通用環球醫療集團有限公司

GENERTEC UNIVERSAL MEDICAL GROUP COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

Stock code : 2666

ANNUAL REPORT
2022

Contents

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairwoman and Vice-chairman

Ms. Peng Jiahong *(Chairwoman)*
Mr. Chan Kai Kong[(1)] *(Vice-chairman)*
Mr. Zhao Yan[(2)] *(Vice-chairman)*

Executive Directors

Ms. Peng Jiahong
Mr. Wang Wenbing *(Chief Executive Officer)*
Mr. Yu Gang

Non-executive Directors

Mr. Chan Kai Kong[(1)]
Mr. Tong Chaoyin
Mr. Xu Ming[(1)]
Mr. Zhu Ziyang
Mr. Zhao Yan[(2)]
Mr. Che Lingyun[(3)]
Mr. Feng Songtao[(4)]

Independent Non-executive Directors

Mr. Li Yinquan
Mr. Chow Siu Lui
Mr. Xu Zhiming[(1)]
Mr. Chan, Hiu Fung Nicholas[(1)]
Mr. Han Demin[(2)]
Mr. Liao Xinbo[(2)]

(1) Appointed with effect from 22 June 2022
(2) Resigned with effect from 22 June 2022
(3) Appointed with effect from 1 March 2022 and resigned with effect from 22 June 2022
(4) Resigned with effect from 9 February 2022

AUDIT COMMITTEE

Mr. Li Yinquan *(Chairman)*
Mr. Chow Siu Lui
Mr. Tong Chaoyin

REMUNERATION COMMITTEE

Mr. Chow Siu Lui *(Chairman)*
Mr. Chan Kai Kong[(1)]
Mr. Xu Ming[(1)]
Mr. Li Yinquan
Mr. Xu Zhiming[(1)]
Mr. Zhao Yan[(2)]
Mr. Che Lingyun[(3)]
Mr. Feng Songtao[(4)]
Mr. Han Demin[(2)]

NOMINATION COMMITTEE

Ms. Peng Jiahong *(Chairwoman)*
Mr. Xu Ming[(1)]
Mr. Li Yinquan
Mr. Chow Siu Lui
Mr. Chan, Hiu Fung Nicholas[(1)]
Mr. Che Lingyun[(3)]
Mr. Feng Songtao[(4)]
Mr. Liao Xinbo[(2)]

STRATEGY COMMITTEE

Ms. Peng Jiahong *(Chairwoman)*
Mr. Chan Kai Kong[(1)]
Mr. Zhu Ziyang
Mr. Zhao Yan[(2)]

RISK CONTROL COMMITTEE

Mr. Zhu Ziyang *(Chairman)*
Mr. Wang Wenbing
Mr. Tong Chaoyin

COMPANY SECRETARY

Ms. Ng Wai Kam

AUTHORISED REPRESENTATIVES

Ms. Peng Jiahong
Ms. Ng Wai Kam

REGISTERED OFFICE

Room 702, Fairmont House
8 Cotton Tree Drive
Central
Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

4th, 5th and 13th Floor,
West Wing of Hademen Plaza
8-1 Chongwenmenwai Street
Dongcheng District
Beijing, China

SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

AUDITOR

Ernst & Young
(Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance)

LEGAL ADVISER

Cooley HK

PRINCIPAL BANKERS

Bank of Communications, Beijing
Fuwai Subbranch
Bank of China (Hong Kong)
Limited

COMPANY'S WEBSITE

www.umcare.cn

STOCK CODE

2666

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
"Articles"	the articles of association of the Company
"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
"CITIC Capital (Tianjin)"	CITIC Capital Equity Investment (Tianjin) Corporation Limited (中信資本股權投資(天津)股份有限公司)
"CITIC CPL"	CITIC Capital Partners 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咨詢服務有限公司), 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

"Evergreen"	Evergreen021 Co., Ltd, a company incorporated under the laws of the British Virgin Islands on 14 August 2014 with limited liability
"Genertec Minmetals"	Genertec Minmetals Hospital Management (Beijing) Company Limited (通用五礦醫院管理(北京)有限公司)
"Group", "we" or "us"	the Company and its subsidiaries
"GT-HK"	Genertec Hong Kong International Capital Limited (通用技術集團香港國際資本有限公司), a company incorporated under the laws of Hong Kong on 24 March 1994 with limited liability, an indirect wholly-owned subsidiary of GT-PRC, and one of the controlling shareholders of the Company
"GT-PRC"	China General Technology (Group) Holding Company Limited (中國通用技術(集團)控股有限責任公司), which is a state-owned enterprise under the direct administration of the PRC central government, the ultimate controlling shareholder of the Company
"GT-PRC Finance"	Genertec Finance Co., Ltd (通用技術集團財務有限責任公司), a company established in the PRC and held by GT-PRC and CNTIC as to 95% and 5%, respectively
"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
"Million Surplus Developments"	Million Surplus Developments Limited (百盈發展有限公司), a company incorporated in the British Virgin Islands with limited liability
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules

"Nomination Committee"	the nomination committee of the Board
"PRC" or "China"	The People's Republic of China, for the purpose of this annual report, excluding Hong Kong, Macau and Taiwan
"Prospectus"	the prospectus issued by the Company on 24 June 2015
"Remuneration Committee"	the remuneration committee of the Board
"Risk Control Committee"	the risk control committee of the Board
"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
"Share Option Scheme"	the share option scheme adopted by the Company on 31 December 2019
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"TCM"	traditional chinese medicine
"USD"	United States dollars, the lawful currency of the United States

COMPANY PROFILE

Genertec Universal Medical Group Company Limited (通用環球醫療集團有限公司) ("Universal Medical") is controlled by a central state-owned enterprise and listed on the Stock Exchange in July 2015 (stock code: 2666) with focus on healthcare industry. China General Technology (Group) Holding Company Limited (中國通用技術(集團)控股有限責任公司), the controlling shareholder of the Company, is a backbone state-owned enterprise under direct administration of the PRC central government.

Universal Medical has been fully engaged in China's fast-growing medical and healthcare industry for years. Leveraging core competencies in modern managerial idea, professional talent team, quality medical resources, diversified financial strength as well as inclusive and enterprising corporate culture, we strive to build up a trustworthy healthcare conglomerate focusing on medical services and supported by finance services so as to gradually build a shared and win-win healthcare industrial ecosystem.

"Safeguarding Health and Wellness through Quality Healthcare" is the business mission we always implement. We give full play to the advantages of central state-owned enterprises in running medical care, and provide the people with quality medical services which are safe, effective, accessible, and humanistic. Now we have 63 medical institutions distributed in 14 provinces and municipalities covering Shaanxi, Shanxi, Sichuan, Liaoning, Anhui, Hebei, Beijing and Shanghai. Among these institutions, there are five Grade III Class A hospitals and 29 Grade II hospitals, with a capacity of over 16,000 beds in total.

In the future, Universal Medical will firmly grasp the good opportunity of China's medical healthcare industry, actively respond to the "Healthy China" strategy, and industriously contribute the strength of central state-owned enterprises to China's healthcare undertakings.

STATEMENT FROM THE CHAIRWOMAN OF THE BOARD

Dear Shareholders,

2022 is destined to be an extraordinary year, the successful convening of the 20th CPC National Congress charted the course and set out the coordinate for the cause of the Party and the country on the new journey of the New Era. 2022 was also a year full of hardships, challenges and uncertainties. Faced with the major battle against and test of the pandemic and the arduous and complex reform missions, Universal Medical proactively served for and integrated into the new development pattern, strengthened strategic thinking, maintained strategic focus, and fully and faithfully promoted the implementation of various key tasks with invincible determination and perseverance to surmount all obstacles. The Company achieved steady progress in operating efficiency, made important progress in the implementation of strategies, and delivered a high-quality answer sheet with actions taken amid difficulties and progress made while ensuring stability.

Over the past year, we stayed committed to putting life first and made all-out efforts to protect the lives and health of the people. We weathered the most severe test in the past three years of anti-pandemic fighting. Amid multiple rounds of COVID-19 outbreak, every medical institution made every effort to participate in the national fight against the pandemic, held fast to their positions and fought tenaciously against COVID-19 on the frontline of pandemic prevention and control. Entering into a new phase of COVID-19 response, we actively expanded medical resources, optimized the diagnosis and treatment process, guaranteed the sufficient supply of drugs, equipment and supplies, and mobilized resources to ensure the medical treatment for all patients. Faced with tremendous physical and mental stress, our medical staff took on a tremendous workload to fight against the pandemic, protecting people's lives with their own lives, and fulfilling the oath of "Health related, life entrusted" with concrete actions, thus demonstrating their tenacity and extraordinary courage.

Over the past year, we adhered to value creation and made steady progress in pursuing high-quality development of our principal business. Regarding value creation and value enhancement as the core goals of corporate development, we continued to optimize business structure, improve operational efficiency, and cultivate the core competitiveness of healthcare conglomerate. Under the impact of the pandemic, the integrated healthcare sector overcame difficulties and pressed ahead with heavy burdens to give full play to the advantages of professional and intensive management of a modern corporate group. Through continuously strengthening internal strength and improving efficiency, the results of reform and development constantly emerged: the significant improvement of hardware infrastructure, facilities and environment of hospitals, the steady progress of our disciplinary strength and medical quality, and the gradual improvement of refined operation and management system. With the implementation of various management measures, the revenue and service capabilities of the healthcare sector were steadily increased. We further expanded specialized medical services and industry layout, achieved breakthroughs in nephrology specialties and life cycle management of medical equipment business, and made remarkable progress in capacity improvement and external cooperation of oncology, ophthalmology, physical examination, stomatology and other businesses. In respect of our finance business, we ramped up efforts to explore new markets, serve customer needs, and secure safe and steady business growth. Our key operation indicators such as asset quality, profitability and financing costs remained at a leading position in the industry. Meanwhile, focusing on our principal business, we optimize the business structure and promote transformations and innovations to further improve the business management system and consolidate foundation for business growth. In this way, Universal Medical made solid progress on the new journey of building the trusted world-class medical and healthcare enterprise.

Over the past year, we insisted on innovation-driven strategy and expedited the shaping of competitive advantages. We attached great importance to the building of corporate digital capabilities, took digital transformation as one of the core development strategies of the Company, and actively promoted the full integration of digital transformation with strategic layout, operation and management, and industrial development. We made concerted efforts in solidarity to complete the arduous and complex project of the standardized core information system construction for the affiliated hospitals, laying a solid foundation for interconnection and information sharing; we cultivated core digital technology capabilities with Universal Medical characteristics and released the 2.0 version of data middle platform, which can provide effective support for clinical and management tasks through intensive data mining and analysis; the Internet-based health platform realized extensive interconnections with various systems of the affiliated hospitals, and further improved our service capabilities; we independently researched and developed an AI-assisted diagnosis and treatment system for kidney diseases, and created an equipment operation and management platform with independent intellectual property rights to empower the development of specialties and industry with digital "wings". In addition, we kept on increasing investment in scientific research, and introduced a series of policies and systems such as incentives for the introduction of academic leaders, awards for discipline construction and scientific and technological innovations, and scientific research support funds to fully stimulate the endogenous driving forces for scientific and technological innovations.

STATEMENT FROM THE CHAIRWOMAN OF THE BOARD

The tree rings of time deeply engrave the footprints of the strivers. Over the past five years, under the leadership of GT-PRC and with the trust and support of investors and partners, Universal Medical has firmly promoted strategic transformation and continued to take root in the medical and healthcare industry with the courage and determination to start from scratch. Through repeated exploration and innovation, we have achieved growth and transformation, and blazed a new trail for the development of medical group controlled by a central state-owned enterprise. With the realization of the staged reform goals, the comprehensive strength and influence of the Company have been significantly improved, which also gives us more confidence and courage for the future development. On behalf of Universal Medical, I would like to take this opportunity to extend my heartfelt gratitude to the Shareholders, investors, customers and partners for their trust and support throughout these years! My heartfelt gratitude also goes to all our hardworking employees!

2023 is the first year to fully implement the guiding principles of the 20th CPC National Congress, and it is also a crucial year for Universal Medical to expedite and secure the decisive victory for the implementation of the strategic "14th Five-Year Plan". We must seize the opportunities for development during this period of favourable regulatory environment, stay committed to serving the national strategy and the people's better life while pursuing high-quality development. We will unswervingly follow the tough but correct path of value enhancement, continue to forge the core capabilities and differentiated advantages, and strive to break into a "Universal Medical sprint" in the critical period of catching up and surpassing.

We will make concerted efforts to strengthen integrated healthcare business in a combined manner by closely following strategic goals, giving full play to our advantage as a hospital group. Focusing on the development goal of "comfortable environment, top-notch services, advanced technology and efficient operation", we will continue to build leading edges in cost reduction and digital transformation, and improve management level and operational efficiency of medical institutions. We will activate the new driving forces of discipline operation and industry value creation, continuously optimize industry layout, and make proactive effort in key areas such as nephrology, oncology and life cycle management of equipment, so as to speed up the growth of the "second curve". Enhancing the stabilizing function of finance business, we will continue to expand the market, tap potentials, optimize the business structure, innovate business model on the basis of sound risk prevention and mitigation to further advance the effective linkage of finance + healthcare and finance + life cycle management of equipment, with an aim to achieve more solid fundamentals and to diversify the business structure. We will further expand our "friends' circle", strengthen external coordination and cooperation with an open and win-win attitude, and pool excellent internal and external resources, with an aim to inject new momentum into our business growth.

Long as the journey is, those who are determined are sure to achieve their goals. In the face of opportunities, changes and various uncertainties ahead, Universal Medical firmly believes that hard working is the only way to realize ideals and development holds the key to solving various difficult problems. We will continue to uphold fundamental principles and break new ground, forge ahead with determination and fortitude, and advance towards our goals with sure-win confidence and perseverance, with an aim to enhance our corporate value in the practice of building "Healthy China" and give back to all parties in the society for their support and trust with high-quality development.

Peng Jiahong

Genertec Universal Medical Group Company Limited

Chairwoman of the Board, Executive Director

PERFORMANCE OVERVIEW

	For the year ended 31 December				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	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)	**7.39**	7.05	6.28	5.53	4.89
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)	**1.06**	1.33	0.94	1.1	1.06
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)	**0.86%**	0.76%	0.94%	0.84%	0.62%

(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
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

		Visits in 2022			Medical business income in 2022 (RMB ten thousand)				Average index		
Category	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	3,716	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

		Visits in 2021			Medical business income in 2021 (RMB ten thousand)				Average index		
Category	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	3,859	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

		Visits in 2020			Medical business income in 2020 (RMB ten thousand)				Average index		
Category	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 devises 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 chronicle 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 31 December		
	2022	2021	
	RMB'000	RMB'000	Change %
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		
	RMB'000	% of total	RMB'000	% of total	Change %
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		
	RMB'000	% of total	RMB'000	% of total	Change %
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		
	RMB'000	**% of total**	RMB'000	% of total	Change %
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		
	RMB'000	**% of total**	RMB'000	% of total	Change %
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		
	RMB'000	**% of total**	RMB'000	% of total	Change %
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		
	RMB'000	**% of total**	RMB'000	% of total	Change %
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		
	RMB'000	% of total	RMB'000	% of total	Change %
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	**4,621,389**	**100.0%**	4,469,013	100.0%	3.4%

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

	31 December 2022			31 December 2021		
	Average balance RMB'000	Interest income[1]/ expense[2] RMB'000	Average yield[3]/ cost rate[4]	Average balance RMB'000	Interest income[1]/ expense[2] RMB'000	Average yield[3]/ cost rate[4]
Interest-earning assets	**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 31 December		
	2022	2021	
	RMB'000	RMB'000	Change %
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		
	RMB'000	**% of total**	RMB'000	% of total	Change %
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		
	RMB'000	**% of total**	RMB'000	% of total	Change %
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		
	RMB'000	% of total	RMB'000	% of total	Change %
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		
	RMB'000	% of total	RMB'000	% of total	Change %
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:

	31 December 2022		31 December 2021		
	RMB'000	**% of total**	RMB'000	% of total	Change %
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	**65,233,831**	**100.00%**	61,127,607	100.00%	6.7%
Non-performing assets(1)	**644,117**		601,062		7.2%
Non-performing assets ratio(2)	**0.99%**		0.98%		

(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 annual report 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]	**0.86%**	0.76%

[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			
	Stage 1 (12-month expected credit loss) RMB'000	**Stage 2 (Lifetime expected credit loss) RMB'000**	**Stage 3 (Lifetime expected credit loss-impaired) RMB'000**	**Total RMB'000**
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	57,364,300	5,703,086	471,694	63,539,080

	As at 31 December 2021			
	Stage 1 (12-month expected credit loss) RMB'000	Stage 2 (Lifetime expected credit loss) RMB'000	Stage 3 (Lifetime expected credit loss-impaired) RMB'000	Total RMB'000
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	53,037,464	6,206,697	451,165	59,695,326

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 RMB'000	31 December 2021 RMB'000
Write-off	**42,064**	–
Non-performing assets as at the end of last year	**601,062**	547,896
Write-off ratio[1]	**7.00%**	–

(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		
	RMB'000	% of total	RMB'000	% of total	Change %
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		
	RMB'000	**% of total**	RMB'000	% of total	Change %
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	**46,911,383**	**100.0%**	44,172,571	100.0%	6.2%

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		
	RMB'000	**% of total**	RMB'000	% of total	Change %
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	**46,911,383**	**100.0%**	44,172,571	100.0%	6.2%

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:

	31 December 2022		31 December 2021		
	RMB'000	**% of total**	RMB'000	% of total	Change %
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	**46,911,383**	**100.0%**	44,172,571	100.0%	6.2%

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:

	31 December 2022		31 December 2021		
	RMB'000	**% of total**	RMB'000	% of total	Change %
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	**46,911,383**	**100.0%**	44,172,571	100.0%	6.2%

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		
	RMB'000	**% of total**	RMB'000	% of total	change %
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	**46,911,383**	**100.0%**	44,172,571	100.0%	6.2%

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		
	RMB'000	**% of total**	RMB'000	% of total	Change %
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	**46,911,383**	**100.0%**	44,172,571	100.0%	6.2%

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		
	RMB'000	**% of total**	RMB'000	% of total	Change %
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 31 December		
	2022	2021	
	RMB'000	RMB'000	Change %
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	**337,348**	305,543	10.4%

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 RMB'000	31 December 2021 RMB'000
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	**74.37%**	74.79%

Gearing ratio

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

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

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	Intended use of the proceeds from the issue of convertible bonds (RMB million)	Actual amount utilized during the year ended 31 December 2021 (RMB million)	Actual amount utilized during the year ended 31 December 2022 (RMB million)	Actual amount utilized up to 31 December 2022 (RMB million)	Unutilized net proceeds up to 31 December 2022 (RMB million)
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 RMB'000	31 December 2021 RMB'000
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 RMB'000**	31 December 2021 RMB'000
If RMB strengthens against USD/HKD	(1)	**(349)**	818
If RMB weakens against USD/HKD	1	**349**	(818)

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	
	RMB'000	**% of total**	RMB'000	% 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	**65,233,831**	**100.0%**	61,127,607	100.0%

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 2022 RMB'000	31 December 2021 RMB'000
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	**1,900**	759

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
			RMB'000			
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)	**1,852,942**	**4,352,498**	**(665,729)**	**15,667,217**	**(215,228)**	**20,991,700**
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)	1,977,221	3,558,847	4,205,245	11,152,487	(5,878)	20,887,922

(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, 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 (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 transfers, 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 RMB'000	31 December 2021 RMB'000
Legal proceedings	**–**	–
Claimed amounts	**–**	–

10.2 Capital Commitments and Credit Commitments

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

	31 December 2022 RMB'000	31 December 2021 RMB'000
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 REPORT

CORPORATE GOVERNANCE CULTURE

The Company is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects its belief that, in the achievement of its long-term objectives, it is imperative to act with probity, transparency and accountability. By so acting, the Company believes that Shareholder wealth will be maximised in the long term and that its employees, those with whom it does business and the communities in which it operates will all benefit.

Corporate governance is the process by which the Board instructs management of the Group to conduct its affairs with a view to ensuring that its objectives are met. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure:

– satisfactory and sustainable returns to Shareholders;
– that the interests of those who deal with the Company are safeguarded;
– that overall business risk is understood and managed appropriately;
– the delivery of high-quality products and services to the satisfaction of customers; and
– that high standards of ethics are maintained.

CORPORATE GOVERNANCE PRACTICES

The Board has been committed to achieving good corporate governance standards.

The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of Shareholders and to enhance corporate value and accountability. The Company's corporate governance practices are based on the principles and code provisions as set out in the CG Code contained in Appendix 14 to the Listing Rules and the Company has adopted the CG Code as its own code of corporate governance.

In the opinion of the Directors, the Company has complied with all applicable code provisions as set out in the CG Code throughout the year ended 31 December 2022 save for the deviation from code provision B.2.2 which is explained in the relevant paragraph of this Corporate Governance Report.

The Board will from time to time, review and enhance its corporate governance practices to ensure that the Company continues to meet the requirements of the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Securities Dealing Code on terms no less exacting than the Model Code as set out in Appendix 10 to the Listing Rules.

The Securities Dealing Code applies to all Directors and to all employees of the Company and/or its subsidiaries who, because of such office or employment, are likely to possess inside information in relation to the Company or its securities, receive the code and are informed that they are subject to its provisions.

Specific enquiry has been made to all the Directors who have confirmed that they have complied with the Model Code and the Securities Dealing Code throughout the year ended 31 December 2022.

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

BOARD OF DIRECTORS

The Company is headed by an effective Board which assumes responsibility for its leadership and control and be collectively responsible for promoting the Company's success by directing and supervising the Company's affairs. Directors take decisions objectively in the best interests of the Company.

The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and regularly reviews the contribution required from a Director to perform his/her responsibilities to the Company and whether the Director is spending sufficient time performing them that are commensurate with their role and the Board responsibilities. The Board includes a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

Board Composition

The Board currently comprises eleven members, which consists of three executive Directors, four non-executive Directors, and four independent non-executive Directors.

The Board comprises the following directors during the year ended 31 December 2022:

Executive Directors:
Ms. Peng Jiahong *(Chairwoman)*
Mr. Wang Wenbing *(Chief Executive Officer)*
Mr. Yu Gang

Non-executive Directors:
Mr. Chan Kai Kong *(Vice-chairman)*[1]
Mr. Tong Chaoyin
Mr. Xu Ming[1]
Mr. Zhu Ziyang
Mr. Zhao Yan *(Vice-chairman)*[2]
Mr. Che Lingyun[3]
Mr. Feng Songtao[4]

Independent Non-executive Directors:
Mr. Li Yinquan
Mr. Chow Siu Lui
Mr. Xu Zhiming[1]
Mr. Chan, Hiu Fung Nicholas[1]
Mr. Han Demin[2]
Mr. Liao Xinbo[2]

Notes:

(1) Appointed with effect from 22 June 2022
(2) Resigned with effect from 22 June 2022
(3) Appointed with effect from 1 March 2022 and resigned with effect from 22 June 2022
(4) Resigned with effect from 9 February 2022

The list of directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time. The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

The biographical information of the Directors is set out in the section headed "Biography of Directors" on pages 84 to 92 of this annual report.

None of the members of the Board is related to one another.

Chairwoman and Chief Executive Officer

The positions of chairwoman and chief executive officer are held by Ms. Peng Jiahong and Mr. Wang Wenbing respectively. The chairwoman provides leadership and is responsible for the effective functioning and leadership of the Board. The chief executive officer focuses on the Company's business development and daily management and operations generally. Their respective responsibilities are clearly defined and set out in writing.

Independent Non-executive Directors

During the year ended 31 December 2022, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive Director of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive Directors are independent.

Board Independence Evaluation

The Company has established internal policies (including but not limited to the Articles, Policy for the Nomination of Directors, and Terms of Reference of the Remuneration and Nomination Committee) to ensure that the Board has access to independent views and opinions. These policies cover the Company's procedures and selection criteria for the election and appointment of directors (including independent non-executive directors), the mechanism for directors to abstain from voting on relevant proposals considered by the Board, and the authority of the independent board committee to engage independent financial advisors or other professional consultants. The Company has reviewed the implementation and effectiveness of the aforesaid mechanisms and believes that the aforesaid mechanisms can ensure the independent views and opinions of the Board.

The objectives of the internal policies are to improve Board effectiveness, maximise strengths, and identify the areas that need improvement or further development, clarify what actions of the Company need to be taken to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director.

Appointment and Re-election of Directors

Code provision B.2.2 states that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Each of the executive Directors has entered into a service contract with the Company for a term of three years. Each of the non-executive Directors and independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years and is subject to retirement provision pursuant to the Articles.

Except for executive Directors, at each annual general meeting, one-third of the Directors or the number which is nearest to and is at least one-third, shall retire from office by rotation and be eligible for re-election. The executive Directors are not subject to retirement provision of the Articles, but the Articles shall not prejudice the power of shareholders in general meeting to remove any such Director. To ensure continuity of leadership and stability for growth of the Company, the Board is of the view that the executive Directors should hold office on a continuous basis.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and is collectively responsible for directing and supervising the Company's affairs.

The Board, directly and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each director to perform his/her responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those which may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

Continuous Professional Development of Directors

The Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and make comprehensive and informed contribution to the Board.

Every newly appointed Director has received formal, comprehensive and tailored-made induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and other relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading materials on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year, all the Directors have participated in continuous professional training, including the E-trainings titled "Internal Control and Risk Management – A Basic Framework", and read guidance materials provided and published by the Stock Exchange, Hong Kong Institute of Certified Public Accountants and Accounting and Financial Reporting Council of Hong Kong.

BOARD COMMITTEES

The Board has established five committees, namely the Audit Committee, the Remuneration Committee, the Nomination Committee, the Risk Control Committee and the Strategy Committee to oversee particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal with their authorities and duties. The terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee have been posted on the websites of the Stock Exchange and the Company, respectively.

The list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2 of this annual report.

Audit Committee

The Audit Committee consists of one non-executive Director and two independent non-executive Directors, namely Mr. Li Yinquan, Mr. Chow Siu Lui and Mr. Tong Chaoyin. Mr. Li Yinquan is the chairman of the Audit Committee.

The terms of reference of the Audit Committee are no less exacting than those set out in the CG Code. The main duties of the Audit Committee include monitoring the integrity of the Company's financial statements, annual report and interim report, and reviewing significant financial reporting judgements contained therein; reviewing the Company's financial controls, risk management and internal control systems; making recommendations to the Board on the appointment, re-appointment and removal of external auditor, and approving the remuneration and terms of engagement of external auditor, as well as reviewing arrangements which can be secretly utilized by employees of the Company, to raise concerns about possible improprieties in financial reporting, internal control or other matters.

The Audit Committee is also responsible for performing the functions set out in the code provision A.2.1 of the CG Code which include developing and reviewing the Company's policies and practices on corporate governance and make recommendation to the Board; reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; reviewing and monitoring the training and continuous professional development of directors and senior management of the Company; and reviewing the Company's compliance with the CG Code, the Model Code and the Securities Dealing Code adopted by the Company from time to time and the disclosure in the Corporate Governance Report to be contained in the Company's annual reports.

During the year, the Audit Committee held two meetings to review the annual financial results and reports in respect of the year ended 31 December 2021 and the interim financial results and reports in respect of the six months ended 30 June 2022, respectively. The Audit Committee also passed written resolutions during the year to resolve matters relating to the audit fees and terms of engagement of the external auditor.

Together with all the other Directors, the Audit Committee also reviewed the Company's corporate governance policies and practices, Directors' time commitments and contribution, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the Securities Dealing Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report, as well as the effectiveness of the shareholders' communication policy.

The Audit Committee met with the external auditor twice during the year for reviewing the Company's annual and interim financial results.

Remuneration Committee

The Remuneration Committee currently consists of two non-executive Directors and three independent non-executive Directors, namely Mr. Chow Siu Lui, Mr. Chan Kai Kong, Mr. Xu Ming, Mr. Li Yinquan and Mr. Xu Zhiming. Mr. Chow Siu Lui is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are no less exacting than those set out in the CG Code. The primary functions of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management and establishing a formal and transparent procedure for developing the remuneration policy; making recommendations to the Board on the remuneration packages of individual executive Directors and senior management; and ensuring that no Director or any of his/her close associates is involved in deciding his/her own remuneration and reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules.

During the year, the Remuneration Committee held three meetings to review the Company's policy and structure for the remuneration of all Directors and senior management, the remuneration packages of the executive Directors and senior management of the Company and the remuneration of non-executive Directors as well as the service contracts of the executive Directors and the renewed letters of appointment of the non-executive Directors. The meetings also discussed and recommended to the Board the appointment of new Directors and reviewed the service contracts and letters of appointment. During the year, the Remuneration Committee approved (i) the lapse of the first batch of the share options granted under the Share Option Scheme and (ii) the second batch of the share options granted under the Share Option Scheme becoming effective.

The Company's remuneration policy is to ensure that the remuneration offered to employees, including Directors and senior management, is based on skill, knowledge, responsibilities and involvement in the Company's affairs. The remuneration packages of executive Directors are also determined with reference to the Company's performance and profitability, the prevailing market conditions and the performance or contribution of each executive Director. The remuneration for the executive Directors comprises basic salary, pensions and performance/discretionary bonus. Executive Directors shall receive options to be granted under the Company's share option scheme. The remuneration policy for non-executive Directors and independent non-executive Directors is to ensure that non-executive Directors and independent non-executive Directors are adequately compensated for their efforts and time dedicated to the Company's affairs, including their participation in Board committees. The remuneration for the non-executive Directors and independent non-executive Directors mainly comprises Director's fee which is determined with reference to their duties and responsibilities by the Board. Non-executive Directors and independent non-executive Directors shall not receive options and share awards to be granted under the Company's share option scheme and share award scheme. Individual Directors and senior management have not been involved in deciding their own remuneration.

Nomination Committee

The Nomination Committee consists of one executive Director, one non-executive Director and three independent non-executive Directors, namely Ms. Peng Jiahong, Mr. Xu Ming, Mr. Li Yinquan, Mr. Chow Siu Lui and Mr. Chan, Hiu Fung Nicholas. Ms. Peng Jiahong is the chairwoman of the Nomination Committee.

The terms of reference of the Nomination Committee are no less exacting than those set out in the CG Code. The principal duties of the Nomination Committee include reviewing the structure, size and composition of the Board; identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorship; making recommendations to the Board on the appointment, re-appointment and succession planning of Directors; and assessing the independence of independent non-executive Directors, as well as reviewing the board diversity policy and the Director Nomination Procedures.

Board Diversity Procedure

The Board has adopted a board diversity policy which sets out the approach to achieve diversity on the Board in terms of skills, professional experience, educational background, knowledge, expertise, culture, independence, age and gender. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. In accordance with the board diversity policy, a truly diverse Board will include and make good use of differences in the skills, regional and industry experience, background, race, gender and other qualities of directors. These differences will be taken into account in determining the optimum composition of the Board. All Board appointments will be based on merit while taking into account diversity (including gender diversity). The Nomination Committee will review the board diversity policy, as appropriate, to ensure the effectiveness of the policy. The Nomination Committee will discuss any revisions that may be required and recommend any each revision to the Board for consideration and approval.

An analysis of the Board's current composition based on the measurable objectives is set out below:

Gender	Age Group
Male: 10 Directors Female: 1 Director	21-30: 1 Director 41-50: 2 Directors 51-60: 5 Directors 61-70: 3 Directors

Designation	Educational Background
Executive Directors: 3 Directors Non-executive Directors: 4 Directors Independent Non-executive Directors: 4 Directors	Business Administration: 3 Directors Accounting and Finance: 5 Directors Legal: 3 Directors

Nationality	Business Experience
Chinese: 11 Directors	Accounting & Finance: 4 Directors Legal: 1 Director Experience Related to the Company's Business: 6 Directors

The Nomination Committee and the Board considered that the current composition of Board is sufficiently diverse.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

Gender Diversity

The Company values gender diversity across all levels of the Group. The following table sets out the gender ratio in the workforce of the Group, including the Board and senior management as at the date of this annual report:

Level	Female	Male
Board	9.1% (1)	90.9% (10)
Senior Management	44.4% (4)	55.6% (5)
Other employees	72.2% (14,496)	27.8% (5,572)
Overall workforce	72.2% (14,500)	27.8% (5,577)

* The total number of employees (excluding board members) of the Group is 20,077, in which there is overlap between the board and the senior management.

The Board considers that the above current gender diversity is satisfactory.

Director Nomination Procedures

The Nomination Committee has adopted a set of nomination procedures under the terms of reference of the Nomination Committee for selection of candidates for directorship. The Nomination Committee evaluates candidate(s) based on the criteria by reference to the Company's business and corporate strategy and recommend desirable candidate(s) for directorship(s) to the Board, which include character, qualifications (including professional qualifications, skills, knowledge, experience and diversity of perspective that are relevant to the Company's business and corporate strategy), independence by reference to the Listing Rules (for appointment of independent non-executive Director) and Board diversity policy. The Nomination Committee will review annually the terms of reference and the effectiveness in the discharge of its duties and to make recommendation to the Board any changes it considers necessary.

