group.

In 2022, faced with the impact of various factors such as changes in the international economic environment, slowdown in macro-economic growth, intensified market competition, tightening financial regulation and fluctuations in offshore foreign exchange rate, we always took risk control as a top priority, and were committed to ensuring quality project development for our customers. By keeping abreast of the market changes, we strived to arrange financing structure properly, so as to ensure liquidity security and reasonable financing cost control. We continued to optimise the dynamic management of pre-rental, rental, and post-rental process, and enhanced accountability to ensure its asset quality remaining at an industry-leading level while maintaining continuous and steady business expansion.

In 2022, the Group recorded income of finance business of RMB5,721.2 million in total, representing a year-on-year increase of 7.8%. The average yield of interest-earning assets was 7.22%, and the average cost rate of interest-bearing liabilities was 3.98%. The net interest spread was 3.24%, and the net interest margin was 3.67%. Our asset quality continued to remain excellent. As at 31 December 2022, our net interest-earning assets reached RMB65,233.8 million, representing an increase of 6.7% as compared to that at the beginning of the year; the non-performing asset ratio was 0.99%; the overdue ratio (30 days) was 0.86%, and the provision coverage ratio was 263.11%.

Given that the domestic and international economy and financial markets continue to be confronted with many risks, challenges and uncertainties, Universal Medical will continue to promote the steady and safe development of its finance business, and give full play to the finance business to empower the development of the medical care industry, so as to lay a solid foundation for the high-quality development of a central state-owned and listed enterprise.

1.4 Prospect for the Future

2023 marks a critical year for China market in its transition to the “post-pandemic” era, which also represents an important window period for the implementation of strategic initiatives of the Group. As a central state-owned and listed enterprise, we will continue to follow the overall deployment of the “14th Five-Year Plan” and keep abreast of the latest development and requirements to promote steady development of the finance business, make strenuous efforts to improve the core capability and operating efficiency of the hospital group, accelerate the deployment of specialized disciplines and industry layout, and facilitate new breakthroughs in the high-quality development of the entire group, laying a solid foundation for the achievement of the platform goal of creating a more valuable listed company and the corporate vision of “To Be the Most Trusted Global Leader in Medical & Healthcare Services”, with an aim to create greater returns for all Shareholders.

2. Analysis of Statement of Profit or Loss

2.1 Overview

In 2022, facing with the impact of various unexpected external factors, while making unwavering efforts to implement the national initiatives of pandemic prevention and control and lead the subordinate medical institutions in our proactive commitment to fighting against the pandemic, the Group adhered to its established business strategies by continuing to move forward in the field of medical and healthcare, and achieved steady growth in our overall operating results. The Group recorded a revenue of RMB11,912.1 million in total, representing an increase of 20.2% as compared to the previous year. Profit for the year was RMB2,087.5 million, representing an increase of 2.8% as compared to the previous year. Profit for the year attributable to owners of the parent was RMB1,890.0 million, representing an increase of 3.0% as compared to the previous year.

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

	For the year ended		Change %
	31 December		
	2022	2021	
	RMB'000	RMB'000	
Income	11,912,140	9,914,273	20.2%
Cost of sales	(7,426,151)	(5,714,834)	29.9%
Gross profit	4,485,989	4,199,439	6.8%
Other income and gains	442,722	313,782	41.1%
Selling and distribution costs	(441,603)	(462,005)	-4.4%
Administrative expenses	(899,168)	(739,754)	21.5%
Impairment of financial assets	(311,012)	(318,235)	-2.3%
Loss on derecognition of financial assets measured at amortised cost	(1,154)	(942)	22.5%
Financial costs	(35,319)	(29,132)	21.2%
Other expenses	(549,631)	(285,210)	92.7%
Share of profit of an associate	12	192	-93.8%
Share of profit of a joint venture	13,450	13,673	-1.6%
Profit before tax	2,704,286	2,691,808	0.5%
Income tax expense	(616,759)	(661,339)	-6.7%
Profit for the year	2,087,527	2,030,469	2.8%
Profit for the year attributable to owners of the parent	1,890,012	1,835,233	3.0%
Basic earnings per share (RMB)	1.00	0.99	1.0%
Diluted earnings per share (RMB)	0.93	0.91	2.2%

2.2 Analysis of Business Revenue

In 2022, the Group recorded revenue of RMB11,912.1 million, among which the hospital group business segment recorded revenue of RMB6,211.2 million, representing an increase of 34.8% as compared to the previous year, with its proportion to the total revenue increasing to 52.1%, and the finance business segment recorded revenue of RMB5,721.2 million, representing an increase of 7.8% as compared to the previous year and accounting for 48.0% of the total revenue. The Group recorded gross profit from operations of RMB4,486.0 million, among which the hospital group business segment recorded gross profit of RMB782.5 million, representing an increase of 33.6% as compared to the previous year and a rise of 3.4 percentage points in proportion from last year, while the finance business segment recorded gross profit from operations of RMB3,508.3 million, representing an increase of 0.9% as compared to the previous year.

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

	For the year ended 31 December				
	2022		2021		Change %
	RMB'000	% of total	RMB'000	% of total	
Hospital group business	6,211,220	52.1%	4,608,377	46.5%	34.8%
Finance business	5,721,203	48.0%	5,307,546	53.5%	7.8%
Offset	(20,283)	-0.1%	(1,650)	0.0%	1129.3%
Total	11,912,140	100.0%	9,914,273	100.0%	20.2%

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

	For the year ended 31 December				
	2022		2021		Change %
	RMB'000	% of total	RMB'000	% of total	
Hospital group business	782,456	17.4%	585,794	14.0%	33.6%
Finance business	3,508,303	78.2%	3,478,480	82.8%	0.9%
Offset	195,230	4.4%	135,165	3.2%	44.4%
Total	4,485,989	100.0%	4,199,439	100.0%	6.8%

2.2.1 Hospital group business

The Group's hospital group business includes integrated healthcare services as well as specialties and healthcare industry business. In 2022, the hospital group business recorded a revenue of RMB6,211.2 million, representing an increase of RMB1,602.8 million or 34.8% as compared to the previous year, and recorded gross profit of RMB782.5 million, representing an increase of RMB196.7 million or 33.6% as compared to the previous year.

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

	For the twelve months ended 31 December				
	2022		2021		Change %
	RMB'000	% of total	RMB'000	% of total	
Hospital group business					
Income from integrated healthcare services	6,173,626	99.4%	4,552,837	98.8%	35.6%
Income from specialties and healthcare industry	83,844	1.3%	87,628	1.9%	-4.3%
Offset	(46,250)	-0.7%	(32,088)	-0.7%	44.1%
Total	6,211,220	100.0%	4,608,377	100.0%	34.8%

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

	For the twelve months ended 31 December				
	2022		2021		Change %
	RMB'000	% of total	RMB'000	% of total	
Hospital group business					
Gross profit from integrated healthcare services	742,082	94.8%	548,979	93.7%	35.2%
Gross profit from specialties and healthcare industry	41,087	5.3%	38,281	6.6%	7.3%
Offset	(713)	-0.1%	(1,466)	-0.3%	-51.4%
Total	782,456	100.0%	585,794	100.0%	33.6%

In 2022, the revenue and gross profit from the hospital group business of the Group showed a trend of rapid growth momentum, which was attributable to, on the one hand, the increase in the number of consolidated medical institutions and, on the other hand, the positive growth of the operation results of the medical institutions despite impact of the pandemic as a result of Group's strenuous efforts to improve the core competitiveness of the hospital group by focusing on the development goal of the hospital group of "comfortable environment, top-notch services, advanced technology and efficient operation".

2.2.1.1 Integrated healthcare business

Revenue from the Group's integrated healthcare business comes from the integrated healthcare services and supply chain business provided by the consolidated medical institutions. Revenue from healthcare services mainly includes revenue generated from the healthcare and examination, medicine and hygiene materials, physical examination and other services provided for outpatients, emergency patients and inpatients. Costs of healthcare services include costs of medicine and hygiene materials, labor costs as well as depreciation and amortization expenses. In 2022, this business recorded revenue of RMB6,173.6 million, representing an increase of RMB1,620.8 million or 35.6% as compared to the previous year; and gross profit of RMB742.1 million, representing an increase of RMB193.1 million or 35.2% as compared to the previous year.