The nomination process set out in the Director Nomination Procedure is as follows:

Appointment of New Director

(i) The Nomination Committee and/or the Board may select candidates for directorship from various channels, including but not limited to internal promotion, re-designation, referral by other member of the management and external recruitment agents.

(ii) The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new Director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

(iii) If the process yields one or more desirable candidates, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).

(iv) The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.

(v) For any person that is nominated by a Shareholder for election as a Director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

Where appropriate, the Nomination Committee and/or the Board should make recommendation to Shareholders in respect of the proposed election of Director at the general meeting.

Re-election of Director at General Meeting

(i) The Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring Director and the level of participation and performance on the Board.

(ii) The Nomination Committee and/or the Board should also review and determine whether the retiring Director continues to meet the criteria as set out above.

(iii) The Nomination Committee and/or the Board should then make recommendation to Shareholders in respect of the proposed re-election of Director at the general meeting.

Where the Board proposes a resolution to elect or re-elect a candidate as Director at the general meeting, the relevant information of the candidate will be disclosed in the circular to Shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the Listing Rules and/or applicable laws and regulations.

During the year, the Nomination Committee met twice to review the structure, size and composition of the Board and reviewed and disclosed the board diversity policy and the nomination policy; to discuss and recommend to the Board the appointment of new Directors, re-election of the retiring Directors and to assess the independence of the independent non-executive Directors in accordance with the Listing Rules and the Articles. The Nomination Committee considered that the structure of the Board is reasonable and an appropriate balance of diversity perspectives of the Board is maintained and has not set any measurable objective for implementing diversity on the Board. The Nomination Committee also considered that the Directors are rich in knowledge and experience and their outstanding skills in their respective expertise can meet the development needs of the Company.

Risk Control Committee

The Risk Control Committee consists of one executive Director and two non-executive Directors, namely Mr. Zhu Ziyang, Mr. Wang Wenbing and Mr. Tong Chaoyin. Mr. Zhu Ziyang is the chairman of the Risk Control Committee.

The principal duties of the Risk Control Committee include conducting research on and making recommendations to the Board on the Group's risk management and control systems, ensuring development and maintenance of the these systems, reviewing and approving risk management policies and guidelines, undertaking an annual review of the risk management framework, monitoring the implementation of risk management measures and procedures and reviewing the effectiveness of the Group's risk management and internal control systems.

During the year, the Risk Control Committee met once to review the effectiveness of the risk management and internal control systems and the internal audit function. It has reviewed the risk management system and framework, the risk management and internal control strategy as well as the 2022 risk management work plan. These include management strategy, systems precautions, process optimization and implementation of risk management measurements. The Risk Control Committee believed that the Group's risk management and internal control systems are well-established as the Company had established appropriate risk identification, control and prevention systems in relation to different risk categories which ensure effective risk management and internal control systems of the Group. The Company should continue to strengthen its risk management and internal control systems. The Risk Control Committee also identified some possible risks faced by the Company and suggested precautionary measures to manage these risks.

Strategy Committee

The Strategy Committee currently consists of one executive Director and two non-executive Directors, namely Ms. Peng Jiahong, Mr. Chan Kai Kong and Mr. Zhu Ziyang. Ms. Peng Jiahong is the chairwoman of the Strategy Committee.

The principal duties of the Strategy Committee include conducting research on and making recommendations to the Board on the Group's mid-term and long-term strategies and their feasibility, conducting research and making recommendations to the Board on the Group's investment plans, major business decisions and investment earnings forecast and evaluating and monitoring the implementation of the strategy, plans and measures adopted by the Committee.

During the year, the Strategy Committee met twice to discuss the strategy and business development of the Company. The Strategy Committee agreed with the development strategy strategic direction and expected a bright prospect. The Strategy Committee also advised the Company that it should enhance the strategic guidance and assessment in hospitals, improve the hospital operational capability and brand influence and pay continuous attention to striking a balance between public interest and the commercial interest of the medical services. The Strategy Committee also suggested that the Company should further explore the development trend of integration of industry and finance for health and wellness, insurance and life cycle management of medical equipment etc. and centralise competitive resources. Meanwhile, the Company should adopt a stringent risk control on the finance business and achieve steady development and cultivate a new business model with the integration of industry and finance so as to build up the second curve.

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance records of each Director at the meetings of the Board, Audit Committee, Remuneration Committee, Nomination Committee, Risk Control Committee and Strategy Committee and at the general meetings held during the year are set out below:

	Attendance/Number of Meetings during the tenure of directorship							
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Risk Control Committee	Strategy Committee	2022 AGM	2022 EGM
Peng Jiahong	9/9	N/A	N/A	2/2	N/A	2/2	1/1	1/1
Wang Wenbing	9/9	N/A	N/A	N/A	1/1	N/A	1/1	1/1
Yu Gang	9/9	N/A	N/A	N/A	N/A	N/A	1/1	1/1
Chan Kai Kong#3	4/4(3)	N/A	N/A(3)	N/A	N/A	1/1(3)	N/A(3)	1/1
Tong Chaoyin	9/9	2/2	N/A	N/A	1/1	N/A	1/1	1/1
Xu Ming#3	4/4(3)	N/A	N/A(3)	N/A(3)	N/A	N/A	N/A(3)	1/1
Zhu Ziyang	9/9	N/A	N/A	N/A	1/1	2/2	1/1	1/1
Li Yinquan	9/9	2/2	2/2	2/2	N/A	N/A	1/1	1/1
Chow Siu Lui	9/9	2/2	2/2	2/2	N/A	N/A	1/1	1/1
Xu Zhiming#3	4/4(3)	N/A	N/A(3)	N/A	N/A	N/A	N/A(3)	1/1
Chan, Hiu Fung Nicholas#3	4/4(3)	N/A	N/A	N/A(3)	N/A	N/A	N/A(3)	1/1
Feng Songtao#1	N/A(1)	N/A	N/A(1)	N/A(1)	N/A	N/A	N/A(1)	N/A(1)
Che Lingyun#2	3/3(2)	N/A	1/1(2)	1/1(2)	N/A	N/A	1/1(2)	N/A(2)
Zhao Yan#4	4/4(4)	N/A	2/2(4)	N/A	N/A	N/A(4)	1/1(4)	N/A(4)
Han Demin#4	4/4(4)	N/A	2/2(4)	N/A	N/A	N/A	1/1(4)	N/A(4)
Liao Xinbo#4	4/4(4)	N/A	N/A	1/1(4)	N/A	N/A	1/1(4)	N/A(4)

Notes:

#1 Resigned with effect from 9 February 2022

#2 Appointed with effect from 1 March 2022 and resigned with effect from 22 June 2022

#3 Appointed with effect from 22 June 2022

#4 Resigned with effect from 22 June 2022

(1) Up to 9 February 2022

(2) Since 1 March 2022 and up to 22 June 2022

(3) Since 22 June 2022

(4) Up to 22 June 2022

Apart from the regular Board meetings, the Chairwoman Ms. Peng Jiahong also held a meeting with the independent non-executive Directors without the presence of other Directors during the year.

Independent non-executive Directors and non-executive Directors have attended general meetings to gain and develop a balanced understanding of the view of Shareholders.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors have acknowledged their responsibility for preparing the financial statements of the Company for the year ended 31 December 2022 with the support of the accounting and finance team.

The Directors have prepared the financial statements in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. Appropriate accounting policies have also been used and applied consistently except the adoption of revised standards, amendments to standards and interpretation.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the independent auditors' report on pages 189 to 193 of this annual report.

DEED OF NON-COMPETITION OF THE CONTROLLING SHAREHOLDER

Reference is made to the non-competition undertakings given by GT-PRC in favour of the Company disclosed in the Prospectus. GT-PRC has confirmed to the Company that it has complied with the non-competition undertakings during the year. The independent non-executive Directors have conducted such review for the year, and also reviewed the relevant undertakings and are satisfied that such undertakings have been complied with.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board conducts a review on the internal control system of the Group on an annual basis and has the responsibility to maintain an effective internal control system in order to safeguard the Group's assets and shareholders' interests. The Board also reviews and monitors the effectiveness of the risk management and internal control systems on a regular basis to ensure that the systems in place are adequate.

Sound and improved risk management and internal control systems

The Group has comprehensive risk management and internal control systems. The internal control system of the Group fully complies with the requirements under COSO (The Committee of Sponsoring Organizations of the Treadway Commission) Enterprise Risk Management Framework and the guidelines provided by the Hong Kong Institute of Certified Public Accountants in relation to risk management. Meanwhile, by drawing experience on benchmark firms and taking into account the actual circumstances and business characteristics of the Group, a control framework has been developed to evaluate the effectiveness and appropriateness of its internal control and risk management systems, which provides reasonable assurance in relation to operational effectiveness, reliability of its financial reports and compliance with laws and regulations.

Audit department carrying out internal audit function

The Company has set up an audit department with guaranteed independence in terms of its organization, staffing and work. In performing its duties, the audit department may inspect all business and meet relevant personnel without restrictions.

Through the use of systematic and standardized audit procedures and approaches as well as regular procedures of assessment on internal control and risks, the audit department evaluates the comprehensiveness and effectiveness of the internal control system of the Group on an ongoing basis. It reviews the risks identified, identifies potential risks in operation and makes recommendations on management improvement to ensure effective performance of the control system and foster continuous healthy development of the Group.

Features of risk management and internal control systems

The Board identifies risk appetite and level of risk based on features of the industry in which the Group operates, so as to ensure comprehensive and effective risk management and internal control systems. The management of the Company implements policies formulated by the Board in relation to risk management and internal control. The management of the Company is also responsible for identifying and evaluating risks as well as design, operation and supervision of effective risk management and internal control systems. The management assures soundness and effectiveness of systems whereas the Board supervises and holds the management accountable.

Effectiveness of the risk management and internal control systems

Taking into account the result of annual internal control evaluation and risk prioritization carried out annually, the audit department formulates an annual plan for internal audit and discusses with the management to determine the annual plan for internal audit and deployment of resources.

During the year, the audit department has enhanced supervision of the finance business in operation by initiating audit work on finance business and mitigating operational risks. In the meantime, the audit department has conducted economic responsibility audit of affiliated hospitals which elevates the overall management of the Company. In order to ensure normal functioning of internal control system, the audit department provides regular or irregular reports on audit work.

To address the issues identified in an audit, the audit department would make recommendations for rectification and request relevant units to make commitments, specify plans and approaches for improvements and ensure implementation. The audit department would monitor and follow up the implementation of its recommendations to ensure improvements are made.

In 2022, in accordance with the *Basic Rules for Corporate Internal Control* (《企業內部控制基本規範》) jointly promulgated by Ministry of Finance of the PRC, China Securities Regulatory Commission, National Audit Office of the PRC, China Banking Regulatory Commission and China Insurance Regulatory Commission on 28 June 2008, external auditors conducted evaluation on internal control and reviewed the rectification work for internal control issues during internal control assessment in 2021. With emphasis on key areas of concerns and processes, relevant departments analyzed various internal control points relating to the business processes and unearthing defects and weaknesses of the internal control system for improvements in a timely manner. It ensures operations and management in compliance with laws and regulations as well as truthfulness and completeness of financial reports and relevant information, enhancing the efficiency and effectiveness of operation and safeguarding strategic development of the Group.

With a comprehensive internal control system, the Group has greatly enhanced its capability of risk management and control. Since the Company established the Risk Prevention and Control and Compliance Committee, the Company's comprehensive risk management system has been gradually built and improved, to manage the Company's operational risks and integrity risks as a whole, and to promote the risk prevention and control work of each working group. At the beginning of the year, major risks for the year were identified according to the internal and external environment, and for each type of substantial risks, the Group has developed monitoring indicators. Related departments are responsible for identification and analysis on relevant risks to determine corresponding risk strategies based on risk tolerance. The internal control department collects information on risk management regularly, and the risks faced by each business unit and its risk management and control system capabilities are reflected to the management, so as to minimize losses and enhance the Group's capability against risks. In 2022, the probability of each type of substantial risks remained stable at a relatively low level as compared with last year, reflecting the effectiveness of the Group's risk management measures.

The Board, as assisted by the Risk Control Committee, assessed the effectiveness of the systems by reviewing the work and findings of the internal audit function. Based on the review results and findings of the management and Risk Control Committee, the Board considered the risk management and internal control systems of the Group are adequate and effective for the year.

Inside information

The Company has developed an effective monitoring system for inside information and reporting processes to ensure prompt identification and evaluation of material information and submission of the same to the Board for determining whether to disclose such information. The Company has strictly complied with the Inside Information Provisions (as defined under the Listing Rules) under the SFO and the Listing Rules. Through the implementation of *Manual on Disclosure of Inside Information and Information Necessary to Avoid a False Market* (《披露內幕消息及避免虛假市場所需消息或資料手冊》) in June 2015, all personnel involved have been aware of such requirements which ensure all market participants could obtain same information on an equal and simultaneous basis.

Whistleblowing Policy

The Company has in place the Whistleblowing Policy and system for employees of the Company and those who deal with the Company to raise concerns, in confidence and anonymity, with the Audit Committee about possible improprieties in any matters related to the Company. The Whistleblowing Policy is available on the website of the Company.

Anti-Corruption Policy

The Company has also in place the Anti-Corruption Policy to safeguard against corruption and bribery within the Company. The Company has an internal reporting channel that is open and available for employees of the Company to report any suspected corruption and bribery. Employees can also make anonymous reports to the internal anti-corruption department/internal audit function, which is responsible for investigating the reported incidents and taking appropriate measures. The Company continues to carry out anti-corruption and anti-bribery activities to cultivate a culture of integrity, and actively organizes anti-corruption training and inspections to ensure the effectiveness of anti-corruption and anti-bribery. The Anti-Corruption Policy is available on the website of the Company.

During the year ended 31 December 2022, the Company held 17 anti-corruption trainings and briefings to all employees. There were no non-compliance cases in relation to bribery and corruption.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

AUDITORS' REMUNERATION

During the year ended 31 December 2022, the remuneration paid or payable to the Company's external auditor, Ernst & Young, is set out below:

Service Category	Fees Paid/Payable RMB'000
Audit Services	3,515
Non-audit Services	
– Circular related service fee	3,561
– Interim financial statements related service fee	1,511
– Asset-backed securities business related service fee	1,030
– Tax related service fee	543
– Bond issue related service fee	420
Total	10,580

COMPANY SECRETARY

Ms. Ng Wai Kam of Tricor Services Limited, an external service provider, has been engaged by the Company as company secretary. Her primary contact person at the Company is Ms. Peng Jiahong (Chairwoman of the Board).

For the year ended 31 December 2022, Ms. Ng Wai Kam has undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange respectively after each general meeting.

Right to Call a General Meeting

General meetings may be convened by the Directors on requisition of shareholder(s) of the Company representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings or by such shareholder(s) who made the requisition (as the case may be) pursuant to Sections 566 and 568 respectively of the Companies Ordinance. Shareholders should follow the requirements and procedures as set out in the Companies Ordinance for convening a general meeting.

Putting Forward Proposals at General Meeting

Pursuant to Section 615 of the Companies Ordinance, shareholders representing at least 2.5% of the total voting rights of all shareholders; or at least 50 shareholders (as the case may be) who have a right to vote at the relevant annual general meeting, may request to circulate a resolution to be moved at an annual general meeting. Shareholders should follow the requirements and procedures as set out in the Companies Ordinance for circulating a resolution for annual general meeting. Written request can be sent by post to the Company's registered office address at Room 702, Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong or by email at ir@um.gt.cn.

Putting Forward Enquiries to the Board

Shareholders may send written enquiries or requests to the Company for putting forward any enquiries to the Board. Contact details are as follows:

Address: Room 702, Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong (for the attention of the Board of Directors)
Email: ir@um.gt.cn.

Shareholders are also welcome to make enquiries via the online enquiry form available on the Company's website at www.umcare.cn.

For the avoidance of doubt, Shareholders must lodge their questions together with their detailed contact information (including full name, contact details and identification) for prompt response from the Company if the Company deems appropriate. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/ INVESTOR RELATIONS

The Company considers that effective communication with Shareholders (both individual and institutional, and in appropriate circumstances, the investment community at large) is essential for enhancing investor relations and ensuring ready, equal and timely access to balanced and understandable information about the Company (including financial performance, strategic goals and plans, material developments and governance) by investors.

To safeguard Shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. Board members, in particular, the chairmen of Board committees or their delegates, appropriate management executives and external auditors will use all reasonable efforts to attend annual general meetings and to answer Shareholders' questions.

On 30 December 2022, the Company convened an extraordinary general meeting, at which ordinary resolutions in respect of the major and connected transaction in relation to the acquisition of the remaining 54% equity interest in Genertec Minmetals, a non-wholly owned subsidiary of the Company by Hospital Investment Co., Ltd., a wholly owned subsidiary of the Company. Details of the major and connected transaction in respect of the acquisition of the remaining 54% equity interest in a non-wholly owned subsidiary was disclosed in the announcements of the Company dated 1 August 2022 and 2 September 2022 and the circular of the Company dated 14 December 2022.

Shareholders' Communication Policy

The Company has in place a Shareholders' Communication Policy. The policy aims at promoting effective communication with Shareholders and other stakeholders, encouraging Shareholders to engage actively with the Company and enabling Shareholders to exercise their rights as Shareholders effectively. The Board reviewed the implementation and effectiveness of the Shareholders' Communication Policy and the results were satisfactory.

The Company has established a number of channels for maintaining an on-going dialogue with its Shareholders as follows:

(a) Corporate Communication

"Corporate Communication" as defined under the Listing Rules refers to any document issued or to be issued by the Company for the information or action of holders of any of its securities, including but not limited to the following documents of the Company: (i) the Directors' report, annual accounts together with a copy of the auditor's report and, where applicable, its summary financial report; (ii) the interim report and, where applicable, its summary interim report; (iii) a notice of meeting; (iv) a listing document; (v) a circular; and (vi) a proxy form. The Corporate Communication of the Company will be published on the Stock Exchange's website (www.hkex.com.hk) in a timely manner as required by the Listing Rules. Corporate Communication will be provided to Shareholders and non-registered holders of the Company's securities in both English and Chinese versions or where permitted, in a single language, in a timely manner as required by the Listing Rules. Shareholders and non-registered holders of the Company's securities shall have the right to choose the language (either English or Chinese) or means of receipt of the Corporate Communication (in printed form or through electronic means).

(b) Announcements and Other Documents pursuant to the Listing Rules

The Company shall publish announcements (on inside information, corporate actions and transactions etc.) and other documents (e.g. Articles of Association) on the Stock Exchange's website in a timely manner in accordance with the Listing Rules.

(c) Corporate Website

Any information or documents of the Company posted on the Stock Exchange's website will also be published on the Company's website (www.umcare.cn). Other corporate information about the Company's business developments, goals and strategies, corporate governance and risk management will also be available on the Company's website.

(d) Shareholders' Meetings

The annual general meeting and other general meetings of the Company are primary forum for communication between the Company and its Shareholders. The Company shall provide Shareholders with relevant information on the resolution(s) proposed at a general meeting in a timely manner in accordance with the Listing Rules. The information provided shall be reasonably necessary to enable Shareholders to make an informed decision on the proposed resolution(s). Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at the meetings for and on their behalf if they are unable to attend the meetings. Where appropriate or required, the Chairwoman of the Board and other Board members, the chairmen of board committees or their delegates, and the external auditors should attend general meetings of the Company to answer Shareholders' questions (if any). The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent Shareholders' approval.

(e) Shareholders' Enquiries

Enquiries about Shareholdings

Shareholders should direct their enquiries about their shareholdings to the Company's share registrar, Computershare Hong Kong Investor Services Limited, via its online holding enquiry service at https://www.computershare.com/hk/en/online_feedback, or call its hotline at +852 2862 8555, or go in person to its public counter at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

Enquiries about Corporate Governance or Other Matters to be put to the Board and the Company

The Company will not normally deal with verbal or anonymous enquiries. Shareholders may send any enquiries to the Board by email: ir@um.gt.cn or by post to Room 702, Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong (for the attention of the Board of Directors).

(f) Webcast

Webcasts of the Company's interim and annual results briefings are available.

(g) Other Investor Relations Communication Platforms

Investor/analysts briefings, roadshows (both domestic and international), media interviews, marketing activities for investors and specialist industry forums etc. will be launched on a regular/required basis.

Amendments to Constitutional Documents

During the year, the Company did not make any changes to the Articles. An up-to-date version of the Articles is also available on the websites of the Stock Exchange and the Company respectively. Shareholders may refer to the Articles for further details of their rights.

BIOGRAPHY OF DIRECTORS

The Board of the Group is responsible and has general powers for managing and leading the Group's business. Our Board consists of three executive Directors, four non-executive Directors and four independent non-executive Directors.

Ms. Peng Jiahong – Executive Director, Chairwoman of the Board

Ms. Peng Jiahong (彭佳虹女士), aged 52, is an executive Director, the chairwoman of the Board, chairwoman of each of the Strategy Committee and the Nomination Committee. She is primarily responsible for leading and chairing the Board and providing advice and participating in meetings of the Board in connection with matters requiring Directors' consideration and/or approval, and she is also responsible for planning development strategy, business and management system of the Group. Ms. Peng was appointed as a Director on 22 December 2014 and was re-designated as an executive Director and deputy general manager of the Company on 6 March 2015, and appointed as the vice-chairwoman of the Board and chief executive officer of the Company on 30 November 2018, and was re-designated as the chairwoman of the Board and appointed as the chairwoman of the Nomination Committee on 27 August 2021. She served as the chief financial officer of the Company from December 2014 to December 2019. Ms. Peng is also a director of certain subsidiaries of the Company. Ms. Peng has several years' working experience in finance services and financial management, including 17 years in medical financing services.

Before joining the Group, Ms. Peng worked as the manager of the finance department from August 1993 to August 2006 in CNTIC and she was mainly responsible for management of financing, fund risk, budgeting and financial reports preparation.

Ms. Peng joined the Group in August 2006 as a deputy general manager of the finance department of CULC. She was then promoted to become the general manager of the finance department of CULC in September 2008. She has been the chief financial officer and the deputy general manager of CULC and the Company since December 2009 and July 2012 respectively. She was appointed as a director of CULC and the Company in December 2014 respectively.

Ms. Peng graduated from the University of International Business and Economics (對外經濟貿易大學), China with a bachelor's degree in Professional Accounting in June 1993. She also obtained an EMBA Degree from Tsinghua University (清華大學), China in June 2012. She was qualified as a senior accountant (高級會計師) in December 2006 by the Appraisal and Approval Committee for Professional & Technical Qualification of GT-PRC.

Ms. Peng is the sole beneficial owner and sole director of Evergreen. Evergreen is a shareholder of the Company and held about 0.40% of the total number of issued shares of the Company as at 31 December 2022. By virtue of the SFO, Ms. Peng is deemed to be interested in the Shares owned by Evergreen.

Mr. Chan Kai Kong – Non-executive Director, Vice-chairman of the Board

Mr. Chan Kai Kong (陳啓剛先生), aged 53, was appointed as the vice-chairman of the Board, non-executive Director and a member of each of the Remuneration Committee and the Strategy Committee of the Company with effect from 22 June 2022. He is primarily responsible for providing advice on matters requiring Directors' discussion and/or approval and participating in meetings of the Board.

Mr. Chan has extensive experience in financing and investment. Mr. Chan has been a non-executive director of Frontier Services Group Limited (先豐服務集團有限公司), the shares of which are listed on the Stock Exchange (stock code: 0500), since February 2021. Mr. Chan joined CITIC Capital Holdings Limited (中信資本控股有限公司) in 2005, and he is the chief financial officer and a senior managing director. He is also an investment committee member of various funds of Trustar Capital, the private equity business of CITIC Capital Holdings Limited. Mr. Chan was a vice president of the direct investment department at Government of Singapore Investment Corporation (新加坡政府投資公司) from 2001 to 2005 and an investment professional at International Finance Corporation (國際金融公司) from 1997 to 2000. He previously worked for Deloitte and had corporate finance experience with both listed companies and merchant bank.

Mr. Chan obtained a master's degree in finance in 1997 from the London Business School (倫敦商學院) and a bachelor degree in business administration in 1991 from The Chinese University of Hong Kong (香港中文大學).

EXECUTIVE DIRECTORS

Mr. Wang Wenbing – Executive Director, Chief Executive Officer

Mr. Wang Wenbing (王文兵先生), aged 49, was appointed as an executive Director, the chief executive officer of the Company and a member of the Risk Control Committee on 13 September 2021. He is primarily responsible for implementing the resolutions of the Board and presiding over the overall operation management and overall operation of the Group.

Mr. Wang has extensive experience in corporate governance. From December 2016 to November 2019, Mr. Wang served as the deputy general manager of the Company. From October 2020 to September 2021, Mr. Wang served as the director of the financial center of GT-PRC. He served as the general manager and party secretary of Genertec Finance Co., Ltd. (通用技術集團財務有限責任公司) from November 2019 to September 2021 and a director and deputy general manager of Genertec Finance Co., Ltd. from December 2012 to December 2016. Mr. Wang worked in the financial management department of GT-PRC from September 2006 to December 2012, serving as a deputy general manager of accounting department (in charge of work) and the manager of capital management department successively. He was the manager of the finance department of Genertec Italia S.R.L. (中國通用技術集團意大利公司) from September 2004 to September 2006, and the manager of the finance department of Genertec Europe Temax GmbH (通用技術歐洲德瑪斯有限公司) from May 2002 to September 2004. He worked in China National Technical Import and Export Corporation (中國技術進出口總公司) from July 1996 to May 2002 and his last position in that company was the chief of the finance department.

Mr. Wang obtained a bachelor's degree in accounting from the Central University of Finance and Economics (中央財經大學) in July 1996. He obtained a master's degree in accounting from the Postgraduate Section of the Research Institute for Fiscal Science of the Ministry of Finance (財政部財政科學研究所, currently known as Chinese Academy of Fiscal Sciences (中國財政科學研究院)) in September 2008 and a master's degree in finance from School of Finance at Central University of Finance and Economics (中央財經大學金融學院) in December 2016. Mr. Wang obtained a senior international finance manager (高級國際財務管理師) certificate from the International Financial Management Association (國際財務管理協會) in August 2007. He was qualified as a senior accountant (高級會計師) in October 2017 and a senior economist (高級經濟師) in October 2020, respectively, by the Appraisal and Approval Committee for Professional & Technical Qualification of GT-PRC.

Mr. Yu Gang – Executive Director

Mr. Yu Gang (俞綱先生), aged 59, is an executive Director. He is primarily responsible for work of party committee and human resources affairs. Mr. Yu was appointed as an executive Director on 30 November 2018. Mr. Yu is also a director of certain subsidiaries of the Company.

Before joining the Group, Mr. Yu served as a lecturer in Renmin University of China from 1992 to October 1995. Mr. Yu served in Ministry of Foreign Economic Relations and Trade (currently known as Ministry of Commerce) from October 1995 to July 1998. He served as the director of the discipline inspection office of GT-PRC from July 1998 to November 2003. He served as the deputy general manager and secretary of the discipline inspection committee of China Medicine and Healthcare Products Import and Export Company (中國醫藥保健品進出口總公司), a wholly-owned subsidiary of GT-PRC, from November 2003 to April 2009. He served as a vice leader of the discipline inspection group of the leading party member's group and director of discipline inspection office of GT-PRC from May 2009 to November 2018. He served as a deputy secretary of the discipline inspection committee of GT-PRC from May 2009 to December 2018. Mr. Yu also served as a director of Genertec Investment Management Co., Ltd. (通用技術集團投資管理有限公司), a subsidiary of GT-PRC, from May 2019 to July 2020.

Mr. Yu graduated from Law School of Renmin University of China (中國人民大學) with a master's degree in law in July 1992.

OTHER NON-EXECUTIVE DIRECTORS

Mr. Tong Chaoyin – Non-executive Director

Mr. Tong Chaoyin (童朝銀先生), aged 58, was appointed as a non-executive Director and a member of the Audit Committee on 14 May 2021 and was appointed as a member of the Risk Control Committee on 13 September 2021. He is primarily responsible for providing advice on matters requiring Directors' discussion and/or approval and participating in meetings of the Board.

Mr. Tong has extensive experience in corporate governance. Mr. Tong has served as a director of China Meheco Group Co., Ltd. (中國醫藥健康產業股份有限公司) (whose shares are listed on the Shanghai Stock Exchange (stock code: 600056)) since May 2021. He has been a director of GT-PRC Healthcare Company Limited, a subsidiary of GT-PRC, since August 2021. He served as a general manager assistant and the board secretary of GT-PRC from February 2010 to August 2019 and December 2018 to March 2021, respectively. From October 2005 to December 2018, Mr. Tong served in several positions in China Xinxing Group Co., Ltd. (中國新興集團有限責任公司, previously known as China Xinxing Corporation (Group) (中國新興(集團)總公司), a wholly-owned subsidiary of GT-PRC), including general manager, secretary of the Party Committee (黨委書記) and chairman of the company. From December 2001 to October 2005, Mr. Tong served as the general manager of China Xinxing Asset Management Company (中國新興資產管理公司, currently known as China Xinxing Asset Management Co., Ltd. (中國新興資產管理有限責任公司), a subsidiary of China Xinxing Group Co., Ltd.). From July 1989 to December 2001, Mr. Tong served in several positions in China Xinxing Group Co., Ltd., including vice president of the Legal and Audit Department (法律審計部副部長) and head of the Legal Consulting Department (法律顧問處處長).

Mr. Tong graduated from Nankai University (南開大學) in July 1986 with a bachelor's degree in law, and graduated from China University of Political Science and Law (中國政法大學) in July 1989 with a master's degree in law. He obtained the certificate of senior economist granted by China Xinxing Group Co., Ltd. in October 1996, and was qualified as Level-One In-house Legal Counsel (企業一級法律顧問) by GT-PRC in September 2010.

Mr. Xu Ming – Non-executive Director

Mr. Xu Ming (徐明), aged 58, was appointed as a non-executive Director and a member of each of the Remuneration Committee and the Nomination Committee with effect from 22 June 2022. He is primarily responsible for providing advice on matters requiring Directors' discussion and/or approval and participating in meetings of the Board.

Mr. Xu has extensive experience in corporate governance. Mr. Xu has been the general manager of Genertec Hong Kong International Capital Limited (通用技術集團香港國際資本有限公司), a wholly-owned subsidiary of the Company's controlling shareholder, GT-PRC, since September 2018. From August 2008 to February 2020, Mr. Xu served as a director of China Meheco Group Co., Ltd. (中國醫藥健康產業股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (stock code: 600056). From July 1998 to September 2018, Mr. Xu successively served as a department manager, a vice general manager and the general manager of the financial management department of GT-PRC.

Mr. Xu received a master degree in business administration (part-time) from Tsinghua University (清華大學) in January 2013 and a bachelor's degree in accounting from Beijing Institute of Business (北京商學院) in June 1988. Mr. Xu was qualified as a senior accountant (高級會計師) in August 2002 by Appraisal and Approval Committee for Professional & Technical Qualification of GT-PRC.

Mr. Zhu Ziyang – Non-executive Director

Mr. Zhu Ziyang (朱梓陽先生), aged 27, was appointed as a non-executive Director, chairman of the Risk Control Committee and a member of the Strategy Committee with effect from 7 July 2021. He is primarily responsible for providing advice on matters requiring Directors' discussion and/or approval and participating in meetings of the Board.

Mr. Zhu has been a non-executive director of Ping An Healthcare and Technology Company Limited (whose shares are listed on the Main Board of the Stock Exchange (stock code: 1833)) since 10 December 2021. He has been the vice president of Hopson Development Holdings Limited (whose shares are listed on the Main Board of the Stock Exchange (stock code: 0754)) ("Hopson Development") since July 2021, responsible for operation of the Group's technology sector. He has been the head for the medical sector of Guangdong Yuanzhi Technology Group Co.,Ltd.（廣東元知科技集團有限公司）since May 2020. Prior to that, he served as the assistant to the principal of the strategy committee (戰略委員會主任助理) of Hopson Development from June 2017 to May 2020.

Mr. Zhu obtained his bachelor's degree in management from Beijing Institute of Technology (北京理工大學) in June 2017. Mr. Zhu is a nephew of Mr. Chu Mang Yee (朱孟依), a substantial shareholder of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Yinquan – Independent Non-executive Director

Mr. Li Yinquan (李引泉先生), aged 67, was appointed as an independent non-executive Director with effect from 9 June 2015. He is also the chairman of the Audit Committee. He was appointed as a member of each of the Remuneration Committee and the Nomination Committee on 13 September 2021. He is primarily responsible for providing advice on matters requiring Directors' discussion and/or approval and participating in meetings of the Board.

Mr. Li has served as an independent non-executive director of Million Cities Holdings Limited (whose shares are listed on the Main Board of the Stock Exchange (stock code: 2892)) since June 2018, and an independent non-executive director of Hong Kong Shanghai Alliance Holdings Limited (whose shares are listed on the Main Board of the Stock Exchange (stock code: 1001)) since July 2018. Mr. Li has served as an independent non-executive director of China Everbright Bank Company Limited (whose shares are listed on the Main Board of the Stock Exchange (stock code: 6818) and the Shanghai Stock Exchange (stock code: 601818)) since June 2020.

Mr. Li successively served as the general manager of the financial department, financial controller and vice president of China Merchants Group, and the chief executive officer of China Merchants Capital Investment Co., Ltd. during 2000 to 2017. He served as an executive director of China Merchants Port Holdings Company Limited (formerly known as China Merchants Holdings (International) Company Limited) (whose shares are listed on the Main Board of the Stock Exchange (stock code: 144)) from June 2001 to March 2015 and a non-executive director of China Merchants Bank Co., Ltd. (whose shares are listed on the Main Board of the Stock Exchange (stock code: 3968) and the Shanghai Stock Exchange (stock code: 600036)) from April 2001 to June 2016. He was an executive director of China Merchants China Direct Investments Limited (whose shares are listed on the Main Board of the Stock Exchange (stock code: 133)) from July 2008 to April 2017. He was an independent non-executive director of Lizhi Inc. (whose shares are listed on the NASDAQ Stock Market (stock code: LIZI)) from January 2020 to June 2021 and an independent non-executive director of Kimou Environmental Holding Limited (whose shares are listed on the Main Board of the Stock Exchange (stock code: 6805)) from June 2019 to December 2022.

Mr. Li was awarded a bachelor's degree in Economics from Shaanxi Institute of Finance and Economics (陝西財經學院), China in July 1983. He was then awarded a master's degree in Economics from the PBC School of Finance, Tsinghua University (清華大學五道口金融學院) (formerly known as Graduate School of the People's Bank of China (中國人民銀行總行金融研究所)) in July 1986. In October 1988, Mr. Li obtained a master's degree in Banking and Finance for Development from Finafrica Institute in Milan, Italy. In August 1989, he was qualified as a senior economist by the Appraisal and Approval Committee for Professional & Technical Qualification of the Agricultural Bank of China.

Mr. Chow Siu Lui – Independent Non-executive Director

Mr. Chow Siu Lui (鄒小磊先生), aged 62, was appointed as an independent non-executive Director with effect from 9 June 2015. He is also the chairman of the Remuneration Committee and a member of each of the Nomination Committee and the Audit Committee. He is primarily responsible for providing advice on matters requiring Directors' discussion and/or approval and participating in meetings of the Board.

Mr. Chow has a wealth of experience in fund raising and initial public offering activities in Hong Kong and in accounting and financial areas. From 2012 to April 2023, he served as the partner of VMS Investment Group (HK) Ltd. responsible for providing advice on issues regarding fund raising, pre-IPO group restructuring and due diligence exercises for investment projects. Prior to that, Mr. Chow was in service with KPMG Hong Kong for about 28 years and was admitted as one of its partners in 1995. He was then mainly responsible for initial public offering advisory services and assisting in fund raising activities in local and overseas stock exchanges.

Mr. Chow is now an independent non-executive director of Futong Technology Development Holdings Limited (whose shares are listed on the Main Board of the Stock Exchange (stock code: 465)), China Everbright Greentech Limited (whose shares are listed on the Main Board of the Stock Exchange (stock code: 1257)), China Tobacco International (HK) Company Limited (whose shares are listed on the Main Board of the Stock Exchange (stock code: 6055)), AGTech Holding Limited (whose shares are listed on the GEM of the Stock Exchange (stock code: 8279)), and Global Cord Blood Corporation (formerly known as "China Cord Blood Corporation") (whose shares are listed on the NASDAQ Stock Market (stock code: CO)), respectively. Mr. Chow is now a non-executive director of Renrui Human Resources Technology Holdings Limited (whose shares are listed on the Main Board of the Stock Exchange (stock code: 6919)). Mr. Chow acted as an independent non-executive director of Sinco Pharmaceuticals Holdings Limited (whose shares are listed on the Main Board of the Stock Exchange (stock code: 6833)) from September 2015 to November 2018, Fullshare Holdings Limited (whose shares are listed on the Main Board of the Stock Exchange (stock code: 607) from December 2013 to December 2021, and Shanghai Dazhong Public Utilities (Group) Co., Ltd. (whose shares are listed on the Main Board of the Stock Exchange (stock code: 1635)) from April 2016 to May 2022.

Mr. Chow was awarded a Professional Diploma in Accountancy from the Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic), Hong Kong in November 1983. By profession, Mr. Chow became a fellow member of the Association of Chartered Certified Accountants in the United Kingdom in July 1991, The Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators or ICSA) and The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries or HKICS) both in October 2009, and the The Hong Kong Institute of Certified Public Accountants in December 1993.

Mr. Xu Zhiming – Independent Non-executive Director

Mr. Xu Zhiming (許志明先生), aged 61, was appointed as an independent non-executive Director and a member of the Remuneration Committee on 22 June 2022. He is primarily responsible for providing advice on matters requiring Directors' discussion and/or approval and participating in meetings of the Board.

Mr. Xu Zhiming has extensive experience in corporate governance, he currently serves as a director of each of Donlink Group Co., Ltd. (東凌集團有限公司), Guangzhou Donlink Industrial Investment Group Co., Ltd. (廣州東凌實業投資集團有限公司), Beijing Lianhang Hezhong Media Technology Co., Ltd. (北京聯航合眾傳媒科技有限公司) and Beijing Baoxuan Culture Media Co., Ltd. (北京寶軒文化傳媒有限公司), and is a founding partner of China Broadband Capital (寬帶資本). From August 1999 to December 2001, Mr. Xu successively served as an executive director of China Resources Enterprise, Limited (華潤創業有限公司), an executive director of China Resources (Beijing) Land Limited (華潤北京置地有限公司), the managing director and chief operating officer of China Resources Logic Limited (華潤勵致有限公司). From January 2002 to May 2005, Mr. Xu successively served as a senior consultant of TOM Group Ltd. (TOM集團有限公司), and an executive director and chief operating officer of TOM Online Inc. (TOM在線有限公司). From July 2016 to November 2022, Mr. Xu served as an independent non-executive director of 東方證券股份有限公司, the shares of which are listed on the Stock Exchange (stock code: 3958) and the Shanghai Stock Exchange (stock code: 600958). From November 2021 to September 2022, Mr. Xu served as an independent non-executive director of Tianjin Capital Environmental Protection Group Company Limited (天津創業環保集團股份有限公司), the shares of which are listed on the Stock Exchange (stock code: 1065) and the Shanghai Stock Exchange (stock code: 600874).

Mr. Xu received a doctoral degree in economics from University of Manchester in the United Kingdom (英國曼徹斯特大學) in February 1993, a master's degree in industrial economy from Chinese Academy of Social Science (中國社會科學院) in July 1986 and a bachelor's degree in astrophysics from Peking University (北京大學) in July 1983.

Mr. Chan, Hiu Fung Nicholas *MH, JP* – Independent Non-executive Director

Mr. Chan, Hiu Fung Nicholas (陳曉峰先生), aged 49, was appointed as an independent non-executive Director and a member of the Nomination Committee on 22 June 2022. He is primarily responsible for providing advice on matters requiring Directors' discussion and/or approval and participating in meetings of the Board.

Mr. Chan is currently a practising solicitor in Hong Kong and has over 20 years of experience in the legal practice. Mr. Chan has been working at Squire Patton Boggs (翰宇國際律師事務所) since April 1999 and has been a partner of it since September 2005. Prior to that, he served as an associate at Deacons (香港的近律師事務所). Mr. Chan has ample listed company board experience, having served as (i) an independent non-executive director of China Merchants Port Holdings Company Limited (招商局港口控股有限公司), a company listed on the Stock Exchange (stock code: 00144), since December 2022, (ii) an independent non-executive director of Million Cities Holdings Limited (萬城控股有限公司), a company listed on the Stock Exchange (stock code: 2892) since December 2021, (iii) an independent non-executive director of Pangeaea Connectivity Technology Limited (環聯連訊科技有限公司), a company listed on the Stock Exchange (stock code: 1473), since January 2021, (iv) an independent non-executive director of Q P Group Holdings Limited (雋思集團控股有限公司), a company listed on the Stock Exchange (stock code:1412), since December 2019, and (v) an independent non-executive director of Sa Sa International Holdings Limited (莎莎國際控股有限公司), a company listed on the Stock Exchange (stock code: 0178), since September 2019.

Mr. Chan graduated from the University of Melbourne, Australia (澳大利亞墨爾本大學), in March 1997 with a degree of bachelor of laws and a degree of bachelor of science. Mr. Chan was admitted as a solicitor in Hong Kong in May 1999. He was also admitted as a solicitor of Australia Capital Territory, the State of Victoria in Australia and England and Wales in June 1997, October 2000 and October 2007, respectively. He was appointed as a China-Appointed Attesting Officer (中國委託公證人) by Ministry of Justice of the People's Republic of China (中華人民共和國司法部).

Mr. Chan has been appointed to serve as the director to lead the operations of AALCO Hong Kong Regional Arbitration Centre since May 2022. The centre was established by agreement between the Central People's Government of the PRC and the Asian-African Legal Consultative Organization, an intergovernmental organization established in 1956 and now with 47 member countries.

Mr. Chan was appointed as a member of the Committee on Innovation, Technology and Industry Development of the Government of the Hong Kong Special Administrative Region on 3 March 2023 for a term of two years. He was also appointed as a member of the Communications Authority, an independent statutory body established under the Communications Authority Ordinance (Cap. 616), on 17 March 2023, and the tenure of the appointment will be two years with effect from 1 April 2023. Mr. Chan was appointed for a three-year term to serve as a council member of The Chinese University of Hong Kong from June 2022. Mr. Chan served as a council member of The Hong Kong University of Science and Technology (香港科技大學) from April 2016 to March 2022. Mr. Chan has been appointed as a member of the Hospital Governing Committee of Castle Peak Hospital and Siu Lam Hospital (青山醫院及小欖醫院管治委員會) since April 2019. He served as chairman of eBRAM International Online Dispute Resolution Centre Limited (一邦國際網上仲調中心), an independent and not-for-profit organisation under Hong Kong law as a company limited by guarantee. Mr. Chan was appointed as a Hong Kong Deputy to the 13th National People's Congress of the PRC in 2019 and was elected as the Hong Kong Deputy to the 14th National People's Congress in 2023. He was awarded the Medal of Honour from the Government of the HKSAR (香港特別行政區政府榮譽勳章) in July 2016 and has also been appointed as a Justice of the Peace (太平紳士) by the Government of the HKSAR in July 2021.

* *For identification only*

DIRECTORS' REPORT

The Board is pleased to present the Directors' Report of the year 2022 together with the audited financial statements of the Group for the year ended 31 December 2022.

PRINCIPAL BUSINESS ACTIVITIES

The Group is a leading medical and health conglomerate in China. Our business can be divided into two major sectors, i.e. hospital group business and finance business.

BUSINESS REVIEW

Part of the business review as required under Schedule 5 of the Companies Ordinance is included in the section headed "Management Discussion and Analysis" in this annual report on pages 13 to 61 and the section headed "2022 Environmental, Social and Governance Report" in this annual report on pages 125 to 188, and such contents form part of this Directors' Report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2022 are set out in the consolidated statement of profit or loss on page 194 of this annual report.

The Board recommends the payment of a final dividend of HKD0.34 per Share in respect of the year ended 31 December 2022 to Shareholders whose names appear on the register of members of the Company on Monday, 12 June 2023. The proposed final dividend will be paid on Tuesday, 27 June 2023, subject to approval at the 2023 AGM.

DIVIDEND POLICY

The Company has adopted a dividend policy (the "Dividend Policy"), which aims to set out the principles and guidelines that the Company applies to the declaration and distribution of dividends to the Shareholders. The Company may by ordinary resolution declare dividends as the Directors consider appropriate. The determination to pay dividends will be based on the Company's profits, cash flows, financial condition, capital requirements and other conditions that the Board deems relevant. No dividend shall be payable except out of the profits or other distributable reserves of the Company available for distribution. Except as otherwise provided by the Articles or the rights attached to Shares or the terms of issue thereof, all dividends shall be declared and paid according to the amounts paid up on the Shares on which the dividend is paid. The Company may pay dividends by any method that the Directors consider appropriate.

CLOSURE OF REGISTER OF MEMBERS

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 effected, 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, Wan Chai, 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 effected, 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, Wan Chai, Hong Kong, not later than 4:30 p.m. on Monday, 12 June 2023.

PROPERTY, PLANT AND EQUIPMENT

The movements in the Group's property, plant and equipment for the year are set out in Note 12 to the financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in Note 29 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company during the year ended 31 December 2022.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on pages 198 to 199 of this annual report and Note 30 to the financial statements, respectively.

As at 31 December 2022, the reserves of the Company available for distribution to Shareholders amounted to approximately RMB6,915.7 million.

DIRECTORS

During the financial year ended 31 December 2022 and up to the date of this report, our Directors were as follows:

Executive Directors

Ms. Peng Jiahong
Mr. Wang Wenbing
Mr. Yu Gang

Non-executive Directors

Mr. Chan Kai Kong (appointed with effect from 22 June 2022)
Mr. Tong Chaoyin
Mr. Xu Ming (appointed with effect from 22 June 2022)
Mr. Zhu Ziyang
Mr. Zhao Yan (resigned with effect from 22 June 2022)
Mr. Che Lingyun (appointed with effect from 1 March 2022 and resigned with effect from 22 June 2022)
Mr. Feng Songtao (resigned with effect from 9 February 2022)

Independent Non-executive Directors

Mr. Li Yinquan
Mr. Chow Siu Lui
Mr. Xu Zhiming (appointed with effect from 22 June 2022)
Mr. Chan, Hiu Fung Nicholas (appointed with effect from 22 June 2022)
Mr. Han Demin (resigned with effect from 22 June 2022)
Mr. Liao Xinbo (resigned with effect from 22 June 2022)

DIRECTORS OF SUBSIDIARIES

	Name of Subsidiaries	Directors of our subsidiaries as at 31 December 2022
1	CULC	Peng Jiahong Yu Gang Niu Shaofeng
2	Genertec Universal International Financial Leasing (Tianjin) Co., Ltd. (通用環球國際融資租賃(天津)有限公司)	Peng Jiahong Wang Fang Liu Yihong
3	Genertec Universal Medical Technology Services (Tianjin) Co., Ltd. (通用環球醫療技術服務(天津)有限公司)	Peng Jiahong
4	Hospital Investment Co., Ltd.	Peng Jiahong
5	Genertec CREC (Beijing) Hospital Management Co., Ltd. (通用中鐵(北京)醫院管理有限公司)	Peng Jiahong Yu Jing Feng Qingming Zhang Yanbing Liu Yihong
6	Xi'an Ronghui Hospital Construction Management Co., Ltd. (西安融慧醫院建設管理有限公司)	Peng Jiahong
7	Xi'an Wanheng Medical Technology Development Co., Ltd. (西安萬恒醫療科技發展有限公司)	Peng Jiahong Wang Fang Wang Shuo Liu Yanru Li Ning
8	Shaanxi Huahong Pharmaceutical Co., Ltd. (陝西華虹醫藥有限公司)	Wang Fang
9	Wuhan China Construction Third Bureau Medical Health Investment Co., Ltd. (武漢中建三局醫療健康投資有限公司)	Shu Guorong
10	Genertec Universal Medical Development (BVI) Co., Ltd.	Peng Jiahong
11	Sichuan Zhongqi Health Industry Co., Ltd. (四川眾齊健康產業有限公司)	Yu Chao

	Name of Subsidiaries	Directors of our subsidiaries as at 31 December 2022
12	Anhui Huankang Hospital Management Co., Ltd. (安徽環康醫院管理有限公司)	Li Zheng
13	Genertec Universal Medical (Xi'an) Co., Ltd. (通用環球醫療(西安)有限公司)	Guo Xiaolian Du Wenzhao Wang Shuangquan Wang Shuo Li Zheng
14	Yantai Harbour Hospital Co., Ltd. (煙台海港醫院有限公司)	Wu Chunfu Zeng Xi Guo Xiaolian Zhang Tianyu Xu Guowang Zhu Xiaoyan Meng Fanxue
15	Genertec Universal Xi'an Aero-Engine Hospital (Xi'an) Co., Ltd. (通用環球西航醫院(西安)有限公司)	Guo Xiaolian Wang Shuo Wang Hongjun Zhang Jin Liu Gui
16	Genertec Ansteel Hospital Management Co., Ltd. (通用鞍鋼醫院管理有限公司)	Peng Jiahong Liu Xin Wang Shuzeng Ping Shouguo Guo Xiaolian
17	Sichuan Huankang Hospital Management Co., Ltd. (四川環康醫院管理有限公司)	Yu Chao Zhong Houwan Xu Hongliang Pu Haiying Li Zheng

	Name of Subsidiaries	Directors of our subsidiaries as at 31 December 2022
18	Genertec Universal Caihong (Xianyang) Hospital Management Co., Ltd. (通用環球彩虹(咸陽)醫院管理有限公司)	Guo Xiaolian Kang Pengjiang Zhang Bing Wang Shuo Li Zheng
19	Genertec Universal CREC (Xi'an) Hospital Management Co., Ltd. (通用環球中鐵(西安)醫院管理有限公司)	Peng Jiahong Qiu Cheng Feng Qingming Zhou Huan Wang Shuo
20	Genertec Universal Medical Technology Advisory (Yantai) Co., Ltd. (通用環球醫療技術咨詢(煙台)有限公司)	Meng Fanxue
21	Genertec Universal Medical Science and Technology (Hainan) Co., Ltd. (通用環球醫療科技(海南)有限公司)	Peng Jiahong
22	Shaanxi CREC Elderly Care Management Co., Ltd. (陝西中鐵養老管理有限公司)	Qiu Cheng
23	Chengdu Genertec Jindian Hospital Management Co., Ltd. (成都通用錦電醫院管理有限公司)	Li Zheng
24	Genertec Ansteel (Anshan) Health Industry Co., Ltd. (通用鞍鋼(鞍山)健康產業有限公司)	Liu Xin
25	Liaoning Xingye Pharmaceutical Co., Ltd. (遼寧興業醫藥有限公司)	Wang Yunfeng
26	Genertec Minmetals	Peng Jiahong Zhang Haipeng Zhou Jianfeng Zhang Jianguo Feng Qingming Xie Gang Zhao Chengyi

	Name of Subsidiaries	Directors of our subsidiaries as at 31 December 2022
27	Shaanxi CREC Occupational Health Technology Services Co., Ltd. (陝西省中鐵職業衛生技術服務有限公司)	Liang Xiaoxia
28	Genertec Universal (Tianjin) Hospital Group Co., Ltd. (通用環球(天津)醫院集團有限公司)	Peng Jiahong
29	Genertec Universal Healthcare Industry Development (Tianjin) Co., Ltd. (通用環球健康產業發展(天津)有限公司)	Peng Jiahong
30	Genertec Universal NORINCO (Xi'an) Hospital Management Co., Ltd. (通用環球兵工(西安)醫院管理有限公司)	Wang Shuo Chen Hong Qiang Wei
31	Genertec Universal (Xi'an) Health Hospital Management Co., Ltd. (通用環球(西安)健康醫院管理有限公司)	Guo Xiaolian Wang Shuo Jia Yongan Ren Chao Dong Huiling
32	Genertec Universal Chinacoal (Handan) Hospital Management Co., Ltd. (通用環球中煤(邯鄲)醫院管理有限公司)	Wang Fang Huang Zhijie Liu Guiyin Bi Zhenli Zhou Yongmei
33	Beijing Tongrentang Anshan Traditional Chinese Medicine Hospital Co., Ltd. (北京同仁堂鞍山中醫醫院有限公司)	Zhang Jingyan Zhang Dong Wang Xinyi
34	Genertec Universal Huayang Shanxi Health Industry Co., Ltd. (通用環球華陽山西健康產業有限公司)	Jia Zhiwen Zhang Zhigang Guo Xiaolian Wang Wei Liu Ziyuan Wang Fang Zhang Donghong
35	Yangquan Tianhetang Pharmacy Co., Ltd. (陽泉市天和堂藥店有限公司)	Feng Juan

	Name of Subsidiaries	Directors of our subsidiaries as at 31 December 2022
36	Liangshanzhou Huankang Hospital Management Co., Ltd. (涼山州環康醫院管理有限公司)	Zhang Hongjun Yu Chao Li Zheng Xiao Jiankun Du Zhuozhuang
37	Liangshanzhou Panxin Health Management Co., Ltd. (涼山州攀新健康管理有限公司)	Xiao Jiankun
38	Beijing Huankang Hospital Management Co., Ltd. (北京環康醫院管理有限公司)	Guo Xiaolian Bao Zongyu Guo Xiaojuan
39	Beijing Guotong Huankang Hospital Management Co., Ltd. (北京國通環康醫院管理有限公司)	Guo Xiaolian

BIOGRAPHICAL DETAILS OF THE DIRECTORS

Biographical details of the Directors are set out on pages 84 to 92 of this annual report.

DIRECTORS' SERVICE CONTRACTS

As at 31 December 2022, none of the Directors had a service contract with the Company or any of its subsidiaries which is not terminable within one year without payment of compensation other than statutory compensation.

The Directors' remuneration is determined with reference to the remuneration of the comparable companies, the Directors' time contribution, duties and responsibilities and individual performance as well as the results of the Group.

Executive Directors

Ms. Peng Jiahong entered into a service contract with the Company, pursuant to which she agreed to act as an executive Director for an initial term of five years with effect from 22 December 2014. Ms. Peng Jiahong's service in the Company was extended for three years on 22 December 2019 and was further extended for another three years commencing from 22 December 2022. Pursuant to the resolutions in writing of the shareholders passed on 10 June 2015 and the board resolutions passed on 30 October 2019 and 26 April 2022, respectively, the form and substance of the service contracts (including the duration thereof) made between Ms. Peng Jiahong and the Company were approved.

Mr. Wang Wenbing entered into a service contract with the Company as an executive Director, pursuant to which he was appointed on 13 September 2021 and would hold office until the commencement of the next annual general meeting of the Company following his appointment, and then shall be eligible for re-election at that general meeting. Pursuant to the Shareholders' approval at the Company's 2022 annual general meeting on 7 June 2022 (the "2022 AGM"), such service contract was extended for three years commencing from the 2022 AGM.

Mr. Yu Gang entered into a service contract with the Company as an executive Director, pursuant to which he was appointed since 30 November 2018, and he shall hold office until the conclusion of the next annual general meeting of the Company following his appointment, and shall then be eligible for re-election at that general meeting. Pursuant to the Shareholders' approval at the Company's 2019 annual general meeting on 5 June 2019, such service contract was extended and he shall hold office until the commencement of third annual general meeting of the Company following the extension. On 7 June 2022, Mr. Yu Gang entered into a service contract with the Company, pursuant to which his service in the Company was extended and he shall hold office until the date of third annual general meeting of the Company following the extension.

The aggregate amount of the basic annual salaries of Ms. Peng Jiahong, Mr. Wang Wenbing and Mr. Yu Gang is RMB4.2 million. In addition, each of the executive Directors is also entitled to a discretionary management bonus taking into consideration the financial performance of the Group and the relevant executive Director's individual contribution to the Group for the financial year concerned. An executive Director may not vote on any resolution of Directors regarding the amount of the management bonus payable to him/her.

Non-executive Directors and Independent Non-executive Directors

Mr. Feng Songtao resigned as a non-executive Director with effect from 9 February 2022. Mr. Zhao Yan resigned as a non-executive Director with effect from 22 June 2022. Each of Mr. Che Lingyun (resigned with effect from 22 June 2022), Mr. Chan Kai Kong and Mr. Xu Ming entered into a letter of appointment with the Company on 1 March 2022, 22 June 2022 and 22 June 2022, respectively, pursuant to which each of them was appointed as a non-executive Director with effect from the signing date of their corresponding letter of appointment and would hold office until the commencement of the next annual general meeting of the Company following their appointments, and then shall be eligible for re-election at that general meeting. Mr. Tong Chaoyin entered into a letter of appointment with the Company as a non-executive Director, pursuant to which he was appointed since 14 May 2021, and he shall hold office until the conclusion of the next annual general meeting of the Company following his appointment, and shall then be eligible for re-election at that general meeting. Pursuant to the Shareholders' approval at the Company's 2021 annual general meeting on 8 June 2021, such service contract was extended and he shall hold office until the commencement of third annual general meeting of the Company following the extension. Mr. Zhu Ziyang entered into a letter of appointment with the Company as a non-executive Director, pursuant to which he was appointed since 7 July 2021, and he shall hold office until the conclusion of the next annual general meeting of the Company following his appointment, and shall then be eligible for re-election at that general meeting. Pursuant to the Shareholders' approval at the 2022 AGM, such service contract was extended and he shall hold office until the commencement of third annual general meeting of the Company following the extension.

Each of Mr. Han Demin and Mr. Liao Xinbo resigned as an independent non-executive Director with effect from 22 June 2022. Each of Mr. Xu Zhiming and Mr. Chan, Hiu Fung Nicholas entered into a letter of appointment with the Company on 22 June 2022, pursuant to which each of them was appointed as an independent non-executive Director with effect from the signing date of the letter of appointment and would hold office until the commencement of the next annual general meeting of the Company following their appointments, and then shall be eligible for re-election at that general meeting. Each of Mr. Li Yinquan and Mr. Chow Siu Lui has respectively entered into a letter of appointment with the Company on 6 March 2021 to extend his service in the Company for a term of three years commencing from 9 June 2021.

The non-executive Directors are not entitled to any director's fee. Each of the independent non-executive Directors is entitled to a director's fee of HKD400,000 per annum.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers that each of the independent non-executive Directors, namely Mr. Li Yinquan, Mr. Chow Siu Lui, Mr. Xu Zhiming and Mr. Chan, Hiu Fung Nicholas, is independent.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

Details of the remuneration of the Directors and the senior management of the Group for the year ended 31 December 2022 are set out in Note 7 and Note 8 to the consolidated financial statements of the Company, respectively. The remuneration of one senior management personnel fell within the band from HKD3,500,001 to HKD4,000,000. One senior management personnel's remuneration fell within the band from HKD4,000,001 to HKD4,500,000.

PERMITTED INDEMNITY PROVISION

In accordance with the definition of section 469 of the Companies Ordinance, the permitted indemnity provision in relation to the director's and officer's liability insurance was in force during the financial year ended 31 December 2022 and remains in force as at the date of this report.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

The Company has entered into certain continuing connected transaction framework agreements with GT-PRC and/or its associates, as set out in the section headed "Continuing Connected Transactions" on pages 114 to 120 of this annual report. In addition, on 25 November 2022, CULC and certain subsidiaries of GT-PRC executed an articles of association to establish a joint venture (namely, GDHTC). Details of the transaction are set out in the announcement of the Company dated 25 November 2022. Mr. Che Lingyun (a former non-executive Director who resigned on 22 June 2022), Mr. Tong Chaoyin and Mr. Xu Ming hold positions in GT-PRC or its close associates, but they do not hold any management position within the Company and are not involved in the daily management of the Company.

On 30 July 2022, Hospital Investment Co., Ltd. entered into an equity transfer agreement with Genertec Minmetals (a non-wholly owned subsidiary of the Company as at 30 July 2022) and certain subsidiaries of China Minmetals Corporation (中國五礦集團有限公司) (collectively, the "Minmetals Shareholders") in relation to, among others, acquisition of a total of 44% of the equity interest in Genertec Minmetals held by Minmetals Shareholders. On the same day, Hospital Investment Co., Ltd. entered into an equity transfer agreement with Genertec Minmetals and CITIC Capital (Tianjin) in relation to, among others, acquisition of 10% of the equity interest in Genertec Minmetals held by CITIC Capital (Tianjin). Details of the transaction are set out in the announcements of the Company dated 1 August 2022 and 2 September 2022, and the circular of the Company dated 14 December 2022. Mr. Chan Kai Kong holds positions in CITIC Capital (Tianjin) or its close associates. Mr. Li Yinquan holds positions in Minmetals Shareholders or their respective close associates. Mr. Chan Kai Kong and Mr. Li Yinquan did not hold any management position within the Company and were not involved in the daily management of the Company.

Save as disclosed above, no Director or an entity connected with a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company, the controlling shareholder of the Company or their respective subsidiaries was a party during the year.

COMPETING BUSINESS

The compliance of the Company's controlling shareholder of the non-competition undertakings (the "Non-competition Undertakings") entered into in favour of the Company on 10 June 2015 is set out in the Corporate Governance Report.

During the year ended 31 December 2022, none of the controlling shareholder of the Company or its close associates is considered to be interested in businesses which compete or are likely to compete, either directly or indirectly, with the core businesses as defined in the Non-competition Undertakings.

During the year ended 31 December 2022, Mr. Tong Chaoyin and Mr. Zhu Ziyang, each a non-executive Director, had interests in the following business, which is considered to compete or be likely to compete, either directly or indirectly, with our businesses:

Name of Director	Name of Company	Interest in the Competing Business	Nature of the Competing Business
Tong Chaoyin	GT-PRC Healthcare Company Limited	Director	Medical and healthcare business
Zhu Ziyang	Ping An Healthcare and Technology Company Limited	Non-executive director	Medical and healthcare business

As each of Mr. Tong Chaoyin and Mr. Zhu Ziyang was not a member of our executive management team, we do not believe that their respective interests in the above business as a director would render us incapable of carrying on our businesses independently from GT-PRC Healthcare Company Limited and Ping An Healthcare and Technology Company Limited.

Save as disclosed above, during the year ended 31 December 2022, none of the Directors or their respective close associates is considered to be interested in businesses which compete or are likely to compete, either directly or indirectly, with our businesses.

DISCLOSURE REQUIRED UNDER RULE 13.18 OF THE LISTING RULES

As at 31 December 2022, other than the circumstances as disclosed in the Prospectus, and the announcements of the Company dated 12 May 2020, 25 November 2020 and 8 September 2021, respectively, there were no other circumstances that give rise to a disclosure required under Rule 13.18 of the Listing Rules.

PENSION SCHEME

Details of the pension scheme of the Company are set out in the paragraph headed "Post-Retirement Benefit Obligations" in Note 28 to the financial statements.

EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme as disclosed below, no equity-linked agreements were entered into by the Company during the year ended 31 December 2022 or subsisted at the end of the year ended 31 December 2022.

SHARE OPTION SCHEME

On 31 December 2019, the Company adopted the Share Option Scheme, which falls within the ambit of, and is subject to, the regulations under Chapter 17 of the Listing Rules. The purpose of the Share Option Scheme is to, among others, (i) further refine the corporate governance structure of the Company; (ii) establish a complete remuneration system, promote the Company's incentive and disciplinary mechanism, and encourage the initiative and commitment of its directors, senior management, and key employees; and (iii) attract and retain talents to strive for the long-term development of the Company.

The scope of the participants of the Share Option Scheme should be determined after taking into account the actual situation of the Company, in accordance with, among others, the Listing Rules, other applicable laws and regulations, and the Articles. The participants should in principle be limited to the Directors, senior management and other key employees of the Company who have direct impact on the Company's overall development.

The total number of Shares which may be issued upon exercise of all the options to be granted under the Share Option Scheme shall not in aggregate exceed 171,630,458 Shares, representing (i) 10% of the Company's issued share capital as at the date of approval of the Share Option Scheme by the Shareholders at the extra-ordinary general meeting held on 31 December 2019, and (ii) approximately 9.07% of the Company's issued share capital as at the date of this report.

The maximum number of Shares which are issued and may be issued upon exercise of all options (including exercised and outstanding Options) granted to any participant within any 12-month period shall not exceed 1% of the issued share capital of the Company, unless being approved by the Shareholders at a general meeting.

The Share Option Scheme shall be valid and effective for a period of ten years commencing from the adoption date, under which the first phase of the Share Option Scheme shall be valid for a period of five years. The Company may initiate a new phase of the Share Option Scheme two years after the effective date of the former one, subject to the relevant approvals. The vesting period of the options granted is 24 months from the grant date. Upon satisfaction of the relevant performance conditions and subject to the evaluation results of the participants, the participants are able to exercise their options in accordance with the arrangement specified in the terms of the Share Option Scheme, within 36 months after the expiry of the vesting period. Any option that remains unexercised upon expiry of such 36 months-period will automatically lapse.