2.2.1.2 Specialties and healthcare industry business

Currently, the financial contribution of the specialties and healthcare industry business mainly comes from the provision of life cycle management of medical equipment and medical device sales to medical institutions within and outside the Group. In 2022, this business recorded a revenue of RMB83.8 million, representing a decrease of RMB3.8 million or 4.3% as compared to the previous year; and gross profit of RMB41.1 million, representing an increase of RMB2.8 million or 7.3% as compared to the previous year. The decrease in the revenue was mainly attributable to the delay in contract performance for the medical device sales business as a result of the pandemic. Looking forward, the Group will continue to enhance its core competitiveness of the equipment life cycle management business, and step up efforts to unleash the value of specialty disciplines such as nephrology, oncology, TCM and ophthalmology as well as Internet-based healthcare, health insurance and other healthcare industry business units.

2.2.2 Finance business

The finance business segment includes comprehensive financial solutions centered on finance leasing provided by us for customers, and services such as industry, equipment and financing consulting, and department upgrades in medical institutions. In 2022, the finance business segment recorded a revenue of RMB5,721.2 million, representing an increase of 7.8% as compared to the previous year, and gross profit of RMB3,508.3 million, representing an increase of 0.9% as compared to the previous year.

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

	For the year ended 31 December				
	2022		2021		Change %
	RMB'000	% of total	RMB'000	% of total	
Finance business income	5,721,203		5,307,546		7.8%
Including:					
Finance service	4,621,389	80.8%	4,469,013	84.2%	3.4%
Advisory service	1,085,920	19.0%	836,975	15.8%	29.7%

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

	For the year ended 31 December				
	2022		2021		Change %
	RMB'000	% of total	RMB'000	% of total	
Gross profit from finance business	3,508,303		3,478,480		0.9%
Including:					
Finance service	2,408,448	68.6%	2,640,621	75.9%	-8.8%
Advisory service	1,085,920	31.0%	836,975	24.1%	29.7%

2.2.2.1 Finance service business

The income from finance service business of the Group is the interest income generated by providing comprehensive financial solutions centered on finance leasing for customers in public hospitals, urban public utility and other fields in PRC. In 2022, we made great efforts to overcome the continuous impact of the pandemic in Beijing and the provinces where our customers are located. With risk control as a top priority, we continued to optimise the dynamic management of pre-rental, rental and post-rental process, and enhanced accountability, so as to steadily advance the finance business. The Group recorded interest income of RMB4,621.4 million, representing an increase of 3.4% as compared to the corresponding period of the previous year, and our gross profit amounted to RMB2,408.4 million, representing a decrease of 8.8% as compared to the corresponding period of the previous year, which was mainly due to the dual impact from the covid-19 pandemic and the USD interest rate hike during 2022.

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

	For the year ended 31 December				
	2022		2021		Change %
	<i>RMB'000</i>	% of total	<i>RMB'000</i>	% of total	
Healthcare	1,455,050	31.5%	1,948,813	43.6%	-25.3%
Urban public utility	3,014,839	65.2%	2,336,328	52.3%	29.0%
Other	151,500	3.3%	183,872	4.1%	-17.6%
Total	<u>4,621,389</u>	<u>100.0%</u>	<u>4,469,013</u>	<u>100.0%</u>	<u>3.4%</u>

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

	31 December 2022			31 December 2021		
	Average	Interest	Average	Average	Interest	Average
	balance	income ⁽¹⁾ / expense ⁽²⁾	yield ⁽³⁾ / cost rate ⁽⁴⁾	balance	income ⁽¹⁾ / expense ⁽²⁾	yield ⁽³⁾ / cost rate ⁽⁴⁾
	RMB'000	RMB'000	cost rate ⁽⁴⁾	RMB'000	RMB'000	cost rate ⁽⁴⁾
Interest-earning assets	64,254,363	4,638,604	7.22%	58,120,479	4,497,455	7.74%
Interest-bearing liabilities	57,434,520	2,283,030	3.98%	50,698,497	1,940,889	3.83%
Net interest margin ⁽⁵⁾	-	-	3.67%	-	-	4.40%
Net interest spread ⁽⁶⁾	-	-	3.24%	-	-	3.91%

- (1) Interest income represents the interest income from finance service business;
- (2) Interest expense represents financial cost of capital for finance service business;
- (3) Average yield = interest income/average balance of interest-earning assets;
- (4) Average cost rate = interest expense/average balance of interest-bearing liabilities, taking into account the effect of perpetual bonds;
- (5) Net interest margin = net interest income/average balance of interest-earning assets;
- (6) Net interest spread = average yield of interest-earning assets – average cost rate of interest-bearing liabilities.

In 2022, the Group's net interest spread of finance service business was 3.24%, representing a decrease of 0.67 percentage point from 3.91% in the corresponding period of the previous year. Net interest spread is the difference between average yield of interest-earning assets and average cost rate of interest-bearing liabilities, among which:

- (1) in 2022, the average yield of interest-earning assets was 7.22%, representing a decrease of 0.52 percentage point from 7.74% in the corresponding period of the previous year. In 2022, the scale of the Group's interest-earning assets recorded a solid growth as compared to the corresponding period of the previous year. However, as the pre-pandemic projects with a high yield rate have reached the maturity date and the Group was committed to securing quality customers with a top priority for risk control during the pandemic, the average yield of the interest-earning assets for 2022 showed an overall decrease as compared to the corresponding period of the previous year.

- (2) in 2022, the average cost rate of interest-bearing liabilities of the Group was 3.98%, representing an increase of 0.15 percentage point from 3.83% in the corresponding period of the previous year. In 2022, in view of the declining domestic financing cost due to the relatively easy monetary policy at home, the Group tended to obtain funding through domestic financing channels, with substantial decrease in the financing costs of new domestic bank borrowings and debenture issue. However, as the offshore market was affected by the continuous substantial interest hikes implemented by the United States Federal Reserve during 2022, the existing foreign currency financing costs increased, leading to a slightly increase in the overall financing costs of the Group. Control on funding cost is one of the Group's core advantages to carry out our finance business, and we will continue to deepen cooperation with financial institutions, actively expand financing channels, enrich financing varieties, optimize liability structure, and reasonably and effectively control financing costs on the premise of ensuring sufficient capital liquidity.

2.2.2.2 Advisory services business

The Group's advisory services business includes industry, equipment and financing advisory services as well as clinical department upgrade advisory services. Leveraging on our expanding resources platform, and in accordance with the characteristics of clients' operation at all stages, we provided them with valuable, flexible and diversified comprehensive services comprising finance services, equipment replacement, technology and management advice, clinical department upgrade advisory so as to improve the technical service capabilities and management efficiency of customers, thereby strengthening finance customers' stickiness. In 2022, the Group recorded gross profit from advisory services of RMB1,085.9 million, representing an increase of RMB248.9 million or 29.7% as compared to that in the corresponding period of the previous year.

2.2.3 Operating cost

In 2022, the Group's sales and distribution costs amounted to RMB441.6 million, representing a decrease of 4.4% as compared to the previous year, mainly due to the decrease in labor costs and business travel expenses as a result of the temporary difficulties in business travel across regions during the pandemic prevention and control period.

Administrative expenses amounted to RMB899.2 million, representing an increase of 21.5% as compared to the previous year, which was mainly attributable to the increase in labor costs and the increase in such expenses due to the hospitals newly acquired. Administrative expenses from finance business segment amounted to RMB388.4 million, accounting for 42.6% of the total administrative expenses and representing an increase of 13.1% as compared to the previous year. Administrative expenses from hospital group business segment amounted to RMB516.5 million, accounting for 57.4% of the total administrative expenses and representing an increase of 30.4% as compared to the previous year.

2.2.4 Profit before tax

In 2022, the Group recorded profit before tax of RMB2,704.3 million, representing an increase of RMB12.5 million or 0.5% as compared to the corresponding period of the previous year.