An offer of the grant of the option shall be made to a participant and such offer shall remain open for acceptance by the participant concerned for a period of 21 days (as determined by the Board from time to time) from the date upon which the offer is made. An offer of the grant of the option shall be deemed to have been accepted and the option to which such offer relates shall be deemed to have been granted and to have taken effect when a duplicate letter comprising acceptance of offer duly signed by the participant with the number of Shares clearly stated therein, together with a remittance in favour of the Company of HKD1.00 as consideration for the grant thereof is received by the Company.

The exercise price of the share options granted under the Share Option Scheme shall be such price as determined by the Board in accordance with the requirements of the SASAC and the Stock Exchange, which shall not be less than the higher of (i) the closing price of the Shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on the grant date; (ii) the average closing price of the Shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the grant date; and (iii) the nominal value of the Shares (if any).

On 31 December 2019, as approved by the Board, the Company granted share options to certain eligible participants to subscribe for an aggregate of up to 16,065,000 ordinary Shares, representing approximately 0.936% of the issued share capital of the Company as at the effective date, at the price of HKD5.97 per Share, as the first phase of the Share Option Scheme. Such grant of options has taken effect since 2 January 2020. Among the 16,065,000 options granted, a total of 2,644,000 options were granted to two Directors and the acceptance letters have been signed. Details of the options granted to the Directors are set out as follows:

Name of Directors	Position	Number of Shares to be issued upon full exercise of the options granted
Ms. Peng Jiahong	Executive Director and chairwoman of the Board	1,322,000
Mr. Yu Gang	Executive Director	1,322,000
Total		2,644,000

Vesting period of the options granted on 31 December 2019 is 24 months from 31 December 2019. Upon satisfaction of the relevant performance conditions and subject to the evaluation results of the grantees and the terms of the first phase of the Share Option Scheme, the Grantees would be able to exercise their options after the expiry date of the vesting period (the "Expiry Date") and according to the schedule as set out below:

i. one third of the options granted would be exercisable within the period starting from the first trading date immediately after the Expiry Date, and ending on the last trading date of the 36-month period after 31 December 2019;

ii. one third of the options granted would be exercisable within the period starting from the first trading date immediately after the end of the abovementioned 36-month period, and ending on the last trading date of the 48-month period after 31 December 2019; and

iii. one third of the options granted would be exercisable within the period starting from the first trading date immediately after the end of the abovementioned 48-month period, and ending on the last trading date of the 60-month period after 31 December 2019.

Details of the options granted under the Share Option Scheme and those remained outstanding as at 31 December 2022 are as follows:

	Number of Options					
Name of Option Holders	Outstanding as at 1 January 2022	Exercised During the Report Period	Cancelled During the Report Period	Lapsed During the Report Period	Outstanding as at 31 December 2022	Exercise Price (1)
Directors						
Ms. Peng Jiahong	1,322,000	–	–	440,667(2)	881,333	HKD5.97(1)
Mr. Yu Gang	1,322,000	–	–	440,667(2)	881,333	HKD5.97(1)
Other Employees	12,430,000	–	2,870,000(3)	3,186,662(2)	6,373,338	HKD5.97(1)
Total	15,074,000	–	2,870,000(3)	4,067,996(2)	8,136,004	

Notes:

(1) Representing the higher of: a. the closing price of HKD5.97 per Share as stated in the Stock Exchange's daily quotations sheet on the effective date; and b. the average closing price of HKD5.746 per Share as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the effective date. Closing price of the Shares immediately before the effective date is HKD5.90 per Share.

(2) Pursuant to the Share Option Scheme, one third of the options granted were lapsed automatically on 30 December 2022.

(3) Due to resignation of certain grantees during the year ended 31 December 2022, 2,870,000 options were cancelled.

The Board considers that it is not appropriate to state the value of the options granted pursuant to the Share Option Scheme as if they were granted at the date of this annual report. The Board believes that any statement regarding the value of the options as at the date of this annual report will not be meaningful to the Shareholders and to a certain extent would be misleading to the Shareholders, taking into account the number of variables which are crucial for assessing the value of the options which have not been determined.

Details of the impact of the options granted under the Share Option Scheme on the consolidated financial statements since the grant date of such options and the subsequent financial periods are set out under Note 38 to the consolidated financial statements in this report.

A summary of the terms of the Share Option Scheme has been set out in the circular of the Company dated 12 December 2019.

MANAGEMENT CONTRACTS

No contract concerning the management or administration of the whole or any substantial part of the business of the Group was entered into or subsisted during the year.

ARRANGEMENTS FOR THE DIRECTORS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in "Share Option Scheme", at no time during the year were there any arrangements to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries is a party that would enable the directors or their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other corporate entity.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES

As at 31 December 2022, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares or the underlying Shares as recorded in the register of the Company required to be kept under Section 336 of the SFO:

Long Positions in the Shares and the underlying Shares:

Name of Shareholders	Nature of interest	Number of Shares interested	Approximate percentage of interest held in the Company
GT-HK *(Note 1)*	Beneficial owner	669,705,895	35.41%
GT-PRC *(Note 1)*	Interest of controlled corporation	733,184,200	38.76%
CITIC CPL *(Note 2)*	Interest of controlled corporation	185,560,509	9.81%
Zhang Yichen *(Note 2)*	Interest of controlled corporation	185,560,509	9.81%
CITIC Capital *(Note 2 and 3)*	Interest of controlled corporation	244,967,509	12.95%
Chu Mang Yee *(Note 4)*	Interest of controlled corporation	246,957,581	13.06%
Sounda Properties *(Note 4)*	Beneficial owner	4,806,000	0.25%
	Interest of controlled corporation	222,101,581	11.74%
Meta Group Limited *(Note 4)*	Interest of controlled corporation	169,835,081	8.98%
Sounda Hopson Technology Investment Limited *(Note 4)*	Interest of controlled corporation	169,835,081	8.98%
Sounda Hopson Technology Holdings Limited *(Note 4)*	Interest of controlled corporation	169,835,081	8.98%

Notes:

1. Among the 733,184,200 Shares, 669,705,895 Shares are registered under the name of GT-HK and 63,478,305 Shares are registered under the name of China General Consulting & Investment (Hong Kong) Co., Limited ("CGCI-HK"). The entire issued share capital of GT-HK is ultimately owned by GT-PRC and the entire issued share capital of CGCI-HK is directly held by China General Consulting & Investment Co., Limited, which in turn, is wholly owned by GT-PRC. By virtue of the SFO, GT-PRC is deemed to be interested in a total of 733,184,200 Shares held by GT-HK and CGCI-HK.

2. CCP Leasing II Limited, a wholly owned subsidiary of CITIC Capital China Partners IV, L.P., is interested in 185,560,509 Shares, which arises from the entering into a subscription agreement in relation to subscription of convertible bonds in the amount of USD150 million with the Group on 29 December 2020. The general partner of CITIC Capital China Partners IV, L.P. is CCP IV GP Ltd. CCP IV GP Ltd. is a wholly owned subsidiary of CCP Ltd., which is wholly owned by CITIC CPL. CITIC CPL is held as to 51% and 49% by CITIC Capital and CP Management Holdings Limited (of which Mr. Zhang Yichen holds more than one-third voting power), respectively. By virtue of the SFO, CITIC CPL, CITIC Capital, CP Management Holdings Limited and Mr. Zhang Yichen are deemed to be interested in the 185,560,509 Shares directly held by CCP Leasing II Limited.

3. Other than the 185,560,509 Shares mentioned above, CITIC Capital is also interested in another 59,407,000 Shares, of which 4,174,000 Shares are directly held by CITIC Capital (Tianjin) and 55,233,000 Shares are indirectly held by CITIC Capital (Tianjin) through its wholly owned subsidiary, Infinite Benefits Limited. CITIC Capital (Tianjin) is held as to 62.31% by Prestige Way Limited, a wholly owned subsidiary of Prestige Way Holdings Limited. Prestige Way Holdings Limited is a wholly owned subsidiary of CITIC Capital MB Investment Limited, which is wholly owned by CITIC Capital. By virtue of the SFO, CITIC Capital is deemed to be interested in the 59,407,000 Shares.

4. Among the 246,957,581 Shares, (i) 4,806,000 Shares are directly held by Sounda Properties Limited ("Sounda Properties"); (ii) 169,835,081 Shares are directly held by Million Surplus Developments; and (iii) 72,316,500 Shares are directly held by Hopson E-Commerce Limited ("Hopson E-Commerce").

   Sounda Properties is wholly owned by Mr. Chu Mang Yee. By virtue of the SFO, Mr. Chu Mang Yee is deemed to be interested in the 246,957,581 Shares held by Sounda Properties.

   Million Surplus Developments is wholly owned by Meta Group Limited, which in turn, is indirectly owned as to 80% by Sounda Hopson Investment Holdings Limited ("Sounda Hopson Investment") through Sounda Hopson Technology Holdings Limited and Sounda Hopson Technology Investment Limited. Sounda Properties holds 100% of the equity interest in Sounda Hopson Investment. By virtue of the SFO, Mr. Chu Mang Yee is deemed to be interested in the 169,835,081 Shares held by Million Surplus Developments.

   Hopson E-Commerce, through Hopson Development International Limited, is indirectly wholly owned by Hopson Development Holdings Limited, which in turn, is owned as to 53.75% by Sounda Properties. By virtue of the SFO, Mr. Chu Mang Yee is deemed to be interested in the 72,316,500 Shares held by Hopson E-Commerce.

   Therefore, Mr. Chu Mang Yee is deemed to be interested in a total of 246,957,581 Shares.

Save as disclosed above, as at 31 December 2022, the Directors were not aware of any person who had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at 31 December 2022, the interests of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(A) Long positions in Shares

Name	Nature of interest	Position	Number of Shares interested	Approximate percentage of interest held in the Company
Ms. Peng Jiahong(1)	Interest of controlled corporation	Executive Director	7,617,400	0.40%
Mr. Chan Kai Kong	Beneficial owner	Non-executive Director	30,000	0.00%

(B) Long position in underlying shares of the Company – physically settled unlisted equity derivatives

Name	Nature of interest	Position	Number of underlying shares in respect of the share options granted	Approximate percentage of interest held in the Company
Ms. Peng Jiahong(2)	Beneficial owner	Executive Director	881,333	0.05%
Mr. Yu Gang(3)	Beneficial owner	Executive Director	881,333	0.05%

Notes:

(1) Ms. Peng Jiahong is the sole legal and beneficial owner of Evergreen which is the beneficial owner of the said 7,617,400 Shares. By virtue of the SFO, Ms. Peng is deemed to be interested in the Shares owned by Evergreen.

(2) Ms. Peng Jiahong was granted an option to subscribe for 1,322,000 Shares under the Share Option Scheme, on 30 December 2022, one third of the options granted to Ms. Peng Jiahong were lapsed pursuant to the Share Option Scheme. Therefore, as at 31 December 2022, Ms. Peng Jiahong was entitled to subscribe for 881,333 Shares under the Share Option Scheme.

(3) Mr. Yu Gang was granted an option to subscribe for 1,322,000 Shares under the Share Option Scheme, on 30 December 2022, one third of the options granted to Mr. Yu Gang were lapsed pursuant to the Share Option Scheme. Therefore, as at 31 December 2022, Mr. Yu Gang was entitled to subscribe for 881,333 Shares under the Share Option Scheme.

Save as disclosed above, as at 31 December 2022, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

PUBLIC FLOAT

Based on the information publicly available to the Company and as far as the Directors are aware as at the date of this report, at least 25% of the total issued share capital of the Company is held by the public pursuant to the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

The customer base of the Group mainly consists of patients, hospitals and other public institutions. Customers of the Group also include medical equipment suppliers for whom the Group acts as exclusive sales agent and provides equipment in-licensing services. Suppliers of the Group primarily consist of financial institutions that provide the Group with loan facilities and other forms of financing and medical supplies and medical equipment suppliers.

The information of the customers and suppliers is as follows:

	Percentage of the total income (before business taxes and surcharges) for the year ended 31 December 2022
Five largest customers	2%
The largest customer	1%

	Percentage of the total cost of sales for the year ended 31 December 2022
Five largest suppliers	18%
The largest supplier	5%

As far as the Directors are aware, none of the Directors, their close associates or shareholders holding more than 5% of the issued Shares of the Company had any interest in the five largest customers or five largest suppliers of the Group.

EMPLOYEES

As at 31 December 2022, the Group had a total of 20,077 employees, while it had a total of 15,242 employees as at 31 December 2021.

For the year ended 31 December 2022, the Group did not experience any strikes or significant labor disputes which materially affected the operation of the Group. The Group maintained good relationship with its employees.

CONTINUING CONNECTED TRANSACTIONS

The Group entered into certain continuing connected transactions with GT-PRC and its associates, as defined in the Listing Rules, which are subject to the disclosure requirements under Chapter 14A of the Listing Rules. The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules for these continuing connected transactions.

The Group has complied with the pricing policy of the Group in respect of the continuing connected transactions for the year ended 31 December 2022.

GT-PRC holds approximately 38.89% of the total issued Shares through its wholly-owned subsidiaries and is the controlling shareholder of the Company. Therefore, GT-PRC and its associates constitute connected persons of the Company.

Property Lease Framework Agreement

To renew the property lease framework agreement dated 1 December 2017 between the Company and GT-PRC, the Company entered into a property lease framework agreement (the "Property Lease Framework Agreement") with GT-PRC on 10 November 2020, pursuant to which the Company and/or its subsidiaries shall lease properties from GT-PRC and/or its associates for office and warehousing purposes. The Property Lease Framework Agreement commenced from 1 January 2021 until 31 December 2023 and may be renewed by mutual consent.

The Company entered into the Property Lease Framework Agreement due to that it has been leasing certain properties from GT-PRC and/or its associates for office and warehousing purposes. Compared to independent third parties, GT-PRC and its associates (especially Genertec Real Estate Management Co., Ltd. (通用技術集團物業管理有限公司), as a professional property management company affiliated to GT-PRC) have a better understanding of the Company's requirements for office and warehousing properties. In addition, relocating the offices or warehouses of the Company to other premises will also incur unnecessary expenses.

For each of the three years ending 31 December 2021, 2022 and 2023, total annual rental payable by the Group to GT-PRC and/or its associates is not expected to exceed RMB10.0 million. The above proposed annual cap is based on the following factors: (i) the total property area leased by the Group from GT-PRC and its associates during historical periods; (ii) the unit rental stipulated in separate property lease agreements between the Group and GT-PRC or its associates, which is normally adjusted by GT-PRC and its associates on an annual basis with reference to the prevailing market conditions; and (iii) the estimated demand for office premises for daily operation of the Group. For the year ended 31 December 2022, the actual transaction amount did not exceed the annual cap under the Property Lease Framework Agreement.

Please refer to the announcement of the Company dated 10 November 2020 relating to, among other things, the Property Lease Framework Agreement.

Product Procurement Framework Agreement

To renew the product procurement framework agreement dated 1 December 2017 between the Company and GT-PRC, the Company entered into a product procurement framework agreement (the "Product Procurement Framework Agreement") with GT-PRC on 10 November 2020, pursuant to which the Company and/or its subsidiaries shall purchase relevant products and ancillary services from GT-PRC and/or its associates. The Product Procurement Framework Agreement commenced from 1 January 2021 until 31 December 2023 and may be renewed by mutual consent.

The Company entered into the Product Procurement Framework Agreement due to that GT-PRC and its associates have abundant business resources and extensive experience in integrating and introducing international advanced technology and major equipment. All import and export companies under GT-PRC are large-scale state-owned enterprises engaged in the importation of equipment and instruments in the PRC. The Company has maintained a long-term cooperative relationship with GT-PRC and its associates. Leveraging on such cooperative relationship, the Company believes that continuing to procure products from GT-PRC and its associates is more efficient and can better satisfy the Group's need for providing customized services to customers. In addition, pharmaceutical and equipment manufacturing companies under GT-PRC are also leaders in their respective sectors.

For the three years ending 31 December 2021, 2022 and 2023, the total amount payable by the Group for product procurement from GT-PRC and/or its associates is not expected to exceed RMB12.0 million, RMB15.0 million and RMB18.0 million, respectively. The above proposed annual cap is based on the following factors: (i) the historical transaction amounts for the procurement of equipment and devices by the Company from GT-PRC and its associates; (ii) the development of the Group's clinical department upgrade services to help hospitals in the PRC establish, modernize and upgrade their clinical department capabilities in medical areas with high and growing demand, and the Group's growing supply chain business under hospital group business, all of which will result in the Group's growing demand for the procurement of medical equipment and devices and medical consumables and medicine; and (iii) the expected increase in the production or trade costs of relevant products with reference to the general growth trend in healthcare industry. For the year ended 31 December 2022, the actual transaction amount did not exceed the annual cap under the Product Procurement Framework Agreement.

Please refer to the announcement of the Company dated 10 November 2020 relating to, among other things, the Product Procurement Framework Agreement.

Deposit Service Framework Agreement

To renew certain transactions under the deposit and intermediary business service framework agreement dated 1 December 2017 between the Company and GT-PRC Finance, the Company entered into a deposit service framework agreement (the "Deposit Service Framework Agreement") with GT-PRC Finance on 10 November 2020, pursuant to which GT-PRC Finance shall provide deposit services to the Group. The Deposit Service Framework Agreement commenced from 1 January 2021 until 31 December 2023.

GT-PRC Finance is a non-bank financial institution approved and regulated by the PBOC and the CBIRC. Its objectives are to strengthen centralized management of corporate group funds and increase utilization efficiency. The Company uses GT-PRC Finance as a fund management platform to help centralize management and more efficiently allocate funds. Since GT-PRC Finance only provides finance services to member companies of GT-PRC, it has acquired in-depth knowledge about the Company over the years and good understanding on the capital structure, business operation, capital requirements and modes of cash flows of the Company, and is therefore able to anticipate the Company's business needs and provide customized services for the Company. Moreover, entering into the 2021 Deposit Service Framework Agreement will not prevent the Group from using finance services from independent commercial banks in China. The Group may still select at its own discretion independent commercial banks in China to act as its finance service provider as it deems fit and in the interest of the Group.

For the three years ending 31 December 2021, 2022 and 2023, the original maximum daily deposit balance (including accrued interest) of the Group to be placed with GT-PRC Finance is not expected to exceed RMB400 million. Pursuant to the announcement of the Company dated 11 November 2021, the circular of the Company dated 3 December 2021 and the poll results announcement of the Company dated 24 December 2021, for the period commencing from 24 December 2021 to 31 December 2021 and for the two years ending 31 December 2022 and 2023, the annual caps have been revised to RMB2,000 million ("Revised Annual Caps I"). The Revised Annual Caps I are based on the following factors: (i) the historical amount of the Group's maximum daily deposits balance with GT-PRC Finance for the three years ended 31 December 2018, 2019 and 2020; (ii) the increasing trend of the historical revenue of the Group; (iii) the expected cash flows from the Group's financing activities; (iv) the expected net increase in cash inflow to the Group in the following years; (v) the favorable interest rates and the convenience for fund management provided by GT-PRC Finance; (vi) certain volatility of the Group's daily deposits; and (vii) the strategies for treasury management of the Group. For the year ended 31 December 2022, the actual transaction amount under the Deposit Service Framework Agreement did not exceed the annual cap thereunder.

Please refer to (i) the announcements of the Company dated 10 November 2020, 31 December 2020, 11 November 2020 and 24 December 2021, and (ii) the circulars of the Company dated 26 November 2020 and 3 December 2021 for further details of the Deposit Service Framework Agreement and the annual caps thereunder.

Hospital Management Framework Agreement

On 10 November 2020, the Company entered into a hospital management framework agreement (the "Hospital Management Framework Agreement") with GT-PRC, pursuant to which the Company and/or its subsidiaries will provide hospital management services to GT-PRC and/or its associates. The Hospital Management Framework Agreement commenced from 1 January 2021 until 31 December 2023 and may be renewed by mutual consent.

The hospital group business is one of the principal activities of the Group. With extensive experience in healthcare industry, it is able to provide hospital management services to its customers. Associates of GT-PRC that operate hospitals would like to seek hospital management services from the Group from time to time in their ordinary course of business to support their business developments.

For the three years ending 31 December 2021, 2022 and 2023, the total amount of service fees to be paid by GT-PRC and/or its associates to the Group is not expected to exceed RMB20.0 million, RMB25.0 million and RMB30.0 million, respectively. The above proposed annual cap is based on the following factors: (i) the financial performance of the hospitals owned by the associates of GT-PRC for the three financial years ended 31 December 2019; (ii) a fixed percentage (approximately 10% subject to further negotiation in specific hospital management agreements) of annual revenue of such hospitals; and (iii) the expected annual revenue of such hospitals for the three financial years ending 31 December 2023. For the year ended 31 December 2022, the actual transaction amount under the Hospital Management Framework Agreement did not exceed the annual cap thereunder.

Please refer to the announcement of the Company dated 10 November 2020 relating to, among other things, the Hospital Management Framework Agreement.

Medical Equipment Integrated Service Framework Agreement

On 10 November 2020, the Company entered into a medical equipment integrated service framework agreement (the "Medical Equipment Integrated Service Framework Agreement") with GT-PRC, pursuant to which the Company and/or its subsidiaries will provide medical equipment maintenance and hosting services to GT-PRC and/or its associates. The Medical Equipment Integrated Service Framework Agreement commenced from 1 January 2021 until 31 December 2023 and may be renewed by mutual consent.

The Company is an integrated healthcare services provider offering a variety of solutions, including maintenance and hosting services for medical equipment. In ordinary course of business of the Company, GT-PRC and its associates would like to cooperate with the Company in medical equipment maintenance and hosting from time to time, to reduce maintenance cost and maximize utilization rate of medical equipment.

For the three years ending 31 December 2021, 2022 and 2023, the total amount of service fees to be paid by GT-PRC and/or its associates to the Group is not expected to exceed RMB10.0 million, RMB30.0 million and RMB60.0 million, respectively. The above proposed annual cap is based on the following factors: (i) the expected demand for equipment maintenance and hosting services from GT-PRC and its associates in the future; (ii) the Company continues to expand its service scope pertaining to medical equipment maintenance and hosting services, which will broaden the service scope that the Group is able to provide to GT-PRC and its associates; and (iii) the estimated increase in the fees charged for these services due to inflation and the expected increase in costs. For the year ended 31 December 2022, the actual transaction amount under the Medical Equipment Integrated Service Framework Agreement did not exceed the annual cap thereunder.

Please refer to the announcement of the Company dated 10 November 2020 relating to, among other things, the Medical Equipment Integrated Service Framework Agreement.

Medical Testing Framework Agreement

On 10 November 2020, the Company entered into a medical testing framework agreement (the "Medical Testing Framework Agreement") with GT-PRC, pursuant to which the Company and/or its subsidiaries will provide medical testing and technology services to GT-PRC and/or its associates. The Medical Testing Framework Agreement commenced from 1 January 2021 until 31 December 2023 and may be renewed by mutual consent.

The Company is an integrated healthcare services provider offering a variety of solutions, including medical testing and technology services. In ordinary course of business of GT-PRC and its associates, they would like to cooperate with the Company in medical testing and technology services from time to time, in order to provide comprehensive medical services to patients.

For the three years ending 31 December 2021, 2022 and 2023, the total amount of service fees to be paid by GT-PRC and/or its associates to the Group is not expected to exceed RMB3.0 million, RMB20.0 million and RMB40.0 million, respectively. The above proposed annual cap is based on the following factors: (i) the expected demand for medical testing and technology services from GT-PRC and its associates in the future; and (ii) the Company continues to expand its service scope pertaining to medical testing and technology services, which will broaden the service scope that the Group is able to provide to GT-PRC and its associates. For the year ended 31 December 2022, the actual transaction amount under the Medical Testing Framework Agreement did not exceed the annual cap thereunder.

Please refer to the announcement of the Company dated 10 November 2020 relating to, among other things, the Medical Testing Framework Agreement.

Construction Service Framework Agreement

On 10 November 2020, the Company entered into a construction service framework agreement (the "Construction Service Framework Agreement") with GT-PRC, pursuant to which, subject to the tender process adopted by the Company and/or its subsidiaries from time to time and the results thereof, GT-PRC and/or its associates will provide construction services to the Company and/or its subsidiaries. The Construction Service Framework Agreement commenced from 1 January 2021 until 31 December 2023 and may be renewed by mutual consent.

GT-PRC and/or its associates provide construction services in various cities in the PRC. The Company expects that GT-PRC and/or its associates would participate in competitive tender process for the Group's construction works in the PRC as construction contractor from time to time, and subject to the results and terms of the relevant tender, GT-PRC and/or its associates may provide construction services to the Group. Taking into account their experience in construction works, the entering into of the Construction Service Framework Agreement would provide the Group with a more diverse base of contractors to participate in the construction works of the Group, and if upon successful tender awarded to GT-PRC and/or its associates, could assure the quality of the construction works of the Group up to standards.

For the three years ending 31 December 2021, 2022 and 2023, the total contract amount under the potential construction service agreement(s) to be entered into between the Group and GT-PRC and/or its associates is not expected to exceed RMB600.0 million, RMB30.0 million and RMB30.0 million, respectively. Pursuant to the announcement of the Company dated 1 March 2022, for the two years ending 31 December 2022 and 2023, the annual caps have been revised to RMB400 million ("Revised Annual Caps II"). The Revised Annual Caps II are based on the following factors: (i) the delay in the overall implementation progress of the Group's construction projects for the year of 2021 and the Group's plans for exploring new construction projects; (ii) the expected increase in the total contract amount of the Group's construction projects for the years of 2022 and 2023; and (iii) the estimated tender success rate for GT-PRC and/or its associates in the constructions projects planned to be held by the Group during the two years ending 31 December 2022 and 2023. For the year ended 31 December 2022, the actual transaction amount under the Construction Service Framework Agreement did not exceed the annual cap thereunder.

Please refer to (i) the announcements of the Company dated 10 November 2020 and 1 March 2022, and (ii) the circular of the Company dated 26 November 2020 for the details of the Construction Service Framework Agreement and the annual caps thereunder.

CONNECTED TRANSACTIONS

During the year ended 31 December 2022, the Group entered into certain connected transactions which are subject to the requirements under Chapter 14A of the Listing Rules. The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules for these connected transactions.

Acquisition of the Remaining 54% Equity Interest in Genertec Minmetals

On 30 July 2022, Hospital Investment Co., Ltd. entered into an equity transfer agreement (the "Equity Transfer Agreement I") with Minmetals Shareholders and Genertec Minmetals, pursuant to which Hospital Investment Co., Ltd. (as the purchaser) has conditionally agreed to acquire, and Minmetals Shareholders (as vendors) have conditionally agreed to sell a total of 44% of the equity interest in Genertec Minmetals, for a total consideration of RMB1,096.2 million. On the same day, Hospital Investment Co., Ltd. entered into an equity transfer agreement (the "Equity Transfer Agreement II", together with Equity Transfer Agreement I, the "Equity Transfer Agreements") with CITIC Capital (Tianjin) and Genertec Minmetals, pursuant to which Hospital Investment Co., Ltd. (as the purchaser) has conditionally agreed to acquire, and CITIC Capital (Tianjin) (as the vendor) has conditionally agreed to sell the 10% of the equity interest in Genertec Minmetals, at nil consideration. Upon completion of the transaction, Genertec Minmetals would be owned as to 100% by Hospital Investment Co., Ltd., and accordingly, become an indirect wholly owned subsidiary of the Company.

As at the date of the Equity Transfer Agreements, Minmetals Shareholders and CITIC Capital (Tianjin) held 44% and 10% equity interest in Genertec Minmetals (a non-wholly owned subsidiary of the Company), respectively, and thus were connected persons of the Company at the subsidiary level under the Listing Rules by virtue of being substantial shareholders of Genertec Minmetals. Therefore, the transaction constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. Please refer to (i) the announcements of the Company dated 1 August 2022 and 2 September 2022, and (ii) the circular of the Company dated 14 December 2022 for further details.

Formation of GDHTC

On 25 November 2022, CULC, General Technology Group Digital Intelligent Technology Co., Ltd. (通用技術集團數字智能科技有限公司) ("GT Digital Tech"), Genertec Guozhong Healthcare Group Co., Ltd. (國中康健集團有限公司)("Genertec Guozhong Healthcare"), Aerospace Medical & Healthcare Technology Group Co., Ltd. (航天醫療健康科技集團有限公司) ("Aerospace Medical & Healthcare Technology") and GEM Flower Healthcare Investment Holding Group Co., Ltd. (寶石花醫療健康投資控股集團有限公司) ("GEM Flower Healthcare") executed the articles of association (the "Articles of GDHTC") to establish a joint venture (namely, GDHTC). Pursuant to the Articles of GDHTC, the registered capital of GDHTC will be RMB200 million, among which, (i) CULC would contribute RMB60 million, (ii) GT Digital Tech would contribute RMB80 million, (iii) Genertec Guozhong Healthcare would contribute RMB20 million, (iv) Aerospace Medical & Healthcare Technology agreed to contribute RMB20 million, and (v) GEM Flower Healthcare would contribute RMB20 million. Upon the establishment of GDHTC, its registered capital will be held by CULC, GT Digital Tech, Genertec Guozhong Healthcare, Aerospace Medical & Healthcare Technology and GEM Flower Healthcare as to 30%, 40%, 10%, 10% and 10%, respectively, and GDHTC will not be accounted as a subsidiary of the Company.

As at the date of the Articles of GDHTC, GT-PRC was the controlling shareholder holding approximately 38.55% of the entire issued capital of the Company, thus each of GT Digital Tech, Genertec Guozhong Healthcare, Aerospace Medical & Healthcare Technology and GEM Flower Healthcare, as a subsidiary of GT-PRC, was a connected person of the Company pursuant to the Listing Rules. As such, the formation of GDHTC constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated 25 November 2022 for further details.

RELATED PARTY TRANSACTIONS

During the year ended 31 December 2022, certain related parties entered into transactions with the Group which are disclosed in Note 37 "Related Party Transactions" to the consolidated financial statements of the Company. Save as disclosed in the sections headed "Continuing Connected Transactions" and "Connected Transactions", the Board confirmed that none of these related party transactions constitutes a connected transaction or a continuing connected transaction that is subject to disclosure requirements under chapter 14A of the Listing Rules.

CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Pursuant to Rule 14A.55 of the Listing Rules, the continuing connected transactions disclosed in the section headed "Continuing Connected Transactions" have been reviewed by the independent non-executive Directors, who confirmed that the aforesaid continuing connected transactions were entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or better; and

(c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

CONFIRMATION OF THE OVERSEAS AUDITORS

Ernst & Young, the overseas auditors of the Company, has been engaged to report on the connected transactions of the Company disclosed in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. The Board has received an unqualified letter from Ernst & Young in accordance with Rule 14A.56 of the Listing Rules containing its findings and conclusion on the aforesaid continuing connected transactions of the Group, stating that Ernst & Young has not noticed anything that causes it to believe that any of these continuing connected transactions:

(a) has not been approved by the Board;

(b) was not, in all material respects, in accordance with the pricing policies of the Group for the connected transactions involving the provision of goods or services by the Group;

(c) was not entered into in accordance with the relevant agreements governing such continuing connected transactions in all material aspects; and

(d) has exceeded the relevant annual caps for the financial year ended 31 December 2022.

USE OF PROCEEDS

For details of the use of proceeds from the Global Offering, the issue of new shares on 8 March 2021 and the issue of convertible bonds on 25 March 2021, please refer to paragraphs headed "Capital Expenditure" in the section headed "Management Discussion and Analysis" on pages 49 to 52 of this annual report.

AUDIT COMMITTEE

During the year, the Company had complied with Rule 3.21 of the Listing Rules, and it comprised three members, including Mr. Li Yinquan (chairman), Mr. Chow Siu Lui and Mr. Tong Chaoyin, among whom, Mr. Li Yinquan and Mr. Chow Siu Lui are independent non-executive Directors (including one independent non-executive director who possesses appropriate professional qualifications or expertise in accounting or relevant financial management).

The Audit Committee had discussed with the management and reviewed this annual report and the financial results of the Group for the year ended 31 December 2022.

The consolidated financial statements of the Company which are prepared in accordance with Hong Kong Financial Reporting Standards for the year ended 31 December 2022 have been audited by Ernst & Young, the auditors of the Company.

DONATIONS

During the year ended 31 December 2022, the Group made charitable donations in the amount of RMB5.1 million.

AUDITORS

The Company re-appointed Ernst & Young as its auditors in 2022. The Company has not changed the appointment of its auditors in the past three years. The proposals of re-appointing Ernst & Young as the Company's auditors will be put forward at the Company's 2023 AGM for consideration and approval of the Shareholders. The Company decided not to re-appoint the domestic auditor as it's not a mandatory requirement under the relevant laws regulations.

COMPLIANCE WITH LAWS AND REGULATIONS

For the year ended 31 December 2022, the Group is in compliance with the relevant laws and regulations that have a significant impact on the Group in all material respects.