2.2.5 Profit for the period attributable to owners of the parent

In 2022, the Group recorded profit for the year attributable to owners of the parent of RMB1,890.0 million, representing an increase of RMB54.8 million or 3.0% as compared to the corresponding period of the previous year.

2.2.6 Operating revenue from acquired medical institutions

As of 31 December 2022, the Group had completed the acquisition of 55 medical institutions. The operation performance of such acquired medical institutions during the consolidation period is set out below.

In 2022, the acquired medical institutions of the Group recorded revenue of RMB6,022.9 million during the consolidation period, representing an increase of RMB1,633.6 million or 37.2% as compared to the previous year; recorded profit for the year of RMB290.3 million, representing an increase of RMB97.0 million or 50.2% as compared to the previous year. The net profit margin was 4.82%, representing an increase of 0.42 percentage point from 4.40% in the previous year. Excluding the impact of newly consolidated medical institutions in 2022, the Group recorded revenue of RMB4,877.8 million, representing an increase of 11.1% as compared to the corresponding period of the previous year; recorded profit for the year of RMB231.6 million, representing an increase of 19.4% as compared to the corresponding period of the previous year, and the net profit margin of 4.75%, representing an increase of 0.33 percentage point from 4.42% in the corresponding period of the previous year.

The following table sets forth the profit or loss of the acquired medical institutions of the Group during the consolidation period:

	For the year ended		Change %
	31 December		
	2022	2021	
	RMB'000	RMB'000	
Revenue	6,022,885	4,389,282	37.2%
Costs	(5,321,719)	(3,874,456)	37.4%
Gross profit	701,166	514,826	36.2%
Other income and gains	147,359	104,910	40.5%
Selling and distribution costs	(5,263)	(5,736)	-8.2%
Administrative expenses	(502,765)	(389,628)	29.0%
Impairment on financial assets	(4,486)	5,733	178.2%
Other expenses	(8,769)	(11,032)	-20.5%
Share of profit of an associate	9	192	-95.3%
Financial costs	(12,526)	(4,214)	197.2%
Profit before tax	314,725	215,051	46.3%
Income tax expense	(24,468)	(21,830)	12.1%
Profit for the period	290,257	193,221	50.2%

3. Financial Position Analysis

3.1 Overview of Assets

As at 31 December 2022, the Group's total assets was RMB76,870.8 million, representing an increase of 10.0% as compared to the end of the previous year. In particular, our restricted deposits was RMB778.3 million, representing a decrease of 18.5% as compared to the end of the previous year and accounting for 1.0% of the total assets; our cash and cash equivalents was RMB2,679.4 million, representing an increase of 14.4% as compared to the end of the previous year and accounting for 3.5% of the total assets; our loans and accounts receivables was RMB64,861.5 million, representing an increase of 7.1% as compared to the end of the previous year and accounting for 84.4% of the total assets.

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

	31 December 2022		31 December 2021		Change %
	RMB'000	% of total	RMB'000	% of total	
Restricted deposits	778,303	1.0%	954,862	1.4%	-18.5%
Cash and cash equivalents	2,679,426	3.5%	2,342,078	3.4%	14.4%
Inventories	375,728	0.5%	265,427	0.4%	41.6%
Loans and accounts receivables	64,861,477	84.4%	60,565,317	86.6%	7.1%
Prepayments, other receivables and other assets	1,323,094	1.8%	890,892	1.3%	48.5%
Property, plant and equipment	3,780,646	4.9%	2,523,269	3.6%	49.8%
Other intangible assets	79,173	0.1%	46,183	0.1%	71.4%
Investment in a joint venture	486,195	0.6%	476,015	0.7%	2.1%
Investment in an associate	28,769	0.0%	4,284	0.0%	571.5%
Deferred tax assets	743,021	1.0%	561,184	0.8%	32.4%
Derivative financial assets	232,154	0.3%	6,915	0.0%	3257.3%
Right-of-use asset	1,154,545	1.5%	794,652	1.1%	45.3%
Goodwill	102,253	0.1%	102,253	0.1%	0.0%
Financial assets at fair value through profit or loss	245,987	0.3%	366,470	0.5%	-32.9%
Total	76,870,771	100.0%	69,899,801	100.0%	10.0%

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

	31 December 2022		31 December 2021		Change %
	RMB'000	% of total	RMB'000	% of total	
Hospital group business	13,778,495	17.9%	8,937,442	12.8%	54.2%
Finance business	68,811,920	89.5%	63,844,047	91.3%	7.8%
Inter-segment offset	(5,719,644)	-7.4%	(2,881,688)	-4.1%	98.5%
Total	76,870,771	100.0%	69,899,801	100.0%	10.0%

3.1.1 Restricted deposits

As at 31 December 2022, the Group had restricted deposits of RMB778.3 million, representing a decrease of 18.5% as compared to the end of the previous year, and accounting for 1.0% of total assets. Restricted deposits mainly comprised a small amount of restricted project refunds from factoring business, time deposits and financing deposits.

3.1.2 Cash and cash equivalents

As at 31 December 2022, the Group had cash and cash equivalents of RMB2,679.4 million, representing an increase of 14.4% as compared to the end of the previous year, and accounting for 3.5% 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 31 December 2022, the balance of the Group's loans and accounts receivables was RMB64,861.5 million, representing an increase of 7.1% as compared to the end of the previous year. The net interest-earning assets was RMB63,539.1 million, accounting for 98.0% of the loans and accounts receivables; and net accounts receivables was RMB1,320.5 million, accounting for 2.0% of the loans and accounts receivables.

3.1.3.1 Interest-earning assets

In 2022, the Group strengthened its risk management and control in a prudent manner, and expanded the lease business with caution while ensuring asset security. As at 31 December 2022, the Group's net interest-earning assets was RMB65,233.8 million, representing an increase of RMB4,106.2 million or 6.7% as compared to the end of the previous year.

Net interest-earning assets by industry

In 2022, the Group continued to lay emphasis on risk prevention and control of interest-earning assets. The Group focused on further exploration and development in the fields such as public hospitals and urban public utility based on the development prospect, profitability, revenue/risk profile, cash flow stability of the industry and other criteria, and on the basis of effective control of risks, it actively explored finance lease business in new sectors.

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

	31 December 2022		31 December 2021		Change %
	RMB'000	% of total	RMB'000	% of total	
Healthcare	17,346,262	26.6%	22,267,645	36.4%	-22.1%
Urban public utility	45,147,968	69.2%	36,433,511	59.6%	23.9%
Others	2,739,601	4.2%	2,426,451	4.0%	12.9%
Net interest-earning assets	65,233,831	100.0%	61,127,607	100.0%	6.7%
Less: Provision for asset impairment	(1,694,751)		(1,432,281)		18.3%
Net value of interest-earning assets	63,539,080		59,695,326		6.4%

The maturity profile of the net interest-earning assets

The Group formulated reasonable business investment strategies according to its strategic plan so as to ensure sustainable and steady cash inflow. As at 31 December 2022, the maturity profile 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:

	31 December 2022		31 December 2021		Change %
	RMB'000	% of total	RMB'000	% of total	
Within 1 year	22,983,482	35.2%	20,936,076	34.3%	9.8%
1-2 years	18,688,243	28.7%	17,079,116	27.9%	9.4%
2-3 years	13,573,846	20.8%	12,370,147	20.2%	9.7%
Over 3 years	9,988,260	15.3%	10,742,268	17.6%	-7.0%
Net interest-earning assets	65,233,831	100.0%	61,127,607	100.0%	6.7%

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 31 December 2022, the Group had non-performing assets of RMB644.1 million, representing an increase of RMB43.0 million as compared to 31 December 2021. The Group continuously improved its risk management system and adopted effective risk prevention measures. As at 31 December 2022, the Group's non-performing assets ratio was 0.99%.

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

	<u>31 December 2022</u>		<u>31 December 2021</u>		<u>Change %</u>
	<u>RMB'000</u>	<u>% of total</u>	<u>RMB'000</u>	<u>% of total</u>	
Pass	58,052,407	88.99%	53,626,877	87.73%	8.3%
Special attention	6,537,307	10.02%	6,899,668	11.29%	-5.3%
Substandard	510,044	0.78%	479,105	0.78%	6.5%
Doubtful	105,038	0.16%	78,704	0.13%	33.5%
Loss	29,035	0.05%	43,253	0.07%	-32.9%
Net interest-earning assets	<u>65,233,831</u>	<u>100.00%</u>	<u>61,127,607</u>	<u>100.00%</u>	<u>6.7%</u>
Non-performing assets ⁽¹⁾	644,117		601,062		7.2%
Non-performing assets ratio ⁽²⁾	<u>0.99%</u>		<u>0.98%</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 dates indicated.

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

Ratio of overdue interest-earning assets

In 2022, the Group implemented prudent risk control and asset management policy, maintaining a stable performance of the risk management system. As at 31 December 2022, the overdue ratio (over 30 days) was 0.86%, increased by 0.10 percentage point as compared to 0.76% 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:

	31 December 2022	31 December 2021
Overdue ratio (over 30 days) ⁽¹⁾	<u>0.86%</u>	<u>0.76%</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 31 December 2022, the Group's provision coverage ratio was 263.11%, representing an increase of 24.82 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's asset provision coverage maintained an upward trend.

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

	As at 31 December 2022			Total <i>RMB'000</i>
	Stage 1 (12-month expected credit loss) <i>RMB'000</i>	Stage 2 (Lifetime expected credit loss) <i>RMB'000</i>	Stage 3 (Lifetime expected credit loss-impaired) <i>RMB'000</i>	
Net interest-earning assets	58,052,407	6,342,938	838,486	65,233,831
Provision for impairment of interest-earning assets	(688,107)	(639,852)	(366,792)	(1,694,751)
Net value of interest-earning assets	<u>57,364,300</u>	<u>5,703,086</u>	<u>471,694</u>	<u>63,539,080</u>
	As at 31 December 2021			Total <i>RMB'000</i>
	Stage 1 (12-month expected credit loss) <i>RMB'000</i>	Stage 2 (Lifetime expected credit loss) <i>RMB'000</i>	Stage 3 (Lifetime expected credit loss-impaired) <i>RMB'000</i>	
Net interest-earning assets	53,626,877	6,705,055	795,675	61,127,607
Provision for impairment of interest-earning assets	(589,413)	(498,358)	(344,510)	(1,432,281)
Net value of interest-earning assets	<u>53,037,464</u>	<u>6,206,697</u>	<u>451,165</u>	<u>59,695,326</u>

Write-off of interest-earning assets

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

	31 December 2022	31 December 2021
	<i>RMB'000</i>	<i>RMB'000</i>
Write-off	42,064	–
Non-performing assets as at the end of last year	601,062	547,896
Write-off ratio ⁽¹⁾	<u>7.00%</u>	<u>–</u>

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

At the end of 2022, amount written-off of bad debts of the Group was RMB42.1 million. After the Group's best endeavor to recover the outstanding amount through various means, the property available for execution currently was not sufficient to cover the project's risk exposure. According to the requirement of the accounting standards, the Group had to write off the relevant non-performing assets at this point of time, and at the same time would continue the disposal of the relevant assets and keep recovering the amount through various means of collection.

Asset-backed securities related assets, etc.

In 2022, the Group sold interest-earning assets with a cumulative principal of approximately RMB5,169 million through the asset-backed securities business, all of which belonged to urban public utility. The Group will actively expand the asset-backed securities business in the future based on the needs of business development. As at 31 December 2022, the balance of the subordinated shares held by the Group for the asset-backed securities business was RMB172.5 million. As an asset management service provider for off-balance sheet assets, the Group implemented prudent asset management policies in the manner of on-balance sheet assets and strengthened asset process monitoring. The quality of off-balance sheet assets was steady at the end of 2022, with no significant abnormality in asset quality.

As at 31 December 2022, the balance of the Group's assets with continuing involvement was RMB281.0 million. In accordance with the accounting standards, for the above-mentioned asset-backed securities business, the Group continued to bear risks due to credit enhancement measures such as self-held subordinate shares. The Group recognized continuing involvement in assets and liabilities.

3.1.3.2 Accounts receivable

As at 31 December 2022, the Group's net accounts receivables was RMB1,320.5 million, representing an increase of RMB451.3 million or 51.9% as compared to the end of the previous year. The increase in accounts receivables was mainly due to the increase in accounts receivable attributable to the newly consolidated medical institutions of the Group and the extension of medical insurance settlement in our affiliated hospitals caused by the adjustment of local medical insurance payment policy.

3.1.4 Other assets

As at 31 December 2022, the Group's balance of inventory was RMB375.7 million, representing an increase of RMB110.3 million as compared to the beginning of the year, which was mainly due to the increase in inventory attributable to the newly consolidated medical institutions of the Group and the increase in inventory of the affiliated medical institutions as a result of stocking up for patients in response to reopening after the pandemic at the end of 2022.

As at 31 December 2022, the Group's balance of right-of-use assets was RMB1,154.5 million, of which, right-of-use assets recognized in property lease was RMB230.7 million and balance of right-of-use assets increased by RMB359.9 million as compared to the beginning of the year, and such increase was mainly due to the increase of land use right from newly consolidated medical institutions of the Group and the increase of right-of-use assets from the hospital expansion works of our affiliated hospitals.

As at 31 December 2022, the Group's balance of property, plant and equipment was RMB3,780.6 million, representing an increase of RMB1,257.4 million as compared to the beginning of the year, which was mainly due to the increase of investment by the Group and the increase in the balance of property, plant and equipment from newly consolidated medical institutions.

As at 31 December 2022, the Group's balance of prepayments, other receivables and other assets was RMB1,323.1 million, representing an increase of RMB432.2 million as compared to the beginning of the year, which was mainly due to the increase of outstanding amount of the Group's asset-backed securities business and other receivables from medical institutions newly acquired by the Group and the increase of assets from prepayment of capital expenditure.

As at 31 December 2022, the balance of the Group's investment in joint ventures was RMB486.2 million, which was the investment in Sichuan Huankang Hospital Management Co., Ltd. (四川環康醫院管理有限公司); the balance of investment in associates was RMB28.8 million, which was the investment in Genertec Digital Health Technology (Beijing) Co., Ltd. and the associates of Ansteel General Hospital.

As at 31 December 2022, the Group's balance of goodwill was RMB102.3 million, which was in line with that of the beginning of the year, including goodwill of RMB58.9 million arising from the acquisition of Xi'an XD Group Hospital (西電集團醫院), goodwill of RMB32.3 million arising from the acquisition of Pangang Xichang Hospital (攀鋼西昌醫院), goodwill of RMB9.2 million arising from the acquisition of Shaanxi Huahong Pharmaceutical Co., Ltd. (陝西華虹醫藥有限公司), goodwill of RMB0.8 million arising from the acquisition of Ansteel General Hospital and goodwill of RMB1.0 million arising from the acquisition of Xianyang Caihong Hospital by the Group.

3.2 Overview of Liabilities

As at 31 December 2022, the Group's total liabilities amounted to RMB57,167.8 million, representing an increase of RMB4,891.2 million, or 9.4%, as compared to the end of the previous year. The balance of interest-bearing bank and other borrowings amounted to RMB46,911.4 million, representing an increase of RMB2,738.8 million, or 6.2%, as compared to the end of the previous year, accounting for 82.1% of the total liabilities; balance of other payables and accruals amounted to RMB7,523.4 million, representing an increase of RMB1,452.4 million, or 23.9%, as compared to the end of the previous year, accounting for 13.2% of the total liabilities.