THE PUBLICATION OF THE ANNUAL REPORT

This annual report, in both English and Chinese versions, is available on the Company's website at www.umcare.cn and the website of the Stock Exchange at www.hkexnews.hk.

Shareholders who have chosen or have been deemed consent to receive the corporate communications of the Company via the Company's website, and who for any reason have difficulty in receiving or gaining access to the corporate communications posted on the Company's website will promptly upon request be sent the annual report in printed form free of charge. Shareholders may at any time change their choice of the means of receipt and language(s) of corporate communications.

Shareholders may request for printed copy of the annual report or change their choice of means of receipt and language of the corporate communications by sending at least a 7-day notice in writing to the Company's share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong or by sending an email to unimedical.ecom@computershare.com.hk.

On behalf of the Board

Peng Jiahong
Chairwoman of the Board

Hong Kong
29 March 2023

2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. ABOUT THIS REPORT

This report is the seventh environmental, social and governance (hereinafter referred to as the "ESG") report (hereinafter referred to as the "Report") issued by Genertec Universal Medical Group Company Limited (hereinafter referred to as the "Company" or "Universal Medical") following its listing on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). The purpose of the Report is to report the concept of environmental, social and governance responsibility and the relevant practices of the Company and its subsidiaries (hereinafter referred to as the "Group", "we", "us") in 2022, as well as to positively respond to the material issues concerned by our key stakeholders. Meanwhile, the Report provides a comprehensive picture of the Group's ESG performance by detailing the Group's governance of environmental and social issues and how ESG concepts are integrated into its business.

For more information on corporate governance of the Group, please refer to the "Corporate Governance Report" section in this annual report.

The disclosure information in the Report comes from the Group's internal documents and relevant statistical data and is available in two languages, including Traditional Chinese and English versions. If there be any inconsistency in the Report, the Traditional Chinese version shall prevail. The electronic version of the Report can be read and downloaded through the official website of the Group and the website of the Stock Exchange.

1.1 Reporting Scope

The Report covers hospital group business and finance business of the Group as follows:

Business segment	Place of operation
Hospital Group	Genertec Universal CREC Xi'an Hospital Genertec Universal Xi'an Aero-Engine Hospital Xi'an XD Group Hospital Xianyang Caihong Hospital Ansteel Group General Hospital Yangquan Coal Industry (Group) General Hospital Yantai Harbour Hospital Co., Ltd.
Finance Business	Hademen Plaza, Dongcheng District, Beijing

Unless otherwise stated, the time scope of the information disclosed in the Report is from 1 January 2022 to 31 December 2022 (hereinafter referred to as the "Reporting Period").

1.2 Statement of the Board

The Board of Directors of the Company (the "Board") has overall responsibility for the Group's ESG strategy and reporting, and has reviewed and approved the Report. The data and other information publicly disclosed in the Report are mainly derived from internal documents, reports and statistical results. The Board undertakes that the Report does not contain any false information, misleading statement or material omission, and accepts ultimate responsibility for the contents of the Report as to its authenticity, accuracy and completeness.

The Board is responsible for assessing and determining the ESG risks in the Group's operations and ensuring that appropriate and effective ESG risk management and internal control systems are in place. The Group's ESG policy, strategy and related materiality will be disclosed in various sections of the Report.

1.3 Basis of Compilation

The Report is compiled in accordance with the reporting principles of Appendix 27 Environmental, Social and Governance Reporting Guides (the "ESG Guide") to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited issued by The Stock Exchange of Hong Kong Limited (the "Stock Exchange"):

Materiality	The Group identifies material issues related to the Group through materiality assessment. Materiality assessment includes inviting stakeholders to prioritize the importance of the ESG related issues and inviting the management to verify the material issues, etc. Please refer to the "Materiality Assessment" section in the Report for details of the materiality assessment work.
Quantitative	In order to comprehensively evaluate the ESG performance of the Group during the Reporting Period, the Group disclosed the applicable quantitative key performance indicators in the ESG Guide, and stated the standards, methods, assumptions and calculation reference and basis used to quantify the key performance indicators, including the sources of major conversion factors.
Consistency	The Report adopts the same compilation method as that of the previous reporting period, so that readers can make meaningful comparison of the ESG information during the Reporting Period.
Balance	The Report provides an unbiased picture of the Group's ESG performance. The application of the relevant principles is reflected in various sections of the Report.

The Report complies with the mandatory disclosure requirements and the "comply or explain" provisions of the ESG Guide, and correspondingly describes the environmental and social impacts of the Group's business and operational activities.

1.4 Contact us

We welcome readers' comments and suggestions on Environmental, Social and Governance and other sustainable development matters. Please contact us by the following methods:

Address: West Wing of Hademen Plaza, 8-1 Chongwenmenwai Street, Dongcheng District, Beijing, China
Website: https://www.umcare.cn/
Email: ir@um.gt.cn

2. ABOUT US

The Group has focused on developing diversified medical and healthcare industry as a leading stated-owned enterprise. Leveraging on modern management concepts, a team of professionals, quality medical resources, strong financial capacity as well as inclusive and enterprising corporate culture, we strive to build a high-quality medical and health conglomerate. We have been actively exploring innovative development model of the medical and healthcare industry, gradually establishing a various health-related business of health industry ecosphere, and striving to become a pioneer in the development of the medical and health industry.

2.1 Enterprise Culture

Mission

- Creating a Better Life with Good Technology and Quality Service

Vision

- To be the Most Trusted Global Leader in Medical & Healthcare Services

Core values

- Integrity, inclusiveness, innovation, entrepreneurship, excellence and mutual benefits

Led with corporate culture, motivated with corporate mission, guided with corporate vision and cultivated with corporate value, the Company is committed to building a workforce with united spirit, so as to promote collaborative development.

2.2 Honor Awards

In 2022, the State-owned Assets Supervision and Administration Commission (SASAC) of the State Council issued the List of Model State-owned Enterprises for Corporate Governance (《國有企業公司治理示範企業名單》), and the Group was successfully selected as a grass-roots enterprise. The "Activity of Building Model State-owned Enterprises for Corporate Governance (國有企業公司治理示範企業創建活動)" is an important measure taken by the SASAC of the State Council to accelerate the building of a modern enterprise system with Chinese characteristics, step up the improvement of corporate governance capabilities and standards, and promote the transformation of the advantages of modern enterprise systems with Chinese characteristics into governance efficiency.

As a listed company controlled by the central enterprise and focusing on healthcare industry, the Group has established and continuously improved its corporate governance system, operated in compliance with the listing rules, and practised standardized management. Meanwhile, the Company has continued to deepen the reform of the three systems, and stimulate the vitality of the Company to operate and develop so as to lay a solid foundation for Company to promote strategic upgrading and the integration of industry and finance. In the future, in accordance with the requirements of the SASAC of the State Council and under the guidance of GT-PRC, we will continue to give full play to the advantages of medical and health enterprises in the mixed reform, adopt new development concepts based on the new development stage, build a new development pattern, and create a new situation of high-quality development to continuously contribute to the Healthy China strategy.

In addition, we also were granted the below award in terms of digital transformation during the Reporting Period, demonstrating market recognition for our diversified strength.

Universal Medical was granted the award of "2022 Star of Digital Reform"

The award "2022 Star of Digital Reform" focuses on the digital transformation of the medical sector, highlighting the innovations made by the enterprises in the industry to improve patient experience, strengthen information interconnection and sharing, improve the digital operation of medical services and increase healthcare efficiency through the application of technologies such as big data, artificial information and information system.

We were granted such award for our project "Middle-end Data Platform for Cross-region Hospital Group Management" (hereinafter referred to as the "Middle-end Data Platform"), which focuses on the capability of data consolidation throughout the full industrial chain covering all aspects including data collection, governance, analysis and application. This project aims to establish the data collection platform and quality control platform which will review data breakdown to achieve data provenance and closed-loop business; make response within seconds with its stream-batch integrated technology structure; and support tailor-made innovative business application with its highly flexible open-ended platforms. The typical applications of the project include operation management platform, clinical scientific research platform, cloud image platform, intelligent capability platform, etc.

Through the establishment of standard data lake for Universal Medical Group, the project has established the data centre integrating clinical, operation, scientific research, image and other data of the hospitals, so as to apply our data capability and information capability to all business scenarios, empowering the efficient operation of the hospitals via the combined application of the middle-end data platform, middle-end business platform and middle-end technology platform.

In an active response to the national strategic development initiatives, Universal Medical will continue to push forward the digital transformation, extend and expand new business model through digital industrialization, and empower high-quality development of the hospitals with application of digital technologies, contributing to the construction of a "Healthy China".

3. SUSTAINABILITY MANAGEMENT

3.1 ESG Governance Framework

Sustainable development and management plays an important role in guiding our efforts in improving the resilience of the Company. In order to further ensure the systematic and orderly implementation of the relevant issues within the Group and its affiliated institutions, the Group has established an ESG governance structure pursuant to the decision jointly made by the Board and the senior management in 2021, so as to ensure incorporation of the environmental, social and governance factors into the decision-making and planning at all operation links and business levels, practise the corporate philosophy of "striving for continuous progress in human health", and comprehensively promote the sustainable development of the Group.

The Group has established an ESG working group which is composed of representatives of functional departments involved in ESG matters in the Group. The daily work department is the office of the Board. The ESG personnel in charge of the Group serves as the leader of the group, reports to the Board on ESG matters, and feeds back relevant opinions to the Board, management or relevant departments when necessary.

As the highest decision-making body of the Group's ESG governance, the **Board** is responsible for overseeing the overall ESG strategies, reviewing and making decisions on risks and opportunities related to the Group's business, ensuring that appropriate and effective ESG management and internal control systems are in place, formulating ESG management policies, strategies, priority and targets, regularly reviewing the performance of ESG targets, and approving the Group's ESG report on an annual basis.

The **ESG working group** is authorized by the Board to participate in the ESG-related work of the Group. The responsibilities of the group include planning as a whole and coordinating headquarters of the Group and various functional departments of its subsidiaries to implement and execute all ESG-related work, reporting to the Board regularly on major ESG issues and work status, communicating the strategies and specific measures of the Group in ESG management, collecting and reporting the management measures and performance of ESG-related matters, collecting information required for ESG reports from the Group's functional departments, and submitting the report to the Board for approval, etc. Based on the actual situation of ESG-related work, the ESG working group will formulate improvement suggestions to the board members, so that the Board can continuously and effectively supervise ESG issues.

Each functional department and its ESG personnel in charge are responsible for the management and data collection of each special ESG topic, and carry out related work in accordance with the ESG management system and process.

3.2 ESG Targets

The Group has been advocating and practicing responsible operation philosophy for many years. We are committed to operating our business in a comprehensive and responsible manner, while taking into account environmental, social and economic benefits.

By authorising the ESG working group, the Directors of the Group conduct annual progress review of the ESG targets. The ESG working group is responsible for the advancement and management of the progress and execution of the Group's action plans, data collection and proper maintenance of records on achievement of established targets, including information on difficulties in performance of such plans, recommendations given by departments involving in such works, etc. Based on the progress and achievements in fulfilling such targets during the year, the Group submits relevant survey results and recommendations such as remedy measures and the implementation of more aggressive targets to the Board for their review. To further facilitate the ESG development progress, we control, implement and perform all targets and action plans through the following process:

Through the effective reporting and monitoring by the working group during the year, the Board is able to supervise and have in-depth understanding of the progress regarding the achievement of each ESG target. Such mechanism enables the Board to understand and consider the resources required for ESG development in future business, and to assess the effectiveness and efficiency of the relevant adaptation and mitigation measures taken against the ESG-related risks during the year, laying a foundation for the establishment of more detailed and comprehensive long-term ESG development strategy by the Group. Meanwhile, we intend to proactively disclose our targets, action plans and implementation progress in the ESG report of the year, and invite all stakeholders to engage in, understand and witness our ESG development.

We have currently established the ESG targets in the environmental aspect first, and have formulated the "Overall Goal of Green Enterprise Construction (綠色企業建設總體目標)", which guides us to advance ESG work and ensure that the elements of sustainable development are integrated into all aspects of operations and all business decisions. During the Reporting Period, we encouraged all subsidiaries to formulate their respective Annual Responsibility Letter of Environmental Protection Target Plan (《年度環境目標計劃責任書》) that fits in with their business development, making concerted efforts to advance the overall ESG target of the Group in the environmental aspect.

The table below sets out the relevant targets, action plans as well as progress and results achieved during the year:

Emission Reduction Strategy	
Medium-term target: Strengthen the management of official vehicles	• Through the implementation of practices and plans of internal vehicle management, count the energy consumption of vehicles on a quarterly basis, and scientifically approve energy saving • Conduct regular inspection on the vehicles to ensure compliance with the national exhaust emission standards • Arrange reasonable routes for vehicles to match travel needs, reduce the travel distance of empty vehicles
	Progress review: ✓ progress as scheduled
Medium-term target: Reduce hospital exhaust emissions	• Optimise hospital boilers and piping equipment, and upgrade and transform boilers. Carry out optimisation works such as the optimisation of the pressure level and operation condition of steam boilers during off-peak hours; the implementation of heat insulation measures for boilers, hot water tanks, pipelines and valves to prevent heat loss; and the installation of electronic descaling device in steam boilers
	Progress review: ✓ progress as scheduled Result review: we have terminated the use of a diesel-fuelled power generator stationary sources machinery during the Reporting Period
Long-term target: Use clean energy	• Through active promotion of the use of clean energy, give priority to the use of green electricity generated by solar and wind energy, phase out high-polluting coal to generate heat and power and gradually increase the utilization rate of green electricity
	Progress review: ✓ progress as scheduled Result review: We successfully implemented the first green financing plan during the Reporting Period, the proceeds from which were invested in the green photovoltaic projects

Carbon Reduction Strategy	
Medium-term target: Reduce hospital carbon footprints	• Instruct functional departments to review the transportation arrangements for hospital personnel and logistics, and advocate green travel for employees
	Progress review: ✓ progress as scheduled
Long-term target: Manage carbon emissions	• With reference to ISO 14064, GB/T 51366 and other normative guidelines, formulate carbon emission management systems and internal management policies, conduct statistical analysis on carbon emission data and actively respond to the concept of carbon reduction
	Progress review: ✓ progress as scheduled Result review: we have formulated and strictly complied with the requirements of the Action Plan for Carbon Emission Peak of GT-PRC (《中國通用技術集團公司碳達峰行動方案》), pushed forward the implementation of the environmental protection concept of reducing carbon footprint, and conducted compilation of statistical data on carbon emission of our headquarters and its affiliated institutions on a quarterly basis. In particular, we have determined the reduction targets for comprehensive energy consumption ratio per RMB10,000 of output value and carbon dioxide emission ratio per RMB10,000 of output value
Long-term target: Focus on the management of fugitive greenhouse gas emissions sources	• For fugitive emissions from equipment such as air conditioning, refrigeration systems and fire extinguishers, establish a record system for refrigerants and fire extinguishers, and records from purchase, storage and disposal will be properly maintained
	Progress review: ✓ progress as scheduled

<table>
<tr><th colspan="2">Energy Saving Strategy</th></tr>
<tr><td rowspan="2">Medium-term target:
Promote green office</td><td>• Expand the use of online systems for filing/approval, reduce overall paper usage, and implement informal double-sided printing as well as other green office measures;</td></tr>
<tr><td>Progress review: ✓ progress as scheduled

Result review: we carried out the energy conservation and environmental protection week campaign to promote the concept of green office, posted and updated reminders regarding green office, and continued to encourage employees to use online system;</td></tr>
<tr><td rowspan="2">Long-term target:
Reduce business energy consumption</td><td>• Change the energy use habits of the enterprise, and adopt lower and suitable lighting for the hospital environment in terms of hardware configuration; conduct energy statistical analysis on a regular basis; identify and gradually replace high-energy-consuming equipment; purchase high-efficiency and energy-saving medical equipment with permission, and conduct researches on energy-saving;</td></tr>
<tr><td>Progress review: ✓ progress as scheduled

Result review: we replaced a batch of high-energy-consuming lamps with LED lamps; conducted statistical analysis on consumption of energies such as electricity, oil and gas on a quarterly basis and also identified high-energy-consuming equipment; conducted technology improvement on the water and electricity system to implement intelligent monitoring on our energy consumption system; and carried out equipment upgrade for energy-saving purpose;</td></tr>
<tr><td rowspan="2">Long-term target:
Promote the use of renewable energy</td><td>• Gradually carry out the application of renewable energy projects in hospital units</td></tr>
<tr><td>Progress review: making long-term planning</td></tr>
</table>

Water Saving Strategy	
Medium-term target: Reduce business water consumption	• Formulate regular inspection and maintenance plan for water pipeline and water supply system • Encourage employees to save water, and conduct statistical analysis of water consumption on a regular basis
	Progress review: ✓ progress as scheduled Result review: we carried out the environmental protection week campaign to spread knowledge regarding the use of resources, carried out regular inspection and maintenance of water pipeline and water supply system, and conducted statistical analysis of water consumption
Long-term target: Increase investment in water-saving equipment	• Carry out water-saving engineering measures, install flow-restriction and water-saving devices, and actively use water-saving equipment
	Progress review: ✓ progress as scheduled Result review: we actively used water-saving equipment, installed automatic/infrared sensor faucets, urinals, etc.
Long-term target: Expanded use of secondary water/ recycled water	• Promote water recycling equipment, and build collection system of rainfall and reclaimed water which will be recycled for non-drinking purpose
	Progress review: making long-term planning

Waste Reduction Strategy	
Medium-term target: Promote waste recycling	• Increase the recycling of wastes, implement garbage classification in office areas and inpatient departments, add garbage classification facilities, and strengthen management of signs and labels; • Strengthen cooperation with waste collectors/recyclers
	Progress review: ✓ progress as scheduled Result review: we have implemented garbage classification and added garbage classification facilities, strengthened cooperation with waste recyclers, and conducted statistical analysis and audit on the quantity of recycled wastes such as paper, plastics, glass, etc.
Medium-term target: Practice source waste reduction	• Actively reduce the use of single-use items, reduce their purchase and use, and remove unnecessary packaging materials
	Progress review: ✓ progress as scheduled Result review: we have identified the single-use and disposal items used in our business, classified such items into necessary (medical supplies) and unnecessary (such as tableware, takeaway food containers, stationeries, packaging materials, disposal toiletries, etc.) items, and reduced the use of such items under the relevant initiative
Long-term target: Introduce packaging materials made of recyclable materials	• Give priority to goods with packaging materials made of recyclable materials when selecting goods provided by the suppliers • Conduct an in-depth discussion on the packaging mode suitable for recycling, and explore the feasibility of using different materials in the group headquarters and hospital units
	Progress review: making long-term planning

3.3 ESG Risk Management

A robust and effective risk management system is a necessary and indispensable part of corporate governance. Universal Medical has a sound risk management system and has further expanded it to the aspect of sustainable development and management. By identifying, assessing and managing major ESG risks that may be faced in the course of operations, we strengthen the Group's risk management and control culture to lay a solid foundation for our sustainable development.

The Board has overall responsibility for assessing and determining the Group's material ESG risks and ensuring that appropriate and effective risk management and internal control systems are in place and maintained by the Group.

The Board has established a Risk Control Committee, and has formulated, implemented and monitored risk management and internal control systems with the assistance of the Risk Control Committee. We integrate ESG risks into the current risk management system, and identify and manage ESG risks related to the Group's business according to the risk management process. The Risk Control Committee regularly reviews the risk-related matters of the Group, including ESG risks, and provides advice to the Board.

Our internal control system fully observes the requirements of the COSO risk management framework and the guidelines of the Hong Kong Institute of Certified Public Accountants on risk management, draws on the internal control model of peer companies, and takes into account the actual situation and business characteristics of the Group to formulate an effective monitoring system. The governance structure is as follows:

1. The Risk Control Committee and its subordinate working groups are responsible for taking the lead in risk identification, and cooperating with relevant departments at the management level to follow up
2. Carry out risk analysis and select areas with higher risk
3. The department in the corresponding field describes the risk
4. Summarize risks in various fields and prepare risk reports
5. Submit the risk report to the Risk Control Committee of the Board for consideration, and submit it to the Board meeting upon consideration

According to the identified risks, the Group believes that the major risks and the countermeasures are as follows:

Material ESG risks	Potential impact	Countermeasures
COVID-19 pandemic prevention and control risks	The closed-loop measures have led to a cessation of economic activities, which on the one hand directly affects business operations in the region, and on the other hand affects frontline operations, staffing, and supply chains.	• Establish quality inspection standards for hospitals in pandemic prevention and control, and regularly improve pandemic prevention and control measures. • Through multi-departmental collaboration, continue to improve the procedures of hospitals' special departments, and continue to optimize the management of infection prevention and control in hospitals. • Strengthen training related to pandemic prevention and control, and improve awareness, management and emergency response capabilities of pandemic prevention and control.
Medical quality and safety management risks	Security problems in medical services may endanger the health of customers and even lead to related claims, and adversely affect the reputation and revenue of the Group.	• Establish and improve the hospital quality and safety management committee, and set up a full-time expert team for hospital quality control and internal review to control medical quality and safety. • Establish monthly, quarterly and annual quality control data and monitoring system for medical risk events. • Conduct training and assessment for all aspects of hospital quality and risk management. • Conduct quarterly inter-hospital mutual inspection and annual unannounced supervision and inspection, and supervise and regulate the quality and safety of hospitals and practice according to law. • Standardize the management of medical adverse events, formulate emergency plans for adverse events, and improve risk identification and emergency handling of adverse events.

3.4 Stakeholder Communication

Effective stakeholder communication is an important part of ESG management. Our main stakeholders include government and regulatory agencies, investors, employees, customers, suppliers and communities. We communicate with various stakeholders through diverse methods and channels to understand their needs and expectations, and respond accordingly.

Key Stakeholders	Primary Focus	Main Means of Communication	Our Response
Government and regulators	• Pay taxes according to law • Timeliness and standardization of information disclosure • Corporate governance • Resource conservation	• Institution investigation • Report on the work • Information disclosure	• Abide by laws and regulations strictly • True and accurate information disclosure • Legitimate operation • Routine governmental and regulatory inspection
Shareholders and investors	• Corporate governance and operating strategies • Corporate development prospects • Returns on investment • Timeliness and transparency of information disclosure • Corporate compliance	• General meetings • Results presentations • Financial reports • Road show/company research • Telephone & email consultation	• Issue notices and proposals of general meetings according to the regulations • Disclose information on schedule • Disclose announcements and release periodic reports according to regulations • Handle comments and demands
Employees	• Remuneration package • Training and development • Working environment • Corporate operation	• Labor union • Employee training • Employee activities • Staff meetings	• Establish a fair remuneration and promotion system • Organize occupational training and various activities for employees • Provide a healthy and safe working environment

Key Stakeholders	Primary Focus	Main Means of Communication	Our Response
Clients	• Service quality • Client information security • The value of service	• Customer research • After-sale service and complaints • Regular visits • Suggestion and supervision emails	• Conduct customer surveys • Enhance service management • Handle complaints and other after-sale problems timely
Partners (Suppliers, Distributors, etc.)	• Fulfillment of contract obligations on schedule • Long-term stable cooperation • Corporate reputation • Corporate operating strategies • Sustainable operation ability • Timeliness of information disclosure • Corporate compliance	• Trade fairs • Daily communication • Results presentations • Financial reports • Distributor conferences	• Fulfillment of contract obligations • Sustain long-term partnership with outstanding suppliers • Disclose corporate information on schedule • Disclose announcements and release periodic reports according to regulations • Create effective communication channels
Community and the public	• Social welfare • Environmental protection • Business ethics	• Community/public service activities • Suggestion/supervision emails and telephones	• Hold community service and academic exchange activities • Create communication channels for suggestion and supervision

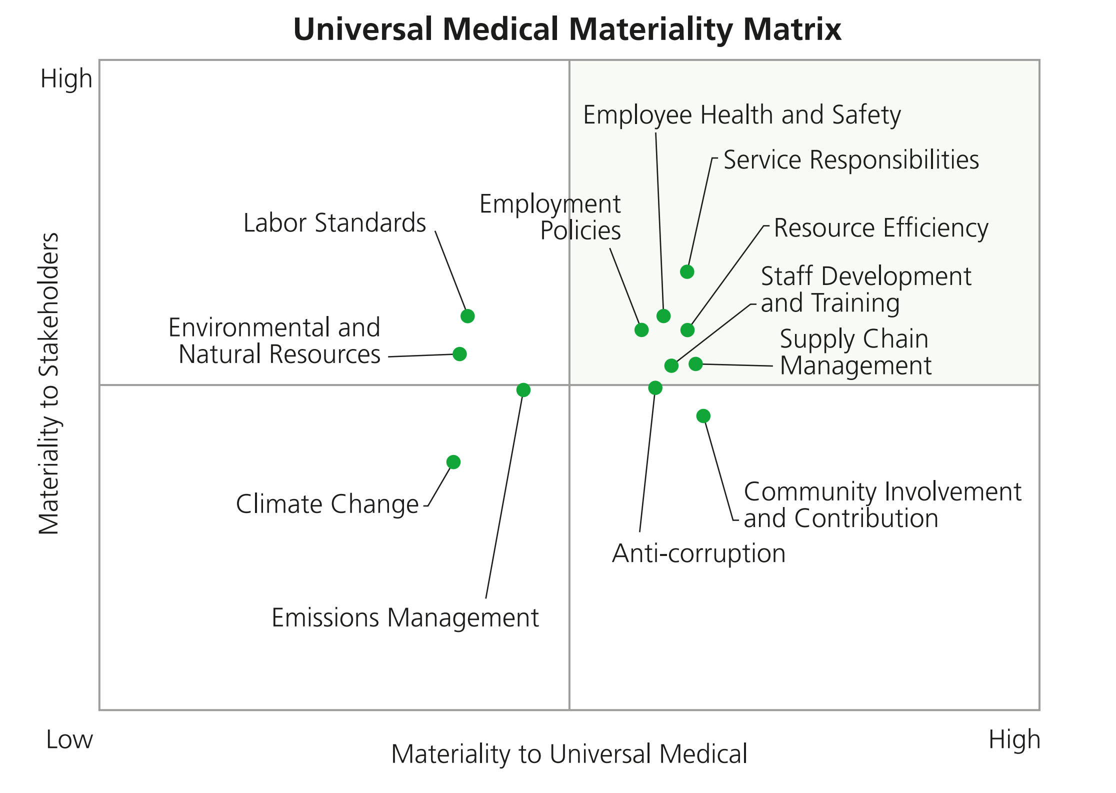
We have been thinking highly of the investor relations management. On the one hand, we clearly understand the needs of investors, grasp the market trends and hot topics and timely convey to the Group's management to give investors quick feedback; on the other hand, we also enhance the exposure and recognition of the Group in the capital market through frequent and effective communication.

During the Reporting Period, we held 2 general meetings of shareholders, 2 public results presentations and 14 online high-level special communication conference calls, together with other domestic and overseas simultaneous results roadshows, on-site research, management reception days, online interaction and participation in investment forums, and a variety of effective methods to focus on daily communication with investors and maintain a good communication relationship with investors.

3.5 Assessment of Material Issues

Materiality surveys are a powerful tool for assessing the importance of ESG issues. We identify major stakeholders and issues of concern through annual assessment, which will be used as important reference for continuous improvement of sustainable development management, so as to ensure further implementation and optimisation of our business layout for sustainable development.

The Group invited important stakeholders such as Directors, senior management, shareholders, investors, internal employees, customers and partners of the Company to engage in the issue surveys and share their perspectives on the ESG issues, and rated the materiality of the identified 12 ESG-related issues towards the stakeholders themselves and the business operation of the Group through online surveys. The results of materiality evaluation are illustrated in two dimensions, namely the "Materiality to Stakeholders" and "Materiality to Universal Medical", and the material issues and their priority will be determined after approval by the Board. After evaluation, we identified 6 material issues, and the Board finally reviewed and confirmed the results of materiality evaluation. The matrix below highlights the priority of different issues to demonstrate the materiality of each ESG issue:



Order of Materiality (Highest to lowest)	Material Issues
1	Service responsibilities
2	Resource efficiency
3	Employee health and safety
4	Supply chain management
5	Employment policies
6	Staff development and training

We use it as an important internal reference to continuously improve our sustainable development, management and performance, and effectively respond to the issues on sustainable development that all stakeholders focus on.

4. RESPONSIBLE OPERATION

The Group has been committed to enhancing our compliance construction, operating business under the premise of complying with laws and regulations, and continuously improving its corporate management system. We are committed to safeguarding the rights and interests of customers and improving customer satisfaction. Meanwhile, we continuously strengthen the management of environmental and social risks of the supply chain, and promote the construction of honest corporate culture, so as to comprehensively promote the sustainable development process of the Group.

4.1 Quality Guarantee

The Group firmly believes that the quality of products and services is the cornerstone of promoting the sustainable development of medical institutions, so we have been committed to providing customers with quality services. Our customer base mainly covers patients, hospitals, other medical institutions, educational and other public institutions, as well as medical equipment suppliers who act as our exclusive sales agents and provide us with equipment introduction services.

In order to standardize medical practice in hospitals and reduce medical risks, the Group has formulated relevant operating regulations and measures for different aspects of quality management to ensure the quality and safety of medical products and services. The Company strictly abides by the *Law of the People's Republic of China on Basic Healthcare and Health Promotion* (中華人民共和國基本醫療衛生與健康促進法), and in accordance with the basic requirements of China's 18 core medical systems, we have refined and formulated the *Amendment Principles Regarding 18 Regulations on the Core System for Medical Quality and Safety (Trial)* (《十八項醫療質量安全核心制度規範(試行)修改原則》) and supplemented rules to relevant systems so as to guide and facilitate hospitals to implement quality and safety related training. In addition, we formulated the *Medical Safety (Adverse) Event Handling Norms* (《醫療安全(不良)事件處置規範》) and the *Action Plan for Improving Medical Safety (Adverse) Event Handling* (《醫療安全(不良)事件處置提升行動方案》) to strictly regulate the handling process and methods of adverse events in hospitals with an aim to minimize the impact of such events.

In order to continuously improve quality management, we formulated the *Administrative Measures for Medical Devices Operation, Use Units and Medical Devices Qualification Review* (《醫療器械經營、使用單位及醫療器械資質審核管理辦法》) to standardize the internal management principles, processes and product recall procedures for the implementation of quality assurance. We also provided quality management staff with training on quality management tools to improve their ability in using such tools so that the quality management work in hospitals could be carried out more effectively. During the Reporting Period, the headquarters of the Group did not have any sold or shipped products that had to be recalled for safety and health concerns, and did not receive any products and service related complaint, nor occurred any medical accidents caused by the use of medical devices.

4.2 Compliance Operation

The Group adheres to compliance operations. During the Reporting Period, we have strictly complied with the *Trademark Law of the People's Republic of China, the Measures for the Administration of Medical Advertisements, the Regulations on the Implementation of the Trademark Law of the People's Republic of China* and other laws and regulations regarding marketing, to ensure that the use of advertising and labels of the Group would not mislead customers.

We complied with the *Law of the People's Republic of China on the Protection of Consumer Rights and Interests* and the *Several Provisions on Prohibiting Infringements upon Trade Secrets* and other relevant provisions to ensure the security and confidentiality of the Group's important information; the Group has complied with the *Cybersecurity Law of the People's Republic of China and the Basic Requirements for Network Security Graded Protection Regarding Information Security Technology* to protect key information systems, and has also formulated the *Measures for Central Computer Room, the Intranet Access Management Measures of Genertec Universal Medical Group Company Limited* (《通用環球醫療集團有限公司集團內部局域網內網準入管理辦法》), and the *Network Management Measures of Genertec Universal Medical Group Company Limited* (《通用環球醫療集團有限公司網絡管理辦法》) to regulate employees to strictly follow the measures to manage the daily operation and information security and confidentiality of the central computer room and protect the information security of the Group and its customers.

4.3 Intellectual Property Management

Regarding intellectual property management work, the Group had strictly complied the *Copyright Law of the People's Republic of China, the Patent Law of the People's Republic of China* and other laws and regulations and relevant implementing regulations. At the same time, we actively promoted the work related to software legalization. We formulated our own intellectual property protection measures in accordance with the above-mentioned laws and regulations with the contents covered improving the anti-risk capability of the enterprise, fostering a good corporate image, and preventing compliance and information security risks caused by using unauthorized software. In this respect, our main work includes: strengthening the guarantee of software legalization through centralized procurement, enhancing the daily management of software assets, establishing an electronic ledger of software assets, to realize the dynamic management of authorized software procurement, configuration, upgrade and use, etc.; creating a good atmosphere for promoting the legitimate software through publicity, continuously enhancing employees' awareness of using authorized software, making them use consciously legitimate software and reject unauthorized software, and improving the working standard of using authorized software.