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

	31 December 2022		31 December 2021		Change %
	RMB'000	% of total	RMB'000	% of total	
Interest-bearing bank and other borrowings	46,911,383	82.1%	44,172,571	84.5%	6.2%
Trade payable	2,247,218	3.9%	1,111,983	2.1%	102.1%
Other payables and accruals	7,523,381	13.2%	6,070,967	11.6%	23.9%
Derivative financial instruments	120,802	0.2%	554,217	1.1%	-78.2%
Taxes payable	84,006	0.1%	109,608	0.2%	-23.4%
Other non-current liabilities	280,968	0.5%	257,200	0.5%	9.2%
Total	57,167,758	100.0%	52,276,546	100.0%	9.4%

3.2.1 Interest-bearing bank and other borrowings

Since the beginning of this year, despite the austere and complicated situations at home and abroad coupled with the impact of multiple unexpected factors, the overall economic and social situation in China remained stable. The government enhanced the implementation of the prudent monetary policy, and was determined to supporting the stabilization of the fundamentals of the macro economy. The Group was fully committed to the new development concept, and stepped up its efforts to build a new development pattern and establish a diversified, stable financing system at multiple levels with multiple channels. The Group has made continued efforts to enrich its financing varieties, optimize the financing structure, and strengthen the innovation of financing tools to maintain its competitive edge on the debt side. In the direct financing market, the Group boasted ever closer ties with its investors and continuously increased the number of stable and quality investors by issuing multiple tranches of long- and short-term bonds in the interbank market and the Shanghai Stock Exchange in a timely and efficient manner, including super short-term commercial paper, medium-term note, corporate bond, asset-backed securities, and renewable corporate bonds etc., effectively reducing the overall costs. In the indirect financing market, the Group continued to develop financing institutions, and established strategic partnerships with several core financial institutions such as large state-owned commercial banks, joint-stock commercial banks, city commercial banks and foreign banks to conduct extensive, in-depth and long-term cooperation in the direction of finance and industry in accordance with polices of banks. Meanwhile, the Group kept a keen watch on the international market and continued to steadily promote foreign currency syndicated and bilateral loans business to strongly support diversified and stable funding resources.

The Group's interest-bearing bank and other borrowings are mainly used to provide capital for its finance lease business. As at 31 December 2022, the balance of the Group's interest-bearing bank and other borrowings was RMB46,911.4 million, representing an increase of RMB2,738.8 million or 6.2% as compared to 31 December 2021. The borrowings of the Group are mainly at fixed interest rates or at the loan prime rate (LPR), the London Interbank Offered Rate, Hong Kong Interbank Offered Rate and other floating rates.

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

	31 December 2022		31 December 2021		Change %
	RMB'000	% of total	RMB'000	% of total	
Bank loans	24,280,248	51.8%	24,307,281	55.0%	-0.1%
Due to related parties	4,092,920	8.7%	2,275,140	5.2%	79.9%
Bonds	17,548,288	37.4%	15,690,243	35.5%	11.8%
Other loans	989,927	2.1%	1,899,907	4.3%	-47.9%
Total	<u>46,911,383</u>	<u>100.0%</u>	<u>44,172,571</u>	<u>100.0%</u>	<u>6.2%</u>

As at 31 December 2022, the balance of the Group's bank loans amounted to RMB24,280.2 million, accounting for 51.8% of the total interest-bearing bank and other borrowings, representing a decrease of 3.2 percentage points as compared to 55.0% as at 31 December 2021. In 2022, the Group continuously strengthened its cooperation with banks in width and depth and facilitated a balanced growth in non-bank borrowings, with the proportion of balance of bank loans increased slightly.

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

	31 December 2022		31 December 2021		Change %
	RMB'000	% of total	RMB'000	% of total	
RMB	32,720,554	69.8%	30,685,498	69.5%	6.6%
USD	10,419,838	22.2%	9,876,493	22.3%	5.5%
HKD	3,770,991	8.0%	3,610,580	8.2%	4.4%
Total	<u>46,911,383</u>	<u>100.0%</u>	<u>44,172,571</u>	<u>100.0%</u>	<u>6.2%</u>

As at 31 December 2022, the balance of the Group's interest-bearing bank and other borrowings denominated in RMB was RMB32,720.6 million, which accounted for 69.8% of its total interest-bearing bank and other borrowings, representing an increase of 0.3 percentage point as compared to 69.5% as at 31 December 2021. Affected by the tight monetary policy in overseas market, the Group controlled the scale of foreign currency financing through various means in a reasonable and appropriate manner, including pre-repayment of foreign currency loans, continued its diversified financing strategy, and at the same time objectively managed the foreign exchange risk with foreign exchange derivatives.

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

	<u>31 December 2022</u>		<u>31 December 2021</u>		Change %
	<i>RMB'000</i>	% of total	<i>RMB'000</i>	% of total	
Domestic	32,020,554	68.3%	29,586,998	67.0%	8.2%
Overseas	14,890,829	31.7%	14,585,573	33.0%	2.1%
Total	<u>46,911,383</u>	<u>100.0%</u>	<u>44,172,571</u>	<u>100.0%</u>	<u>6.2%</u>

As at 31 December 2022, the Group's domestic financing balance was RMB32,020.6 million, accounting for 68.3% of the total interest-bearing bank and other borrowings, representing an increase of 1.3 percentage points as compared to 67.0% as at 31 December 2021. Taking advantage of the relatively loose monetary policy in domestic market, the Group proactively explored domestic financing channels and vigorously promoted domestic RMB financing.

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

	<u>31 December 2022</u>		<u>31 December 2021</u>		Change %
	<i>RMB'000</i>	% of total	<i>RMB'000</i>	% of total	
Current	20,802,790	44.3%	14,745,821	33.4%	41.1%
Non-current	26,108,593	55.7%	29,426,750	66.6%	-11.3%
Total	<u>46,911,383</u>	<u>100.0%</u>	<u>44,172,571</u>	<u>100.0%</u>	<u>6.2%</u>

As at 31 December 2022, the total balance of the Group's current interest-bearing bank and other borrowings amounted to RMB20,802.8 million, accounting for 44.3% of its total interest-bearing bank and other borrowings, representing an increase of 10.9 percentage points as compared to 33.4% at the end of the previous year, which was mainly due to the increase in ratio of current liabilities before refinancing of long-term syndicated loans expired within one year. In 2022, on the premise that sufficient liquidity is maintained, the Group continued to optimize financing structure, therefore, the overall structure of assets and liabilities remained stable and favorable.

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

	31 December 2022		31 December 2021		change %
	RMB'000	% of total	RMB'000	% of total	
Secured	6,174,875	13.2%	6,257,778	14.2%	-1.3%
Unsecured	40,736,508	86.8%	37,914,793	85.8%	7.4%
Total	<u>46,911,383</u>	<u>100.0%</u>	<u>44,172,571</u>	<u>100.0%</u>	<u>6.2%</u>

As at 31 December 2022, the Group's total secured interest-bearing bank and other borrowings amounted to RMB6,174.9 million, accounting for 13.2% of its total interest-bearing bank and other borrowings, representing a decrease of 1.0 percentage point as compared to 14.2% at the end of the previous year. The Group's secured assets were mainly interest-earning assets. In order to expand financing channels, constantly diversify financing resources and optimize financing conditions, we decreased the proportion of the secured interest-bearing bank and other borrowings slightly.

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

	31 December 2022		31 December 2021		Change %
	RMB'000	% of total	RMB'000	% of total	
Direct financing	17,770,641	37.9%	15,690,243	35.5%	13.3%
Indirect financing	29,140,742	62.1%	28,482,328	64.5%	2.3%
Total	<u>46,911,383</u>	<u>100.0%</u>	<u>44,172,571</u>	<u>100.0%</u>	<u>6.2%</u>

As at 31 December 2022, the total balance of the direct financing of the interest-bearing bank and other borrowings amounted to RMB17,770.6 million, accounting for 37.9% of its total interest-bearing bank and other borrowings, representing an increase of 2.4 percentage points as compared to 35.5% as at the end of the previous year. In 2022, the Group continued to work conscientiously in the direct financing market and indirect financing market. The stable and balanced financing structure fully secured the funds required for the Company's development.

3.2.2 Other payables and accruals

Other payables and accruals primarily comprise the collection of payments related to asset-backed securities, the lease deposits paid by customers, the accrued interests on borrowings, as well as the accrued salary and welfare payables. As at 31 December 2022, other payables and accruals amounted to RMB7,523.4 million in total, representing an increase of RMB1,452.4 million as compared to the end of the previous year, mainly due to increase in the collection of payments related to asset-backed securities and lease deposits of the Group.