4.4 Responsible Procurement

The Group is committed to implementing green procurement, building a responsible and high-quality supply chain, maintaining stable and sound strategic partnerships with suppliers, complementing its advantages, and promoting the common development of supply chain partners and the Group. The Group's suppliers are mainly suppliers that provide medicines, medical consumables and medical devices for the Group and financial institutions that provide loan and other forms of financing. We will choose, in accordance with local laws and regulations, qualified, legitimate, well-performing suppliers which are committed to fulfilling social and environmental responsibilities.

We have formulated the *Measures for Medicine Supply Chain Management (Trial)* (《醫藥供應鏈管理辦法(試行稿)》), *Measures for Medical Equipment Purchasing Management (Trial)* (《醫用設備採購管理辦法(試行)》), and the *Regulations and Implementation Rules for Medical Equipment Procurement* (《醫用設備採購規定及實施細則》) and other guidance documents in accordance with the *Law on the Administration of Pharmaceuticals of the People's Republic of China*, the *Implementation Provisions on the Administration of Pharmaceuticals of the People's Republic of China*, the *Administrative Provisions on Administration and Supervision of Medical Devices* and other regulations to regulate the internal purchasing management of drugs and medical equipment of our medical institutions.

In addition, we also formulated the *Measures for Centralized Purchasing Management* (《集中採購管理辦法》) *and the Measures for Centralized Purchasing Management of Construction Projects* (《建設工程集中採購管理辦法》) to further standardize procurement procedures. The *Measures for Centralized Purchasing Management* clarifies the centralized procurement principle of "transparency, fairness, justice, competition, and efficiency", and stipulates in detail the duties of relevant procurement management departments, the scope, methods and procedures of centralized procurement and supplier management. Regarding the procurement of medicine supply chain, we ensure that environmental and social risks and other factors are fully considered to guarantee the brand image, medical quality, medicine quality and normal diagnosis and treatment services of the Group's medical institutions.

We attached great importance to the management of environmental and social risks at all stages of the supply chain, thus select the best suppliers in environmental and social aspects as our partners. The Group's headquarters has set up a team for centralized procurement, which is composed of persons in charge of related departments such as office of general manager, financial management department. The centralized procurement team conducts comprehensive evaluation by scoring or voting based on the suppliers' business reputation, corresponding financial strength, professional skills and experience and capabilities, no record of major violations of social and environmental laws in the past three years, and whether to provide environmentally friendly products or not. In terms of environment, suppliers with a more complete environmental management system shall be given priority in the assessment. In terms of society, we have established supply chain assessment and evaluation systems, methods and evaluation indicators to evaluate suppliers' social performance. The evaluation indicators include the suppliers' corporate nature, scale, operation status, supply capacity, quality standards, after-sale service and other performance.

The Company evaluates suppliers annually, learns the specific contract performance of suppliers from the project implementation department, and issues score sheets to evaluate the quality of products or services provided by suppliers, delivery effectiveness, response speed, and after-sales service, technical support and other indicators, and finally, based on the evaluation results and actual needs, it is decided to continue to engage or fire the supplier. The above management practices are applicable to 309 suppliers which include suppliers that provide medicine, medical consumables and medical equipment for the hospitals, financial institutions and medical equipment suppliers that provide loan facilities and other form of financing for us, suppliers that provide legal, consulting and auditing services, and software and hardware suppliers that provide office supplies.

During the Reporting Period, the number of suppliers by the region where the headquarters is located is as follows:

Geographical Location	Number	Geographical Location	Number
Beijing	126	Chongqing	2
Shanghai	42	Jilin	2
Guangdong	33	Hunan	2
Jiangsu	16	Shanxi	1
Sichuan	14	Hebei	1
Shandong	13	Hainan	1
Shaanxi	11	Xinjiang Uygur Autonomous Region	1
Zhejiang	6	HKSAR	3
Tianjin	6	America	2
Liaoning	6	Germany	2
Fujian	5	United Kingdom	1
Henan	4	Italy	1
Anhui	4	Austria	1
Hubei	3		

4.5 Anti-corruption

During the Reporting Period, we have strictly complied with the *Criminal Law of the People's Republic of China*, the *Anti-Money Laundering Law of the People's Republic of China*, the *Supervision Law of the People's Republic of China*, the *Law on Administrative Discipline for Public Officials of the People's Republic of China* and other legal provisions on corruption, bribery, extortion, fraud and money laundering. There were no violations of the above relevant provisions in the Group during the year of 2022.

We formulated the *Coordination Working Mechanism on Improving Party Conduct, Building Clean Government and Combating Corruption, Measures for Integrity Risk Prevention, Proposed Measures for Discipline Inspection* (《紀律檢查建議工作辦法》) and *Measures for Issuing Clarification on False Allegation by the Discipline Inspection Committee* (《紀委關於做好失實控告澄清的工作辦法》), and revised the *Measures for Management of Official Vehicles of Genertec Universal* (《通用公務用車管理辦法》), *Rules of Conversation by Leadership Team* (《領導班子談話規則》) and *Inspection Process of Party Committee of Genertec Universal Medical Group Company Limited* (《通用環球醫療集團有限公司黨委巡察工作流程》). We have specified the implementation rules for the establishment of a sound and effective mechanism that ensures no one dares to corrupt, can be corrupted or thinks of committing corruption by the party committee of the group companies, so as to further strengthen the integrity of the Group and prevent fraud or bribery. We continued to improve the effectiveness of supervision and extensively collect clues to problems by means of on-site investigations, telephone interviews, and on-site inspections. In addition, the Group fully performed the responsibility for integrity building by signing the annual *Responsibility Letter of Party Building Target* (《黨建工作目標責任書》) and pushing forward the *Implementation Plan for Strengthening the Construction of Honest Corporate Culture of Universal Medical* (《關於加強環球醫療廉潔文化建設的實施方案》). Among them, the *Notice on Further Unblocked the Reporting Complaints Channel* (《關於進一步暢通舉報投訴渠道的通知》) issued by the Group clarified the scope and channel for reporting and complaints to encourage informers to make real-name reports through letters, telephone calls or emails to ensure the authenticity of the reported information and accuracy of evidences. We strictly kept confidential the information we received to protect the informers' right to report.

We stepped up education and publicity efforts, and the party committee formulated integrity activities in light of the actual situation of the Group and published them on the intranet of the Company, facilitating the implementation of cautionary education activities.

During the Reporting Period, the Group provided seven sections of anti-corruption training course for our Executive Directors. Focusing on the coordination work for improving party conduct, constructing an honest and clean administration and combating corruption, the Directors have read the national guidance on anti-corruption work published by the government such as the *Notice on Printing and Issuing the Action Plan on Integrity Code of Medical Institutions and its Staff in China (2021-2024)* (《關於印發全國醫療機構及其工作人員廉潔從業行動計劃(2021-2024年)的通知》), *Notice on Printing and Issuing the Priorities in Combating Corruption Practice in Sale and Purchase of Pharmaceutical Products and Medical Services in 2022* (《關於印發2022年糾正醫藥購銷領域和醫療服務中不正之風工作要點的通知》) and *Brochure of President Xi Jinping's Important Statements on the Development of the PRC Economy* (《習近平總書記關於發展國有經濟重要論述學習讀本》).

On the group level, we carried out publicity and education trainings on all-out enforcement of strict party discipline, and provided integrity culture trainings for employees by organising a wide variety of activities such as party conduct and anti-corruption study, lectures delivered by the secretary of the discipline inspection committee at the party committee training camps, relevant work report given by the secretary of the discipline inspection committee at the third regular meeting of party building held by the party committee of the Company, cautionary education meetings of the Group and education meetings on financing integrity risks.

We offered tailor-made guidance for various positions, including four integrity trainings for new employees, five trainings on inspection work, three training camps for discipline inspection cadres, four lectures for training camp of discipline inspection cadres, one lecture for inspection work training and other training activities, which facilitated the overall construction of integrity culture of the Group.

The Group held "Monthly Integrity" activities. We invited internal employees to participate in anti-corruption training according to different themes every month, and let employees learn lessons in the form of cautionary cases and management presentations so as to keep alarmed, hold on the bottom line, build a strong defense line, and practice the corporate mission of "protecting life and health with quality medical care" with practical actions. In addition, we also launched the video collection named "Fancy Integrity" to disseminate information on integrity and anti-corruption to our employees.

5. ENVIRONMENTAL BENEFITS

While promoting its business development, the Group has not forgotten to actively fulfil its social responsibility of protecting the environment. Through continuously improving its environmental management system and implementing various energy-saving and environmental protection measures at the Group level, we strive to achieve a harmonious integration between the enterprise and the environment.

5.1 Environmental Protection Management

We have always adhered to green operations, committed to reducing the negative impact on the natural environment and the resources consumption, and prepared for response work in the context of global climate change. During the Reporting Period, the Group strictly complied with the *Environmental Protection Law of the People's Republic of China*, the *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution*, the *Law of the People's Republic of China on the Prevention and Control of Water Pollution*, the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste*, the *Energy Conservation Law of the People's Republic of China* (《中華人民共和國節約能源法》), the Control Regulations on Medical Waste and other laws and regulations as well as other regional environmental requirements.

In order to strengthen the Group's environmental protection management, we have formulated and revised the *Measures for Supervision and Management of Environmental Protection of Genertec Universal Medical Group Company Limited* (《通用環球醫療集團有限公司環境保護監督管理辦法》), *Hazardous Waste Management Plan, Annual Target Responsibility Letter of Safety and Environmental Protection* (《年度安全環保目標責任書》) during the Reporting Period in strict accordance with the relevant national laws and regulations on environmental protection to regulate exhaust emissions, greenhouse gas emissions, resources usage, potential risk identification and rectification, expenses invested in environmental protection and environmental protection inspections.

5.2 Response to Climate Change

The Group fully recognizes various risks and opportunities brought about by climate change on our business and the society as a whole. To cope with barriers posed by climate change actively, the Group will regularly review and evaluate major climate change-related matters, and gradually integrate climate risk into the Group's internal risk management mechanism in light of changes in the external environment.

The main business of the Group is hospital operation. Although the potential impact of climate change on the Group is slight, the extreme weather brought about by climate change will still cause various natural disasters and emergencies and bring instability to the hospital's logistics and personnel transportation. To eliminate or minimize the adverse effects of extreme weather, the Group formulated the *Emergency Management Measures of Genertec Universal Medical Group Company Limited* (《通用環球醫療集團有限公司突發事件應急管理辦法》) and the *EHS Overall Emergency Plan of Genertec Universal Medical Group Company Limited* (《通用環球醫療集團有限公司EHS事故總體應急預案》). The formulation and implementation of the response to climate change strategy, regulatory requirements, regulatory policies and industry standards by the state would pose transition risks to the Group in the long run. The Group will continue to monitor the potential impact of these risks on us and make preparations in time to deal with the risks. Meanwhile, the Group will continue to make proactive responds and spare no effort to support the national plan on climate change-related matters.

5.3 Use of Resources

5.3.1 Energy conservation and emission reduction

The main resources used by the Group during daily operations are electricity consumption in office spaces and hospitals, domestic water use and distribution and vehicle fuel consumption. The Group signed the EHS work target responsibility letter with departments of the headquarters and its subordinate units to effectively supervise each unit to fulfill its main responsibility for environmental protection. At the same time, it has also adopted a series of energy-saving and emission-reduction measures in the office and its hospitals, including:

- Preferential purchase of energy-efficient electrical appliances, phasing out high energy-consumption lamps and replacing them with energy-saving lamps;

- For the lighting of public places such as stairs, corridors, toilets, etc., automatic control devices such as time delay switches or induction switches with mature energy-saving technology should be installed as appropriate to prevent turning on the lights all the time;

- For office equipment such as computers, copiers and fax machines, cut off the power in time when not in use to reduce standby consumption;

- Strictly implement air-conditioning operation regulations, do not open doors and windows when the air-conditioning is turned on;

- Strictly implement the *Measures on Driver and Vehicle Management*, promote sharing of official vehicles, and reduce separate dispatch of vehicles;

- Adhere to standard driving, maintain on time, reduce abnormal loss of vehicle components, and strive to reduce fuel consumption and maintenance costs of vehicles;

- Encourage short-distance commuting, walking, cycling or using public transportation such as subways and buses as much as possible.

5.3.2 Water conservation

The Group's daily water mainly comes from the municipal water supply network, so there is no difficulty in obtaining water. We advocate and encourage employees to save water during daily work. Some of the main water-saving measures are as follows:

- Gradually replace faucets and sanitary ware in the office area with water-saving appliances to prevent water evaporating, emitting, dripping, leaking and flowing for a long time;

- Regularly check whether exist water evaporating, emitting, dripping, leaking and flowing for a long time of water equipment, and the employees shall contact in time the relevant personnel for repair;

- Check water usage during daily washing, not washing vehicles with high-pressure clean water.

5.3.3 Waste and wastewater management

The Group has continued to implement, promote and optimise energy conservation and emission reduction. During the Reporting Period, the Group did not have any violations in respect of emission throughout the year. As for the hazardous and nonhazardous waste generated in the headquarters office of the Group, we implement waste sorting and recycling to ensure that the waste is properly handled.

During the operation of the Group's hospital business, especially the waste and waste water generated by the hospital, if not handled properly, it may cause damage or pollution to the environment and natural resources. Therefore, the Group formulated relevant internal regulations to regulate the emission and disposal of hazardous waste and wastewater, so as to prevent from having an impact on water bodies, air and soil. Handlers shall explain the types, generation, reduction plans and measures, transfer and management of hazardous waste according to the *Hazardous Waste Management Plan*, and shall comply with the provisions of the *Measures for Supervision and Management of Environmental Protection* when handing over to a third party for disposal of medical waste and wastewater.

In order to improve the treatment methods for medical waste and wastewater, the Group formulated the *Measures for Supervision and Management of Environmental Protection* and implemented a series of normative measures to manage the Group's waste and wastewater discharge in a more refined manner. Some of measures that have been implemented are as follows:

- We should deal with the hazardous wastes (including medical waste) stipulated in Directory of National Hazardous Wastes, strictly according to Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes, and we shall not dispose the wastes randomly;

- It is forbidden to dump or stack medical wastes or mix medical wastes with other wastes and domestic garbage in non-storage locations;

- According to the category of medical waste, it is placed in special packaging or closed containers that prevent leakage and sharp penetration;

- Special packaging and containers for medical waste should have obvious warning signs and instructions;

- Wastewater, waste residues, waste oil, waste acid, alkali waste or toxic liquid are prohibited to enter into the drainage systems;

- Industrial waste residues, rubbish and other solid waste are strictly prohibited to enter into the drainage systems;

- The environmental protection management personnel of each medical institution shall count and record the types, quantities, and concentrations of pollutants discharged by the wastewater discharge facilities, treatment facilities and in normal operating conditions to ensure that the sewage discharge limit meets the relevant requirements of the *Comprehensive Wastewater Discharge Standard*.

During the Reporting Period, the Group did not have any pollution or leakage accident of waste and wastewater.

5.4 Green Finance

Green finance is one of the important approaches in achieving the national targets of "Carbon emission reduction" and "Carbon neutrality". The government is prepared to providing financial support to the traditional or emerging strategic industries by means of granting special credit facilities and creating special investment and financing projects, empowering the society to achieve the goal of "Emission Peak and Carbon Neutrality". During the Reporting Period, we successfully obtained the green loans through cooperation with Standard Chartered Bank, securing green finance and label loans for Universal Medical for the first time. Through such cooperation, we were granted green loans in the amount of RMB45 million which was invested in our green photovoltaic projects, so as to practice our concept of green development.

5.5 Promotion of Environmental Protection

In order to actively respond to the national call, we continued to implement the Group's mission of energy conservation and emission reduction. During the Reporting Period, the Group formulated and organised various promotion campaigns with the theme of energy conservation and environmental protection, such as the International Low-carbon Day. We carried out the Annual Energy Efficiency Promotion Week with the theme of climate change and energy conservation culture, with the aim to enhance the employees' awareness and sense of participation in environmental protection. The subsidiaries of the Group organised various activities based on their business characteristics to popularize the concept of ecological civilization, green development and related knowledge as well as to promote the energy conservation culture within the Group, so as to establish green production and life and practice the concept of energy conservation and low carbon in our production and life.

Case: Energy efficiency promotion week

In order to practice the concept of energy conservation and low carbon in our work and life and form a stronger corporate culture of energy conservation and environmental protection, the Company wrote and published on our WeChat public account an article regarding the 2022 Energy Efficiency Promotion Week, which summarises the theme of environmental protection and related knowledge such as how to achieve the goal of carbon emission peak and carbon neutrality and promote carbon neutrality and what can be done for the time being, with an aim to promote the awareness of environmental protection among all our employees.

During the Energy Efficiency Promotion Week, we repeatedly played the *2022 Energy Efficiency Promotion Week Video* (《2022年節能宣傳周視頻》) in the prominent places in the office premises, and organised the employees of the Company to further study President Xi Jinping's ideology on ecological civilisation, integrating environmental protection with the development of the Company from the perspective of sustainable development and implementing the concept of green development. Meanwhile, we have posted new signs advocating energy conservation and environmental protection practice in the office areas and canteens, with an aim to enhance the employees' awareness of energy conservation and environmental protection and lay a solid foundation for the energy conservation and environmental protection management of the Company.

5.6 Environmental Performance

Statistics on relevant emissions and use of resources from operation of hospital group business during the Reporting Period are as follow:

Emissions generated	The amount generated	Unit
Air pollutants[1]		
Nitrogen oxide (NOx)	1,020.42	kilograms
Sulfur oxide (SOx)	1.77	kilograms
Particulates ($PM_{2.5}$)	37.94	kilograms
Particulates (PM_{10})	41.17	kilograms
Carbon monoxide (CO)	934.43	kilograms

1 The air pollutants emissions come from the exhaust emissions and machinery emissions of the vehicles owned and controlled by the Group within the scope of the Report. The specific emission data is calculated with reference to the *Technical Guide for the Preparation of Air Pollutant Emission Inventory for Road Vehicles (Trial)* (《道路機動車大氣污染物排放清單編製技術指南(試行)》) *and Handbook of Accounting Methods and Coefficients for Statistical Survey of Pollutant Production and Emissions* (《排放源統計調查產排污核算方法和系數手冊》) issued by the Ministry of Ecology and Environment of the People's Republic of China.

Emissions generated	The amount generated	Unit
Greenhouse gas[2]		
Carbon dioxide (CO_2) emission equivalent (Scope 1)	3,923.03	tons CO_2
Carbon dioxide (CO_2) emission (Scope 2)	18,896.37	tons CO_2
Total carbon dioxide (CO_2) emission equivalent	22,419.40	tons CO_2
Total carbon dioxide (CO_2) emission density	0.08	tons/m^2[3]
Hazardous waste		
Medical waste	1,147.29	tons
Density of hazardous waste	0.0038	tons/m^2
Non-hazardous waste		
Waste paper	68.11	tons
Glass	14.11	tons
Plastic	20.60	tons
Domestic garbage	4,371.37	tons
Total non-hazardous waste	4,474.19	tons
Density of non-hazardous waste	0.02	tons/m^2
Wastewater		
Medical wastewater	956,630.80	tons
Density of medical wastewater	3.21	tons/m^2

2 The calculation method of vehicle emissions in greenhouse gas emissions (Scope 1) is referring to the *Calculation Method and Reporting Guidance on Greenhouse Gas Emission by Overland Transportation Enterprises (Trial)* issued by Ministry of Environmental Protection of the People's Republic of China; the calculation method of machinery emissions is referring to the *Guidelines for Calculation Methods and Reporting of Greenhouse Gas Emissions from Public Buildings in Operation (Trial)* (《公共建築運營企業溫室氣體排放核算方法和報告指南(試行)》) issued by the National Development and Reform Commission of the People's Republic of China and *Greenhouse Gas Inventory Guidance – Direct Emissions from Mobile Combustion Sources* issued by USEPA; the calculation method of natural gas emissions is referring to the *Guidelines for Calculation Methods and Reporting of Greenhouse Gas Emissions from Industrial and other Industries Enterprises (Trial)* issued by the National Development and Reform Commission of the People's Republic of China. The calculation method of greenhouse gas emissions (Scope 2) is referring to national grid average emission factor in the *Notice on Work Related to The Reporting & Management of Enterprise Greenhouse Gas Emissions from Power Generation Enterprises In 2023 to 2025* issued by the Ministry of Ecology and Environment of the People's Republic of China.

3 The area includes Xi'an XD Group Hospital, Genertec Universal CREC Hospital Group, Yantai Port Hospital, Xianyang Caihong Hospital, Ansteel Group General Hospital, Yangquan Coal Industry (Group) General Hospital and Genertec Universal Xi'an Aero-Engine Hospital(通用環球西安西航醫院), amounting to 298,213 m^2 in total.

During the Reporting Period, resources usage within hospital group business scopes of the Group mainly included gasoline and diesel used for office vehicles, natural gas for canteens, electricity, water and office paper. During the Reporting Period, we recorded an increase in the consumption of water, electricity, natural gas, paper and other resources due to the development of the hospital business which involved new projects, renovation projects and expansion projects as well as the increase in the number of patients as a result of the repeated occurrence of the pandemic during the Reporting Period.

Resources consumption	Consumption	Unit
Use of Resources		
Energy[4]		
Direct energy		
Total gasoline consumption (vehicle)	63,711.67	Litre
	592.66	MWh
Density of gasoline consumption (vehicle)	1,930.66	Litre per vehicle
Total diesel consumption (vehicle and machinery)	49,912.66	Litre
	492.62	MWh
Density of diesel consumption (vehicle and machinery)	3,327.51	Litre per vehicle and machinery
Total natural gas consumption	1,685,500.00	m^3
	18,226.82	MWh
Density of natural gas consumption	5.65	m^3/m^2
Total direct energy consumption	19,312.10	MWh
Density of total direct energy consumption	0.06	MWh/m^2

4 Total energy consumption is calculated with reference to the *Technical Guide of the Greenhouse Gas Emissions Verification for Power Generation Facilities* (《企業溫室氣體排放核查技術指南發電設施》) and *Notice on Work Related to The Reporting & Management of Enterprise Greenhouse Gas Emissions from Power Generation Enterprises In 2023 to 2025* issued by the General Office of the Ministry of Ecology and Environment of the People's Republic of China.

Resources consumption	Consumption	Unit
Indirect energy		
Total electricity consumption	32,432.69	MWh
Density of total electricity consumption	0.11	MWh/m^2
Water		
Total water consumption	1,250,500.00	tons
Density of total water consumption	4.19	$tons/m^2$
Other resources		
Total paper consumption	100,958.69	kilograms
Density of paper consumption	0.34	$kilograms/m^2$

Statistics on relevant emissions and use of resources from operation of the Beijing headquarters of the Group (including finance and advisory business) during the Reporting Period are as follow:

Emissions generated	The amount generated	Unit
Air pollutants[5]		
Nitrogen oxide (NOx)	1.03	kilograms
Sulfur oxide (SOx)	0.06	kilograms
Particulates ($PM_{2.5}$)	0.10	kilograms
Particulates (PM_{10})	0.11	kilograms
Carbon monoxide (CO)	19.18	kilograms

5 The air pollutants emissions come from the exhaust emissions of the vehicles owned and controlled by the Group within the scope of the Report. The specific emission data is calculated with reference to the *Technical Guide for the Preparation of Air Pollutant Emission Inventory for Road Vehicles (Trial)* issued by the Ministry of Ecology and Environment of the People's Republic of China.

Emissions generated	The amount generated	Unit
Greenhouse gas[6]		
Carbon dioxide (CO_2) emission equivalent (Scope 1)	11.24	tons CO_2
Carbon dioxide (CO_2) emission equivalent (Scope 2)	349.28	tons CO_2
Total carbon dioxide (CO_2) emission equivalent	360.52	tons CO_2
Total carbon dioxide (CO_2) emission density	2.37	tons per person
Hazardous waste		
Waste lamp	0	pieces
Density of waste lamp	0	pieces/person
Waste ink cartridges	54	pieces
	0.03	tons
Density of waste ink cartridge	0.03	pieces/person
Waste batteries	1,703	pieces
	0.04	tons
Density of waste batteries	11.20	pieces/person
Non-hazardous waste		
Waste paper	4.44	tons
Density of waste paper	0.03	tons per person

6 The calculation method of vehicle emissions in greenhouse gas emissions (Scope 1) is referring to the *Calculation Method and Reporting Guidance on Greenhouse Gas Emission by Overland Transportation Enterprises (Trial)* issued by Ministry of Environmental Protection of the People's Republic of China; The calculation method of greenhouse gas emissions (Scope 2) is referring to national grid average emission factor in the *Notice on Work Related to The Reporting & Management of Enterprise Greenhouse Gas Emissions from Power Generation Enterprises In 2023 to 2025* issued by the Ministry of Ecology and Environment of the People's Republic of China.

During the Reporting Period, our resources usage in the Beijing headquarters of the Group (including finance and advisory business) mainly included gasoline for office vehicles, natural gas and water, electricity and office paper.

Resources consumption	Consumption	Unit
Use of Resources		
Energy[7]		
Direct energy		
Total gasoline consumption (vehicle)	3,750.69	Litre
	34.89	MWh
Density of gasoline consumption (vehicle)	24.68	Litre per person
Total natural gas consumption	12,600.00	m^3
	136.26	MWh
Density of natural gas consumption	82.89	m^3 per person
Total direct energy consumption	171.15	MWh
Density of direct energy consumption	1.13	MWh per person
Indirect energy		
Total electricity consumption	564.68	MWh
Density of total electricity consumption	3.72	MWh per person
Water		
Total water consumption	1,200	tons
Density of total water consumption	7.89	tons per person
Other resources		
Total paper consumption	4,444	kilograms
Density of paper consumption	29.24	kilograms per person

7 Total energy consumption is calculated with reference to the *Technical Guide of the Greenhouse Gas Emissions Verification for Power Generation Facilities* (《企業溫室氣體排放核查技術指南發電設施》) and *Notice on Work Related to The Reporting & Management of Enterprise Greenhouse Gas Emissions from Power Generation Enterprises In 2023 to 2025* issued by the General Office of the Ministry of Ecology and Environment of the People's Republic of China in 2022.

6. PEOPLE-ORIENTED

We view our employees as our valuable assets and an important cornerstone of our sustainable development. By formulating and implementing a series of employment policies and systems pursuant to laws and regulations, the Group effectively regulates corporate employment management and provides employees with an equal and diverse development platform.

6.1 Human Resources Management

6.1.1 Recruitment and dismissal

The Group strictly complies with the *Labor Law of the People's Republic of China* (hereinafter referred to as the "Labor Law"), the *Labor Contract Law of the People's Republic of China* (hereinafter referred to as the "Labor Contract Law"), the *Implementation Regulations of the Labor Contract Law of the People's Republic of China, the Criminal Law of the People's Republic of China, the Law on the Protection of Minors of the People's Republic of China, the Provisions on the Prohibition of Child Labor* and other employment-related laws and regulations to regulate employment as a way to protect the legitimate rights and interests of employees. During the Reporting Period, no violation of relevant national laws and regulations was reported.

We have formulated internal regulations such as the Administrative Measures for Employee Recruitment, the Administrative Measures for the Introduction of *Senior and Mid-level Talents* (《中高級人才引進管理辦法》) and the Administrative Measures for Labor Contract in accordance with the above employment-related laws and regulations, and revised and optimised the *Measures for Management of Benefits of Genertec Universal Medical Group Company Limited* (《通用環球醫療集團有限公司福利管理辦法》) during the Reporting Period, with an aim to effectively manage employee recruitment and dismissal, compensation and promotion, working hours, holidays, equal opportunities, diversity, anti-discrimination and benefits. Among them, the Administrative Measures for Labor Contracts stipulates that the entering into of labor contracts should follow the principles of equality, voluntariness, and consensus through consultation as a way to eliminate relevant forced labor.

In addition, we strictly control the recruitment plan, recruitment standards, selection of interview and written test, recruitment, probation period and employee assessment to ensure fair and rigorous recruitment. New employees are required to provide actual and valid identity documents and proof of household registration insurance for inspection to prevent the recruitment of child labor. Once the use of child labor and forced labor is found, we will immediately stop the relevant illegal activities and deal with the involved persons in accordance with the relevant systems of the Group. During the *Reporting Period, we issued the Administrative Measures for Background Investigation (Revised in 2022)* (《關於〈背景調查管理辦法(2022年修訂)〉》), which expressly stipulates the human resources policies and recruitment processes mentioned above.

6.1.2 Remuneration and promotion

The Group strictly complied with Labor Contract Law and relevant local laws and regulations in determining wages of employees, and formulated the *Measures for Remuneration and Performance Management* (《薪酬績效管理辦法》) and the *Leaders Management Measures* (《幹部管理辦法》), which clarified the principles of remuneration and performance management, and conditions and procedures for selection and assessment of middle-level leaders. The Group is committed to ensuring that all operations such as employee compensation and promotion meet the requirements of the system and procedures, and play the role of guiding and motivating employees to promote the quality development of the Group.

6.1.3 Working hours and leave

The Group has formulated the Administrative Measures for Employees Attendance and the Administrative Measures for Paid Annual Leave of Employees. The measures clarify the working hours and various types of vacations they can enjoy, as well as the application procedures. In addition to statutory holidays and public holidays, we ensure that employees can enjoy sick leave, marriage leave, maternity leave, work injury leave and other holidays. We require subsidiaries to formulate their own management policies with reference to these measures, so as to ensure all employees' right to adequate vacations.

6.1.4 Equal opportunity, diversity and anti-discrimination

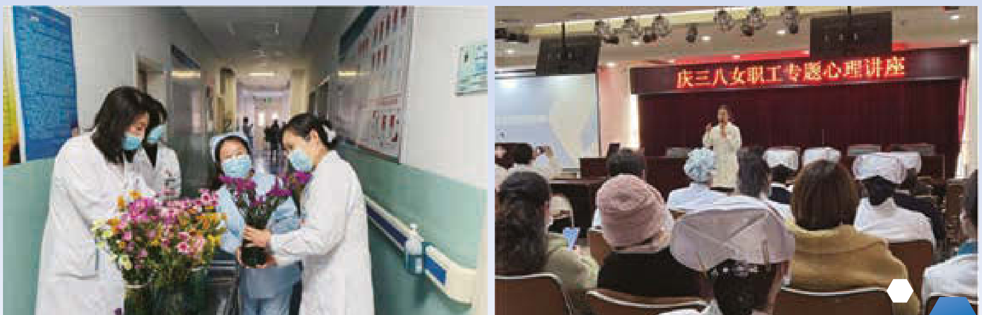
We pursue an equal and diverse employee management policies, and all employees should be treated with respect and should not be discriminated against in recruitment, compensation and promotion based on gender, age, religion, race, disability, illness, marital status or pregnancy. We adhere to the principle of openness and equality when recruiting, and make selections based on professional knowledge, comprehensive quality, professional ability and their matching degree with the value system of the Group to widely attract employees from all provinces, cities and ethnic groups to form a diverse talent team, and encourage employees to communicate and share with each other to promote cultural integration.

6.1.5 Employee benefits and treatment

We strictly abide by the *Social Insurance Law of the People's Republic of China* (《中華人民共和國社會保險法》), the *Labor Contract Law* (《勞動合同法》), *the Payment of Wages Tentative Provisions* (《工資支付暫行規定》), *Regulations on the Administration of Housing Provident Fund* (《住房公積金管理條例》) and other relevant regulations to safeguard the legitimate rights and interests of employees to enjoy social insurance benefits. In addition, on the basis of statutory welfare benefits, we provide enterprise annuities, supplementary medical insurance, personal accident insurance for qualified employees as a way to guarantee their life and enhance their sense of belonging to the Group.

As a responsible employer who cares for our employees, we have always been committed to providing good benefits to our employees. During the Reporting Period, we actively organised rich and diverse employee care activities to relieve the physical and mental stress of employees, enhance team emotional communication, and improve their life quality.

Case: Celebration of the "International Women's Day"



With the approaching of spring, we have witnessed another year of remarkable contributions by our female employees who have performed their duties conscientiously and arduously, showcasing their strong commitment and outstanding competence. Upon the coming of the "International Women's Day" of 2022, the labour union at the headquarters launched the second "Beautiful Month" series of activities with the constant theme of "beauty" and "health", and delivered tailor-made sweet gifts, bouquets and holiday cards to every female employees, as well as an opportunity to experience massage therapy at the TCM therapy room. At the same time, the Group cared for the mental wellbeing of its female employees, and organised female employee-exclusive psychological seminars, to equip them with knowledge to cope with their psychological pressure in relation to work, life, family and child education, etc.

Case: Organise various team-building activities

The labour union at the headquarters and the affiliated institutions of the Group organised various team-building activities under different themes, such as manual production of soft ceramics products, floral arrangement activities, fruit platter competition, Do-it-yourself (DIY) micro-landschaft bonsai competition and fun team sports, offering an opportunity for the employees to have a wonderful time together and strengthen their sense of teamwork while playing games.