3.3 Shareholders' Equity

As at 31 December 2022, the Group's total equity was RMB19,703.0 million, representing an increase of RMB2,079.8 million or 11.8% as compared to the end of the previous year, among which the non-controlling interests were RMB4,072.5 million, representing an increase of RMB1,215.1 million or 42.5% as compared to the end of the previous year, which was mainly due to the increase of non-controlling interests from the newly acquired medical institutions.

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

	31 December 2022		31 December 2021		Change %
	RMB'000	% of total	RMB'000	% of total	
Share capital	5,297,254	26.9%	5,297,254	30.1%	0.0%
Equity attributable to holders of convertible corporate bonds ⁽¹⁾	75,486	0.4%	75,486	0.4%	0.0%
Reserves	8,597,375	43.6%	7,731,249	43.9%	11.2%
Equity attributable to owners of the parent	13,970,115	70.9%	13,103,989	74.4%	6.6%
Equity attributable to holders of renewable corporate bonds ⁽²⁾	1,660,414	8.4%	1,661,840	9.4%	-0.1%
Non-controlling interests	4,072,484	20.7%	2,857,426	16.2%	42.5%
Total	19,703,013	100.0%	17,623,255	100.0%	11.8%

- (1) On 25 March 2021, Genertec Universal Medical Development (BVI) Co., Ltd., a wholly-owned subsidiary of the Company, issued the convertible bonds in an aggregate principal amount of USD150 million, which are guaranteed by the Company and bear the interest rate of 2% per annum. The net proceeds raised from the issue of the convertible bonds, after deduction of the related expenses, were approximately USD148 million. On 16 June 2022, the conversion price of the convertible bonds was adjusted from HKD6.47 to HKD6.28 due to declaration and payment of final dividends by the Company.
- (2) On 28 June 2021, CULC, a wholly-owned subsidiary of the Company, issued the renewable corporate bonds of an aggregate principal amount of RMB500 million in the PRC, with a basic term of two years from 29 June 2021. CULC will, at the end of the agreed basic term and each extended period, be entitled to an option to extend the term of the bonds. The bonds are with a fixed interest rate of 5.1%. The issue price is RMB100 per bond, which is equal to 100% of the principal value of the corporate bonds.

On 25 October 2021, CULC, a wholly-owned subsidiary of the Company, issued the renewable corporate bonds of an aggregate principal amount of RMB670 million in the PRC, with a basic term of two years from 25 October 2021. CULC will, at the end of the agreed basic term and each extended period, be entitled to an option to extend the term of the bonds. The bonds are with a fixed interest rate of 4.83%. The issue price is RMB100 per bond, which is equal to 100% of the principal value of the corporate bonds.

On 16 November 2021, CULC, a wholly-owned subsidiary of the Company, issued the renewable corporate bonds of an aggregate principal amount of RMB480 million in the PRC, with a basic term of one year from 16 November 2021. CULC will, at the end of the agreed basic term and each extended period, be entitled to an option to extend the term of the bonds. The bonds are with a fixed interest rate of 3.77%. The issue price is RMB100 per bond, which is equal to 100% of the principal value of the corporate bonds. On 16 November 2022, the Group redeemed the renewable corporate bonds in full.

On 22 December 2022, CULC, a wholly-owned subsidiary of the Company, issued the renewable corporate bonds of an aggregate principal amount of RMB480 million in the PRC, with a basic term of one year from 22 December 2022. CULC will, at the end of the agreed basic term and each extended period, be entitled to an option to extend the term of the bonds. The bonds are with a fixed interest rate of 5%. The issue price is RMB100 per bond, which is equal to 100% of the principal value of the corporate bonds.

4. Cash Flows Analysis

In 2022, the Group's net cash inflow from operating activities amounted to RMB2,057.2 million, representing an increase of inflow of RMB3,457.8 million as compared to that of the previous year, which was mainly due to the increase in the inflow amounts as a result of the increased scale in asset-backed securities business as compared to the previous year. Net cash outflow from investing activities amounted to RMB128.9 million, representing a decrease of outflow of RMB535.6 million as compared to that of the previous year, primarily due to the investment in the business transaction arrangement of asset-backed securities issued by the Group that led to a large amount of outflow in the previous year while there was no such outflow occurred in the current year. Net cash outflow from financing activities amounted to RMB1,565.7 million, representing an increase of outflow of RMB3,957.5 million as compared to that of the previous year, primarily due to the decrease in the net new borrowing as compared to that of the corresponding period of previous year as well as the increase in interest payment as compared to that of the previous year as a result of the higher cost rate.

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

	For the year ended		Change %
	31 December		
	2022	2021	
	<i>RMB'000</i>	<i>RMB'000</i>	
Net cash flows generated from/(used in)			
operating activities	2,057,196	(1,400,570)	-246.9%
Net cash flows used in investing activities	(128,881)	(664,522)	-80.6%
Net cash flows (used in)/generated from			
financing activities	(1,565,719)	2,391,778	-165.5%
Effect of exchange rate changes on cash and			
cash equivalents	(25,248)	(21,143)	19.4%
Net increase in cash and cash equivalents	<u>337,348</u>	<u>305,543</u>	<u>10.4%</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 31 December 2022, no change was made to the Group's objectives, policies or processes for capital management.

Debt ratio

	31 December 2022	31 December 2021
	<i>RMB'000</i>	<i>RMB'000</i>
Total assets	76,870,771	69,899,801
Total liabilities	57,167,758	52,276,546
Total equity	19,703,013	17,623,255
Debt ratio	<u>74.37%</u>	<u>74.79%</u>

Gearing ratio

	31 December 2022	31 December 2021
	<i>RMB'000</i>	<i>RMB'000</i>
Interest-bearing bank and other borrowings	46,911,383	44,172,571
Total equity	19,703,013	17,623,255
Gearing ratio	<u>2.38</u>	<u>2.51</u>

As at 31 December 2022, the Group's debt ratio and gearing ratio decreased slightly as compared to the end of the previous year.

6. Capital Expenditure

The Group's capital expenditure primarily consists of expenditure on the purchase of medical equipment, other equipment expenditure relating to the Group's operating lease business, construction expenditure on hospital projects and expenditure relating to office facilities. In 2022, the Group had capital expenditure of RMB608.1 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 31 December 2022, 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 31 December 2022, 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 2022, the remaining balance of net proceeds of the Group which we planned to use for hospital digitalization business and for CVA project solutions and clinical department upgrade services in other new areas was RMB32.1 million and RMB10.0 million, respectively, which have both been fully utilized according to the usages disclosed in the Prospectus.

As of 31 December 2022, the net proceeds from the initial public offering of the Company have been fully utilized according to the usages disclosed in the Prospectus.

Use of Proceeds from the Issue of New Shares

On 8 March 2021, 175,235,081 new Shares were allotted and issued by the Company to Million Surplus Developments Limited (百盈發展有限公司), and the net proceeds raised from the issue of new Shares were approximately RMB969.4 million (equivalent to approximately USD149.6 million). As at 31 December 2022, it is expected that the Group would not make any change to the planned use of the proceeds as set out in the announcement dated 5 February 2021.

In 2022, the Group used RMB434.9 million for further expansion and development of the hospital group business; and RMB239.9 million for expansion of the health industry chain business.

As of 31 December 2022, the net proceeds from the issue of new Shares by the Company have been fully utilized according to the usages disclosed in the Company's announcement dated 5 February 2021.

The table below sets out the utilization of the net proceeds from the issue of new shares:

Intended use of the proceeds from the issue of new shares	Actual amount utilized during the year ended 31 December 2021	Actual amount utilized during the year ended 31 December 2022	Actual amount utilized up to 31 December 2022	Unutilized net proceeds up to 31 December 2022
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Expansion and development of the hospital group business	678.6	243.6	434.9	–
Expansion of the health industry chain business	290.8	50.9	239.9	–
Total	969.4	294.6	674.8	–

Use of Proceeds from the Issue of the Convertible Bonds

Considering, among other things, (i) the experiences and resources that would be brought by CITIC Capital (as a long-term strategic investor of the Company) to the Group, and (ii) the new funding to be raised to support the Group's continuing growth and strategic development, on 29 December 2020, Genertec Universal Medical Development (BVI) Co., Ltd. (as the issuer and a wholly-owned subsidiary of the Company), the Company (as the guarantor) and CCP Leasing II Limited (as the subscriber) entered into a subscription agreement in relation to, among others, the issue of the convertible bonds in an aggregate principal amount of USD150,000,000. The initial conversion price is HKD6.56 per conversion share, representing a premium of approximately 14.29% over the closing price of HKD5.74 per Share as quoted on the Stock Exchange on 29 December 2020, being the date of the subscription agreement. The issuance of the convertible bonds was completed on 25 March 2021 and the Group raised net proceeds of approximately RMB966.2 million (equivalent to approximately USD148.0 million). On 16 June 2022, the conversion price of the convertible bonds was adjusted from HKD6.47 to HKD6.28 due to declaration and payment of dividends by the Company. Please refer to the Company's announcements dated 29 December 2020, 25 March 2021, 10 June 2021 and 10 June 2022, and the Company's circular dated 14 January 2021 for further details.

As of 31 December 2022, it is expected that the Group would not make any change to the planned use of the proceeds as disclosed in the Company's announcement dated 29 December 2020 and the Company's circular dated 14 January 2021. As of 31 December 2022, out of the Group's net proceeds from the issue of the convertible bonds, the Group used RMB562.0 million for investment in the lease business of the Company and RMB136.9 million for repayment of due working capital loan of the Company, all of which has been fully used in accordance with the purposes as disclosed by the Company.

In 2022, the Group used RMB85.7 million for business development of the hospital group business.

As of 31 December 2022, the net proceeds from the issue of convertible bonds of the Group have been fully utilized according to the usages disclosed by the Company.

The table below sets out the utilization of the net proceeds from the issue of convertible bonds:

Intended use of the proceeds from the issue of convertible bonds	Intended use of the proceeds from the issue of convertible bonds	Actual amount utilized during the year ended 31 December 2021	Actual amount utilized during the year ended 31 December 2022	Actual amount utilized up to 31 December 2022	Unutilized net proceeds up to 31 December 2022
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Business development of the hospital group business	267.3	181.6	85.7	267.3	–
Business operation of the finance business	562.0	562.0	–	562.0	–
General corporate purpose – repayment of debts	136.9	136.9	–	136.9	–
Total	966.2	880.5	85.7	966.2	–

7. Risk Management

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

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

7.1 Interest Rate Risk

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

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

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

	Increase/(decrease) in profit before tax	
	31 December 2022	31 December 2021
	<i>RMB'000</i>	<i>RMB'000</i>
Change in base points		
+100 base points	(42,138)	19,980
-100 base points	42,138	(19,980)

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 31 December 2022, the Group's exposure to foreign exchange risk amounted to USD2,009.2 million, USD2,014.4 million or 100.3% 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:

		Increase/(decrease) in profit before tax	
	Change in exchange rate	31 December 2022	31 December 2021
	%	RMB'000	RMB'000
If RMB strengthens against USD/HKD	(1)	(349)	818
If RMB weakens against USD/HKD	<u>1</u>	<u>349</u>	<u>(818)</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 lessees, sharp lag of infrastructure projects behind the original plan, or heavy overrun of budget, impact of changes in core asset value on repayment abilities of the lessees, as well as emerging of position relating to guarantors impacting their financial and operating conditions. In addition, the Group takes into account impacts of subjective factors on asset quality such as changes in repayment willingness of the lessees, for example, if payments have been overdue and the financial position of the lessee has worsened, then the interest-earning assets for this lease contract should be classified as special mention or lower.

Substandard. The lessee's ability to pay the principal and interests of the interest-earning assets is in question as it is unable to pay the principal and interests of the lease payment 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 year, the Group constantly monitored the collection of rental payments from our customers. For projects with overdue lease receivables, we would adopt a variety of measures to collect the overdue receivables, and collect data to facilitate our classification of risky assets.

On-site customer visits

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

Material events handling and reporting procedures

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

Regular assessments on asset quality and update on reclassification

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

Credit Risk Analysis

Analysis on the industry concentration of interest-earning assets

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

	31 December 2022		31 December 2021	
	<i>RMB'000</i>	% of total	<i>RMB'000</i>	% of total
Healthcare	17,346,262	26.6%	22,267,645	36.4%
Urban public utility	45,147,968	69.2%	36,433,511	59.6%
Others	2,739,601	4.2%	2,426,451	4.0%
Total	<u>65,233,831</u>	<u>100.0%</u>	<u>61,127,607</u>	<u>100.0%</u>

Although the customers of the Group are mainly concentrated in the healthcare industry and urban public utility industry, there is no significant credit risk concentration within the Group as healthcare industry relates closely to people's basic livelihood and is weakly correlated to the economic cycle, the development fundamentals of urban public utility are sound, and systematic risks are under control.

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

	31 December	31 December
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Net interest-earning assets	63,848,757	60,299,526
Accounts receivables	1,320,497	869,232
Other receivables	394,480	321,350
Derivative financial assets	232,154	6,915
Bills receivables	<u>1,900</u>	<u>759</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>					
31 December 2022						
Total financial assets	2,944,884	9,323,517	19,569,520	47,132,427	-	78,970,348
Total financial liabilities	(1,091,942)	(4,971,019)	(20,235,249)	(31,465,210)	(215,228)	(57,978,648)
Net liquidity gap ⁽¹⁾	<u>1,852,942</u>	<u>4,352,498</u>	<u>(665,729)</u>	<u>15,667,217</u>	<u>(215,228)</u>	<u>20,991,700</u>
31 December 2021						
Total financial assets	2,549,728	8,427,907	17,790,914	45,335,319	-	74,103,868
Total financial liabilities	(572,507)	(4,869,060)	(13,585,669)	(34,182,832)	(5,878)	(53,215,946)
Net liquidity gap ⁽¹⁾	<u>1,977,221</u>	<u>3,558,847</u>	<u>4,205,245</u>	<u>11,152,487</u>	<u>(5,878)</u>	<u>20,887,922</u>

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

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

8. Pledge of Group Assets

As at 31 December 2022, the Group had interest-earning assets of RMB6,415.7 million and cash of RMB605.8 million pledged or paid to banks to secure the bank borrowings.

9. Material Investments, Acquisitions and Disposals

On 30 July 2022, Hospital Investment Co., Ltd., a wholly-owned subsidiary of the Group, entered into an equity transfer agreement (the “Equity Transfer Agreement I”) with Minmetals Asset Management Company Limited (五礦資產經營管理有限公司), Beijing Haide Ruixiang Assets Management Co., Ltd. (北京海德瑞祥資產管理有限公司), Beijing Dongxing Metallurgical New-Tech & Development Corporation. (北京東星冶金新技術開發有限公司), 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), Minmetals (Handan) Real Estate Management Company Limited (五礦(邯鄲)房產管理有限公司) and Minmetals Innovation Investment Company Limited (五礦創新投資有限公司) (collectively, “Minmetals Parties”) and Genertec Minmetals Hospital Management (Beijing) Company Limited (通用五礦醫院管理(北京)有限公司) (“Genertec Minmetals”), pursuant to which Hospital Investment Co., Ltd. agreed to purchase the 44% equity interest held by the Minmetals Parties in Genertec Minmetals at a cash consideration of RMB1,096.23 million. Meanwhile, Hospital Investment Co., Ltd. entered into an equity transfer agreement (the “Equity Transfer Agreement II”) with 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)”) and Genertec Minmetals, pursuant to which Hospital Investment Co., Ltd. agreed to purchase the 10% equity interest held by CITIC Capital (Tianjin) in Genertec Minmetals at nil consideration. In accordance with the Equity Transfer Agreement I and Equity Transfer Agreement II, upon completion of the equity transfer, the shareholding of Hospital Investment Co., Ltd. in Genertec Minmetals will change from 46% to 100%, and Genertec Minmetals will become an indirect wholly-owned subsidiary of the Group. The resolution to approve the Equity Transfer Agreement I and the Equity Transfer Agreement II and the transactions contemplate thereunder has been passed by the Shareholders at the extraordinary general meeting of the Company held on 30 December 2022.