Case: Winter gatherings for charity

A unique charity event was held at the headquarters in the warm winter season, offering an opportunity for the employees to relieve physical and mental pressures and at the same time delivering our love and warmth to those in need. We organised our employees to hold various activities such as fun bazaar, winter flash mob and charity blind box, with an aim to raise fund for the "Xinyan Charity Fund" project of Universal Medical by way of "green barter". During those activities, we meticulously decorated our own stalls and collected idle items for auction. Even the leaders of the Company took active part in these activities, showcasing their special talents. Through this charity event, we extended warmth to people in need with love and care, aiming to help them to create a brighter future with the financial support from the Xinyan Charity Fund.

Case: Celebration of the Nurses Day


On 12 May 2022, i.e. the International Nurses Day, the Group held a wide variety of activities to pay our tributes to the "Angels in White". We delivered loving gifts to the nursing staff in recognition of their hard work and offered them incentives, in the hope of mobilising them to provide better nursing services and extend their warmth and strength to more people in need.

During the Reporting Period, the number of employees at the headquarters of the Group by gender, age group, employee type, employee category and work area is as follows:

Types		Number of employees	Turnover rate [8](percentage)
Gender	Male	433	13.9%
	Female	332	17%
Age group	Age < 30	178	14.6%
	Age 30-50	570	11.8%
	Age > 50	17	5.9%
Employment type	Full-time	761	12.4%
	Part-time	4	0%
Employee category	Senior	9	0%
	Middle	53	1.9%
	Junior	703	13.2%
Work area	Beijing	684	11.7%
	Others	81	17.3%

8 The employee turnover rate is calculated by dividing the number of employees belonging to a certain category during the Reporting Period by the total number of employees in the category at the end of the Reporting Period.

6.2 Employee Safety

The utmost priority of the national initiative to build a modern socialist China is to promote high quality development, and employees are valuable assets in achieving breakthroughs in the creativity and competitiveness of the enterprise. The Group always upholds the management philosophy of safe production, continuously standardizes and refines the safety management systems, and monitors the operation of the safety management systems, making it first priority to ensure production safety at all times. Adhering to the principle of "putting safety first and focusing on prevention", we formulated a package of measures in terms of occupational health, safety management and rectification, etc., so as to guarantee a healthy and safe working environment for our employees. Meanwhile, in order to enhance the employees' safety awareness and related skills, the Group proactively carried out safety trainings for different production processes, with an aim to mitigate the safety risks of work-related injuries and occupational hazards.

In the Reporting Period, the Group strictly complied with the *Law on Production Safety of the People's Republic of China, the Fire Protection Law of the People's Republic of China, the Law on Prevention and Control of Occupational Disease of the People's Republic of China*, the *Regulations on Worker's Compensation Insurance* and the *Regulations on Public Health Emergencies*, the *Regulations on the Safety and Management of Hazardous Chemicals* and other various national laws and regulations. At the same time, we have formulated internal management guidelines such as the *Management Measures for Work Safety in Construction Projects* (《建設工程安全生產管理辦法》) and *Management Measures for Infrastructure Equipment (Inspection) (Trial)* (《基礎設施設備(巡檢)管理辦法(試行)》) to standardize the supervision and management of the Company's safe production. In the past three reporting years (including the Reporting period), under well-established safe production supervision, no accident in relation to safe production that resulted in any safe production personnel's severe injury or death occurred in or incurred by the Group. The Group did not lose any work days due to work-related injuries to our employees, nor any work-related death.

6.2.1 Discharging the responsibility for safety production

In accordance with the above laws and regulations related to occupational health and safety, the Group has formulated and implemented policy documents such as the *Guidelines for Standardization of Safety Production* (《安全生產標準化指引》), the *Measures for the Supervision and Administration of Safety Production* (《安全生產監督管理辦法》), and the *Overall Emergency Response Plan for EHS Accidents* (《EHS事故總體應急預案》), to standardize the Group's management of occupational disease hazards, safety production principles, main responsibilities of operating units, and hidden danger investigation and management. The Group has established a Safety, Environmental Protection and Quality Management Committee, which is responsible for decision-making and deployment of the Company's safety production. Meanwhile, the Group and each unit need to comprehensively revise and sign the *Responsibility Letter for Safety, Environmental Protection and Quality Targets* (《安全環保品質工作目標責任書》) every year according to the actual situation, and make a summary report on safety production at the end of the year. Moreover, the headquarters of the Group will issue the key work arrangements for safety production in the next year to each unit to ensure that each operating unit clearly understands its position in the Group's safety production system and its safety production responsibilities.

Key achievements in safety production of the Company are as follows:

6.2.2 Occupational health and safety activities

In addition to actively advancing the management of safety production, we also held a series of activities on our own initiative to promote the protection of employees' occupational health and safety, including the promotional week of the *Law on Prevention and Control of Occupational Disease*, safety production month, fire safety training, with an aim to further enhance employees' awareness of occupational disease prevention and safety production.

Case: Promotional week of the Law on Prevention and Control of Occupational Disease

During the 20th national promotional week of the *Law on Prevention and Control of Occupational Disease*, in order to popularise knowledge on the prevention and control of occupational diseases, and enhance the employees' awareness of occupational hazards, we organised a series of promotional activities under the theme of "all for the health of workers". The Group took concrete actions to push forward its work on occupational health, including displaying and broadcasting promotional videos, banners, posters and slogans under relevant themes on multi-media platforms, handing out occupational health-related books and brochures on related science to our employees, conducting trainings and appraisals on relevant themes and other various means, in an effort to protect its employees' rights to and interests of occupational health.

Case: Promote the prevention and control of occupational diseases at different units

During the promotion week, all affiliated institutions of the Company carried out promotional activities on the *Law on Prevention and Control of Occupational Disease* at medical public areas by displaying promotional videos on relevant themes and organising staff to watch and learn from those videos. Meanwhile, efforts have been made to popularise the knowledge on prevention and control of occupational disease in both written and oral forms, including setting up bulletin boards for the popularisation of the knowledge on prevention and control of occupational disease, and handing out related brochures with respect to the knowledge on prevention and control of occupational disease, occupational health rights and interests of workers, diagnosis and appraisal of occupational diseases, medical insurance and living aids, etc..

In addition to promotion activities within the Group, the affiliated institutions of the Company also actively approached various enterprises to set up visiting spots for promotion. Apart from providing consultation on occupational diseases, the on-site physicians focused on the prevention and control of dusts, noise and other occupational hazards that may be involved in work and emphasized the main responsibilities of employers in terms of occupational health and the rights and interests as well as obligations of the workers in relation to occupational health.

Case: Online trainings on occupational health management

Moreover, the Group also organised online trainings on occupational health management, and strengthened promotional education to staff that may be exposed to occupational hazards by encouraging them to make good use of morning assemblies and leisure time between work to study the training materials in relation to the *Law on Prevention and Control of Occupational Disease* and the *Law on the Promotion of Basic Medical Care* and other materials. At the same time, in order to enhance their understanding of the knowledge learned, examinations on theoretical knowledge will be arranged after the completion of such trainings, further improving the employees' awareness of occupational health.

Case: Quarterly safety training held by EHS Committee

In September, the EHS Committee of Universal Medical Shaanxi Hospital Management Alliance conducted the third-quarter safety training at XD Group Hospital, participated by person-in-charge of the safety and environmental protection work and management personnel from a total of 9 member units. Lectures on security of medical institutions, fire safety management, hospital occupational safety and other aspects were delivered at the meeting, with an aim of further improving the safety management capability of all units of the alliance and promoting the stable and favourable development of safety production.

Case: Organise seminar on "Safety Production Month"

June 2022 marked the 21st national "Safety Production Month". Focusing on the theme of "comply with the safety production law and being the first responsible person", Universal Medical organised a wide variety of activities under the theme of "Safety Production Month". During this period, we preached the laws and regulations on safety production to employees at all levels through various ways such as the "large lectures", "talking with everyone", "open classes", "micro classes" and other publicity session on safety production. In particular, we organised a total of 20 knowledge contests, 24 seminars and 133 safety production sessions such as "open classes", "talking with everyone" and "class meetings". Meanwhile, we organised 48 video broadcasts on accident warning for our employees, hoping that our employees may learn safety production knowledge, improve safety production skills and enhance safety production awareness.

Case: Organise "Safety Promotion and Consultation Day" activity

On 16 June 2022, i.e. the national "Safety Promotion and Consultation Day", we organised a total of 17 safety promotion and consultation sessions and 11 safety promotion activities. We proactively promoted the policies, laws and regulations on safety production, emergency hedge and self-help and rescue methods, and organised a wide variety of safety awareness promotion activities such as on-site consultation, bullet board presentation, distribution of promotion materials, department-based study, open safety experience and emergency rescue drills. Our employees proactively participated in the online knowledge contest themed "New Safety Law Q&A" organised by the promotion and education center under the emergency management department. We offered our employees an opportunity to learn new knowledge while enjoying a good time, in the hope of further enhancing the safety production awareness of our employees.

Case: Identification and rectification of hidden hazards

Identification and rectification of hidden hazards is one of the priority projects conducted during the "Safety Production Month". In order to achieve effective comprehensive remediation including identification of risks, self-inspection and examination and mutual inspection and examination, we set required standards, and determined key prevention and control areas based on the three-year action plan. We strengthened targeted management of key aspects such as fire safety, power distribution rooms, special equipment, oxygen supply stations, hazardous chemicals and construction sites, promptly carried out investigation and rectification for hazards identified, and conducted summary review in a timely manner. We organised a total of 109 activities, including self-inspection and rectification of hidden safety hazards of each position, "Safety Whistle-blower", "Identify Hidden Hazards among Us", etc., attracting 652 employees to participate in such activities and having identified and rectified 160 hidden hazards.

6.3 Talents Cultivation

We follow the concept of "people-oriented, talent first", and regard employees as a major driving force for corporate development. A lot of resources have been invested in employee training and career development. By improving the employee training system, building growth channels for talents, and strengthening assessment orientation, we encourage employees to actively study, continuously improve their work skills and professional knowledge, and contribute their personal strength to the development of the enterprise.

As an employer that values the personal development of employees, we have established and continuously improved the Group's training system to provide targeted training for employees at different levels and types in various forms such as face-to-face instruction, outward bounds, online learning platforms, and academic exchanges.

To improve the training of all staff with regards to professional skills and comprehensive quality, we have formulated the Measures for Employee Training, which clearly specifies the principles to be followed in the training, and standardizes the management model and department responsibilities for different training categories and training objects, as well as the management of training assessment, discipline and other links to ensure that the personal quality of all employees will be improved after participating in relevant training.

During the Reporting Period, we organized and held a series of medical and non-medical training. The general education training organized by the headquarters of the Group was mainly to enhance the professional and management capabilities of employees, including financial training courses, management training courses, training for new employees through school recruitment, general camp, youth cadre training camp, and customized training for the needs of various departments, etc. In addition, the Group also organized seminars on understanding and implementing corporate culture with its hospitals to jointly develop the culture of the Group.

Case: Enhancement of our operation capacity under the new normal of pandemic prevention and control

As the pandemic prevention and control policy continued to tighten up to cope with the recurrence of the pandemic in many cities nationwide, we continued to enhance the effectiveness of quality control management to meet the higher requirement and greater challenge imposed on the operation and management of the hemodialysis centre. On 25 June 2022, the Nephrology Medicine Department hosted an online training on the management of renal dialysis medical services themed "Normalized Pandemic Prevention and Control V.S. Safety Quality Control of Hemodialysis Centre", with a total of more than 100 medical staff of Nephrology department from 17 hospitals under the Company participated.

The nephrologists from relevant affiliated hospitals of Fudan University, Chiao Tung University and Nanjing Medical University were invited to give keynote lectures at this training, who shared with our medical staff the response measures adopted at the hemodialysis centre in Shanghai during the pandemic from the combined perspective of theory and clinical practice experience, as well as valuable experiences such as the application of quality management tools in blood purification, which was of great significance to the enhancement of the capability of medical staff at hemodialysis centres of our hospitals under the new normal of pandemic prevention and control.

Case: Continuous professional study and peer exchange

Medical Clinical Development Department held a basic training session on oral implant, participated by 20 heads and key technicians of stomatology departments of 13 medical institutions under the Group. An associate professor of West China College of Stomatology, Sichuan University was invited to give lectures during this event. This session, as basic course for dental implant, demonstrated basic theories of oral implant technology covering the development history of the oral implant technology, preoperative evaluation, design principle of implant surgery and design and category of incision, etc., and offered the participants to practice on the technology.

At the same time, the stomatology department also shared and commented on exemplary cases with respect to endodontics, prosthodontics, maxillofacial surgery and innovation in the form of competition.

During the Reporting Period, the percentage of employees trained of the Group and the average training hours are shown in the following table:

Types of Employees		Number of Employees Trained	Percentage of Employees Trained[9]	Average Hours of Training Received per Employee (hours)[10]
Gender	Male	232	66%	12.4
	Female	119	34%	5.9
Employee category	Senior	9	3%	65
	Middle	69	20%	45.3
	Junior	273	78%	12.4

7. CARING FOR COMMUNITY

The development of the Group is inseparable from the support of the community and general public. In addition to improving its business, the Group also attaches great importance to its corporate social responsibility. Adhering to the tenet of "kindness and care ", the Group has invested active efforts to become a role model of serving the society in providing support for vulnerable groups and medical assistance, demonstrating our commitment to fulfilling social responsibilities as a private enterprise. We always pay close attention to the development needs of the community and the sharing of benefits with the Group, and carry out proactive communication with the relevant communities. In addition, we organise a series of care activities such as voluntary services, public welfare activities and medical supplies based on local conditions to give back to the community and encourage community development, with an aim to create a better future together.

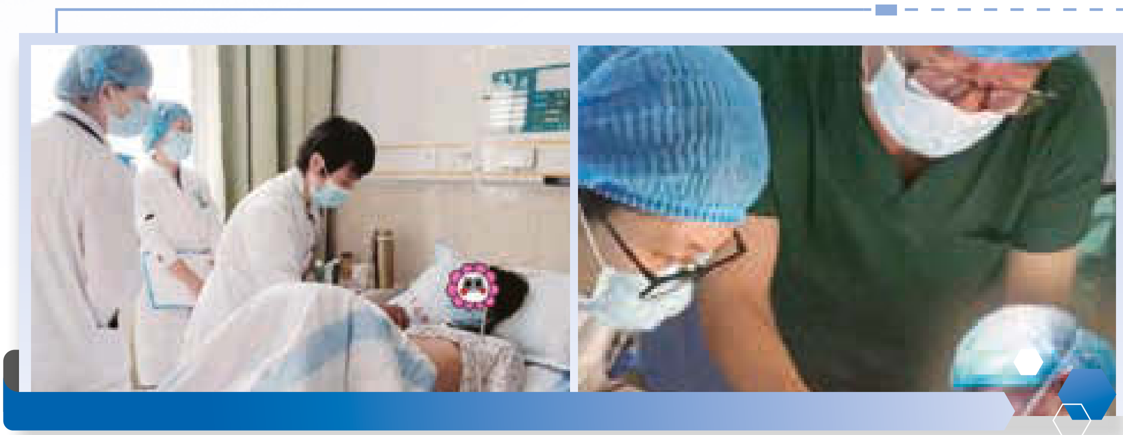
9 The calculation method of the percentage of employees trained is: the number of trained employees of the category/total number of trained employees.

10 The calculation method of the average hours of training received per employee is: the total training hours of employees of the category/the total number of employees of the category.

Case: Donation and public welfare projects under "Xinyan Charity Fund"

In April 2022, Universal Medical donated RMB2 million to the China Primary Health Care Foundation Xinyan Charity Fund. As of the end of 2022, Xinyan Charity Fund has provided financial support for 320 underprivileged patients in need from the old industrial bases in Northeast China (Anshan), the old revolutionary areas (Northern Jiangsu, Shaanxi), and the remote mountainous areas of Southwest China and northwest Yunnan (Liangshan Prefecture, Yunnan). It is committed to protecting the life and health of patients by providing medical assistance for major neonatal diseases, intestinal tumours, orthopaedic diseases, lung tumours and nail breast tumours and other diseases.

Looking forward, through the implementation of "helping patients, doctors, and institutions" public welfare projects, Xinyan Charity Fund will enhance the commonweal, sharing and fairness of medical and health services, and use the power of medical profession to bring hope and warmth of healing to patients. It is committed to fulfilling its responsibility as a central state-owned enterprise to protect life and health with quality medical services, and makes continuous efforts to provide medical and healthcare services, contributing to the sustainable development of China's healthcare and public welfare undertakings.



Case: Provide fair and accessible healthcare services by establishing community-based GENERTEC CLINICs and providing various innovative medical services

Adhering to the strategy of "Healthy China", the Group has launched its "GENERTEC CLINIC" to achieve effective use of its quality medical resources in the communities, providing fair and accessible healthcare services. To be approved as a pilot institution by Universal Medical, an organisation must pass several approval processes, including data submission, initial selection, evaluation and review, internal assessment and group-level assessment. During the Reporting Period, the fourth batch of community healthcare service centres were approved and launched as pilot institutions of the "GENERTEC CLINIC" by Genertec Universal Medical, which integrates examination, diagnosis, management and treatment services.

27 medical institutions under Universal Medical have been approved as pilot institutions of the Group, including 21 physical GENERTEC CLINICs represented by community healthcare service centres, community healthcare service stations and first-class hospitals, 5 mobile GENERTEC CLINICs relying mainly on medical examination vehicles and helicopters, and 1 cloud GENERTEC CLINIC focusing on Internet diagnosis and treatment services. Meanwhile, the GENERTEC Mobile Clinic Vehicle we donated to Shangdu County has been used for a number of gratuitous medical consultation activities to serve the local people.

Looking forward, leveraging on our own medical resources, we will make concerted efforts to promote the development and improvement of GENERTEC CLINICs by continuing to strengthen the construction of institutions and the implementation of services. Meanwhile, based on the construction of the Internet information system, we will continue to empower the development of GENERTEC CLINICs by integrating online and offline medical services, innovating the service patterns and enriching the service offerings. We expect to continue to provide fair and accessible medical services, and protect life and health with quality medical care.

Case: Dedicated to providing precise pandemic prevention and control across the country

In March 2022, our hospitals actively responded to the needs of pandemic prevention and control across the country by implementing strict prevention and control measures within the hospitals while quickly organising and coordinating medical forces to support the prevention and control tasks in schools, communities, factories, quarantine hotels and highway intersections. We mobilised more than 2,300 medical staff to Liaoning, Hebei, Shanxi, Shaanxi and Shandong, and collected nucleic acid samples for 1.43 million people. In addition, we helped to build mobile cabin hospitals and actively supported the government's initiatives for nucleic acid testing and monitoring. Universal Medical received wide appreciation for its unremitting efforts to protect the cities and its unwavering participation in the frontline fight against the pandemic.

Case: Foreign aid medical teams upheld the responsibility as a central state-owned enterprise to protect life and health across the world

For nearly 60 years since 1963, the Chinese foreign aid medical teams have received recognition from the international community for their professional services and kindness and care. Under the national strategic initiative of "Belt and Road", especially in the context of global fight against the COVID-19 pandemic, Universal Medical has further delivered foreign medical aids, contributing to the building of the "Silk Road of Health". Despite the extreme weather conditions such as earthquakes, hail, strong winds, rainstorms and sandstorms as well as harsh conditions, our foreign aid medical team managed to provide face-to-face diagnosis services for patients with COVID-19 infection at the fastest speed, offered patients medication guidance and psychological counselling in an orderly manner and also strictly implemented partition quarantine measures, so as to help patients to recover and resume work quickly. In addition to medical treatment for infected patients, our team also provided diagnosis and treatment, medication guidance and other professional medical services for many employees with underlying medical condition.

In strict compliance with the professional medical standards of China, our foreign aid medical team made strenuous efforts to protect the health of local residents and support the frontline fight of the local pandemic prevention and control. Upholding the spirit of "love without borders", we are dedicated to saving lives and caring for people in need around the world.

8. CONTENT INDEX OF "ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE"

Mandatory Disclosure Requirements	Descriptions	Reference Chapters or Remarks
Governance Structure	A statement from the Board containing the following elements: (i) a disclosure of the Board's oversight of ESG issues; (ii) the Board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG – related issues; and (iii) how the Board reviews progress made against ESG – related targets with an explanation of how they relate to the issuer's business.	3. Sustainability
Reporting Principles	A description of, or an explanation on, the application of the materiality, quantitative and consistency principles in the preparation of the ESG Report.	1. About the Report
Reporting Boundary	A narrative explaining the reporting scope of the ESG Report and describing the process used to identify which entities or operations are included in the ESG Report. If there is any change to the scope, the issuer should explain the difference and reason for the change.	

Aspect	KPI	Descriptions	Reference Chapters or Remarks
A. Environmental			
A1 Emissions	**General Disclosure**	The policies relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste and compliance with relevant laws and regulations that have a significant impact on the issuer.	5. Environmental Benefits
	A1.1	The types of emissions and respective emissions data.	
	A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
	A1.5	Description of emissions target(s) set and the steps taken to achieve them.	3. Sustainability Management
	A1.6	Description of how hazardous and nonhazardous wastes are handled, and description of reduction target(s) set and the steps taken to achieve them.	

Aspect	KPI	Descriptions	Reference Chapters or Remarks
A2 Use of Resources	**General Disclosure**	Policies on the efficient use of resources.	5. Environmental Benefits
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (MWh) and intensity (e.g. per unit of production volume, per facility).	
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	3. Sustainability Management
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, and water efficiency target(s) set and steps taken to achieve them.	
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not Applicable
A3 Environmental and Natural Resources	**General Disclosure**	Policies on minimizing the issuer's significant impact on the environment and natural resources.	5. Environmental Benefits
	A3.1	Description of the significant impacts of business activities on the environment and natural resources and the actions taken to manage them.	
A4 Climate Change	**General Disclosure**	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	
	A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and actions taken to manage them.	

Aspect	KPI	Descriptions	Reference Chapters or Remarks
B. Social			
B1 Employment	**General Disclosure**	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	6. People – oriented
	B1.1	Total workforce by gender, employment type, age group and geographical region.	
	B1.2	Employee turnover rate by gender, age group and geographical region.	
B2 Health and Safety	**General Disclosure**	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	
	B2.1	Number and rate of work-related fatalities in each of the past three years.	
	B2.2	Lost days due to work injury.	
	B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	
B3 Development and Training	**General Disclosure**	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	
	B3.1	The percentage of employees trained by gender and employee category.	
	B3.2	The average training hours completed per employee by gender and employee category.	
B4 Labor Standards	**General Disclosure**	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child or forced labor.	
	B4.1	Description of measures to review employment practices to avoid child and forced labor.	
	B4.2	Description of steps taken to eliminate such practices when discovered.	

Aspect	KPI	Descriptions	Reference Chapters or Remarks
B5 Supply Chain Management	**General Disclosure**	Policies on managing environmental and social risks of the supply chain.	4. Responsible Operation
	B5.1	Number of suppliers by geographical region.	
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	
B6 Product Responsibility	**General Disclosure**	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.	
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	
	B6.2	Number of products and service related complaints received and how they are dealt with.	
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	
	B6.4	Description of quality assurance process and recall procedures.	
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	

Aspect	KPI	Descriptions	Reference Chapters or Remarks
B7 Anti-corruption	**General Disclosure**	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	4. Responsible Operation
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	
	B7.3	Description of anti-corruption training provided to directors and staff.	
B8 Community Investment	**General Disclosure**	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	7. Caring for Community
	B8.1	Focus areas of contribution.	
	B8.2	Resources contributed to the focus area.	

INDEPENDENT AUDITOR'S REPORT

To the members of Genertec Universal Medical Group Company Limited
(Incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of Genertec Universal Medical Group Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 194 to 344, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Allowance for impairment of loans and accounts receivables	
As at 31 December 2022, the Group's loans and accounts receivables consisted of lease receivables, long-term receivables arising from sale-and-leaseback arrangements, factoring receivables, accounts receivable and notes receivable, and accounted for 84% of the Group's total assets. The assessment of impairment of such loans and accounts receivables in our audit was considered to be a matter of most significance as it required the application of judgement and use of subjective assumptions by management. HKFRS 9 requires the use of the "expected credit loss" ("ECL") model for the measurement of impairment of financial assets. In order to measure the impairment of loans and accounts receivables under HKFRS 9, management should use judgement, assumptions and estimation techniques in aspects such as judging significant increases in credit risk, estimating the parameters for measuring ECLs and determining the forward-looking adjustments. The related disclosures are included in notes 2.4, 3, 20 and 42 to the consolidated financial statements.	We gained an understanding of and tested the key controls over the approval and recording of loans and accounts receivables and impairment assessment. We adopted a risk-based sampling approach in our tests of the allowance for impairment of loans and accounts receivables. We selected samples of performing loans considering the size, risk factors and industry trends for our tests on the reasonableness of loan grading and measurement of impairment. We assessed management's forecast of future repayments and current financial conditions of the lessees in relation to non-performing assets, based on historical experience, value of collateral and observable external data. We evaluated the methodologies, inputs and assumptions used by the Group in the calculation of the expected credit losses. We assessed the adequacy of the disclosures about the allowance for impairment of loans and accounts receivables included in the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor’s report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group’s financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Benny Bing Yin Cheung.

Certified Public Accountants
Hong Kong
29 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
REVENUE	5	**11,912,140**	9,914,273
Cost of sales		**(7,426,151)**	(5,714,834)
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	**(616,759)**	(661,339)
PROFIT FOR THE YEAR		**2,087,527**	2,030,469
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
		2,087,527	2,030,469
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	11		
Basic (expressed in RMB per share)		**1.00**	0.99
Diluted (expressed in RMB per share)		**0.93**	0.91

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
PROFIT FOR THE YEAR		**2,087,527**	2,030,469
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		**105,134**	28,682
		(451,576)	(57,668)
Exchange differences on translation of foreign operations		**5,092**	(1,632)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods		**(446,484)**	(59,300)
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	**1,371**	(4,842)
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods		**1,371**	(4,842)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(445,113)**	(64,142)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,642,414**	1,966,327
Attributable to:			
Owners of the parent		**1,444,229**	1,773,456
Non-controlling interests		**126,782**	80,374
Other equity instruments		**71,403**	112,497
		1,642,414	1,966,327

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**3,780,646**	2,523,269
Right-of-use assets	13(a)	**1,154,545**	794,652
Loans and accounts receivables	20	**41,404,185**	39,518,628
Prepayments, other receivables and other assets	21	**654,520**	507,316
Goodwill	14	**102,253**	102,253
Deferred tax assets	27	**743,021**	561,184
Financial assets at fair value through profit or loss	17	**245,987**	366,470
Derivative financial instruments	18	**100,544**	6,915
Investment in a joint venture	15	**486,195**	476,015
Investment in associates	16	**28,769**	4,284
Other intangible assets		**79,173**	46,183
Total non-current assets		**48,779,838**	44,907,169
CURRENT ASSETS			
Inventories	19	**375,728**	265,427
Loans and accounts receivables	20	**23,457,292**	21,046,689
Prepayments, other receivables and other assets	21	**668,574**	383,576
Derivative financial instruments	18	**131,610**	–
Restricted deposits	22	**778,303**	954,862
Cash and cash equivalents	22	**2,679,426**	2,342,078
Total current assets		**28,090,933**	24,992,632
CURRENT LIABILITIES			
Trade and bills payables	23	**2,247,218**	1,111,983
Other payables and accruals	24	**3,206,851**	2,417,318
Interest-bearing bank and other borrowings	25	**20,802,790**	14,745,821
Derivative financial instruments	18	**37,494**	346,569
Tax payable		**84,006**	109,608
Total current liabilities		**26,378,359**	18,731,299
NET CURRENT ASSETS		**1,712,574**	6,261,333
TOTAL ASSETS LESS CURRENT LIABILITIES		**50,492,412**	51,168,502

	Notes	**2022 RMB'000**	2021 RMB'000
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	**83,308**	207,648
Total non-current liabilities		**30,789,399**	33,545,247
Net assets		**19,703,013**	17,623,255
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	**8,597,375**	7,731,249
		13,970,115	13,103,989
Other equity instruments	39	**1,660,414**	1,661,840
Non-controlling interests		**4,072,484**	2,857,426
Total equity		**19,703,013**	17,623,255

Peng Jiahong
Director

Wang Wenbing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

	Equity attributable to the owners of the parent													
	Share capital RMB'000 (Note 29)	Equity component of convertible bonds RMB'000 (Note 26)	Capital reserve* RMB'000 (Note 30)	Statutory reserve* RMB'000 (Note 30)	Share-based compensation reserve* RMB'000 (Note 30)	General and regulatory reserves* RMB'000 (Note 30)	Exchange fluctuation reserve* RMB'000 (Note 30)	Hedge reserve* RMB'000	Post-retirement benefit reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Other equity instruments RMB'000 (Note 39)	Non-controlling interests RMB'000	Total equity RMB'000
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 39)	-	-	-	-	-	-	-	-	-	-	-	480,000	-	480,000
Redemption of renewable corporate bonds (Note 39)	-	-	-	-	-	-	-	-	-	-	-	(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 RMB'000 (Note 29)	Equity component of convertible bonds RMB'000 (Note 26)	Capital reserve RMB'000 (Note 30)	Statutory reserve RMB'000 (Note 30)	Share-based compensation reserve RMB'000 (Note 30)	General and regulatory reserves RMB'000 (Note 30)	Exchange fluctuation reserve RMB'000 (Note 30)	Hedge reserve RMB'000	Post-retirement benefit reserve RMB'000	Retained profits RMB'000	Total RMB'000	Other equity instruments RMB'000 (Note 39)	Non-controlling interests RMB'000	Total equity RMB'000
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		**2,704,286**	2,691,808
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)**	–
		5,798,406	5,216,328
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		**27,483**	(1,409)
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		**(705,784)**	(709,693)
Net cash flows from/(used in) operating activities		**2,057,196**	(1,400,570)

	Notes	2022 RMB'000	2021 RMB'000
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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Notes	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		**(25,248)**	(21,143)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**2,679,426**	2,342,078
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**3,307,729**	3,123,940
Less: Restricted deposits		**(628,303)**	(781,862)
Cash and cash equivalents as stated in the statement of financial position	22	**2,679,426**	2,342,078
Cash and cash equivalents as stated in the statement of cash flows		**2,679,426**	2,342,078

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") the Chinese Mainland.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Company name	Place of incorporation/ registration and business	Issued ordinary share/ registered capital/ start-up capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
中國環球租賃有限公司* (China Universal Leasing Co., Ltd.)	PRC/Chinese Mainland	USD968,887,616	100.00	–	Financial leasing
通用環球國際融資租賃(天津)有限公司** (Genertec Universal International Financial Leasing (Tianjin) Co., Ltd.)	PRC/Chinese Mainland	USD150,000,000	25.00	75.00	Financial leasing
通用環球醫療技術服務(天津)有限公司***(i) (Genertec Universal Medical Technology Services (Tianjin) Co., Ltd.)	PRC/Chinese Mainland	RMB190,000,000	–	100.00	Medical technology services
通用環球醫療發展(英屬維爾京群島)有限公司 (Genertec Universal Medical Development (BVI) Co., Ltd.)	British virgin islands	USD1	100.00	–	Provision of financing
通用環球醫院投資管理(天津)有限公司*** (Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd.)	PRC/Chinese Mainland	RMB5,000,000,000	–	100.00	Hospital management services

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Company name	Place of incorporation/ registration and business	Issued ordinary share/ registered capital/ start-up capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
西安融慧醫院建設管理有限公司*** (Xi'an Ronghui Hospital Construction Management Co., Ltd.)	PRC/Chinese Mainland	RMB400,000,000	–	100.00	Hospital construction and management services
西安萬恒醫療科技發展有限公司*** (Xi'an Wanheng Medical Technology Development Co., Ltd.)	PRC/Chinese Mainland	RMB35,000,000	–	80.00	Property management
陝西華虹醫藥有限公司*** (Shaanxi Huahong Pharmaceutical Co., Ltd.)	PRC/Chinese Mainland	RMB100,000,000	–	97.50	Sale of medical related goods
樸元醫療科技(北京)有限公司*** (Puyuan Medical Technology Co., Ltd.)	PRC/Chinese Mainland	RMB30,000,000	–	100.00	Medical technology services
安徽環康醫院管理有限公司*** (Anhui Huankang Hospital Management Co., Ltd.)	PRC/Chinese Mainland	RMB50,000,000	–	100.00	Hospital management services
合肥安化創傷康復醫院**** (Hefei Anhua Trauma Rehabilitation Hospital)	PRC/Chinese Mainland	RMB24,850,000	–	100.00	Medical services
煙台海港醫院有限公司*** (Yantai Harbour Hospital Co., Ltd.)	PRC/Chinese Mainland	RMB600,000,000	–	65.00	Medical services
通用環球健康產業發展(天津)有限公司* (Genertec Universal Healthcare Industry Development (Tianjin) Co., Ltd.)	PRC/Chinese Mainland	RMB5,000,000,000	100.00	–	Hospital management services
通用環球(天津)醫院集團有限公司*** (Genertec Universal (Tianjin) Hospital Group Co., Ltd.)	PRC/Chinese Mainland	RMB2,600,000,000	–	100.00	Hospital management services
通用環球醫療(西安)有限公司*** (Genertec Universal Medical (Xi'an) Co., Ltd.)	PRC/Chinese Mainland	RMB1,000,000,000	–	63.00	Hospital management services
通用環球西航醫院(西安)有限公司*** (Genertec Universal Xi'an Aero-Engine Hospital (Xi'an) Co., Ltd.)	PRC/Chinese Mainland	RMB509,664,900	–	78.48	Medical services
通用鞍鋼醫院管理有限公司*** (Genertec Ansteel Hospital Management Co., Ltd.)	PRC/Chinese Mainland	RMB983,670,000	–	51.15	Hospital management services