On 5 August 2022, the Group and the First Affiliated Hospital of Xi’an Jiaotong University (西安交通大學第一附屬醫院) entered into a termination agreement, pursuant to which Xi’an Wanheng Medical Technology Development Co., Ltd. (西安萬恆醫療科技發展有限公司) to be jointly established by both parties shall be dissolved. Meanwhile, as agreed by all parties and Xi’an International Trade & Logistics Park (西安國際港務區管委會) and Xi’an Port Property Company Limited (西安港置業有限公司) (“Xi’an Port Property”) through negotiation, it is agreed that Xi’an Port Property would pay RMB3.98 million to Xi’an Ronghui Hospital Construction Management Co., Ltd. (西安融慧醫院建設管理有限公司), a wholly-owned subsidiary of the Group. Details of the construction project exit arrangement and the handover of administration authority, payment time and method of the construction fees and project exit fees and the issue of invoice for such fees and other specific matters are subject to separate agreement between the Group and Xi’an Port Property, and thereby the Group will exit from the existing project and be no longer involved in the construction of the project.

Save as disclosed above, there were no significant investments held, nor were there any material disposals of subsidiaries during the year ended 31 December 2022.

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

10.1 Contingent Liabilities

	31 December 2022	31 December 2021
	<i>RMB'000</i>	<i>RMB'000</i>
Legal proceedings	-	-
Claimed amounts	-	-

10.2 Capital Commitments and Credit Commitments

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

	31 December 2022	31 December 2021
	<i>RMB'000</i>	<i>RMB'000</i>
Capital expenditure under signed contracts but not appropriated ⁽¹⁾	1,686,009	1,645,398
Credit commitments ⁽²⁾	2,530,000	6,690,000

⁽¹⁾ Capital expenditure under signed contracts but not appropriated during the year represents unpaid amounts for medical equipment under contracts signed by hospitals and the unpaid amounts for construction and operation projects contracted by hospitals.

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

11. Human Resources

As of 31 December 2022, we had a total of 20,077 employees, representing an increase of 4,835 employees or 31.72% as compared to 15,242 employees as of 31 December 2021, which is mainly due to the transfer of employees from acquired hospitals.

We have a highly-educated and high-quality work force, with about 46.69% of our employees holding bachelor's degrees and above, about 4.81% holding master's degrees and above, about 30.61% with intermediate title and above, and about 11.14% with senior vice title and above as of 31 December 2022.

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 performance-based 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 development 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. As of 31 December 2022, the Group complied with all statutory social insurance and housing fund obligations applicable to the Group under the PRC laws in all material respects.

CORPORATE GOVERNANCE CODE

The Company has applied the principles and code provisions as set out in the CG Code and has adopted the CG Code as its own code of corporate governance.

During the year, the Company has complied with all code provisions as set out in the CG Code save for the deviation from code provision B.2.2.

Code provision B.2.2 of the CG Code stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. However, the articles of association of the Company stipulates that the executive Directors shall not be subject to the rotational retirement provision, without prejudice of the power of the Shareholders in general meeting to remove any such Director. To ensure continuity of leadership and stability for growth of the Company, the Board opined that the executive Directors should hold office on a continuous basis.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Securities Dealing Code on terms no less exacting than the Model Code, to regulate the Directors' and employees' dealings in the Company's securities.

Having made specific enquiry in writing to all the Directors (including Mr. Feng Songtao, Mr. Zhao Yan, Mr. Che Lingyun, Mr. Han Demin and Mr. Liao Xinbo who resigned during the accounting period covered by this annual results announcement), the Company confirmed that the Directors had complied with the Model Code and the Securities Dealing Code throughout the period from 1 January 2022 or the date of his appointment as Director (as the case may be) and up to the date of his resignation as Director or 31 December 2022 (as the case may be).

REVIEW OF FINANCIAL INFORMATION

The Audit Committee has discussed with the management and the external auditor of the Company and reviewed the audited consolidated financial statements and annual results of the Group for the year ended 31 December 2022.

In addition, Ernst & Young, the external auditor of the Company, has independently audited the consolidated financial statements of the Group for the year ended 31 December 2022 in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

DISCLOSURE UNDER SECTION 436 OF THE COMPANIES ORDINANCE

The financial information relating to the Company for the years ended 31 December 2022, 2021, 2020, 2019 and 2018 included in this announcement does not constitute the Company's statutory annual consolidated financial statements for these five years but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the consolidated financial statements for the years ended 31 December 2021, 2020, 2019 and 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, as well as section 94 of the Companies Ordinance and will deliver the consolidated financial statements for the year ended 31 December 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance in due course.

The Company's auditor has reported on the consolidated financial statements for the years ended 31 December 2022, 2021, 2020, 2019 and 2018. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

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

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

DIVIDEND AND CLOSURE OF REGISTER

The Board recommended the payment of a final dividend of HKD0.34 per Share for the year ended 31 December 2022 to Shareholders whose names appear on the register of members of the Company on Thursday, 15 June 2023. The proposed final dividend will be paid on Tuesday, 27 June 2023, subject to the approval of the Shareholders at the 2023 AGM to be held on Wednesday, 7 June 2023.

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

- (i) from Thursday, 1 June 2023 to Wednesday, 7 June 2023, both days inclusive and during which period no share transfer will be registered, for the purpose of ascertaining Shareholders' entitlement to attend and vote at the 2023 AGM. In order to be eligible to attend and vote at the 2023 AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Wednesday, 31 May 2023; and

- (ii) from Tuesday, 13 June 2023 to Thursday, 15 June 2023, both days inclusive and during which period no share transfer will be registered, for the purpose of ascertaining Shareholders' entitlement to the proposed final dividend. In order to establish entitlements to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 12 June 2023.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the Company's website at www.umcare.cn, respectively. The annual report of the Company for the year ended 31 December 2022 containing all the information required under the Listing Rules will be despatched to the Shareholders and published on the above-mentioned websites in due course.

DEFINITIONS

“2023 AGM”	the annual general meeting of the Company to be held on 7 June 2023
“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
“Audit Committee”	the audit committee of the Board
“Board” or “Board of Directors”	the board of Directors
“CG Code”	the “Corporate Governance Code” contained in Appendix 14 to the Listing Rules
“CITIC Capital”	CITIC Capital Holdings Limited
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong, which has become effective from 3 March 2014), as amended, supplemented or otherwise modified from time to time

“Company” or “Universal Medical”	Genertec Universal Medical Group Company Limited (通用環球醫療集團有限公司) (formerly known as Universal Medical Financial & Technical Advisory Services Company Limited (環球醫療金融與技術諮詢服務有限公司), Universal Medical Services & Health Management Company Limited (環球醫療服務有限公司) and Universal International Leasing Co., Limited (環球國際租賃有限公司)), a company incorporated with limited liability under the laws of Hong Kong on 19 April 2012
“CULC”	China Universal Leasing Co., Ltd. (中國環球租賃有限公司), a wholly foreign-owned enterprise incorporated in China on 1 November 1984 and a wholly-owned subsidiary of the Company
“CVA”	cerebral vascular accident
“Director(s)”	the director(s) of the Company
“Group”, “we” or “us”	the Company and its subsidiaries
“HKD”	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
“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
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TCM”	traditional chinese medicine
“USD”	United States dollars, the lawful currency of the United States

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
Chairwoman of the Board

Hong Kong, 29 March 2023

As at the date of this announcement, the executive Directors are Ms. Peng Jiahong (Chairwoman), Mr. Wang Wenbing and Mr. Yu Gang; the non-executive Directors are Mr. Chan Kai Kong (Vice-chairman), Mr. Tong Chaoyin, Mr. Xu Ming and Mr. Zhu Ziyang; and the independent non-executive Directors are Mr. Li Yinquan, Mr. Chow Siu Lui, Mr. Xu Zhiming and Mr. Chan, Hiu Fung Nicholas.