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Company name	Place of incorporation/ registration and business	Issued ordinary share/ registered capital/ start-up capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
通用環球彩虹(咸陽)醫院管理有限公司*** (Genertec Universal Caihong (Xianyang) Hospital Management Co., Ltd.)	PRC/Chinese Mainland	RMB380,000,000	–	52.63	Hospital management services
通用環球中鐵(西安)醫院管理有限公司*** (Genertec Universal CREC (Xi'an) Hospital Management Co., Ltd.)	PRC/Chinese Mainland	RMB200,000,000	–	51.00	Hospital management services
通用中鐵(北京)醫院管理有限公司*** (Genertec CREC (Beijing) Hospital Management Co., Ltd.)	PRC/Chinese Mainland	RMB200,000,000	–	51.00	Hospital management services
通用環球醫療技術諮詢(煙台)有限公司*** (Genertec Universal Medical Technology Advisory (Yantai) Co., Ltd.)	PRC/Chinese Mainland	RMB1,000,000	–	65.00	Medical consulting
通用環球醫療科技(海南)有限公司*** (Genertec Universal Medical Science and Technology (Hainan) Co., Ltd.)	PRC/Chinese Mainland	RMB10,000,000	–	100.00	Medical consulting
通用環球華陽山西健康產業有限公司*** (Genertec Universal Huayang Shanxi Healthcare Industry Co., Ltd.)	PRC/Chinese Mainland	RMB1,380,000,000	–	51.00	Hospital management services
成都通用錦電醫院管理有限公司*** (Chengdu Genertec Jindian Hospital Management Co., Ltd.)	PRC/Chinese Mainland	RMB11,000,000	–	81.51	Medical services
通用環球兵工(西安)醫院管理有限公司*** (Genertec Universal NORINCO (Xi'an) Hospital Management Co., Ltd.)	PRC/Chinese Mainland	RMB38,775,700	–	51.00	Hospital management services
通用環球中煤(邯鄲)醫院管理有限公司*** (Genertec Universal Chinacoal (Handan) Hospital Management Co., Ltd.)	PRC/Chinese Mainland	RMB50,897,300	–	70.00	Hospital management services
通用環球(西安)健康醫院管理有限公司*** (Genertec Universal (Xi'an) Health Hospital Management Co., Ltd.)	PRC/Chinese Mainland	RMB274,920,300	–	72.75	Hospital management services

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Company name	Place of incorporation/ registration and business	Issued ordinary share/ registered capital/ start-up capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
涼山州環康醫院管理有限公司*** (Liangshanzhou Huankang Hospital Management Co., Ltd.)	PRC/Chinese Mainland	RMB345,917,100	–	51.00	Hospital management services
北京環康醫院管理有限公司*** (Beijing Huankang Hospital Management Co., Ltd.)	PRC/Chinese Mainland	RMB3,903,300	–	60.00	Hospital management services
通用五礦醫院管理(北京)有限公司***(ii) (Genertec Minmetals Hospital Management (Beijing) Co., Ltd.)	PRC/Chinese Mainland	RMB1,393,484,200	–	46.00	Hospital management services
西電集團醫院**** (Xi'an XD Group Hospital)	PRC/Chinese Mainland	RMB99,215,200	–	63.00	Medical services
鞍鋼集團公司總醫院**** (Ansteel Group Hospital)	PRC/Chinese Mainland	RMB507,177,100	–	51.15	Medical services
通用環球中鐵西安醫院**** (Genertec Universal CREC Xi'an Hospital)	PRC/Chinese Mainland	RMB86,420,000	–	51.00	Medical services
咸陽彩虹醫院**** (Xianyang Caihong Hospital)	PRC/Chinese Mainland	RMB94,855,700	–	52.63	Medical services
陽泉煤業(集團)有限責任公司總醫院**** (Yangquan Coal Industry (Group) General Hospital)	PRC/Chinese Mainland	RMB176,850,000	–	51.00	Medical services
通用環球中鐵邳州醫院**** (Genertec Universal CREC Pizhou Hospital)	PRC/Chinese Mainland	RMB16,920,000	–	51.00	Medical services
通用環球兵工西安醫院**** (Genertec Universal NORINCO Xi'an Hospital)	PRC/Chinese Mainland	RMB38,775,700	–	51.00	Medical services
通用環球西安北環醫院**** (Genertec Universal Xi'an Beihuan Hospital)	PRC/Chinese Mainland	RMB10,000,000	–	72.75	Medical services
攀鋼西昌醫院**** (Pangang Group Xichang Hospital)	PRC/Chinese Mainland	RMB10,000,000	–	51.00	Medical services
通用環球北京東里醫院****(iv) (Genertec Universal Beijing Dongli Hospital)	PRC/Chinese Mainland	RMB3,500,000	–	60.00	Medical services
上海中冶醫院****(ii) (Shanghai MCC Hospital)	PRC/Chinese Mainland	RMB45,880,000	-	46.00	Medical services

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Company name	Place of incorporation/ registration and business	Issued ordinary share/ registered capital/ start-up capital	Percentage of equity interests attributable to the Company		Principal activities
			Direct	Indirect	
馬鞍山十七冶醫院****(ii) (Ma'anshan MCC17 Hospital)	PRC/Chinese Mainland	RMB50,000,000	-	46.00	Medical services

* Registered as a wholly-foreign-owned entity under PRC law

** Registered as a Sino-foreign joint venture under PRC law

*** Registered as limited liability companies under PRC law

**** These institutions, as not-for-profit hospitals, cannot be registered as companies under PRC law. The sponsors of these institutions have the respective obligations to contribute the start-up capital to such institutions. Such start-up capital, once contributed, shall not be withdrawn by the sponsors. Given the charity nature of the not-for-profit hospitals, the legal income of such hospitals shall only be used in line with its purpose and within its business scope, and where applicable, in accordance with the articles of association of such hospitals, and therefore, the net income is not distributable to their sponsors as dividends, which is different from companies with shareholders who own the equity interests in the companies.

(i) On 13 October 2022, China Universal Leasing Co., Ltd. increased the registered capital of Genertec Universal Medical Technology Services (Tianjin) Co., Ltd. from RMB18,000,000 to RMB190,000,000.

(ii) According to a concerted action agreement with other shareholders, the Group acquired 56% voting shares of Genertec Minmetals Hospital Management (Beijing) Co.,Ltd., and controlled Genertec Minmetals Hospital Management (Beijing) Co.,Ltd. Genertec Minmetals Hospital Management (Beijing) Co.,Ltd. is the promoter of Shanghai MCC Hospital and Ma'anshan MCC17 Hospital.

(iii) On 20 September 2022, the Group cancelled the registration of Genertec Universal Medical Financial Leasing (Zhuhai Hengqin) Co., Ltd.

(iv) On 22 July 2022, China Building Material Academy Guanzhuang Dongli Hospital changed its name to Genertec Universal Beijing Dongli Hospital.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

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.

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (continued)

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	*Reference to the Conceptual Framework*
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018-2020	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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

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

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

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

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.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The assets, liabilities, revenues and expenses relating to the Group's interest in a joint operation are accounted for in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Group retrospectively adjusts the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. During the measurement period, the Group also recognises additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the Group receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 13 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its derivative financial instruments and debt investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets (continued)

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties (continued)

A party is considered to be related to the Group if: (continued)

(b) the party is an entity where any of the following conditions applies: (continued)

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Category	Annual depreciation rate
Transportation equipment	6.49% to 20.00%
Office equipment	4.85% to 19.40%
Electronic equipment	8.08% to 33.33%
Medical equipment	7.01% to 32.33%
Leasehold improvements	20.00% to 33.33%
Buildings	1.90% to 11.88%

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation (continued)

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Patents and licences

Purchased patents and licences are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 5 to 10 years.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	38 years to indefinite useful life
Property and Equipment	2 to 10 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Group as a lessee (continued)

(b) *Lease liabilities (continued)*

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in interest-bearing bank and other borrowings.

(c) *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of properties and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Group as a lessor (continued)

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases. At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease. The finance income on the net investment in the lease is recognised in the statement of profit or loss so as to provide a constant periodic rate of return over the lease terms.

When the Group is an intermediate lessor, a sublease is classified as a finance lease or operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the on-balance sheet recognition exemption, the Group classifies the sublease as an operating lease.

Sale-and-leaseback transactions

HKFRS 16 requires sale-and-leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant assets should be accounted for as a sale. Upon application of HKFRS 16, the Group applies the requirements of HKFRS 15 to assess whether a sale-and-leaseback transaction constitutes a sale by a seller-lessee. For a transfer that does not satisfy the requirements as a sale, the Group accounts for the transfer proceeds as long-term receivables arising from sale-and-leaseback arrangements within the scope of HKFRS 9. In accordance with the transition provision of HKFRS 16, sale-and-leaseback transactions entered into before the date of initial application were not reassessed but new requirements would partially impact the Group's sale-and-leaseback transactions entered into on or after the date of initial application.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss.

Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Financial assets at fair value through profit or loss (continued)

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of the consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

General approach (continued)

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, an amount due to the ultimate holding company, derivative financial instruments and interest-bearing bank and other borrowings.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (continued)

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (continued)

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent measurement (continued)

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or

- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or

- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is "an economic relationship" between the hedged item and the hedging instrument.

- The effect of credit risk does not "dominate the value changes" that result from that economic relationship.

- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments and hedge accounting (continued)

Hedges which meet all the qualifying criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment to which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to the statement of profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the statement of profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to the statement of profit or loss as a reclassification adjustment. After the discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income is accounted for depending on the nature of the underlying transaction as described above.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments and hedge accounting (continued)

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into a current and non-current portion based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Renewable corporate bonds

Renewable corporate bonds issued by the Group contain 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 classifies such renewable corporate bonds issued as equity instruments. Fees, commissions and other transaction costs of such renewable corporate bonds issuance are deducted from equity. The distributions on renewable corporate bonds are recognised as profit distributions at the time of declaration.

Inventories

Inventories are goods valued at the lower of cost and net realisable value at the end of the reporting period. The cost of inventories issued is determined on the specific identification basis. The difference between the cost and the lower net realisable value is stated as a provision. Net realisable value is based on estimated selling price less any estimated costs to be incurred to completion and disposal.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred taxes assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Finance lease, long-term receivables income arising from sale-and-leaseback arrangements and factoring income

Finance lease, long-term receivables income arising from sale-and-leaseback arrangements and factoring income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial assets;

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) Sale of finished goods

Revenue from the sale of finished goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the finished goods.

Some contracts for the sale of finished goods provide customers with rights of return and volume rebates. The rights of return and volume rebates give rise to variable consideration.

(i) Rights of return

For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in HKFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(a) *Sale of finished goods (continued)*

(ii) Volume rebates

Retrospective volume rebates may be provided to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the most likely amount method is used for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The requirements on constraining estimates of variable consideration are applied and a refund liability for the expected future rebates is recognised.

(b) *Provision of management services*

Revenue from the provision of management services is recognised over the scheduled period on a straight-line basis or at a point in time.

Operating lease income

Operating lease income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on index or a rate are recognised as income in the accounting period in which they are incurred.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a binomial model, further details of which are given in note 38 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments (continued)

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Employee benefits

Salaries and bonuses, social security contributions and other short term employee benefits are accrued in which services have been rendered by the employees of the Group.

Other employee benefits

Pension obligations

The Group operates a defined contribution Mandatory Provident Fund retirement scheme (the "MPF" Scheme") under the Mandatory Provident Fund Schemes Ordinance in Hong Kong for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in the Chinese Mainland are required to participate in a central pension scheme operated by the local municipal government. The Group's subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other employee benefits (continued)

Pension obligations (continued)

In addition, employees in the Chinese Mainland also participate in a defined contribution retirement benefit plan established by the Group (the "Annuity Plan") since 2015. The Group and its employees are required to contribute a certain percentage of the employees' previous year salaries to the Annuity Plan. The contributions are charged to the statement of profit or loss immediately when they occur. The Group pays a fixed contribution into the Annuity Plan and has no obligation to pay further contributions even if the Annuity Plan does not hold sufficient assets to pay all employee benefits.

Defined benefit plan

The Group provides eligible retirees with certain post-retirement benefits including retirement subsidies, transportation allowance as well as other welfare. The defined post-retirement benefits are unfunded. The cost of providing benefits under the post-retirement benefit plan is determined using the projected unit credit actuarial valuation method.

Remeasurements arising from the post-retirement benefit plan, comprising actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets (excluding net interest), are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to equity through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss at the earlier of:

- the date of the plan amendment or curtailment; and

- the date that the Group recognises restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under "Wages, salaries and benefits" and "Finance costs" in profit or loss:

- service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements

- net interest expense

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain entities in the Group are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of the entities of the Group whose functional currencies are other than RMB are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of entities with functional currencies other than RMB which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Impairment of financial instruments (continued)

(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.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

As at and for the year ended 31 December 2022

	Finance business RMB'000	Hospital group business RMB'000	Adjustments and eliminations RMB'000	Total RMB'000
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	1,709,249	378,278	–	2,087,527
Segment assets	68,811,920	13,778,495	(5,719,644)	76,870,771
Segment liabilities	58,624,902	4,262,500	(5,719,644)	57,167,758
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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

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	1,774,817	255,652	–	2,030,469
Segment assets	63,844,047	8,937,442	(2,881,688)	69,899,801
Segment liabilities	52,848,896	2,309,338	(2,881,688)	52,276,546
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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

(a) Revenue from external customers

	2022 RMB'000	2021 RMB'000
Chinese Mainland	**11,912,140**	9,914,273

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 RMB'000	2021 RMB'000
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	**(37,072)**	(36,984)
	11,912,140	9,914,273

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

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	1,096,514	6,160,644	7,257,158
Geographical market			
Chinese Mainland	1,096,514	6,160,644	7,257,158
Timing of revenue recognition			
Goods transferred at a point in time	–	290,286	290,286
Services transferred at a point in time	1,096,514	5,870,358	6,966,872
Total revenue from contracts with customers	1,096,514	6,160,644	7,257,158

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

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	833,456	4,564,357	5,397,813
Geographical market			
Chinese Mainland	833,456	4,564,357	5,397,813
Timing of revenue recognition			
Goods transferred at a point in time	–	309,412	309,412
Services transferred at a point in time	833,456	4,254,945	5,088,401
Total revenue from contracts with customers	833,456	4,564,357	5,397,813

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

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	**1,198**	**–**	**1,198**
	1,097,712	**6,160,644**	**7,258,356**
Intersegment adjustments and eliminations	**(1,198)**	**–**	**(1,198)**
Total revenue from contracts with customers	**1,096,514**	**6,160,644**	**7,257,158**

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	–	1,650	1,650
	833,456	4,566,007	5,399,463
Intersegment adjustments and eliminations	–	(1,650)	(1,650)
Total revenue from contracts with customers	833,456	4,564,357	5,397,813

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

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	**136,559**	91,765
	148,915	162,899

(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.

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(ii) Performance obligations (continued)

Healthcare service income

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

	2022 RMB'000	2021 RMB'000
Other income and gains		
Interest income	**44,368**	45,765
Foreign exchange incomes, net	**–**	30,609
Government grants (note 5a)	**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
	442,722	313,782

5a. GOVERNMENT GRANTS

	2022 RMB'000	2021 RMB'000
Government special subsidies	**207,201**	211,508

6. PROFIT BEFORE TAX

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

	2022 RMB'000	2021 RMB'000
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 (Note 7))		
– 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
	2,755,925	2,117,810
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 RMB'000	2021 RMB'000
Fees	**1,376**	773
Other emoluments:		
Salaries, allowances and benefits in kind	**4,200**	5,103
Performance related bonuses*	**8,423**	5,986
Pension scheme contributions	**632**	492
	13,255	11,581
	14,631	12,354

* 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 38 to the financial statements.

7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(a) Independent non-executive directors

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

	2022 RMB'000	2021 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. Chen Hiu Fang Nicholas (i)	**170**	–
Mr. Xu Zhiming (i)	**170**	–
	1,376	688

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).

7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(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. Chen 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**

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
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

7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

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

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

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
	2	3

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 38 to the financial statements.

9. INCOME TAX EXPENSE

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

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 RMB'000	2021 RMB'000
Profit before tax	**2,704,286**	2,691,808
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	**29,600**	60,900
Income tax expense as reported in the consolidated statement of profit or loss	**616,759**	661,339

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 RMB'000	2021 RMB'000
Proposed final dividend – HKD0.34 (2021: HKD0.36) per ordinary share	**567,004**	550,570

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.

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

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

	2022 RMB'000	2021 RMB'000
Profit attributable to ordinary equity holders of the parent	**1,890,012**	1,835,233
Interest on convertible bonds	**37,979**	27,776
Profit attributable to ordinary equity holders of the parent, before the above impact arising from convertible bonds	**1,927,991**	1,863,009

	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
Effect of dilution – weighted average number of ordinary shares:		
Share options	**–**	686,724
Convertible bonds	**185,560,510**	177,210,365
Weighted average number of ordinary shares for diluted earnings per share	**2,077,100,171**	2,037,750,407

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	15,121	22,990	304,281	590,281	38,571	1,397,975	154,050	2,523,269
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	20,508	25,906	351,478	801,898	93,410	2,087,573	399,873	3,780,646
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	20,508	25,906	351,478	801,898	93,410	2,087,573	399,873	3,780,646

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.

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

31 December 2021

	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 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	13,923	28,613	337,239	517,191	40,333	1,274,922	134,380	2,346,601
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	15,121	22,990	304,281	590,281	38,571	1,397,975	154,050	2,523,269
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	15,121	22,990	304,281	590,281	38,571	1,397,975	154,050	2,523,269

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:

	Right-of-use assets		
	Property and Equipments 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 (Note 32)	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	**230,721**	**923,824**	**1,154,545**

13. LEASES (CONTINUED)

The Group as a lessee (continued)

(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 RMB'000	2021 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 (Note 32)	**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)
Carrying amount at 31 December	**989,927**	1,899,907
Analysed into:		
Current portion	**807,942**	1,120,162
Non-current portion	**181,985**	779,745

The maturity analysis of lease liabilities is disclosed in note 42 to the financial statements.

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

	2022 RMB'000	2021 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
Total amount recognised in profit or loss	**131,363**	153,087

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

14. GOODWILL

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

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.

14. GOODWILL (CONTINUED)

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 **RMB'000**	2021 RMB'000
Carrying amount of the investment	**486,195**	476,015

15. INVESTMENT IN A JOINT VENTURE (CONTINUED)

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

Company name	Place of incorporation/ registration and business	Percentage of Ownership interest	Percentage of 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 RMB'000	2021 RMB'000
Non-current assets	**339,533**	339,676
Cash and cash equivalents	**40**	34
Current assets	**624,063**	603,337
Current liabilities	**(9,754)**	(8,264)
Non-current liabilities	**–**	–
Net assets	**953,882**	934,783
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	**(22,224)**	(22,224)
Carrying amount of the investment	**486,195**	476,015

15. INVESTMENT IN A JOINT VENTURE (CONTINUED)

	2022 RMB'000	2021 RMB'000
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	**25,235**	25,653

16. INVESTMENT IN ASSOCIATES

	2022 RMB'000	2021 RMB'000
Share of net assets	**28,769**	4,284
	28,769	4,284

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

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

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 RMB'000	2021 RMB'000
Unlisted debt investments, at fair value	**245,987**	366,470

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 RMB'000	Liabilities RMB'000	Assets RMB'000	Liabilities RMB'000
Forward currency contracts	**146,220**	**120,802**	–	544,448
Interest rate swaps	**62,642**	**–**	6,915	1,403
Cross-currency interest rate swaps	**23,292**	**–**	–	8,366
	232,154	**120,802**	6,915	554,217
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	**23,292**	**–**	–	5,146
	100,544	**83,308**	6,915	207,648
Current portion	**131,610**	**37,494**	–	346,569

18. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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).

18. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Cash flow hedge under HKFRS 9 (continued)

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

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

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

18. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Cash flow hedge under HKFRS 9 (continued)

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

	Notional amount USD/HKD'000	Carrying amount RMB'000	Line item in the statement of financial position	Change in fair value RMB'000
As at 31 December 2022				
Forward currency contracts (USD/RMB)	**1,783,123**	**22,146**	**Derivative financial instruments (asset/ liabilities)**	**328,474**
Interest rate swaps (in USD'000)	**118,250**	**37,215**	**Derivative financial instruments (assets)**	**32,542**
Interest rate swaps (in HKD'000)	**540,150**	**25,427**	**Derivative financial instruments (assets)**	**24,588**
Cross-currency interest rate swaps (USD/RMB)	**48,843**	**23,292**	**Derivative financial instruments (assets)**	**31,658**
As at 31 December 2021				
Forward currency contracts (USD/RMB)	1,042,900	(306,328)	Derivative financial instruments (liabilities)	53,905
Forward currency contracts (HKD/USD)	–	–	N/A	(9,173)
Interest rate swaps (in USD'000)	118,250	4,673	Derivative financial instruments (assets)	30,020
Interest rate swaps (in HKD'000)	930,150	839	Derivative financial instruments (asset/ liabilities)	2,654
Cross-currency interest rate swaps (USD/RMB)	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 RMB'000	2021 RMB'000
Unsecured bank loans	**708,556**	(265,424)

18. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Cash flow hedge under HKFRS 9 (continued)

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

	Total hedging gain/(loss) recognised in other comprehensive income			Amount reclassified from other comprehensive income to profit or loss			
	Gross amount RMB'000	Tax effect RMB'000	Total RMB'000	Gross amount RMB'000	Tax effect RMB'000	Total RMB'000	Line item in the statement of profit or loss
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	**417,262**	**(79,549)**	**337,713**	**(973,972)**	**184,683**	**(789,289)**	

Year ended 31 December 2021

	Total hedging gain/(loss) recognised in other comprehensive income			Amount reclassified from other comprehensive income to profit or loss			
	Gross amount RMB'000	Tax effect RMB'000	Total RMB'000	Gross amount RMB'000	Tax effect RMB'000	Total RMB'000	Line item in the statement of profit or loss
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	88,433	(24,477)	63,956	(174,783)	53,159	(121,624)	

18. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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	**340,175**	**1.42**
	1,163,739	

18. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate benchmark reform (continued)

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	592,573	1.76
	1,346,500	

* London Interbank Offered Rate ("LIBOR").

19. INVENTORIES

	2022 RMB'000	2021 RMB'000
Finished goods	**375,728**	265,427

20. LOANS AND ACCOUNTS RECEIVABLES

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

20. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

20a. Loans and accounts receivables by nature

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

* 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.

20. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

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 RMB'000	2021 RMB'000
Gross lease receivables:		
3 years and beyond	**7,324,293**	11,581,268

	2022 RMB'000	2021 RMB'000
Net lease receivables:		
3 years and beyond	**5,813,765**	10,058,160

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 RMB'000	2021 RMB'000
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	**113,324**	133,494
	7,324,293	11,581,268

	2022 RMB'000	2021 RMB'000
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	**20,050**	66,037
	5,813,765	10,058,160

20. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

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

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 **RMB'000**	2021 RMB'000
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**	–
	58,011,919	50,169,353

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 **RMB'000**	2021 RMB'000
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
	58,011,919	50,169,353

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).

20. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

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 RMB'000	2021 RMB'000
Within 1 year	**986,647**	888,730
More than 1 year	**421,500**	11,364
	1,408,147	900,094

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 RMB'000	2021 RMB'000
Within 1 year	**1,273,280**	849,462
More than 1 year	**65,570**	33,103
	1,338,850	882,565

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.

20. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

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

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

	Ageing		
	Within 1 year	**Over 1 years**	**Total**
	RMB'000	**RMB'000**	**RMB'000**
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

	Ageing		
	Within 1 year	Over 1 years	Total
	RMB'000	RMB'000	RMB'000
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	2021
	RMB'000	RMB'000
Within 1 year	**1,900**	759

20. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

20g. Analysis of interest-earning assets

As at 31 December 2022	**Stage I (12-month ECLs) RMB'000**	**Stage II (Lifetime ECLs) RMB'000**	**Stage III (Lifetime ECLs-impaired) RMB'000**	**Total RMB'000**
Total interest-earning assets	**58,052,407**	**6,342,938**	**838,486**	**65,233,831**
Allowance for impairment losses	**(688,107)**	**(639,852)**	**(366,792)**	**(1,694,751)**
Interest-earning assets, net	**57,364,300**	**5,703,086**	**471,694**	**63,539,080**

As at 31 December 2021	Stage I (12-month ECLs) RMB'000	Stage II (Lifetime ECLs) RMB'000	Stage III (Lifetime ECLs-impaired) RMB'000	Total RMB'000
Total interest-earning assets	53,626,877	6,705,055	795,675	61,127,607
Allowance for impairment losses	(589,413)	(498,358)	(344,510)	(1,432,281)
Interest-earning assets, net	53,037,464	6,206,697	451,165	59,695,326

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.

20. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

20h. Movements in provision for interest-earning assets (continued)

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	**688,107**	**639,852**	**366,792**	**1,694,751**

	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	589,413	498,358	344,510	1,432,281

20. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

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 RMB'000	2021 RMB'000
China National Instruments Import & Export (Group)Corporation	(i)	**1,805**	1,805

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

	Note	2022 RMB'000	2021 RMB'000
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		**3,961**	6,345
		668,574	383,576
Non-current:			
Subordinated tranches of asset-backed securities		**161,529**	133,174
Continuing involvement in transferred assets (Note 43)		**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		**19,801**	6,910
		654,520	507,316
		1,323,094	890,892

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (CONTINUED)

21a. BALANCES WITH RELATED PARTIES

Particulars of amounts due from related parties are as follows:

		2022 RMB'000	2021 RMB'000
Due from related parties:			
Beijing Haidian District Xisanqi Street Xincai Community Healthcare Service Station (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
		20,999	16,956

(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 **RMB'000**	2021 RMB'000
Cash and bank balances	**3,307,729**	3,123,940
Time deposits	**150,000**	173,000
	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	**(150,000)**	(173,000)
	(778,303)	(954,862)
Cash and cash equivalents	**2,679,426**	2,342,078

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

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 RMB'000	2021 RMB'000
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	**24,043**	20,708
	2,247,218	1,111,983

23b. BALANCES WITH RELATED PARTIES

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

	2022 RMB'000	2021 RMB'000
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.	**27,170**	–
	27,647	164

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

	Notes	**2022** **RMB'000**	2021 RMB'000
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		**758,646**	414,526
		3,206,851	2,417,318
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		**19,548**	13,750
		4,316,530	3,653,649
		7,523,381	6,070,967

24. OTHER PAYABLES AND ACCRUALS (CONTINUED)

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
	249,795	148,915	162,899

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
		363,280	466,640

(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
			20,802,790			14,745,821
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
			25,125,611			28,544,061
Convertible bonds						
– host debts (Note 26)	**2.00**	**2026**	**982,982**	2.00	2026	882,689
			26,108,593			29,426,750
			46,911,383			44,172,571

25. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

	2022 RMB'000	2021 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
	24,280,248	24,307,281
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	**–**	5,543
	22,631,135	19,865,290
	46,911,383	44,172,571

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 HONGKONG 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 HONGKONG 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 **RMB'000**	2021 RMB'000
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	**(12,037)**	(12,037)
Liability component at the issuance date	**890,687**	890,687
Interest expense	**65,755**	27,776
Interest paid	**(29,685)**	(9,704)
Exchange realignment	**56,225**	(26,070)
Liability component at 31 December (Note 25)	**982,982**	882,689

27. DEFERRED TAX

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

Deferred tax assets

	Impairment RMB'000	Salary and welfare payable RMB'000	Cash flow hedges RMB'000	Fair value loss on derivative financial instruments RMB'000	Others RMB'000	Total RMB'000
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	**422,490**	**199,645**	**160,324**	**10,165**	**7,770**	**800,394**
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	354,632	168,785	27,524	45,103	6,335	602,379

27. DEFERRED TAX (CONTINUED)

Deferred tax liabilities

	Lease deposits RMB'000	Cash flow hedges RMB'000	Others RMB'000	Total RMB'000
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	**48,129**	**–**	**9,244**	**57,373**
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	37,889	–	3,306	41,195

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 RMB'000	2021 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**743,021**	561,184

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.

27. DEFERRED TAX (CONTINUED)

Deferred tax liabilities (continued)

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

28. POST-RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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	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)

28. POST-RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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

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 RMB'000	2021 RMB'000
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
Total expected payments	**136,418**	145,693

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

28. POST-RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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

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

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

29. SHARE CAPITAL

	2022 RMB'000	2021 RMB'000
Issued and fully paid:		
1,891,539,661 (2021: 1,891,539,661) ordinary shares	**5,297,254**	5,297,254

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.

30. RESERVES (CONTINUED)

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.	**48.85%**	48.85%

	2022 **RMB'000**	2021 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.	**27,745**	30,517
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.	**568,241**	541,775

31. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

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

2022	Genertec Universal Huayang Shanxi Healthcare Industry Co., Ltd. RMB'000	Genertec Ansteel Hospital Management Co., Ltd. RMB'000
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	**(10,833)**	57,339
Current assets	**1,183,693**	705,778
Non-current assets	**663,141**	760,493
Current liabilities	**(494,478)**	(211,559)
Non-current liabilities	**(5,269)**	(93,096)
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	**–**	23,934
Net increase in cash and cash equivalents	**1,853**	1,310

31. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

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

2021	Genertec Universal Huayang Shanxi Healthcare Industry Co., Ltd. RMB'000	Genertec Ansteel Hospital Management Co., Ltd. RMB'000
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	(182)	51,990
Current assets	1,201,862	672,956
Non-current assets	700,167	775,270
Current liabilities	(537,445)	(244,544)
Non-current liabilities	(6,665)	(95,416)
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	–	(1,706)
Net (decrease)/increase in cash and cash equivalents	(339)	236

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.

32. BUSINESS COMBINATIONS (CONTINUED)

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

32. BUSINESS COMBINATIONS (CONTINUED)

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 RMB'000	Bonds RMB'000	Lease liabilities RMB'000	Due to related parties RMB'000	Convertible bonds RMB'000
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	24,280,248	16,565,306	989,927	4,092,920	982,982

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Changes in liabilities arising from financing activities (continued)

	Bank and other loans RMB'000	Bonds RMB'000	Lease liabilities RMB'000	Due to related parties RMB'000	Convertible bonds RMB'000
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	24,307,281	14,807,554	1,899,907	2,275,140	882,689

(c) Total cash outflow for leases

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

	2022 RMB'000	2021 RMB'000
Within operating activities	**10,911**	10,621
Within financing activities	**1,127,872**	314,957
	1,138,783	325,578

34. OTHER NON-CURRENT LIABILITIES

	2022 **RMB'000**	2021 RMB'000
Continuing involvement in transferred assets	**280,968**	257,200

35. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans are included in notes 20, 22 and 25 to the financial statements.

36. COMMITMENTS

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

(a) Capital commitments

	2022 **RMB'000**	2021 RMB'000
Contracted, but not provided for	**1,686,009**	1,645,398

(b) Credit commitments

	2022 **RMB'000**	2021 RMB'000
Credit commitments	**2,530,000**	6,690,000

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

37. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances in notes 20, 21, 22, 23, 24 and 25 to the financial statements, the Group had the following material transactions with related parties during the year.

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with Genertec Group and companies under Genertec Group

Genertec Group was established in 1988 and is a wholly-state-owned company. Genertec Group's businesses principally cover five sectors, including equipment manufacturing, trade and engineering contracting, pharmaceutical industry, technical services and consultancy, as well as construction and real estate. Genertec Group is the ultimate controlling shareholder of the Company.

The companies under Genertec Group which had transactions with the Group during the year are subsidiaries of Genertec Group.

(i) Interest income from cash at banks:

	2022 RMB'000	2021 RMB'000
Genertec Finance Co., Ltd.	**14,375**	4,337

The interest was charged at rates ranging from 0.55% to 1.65% (2021: 0.53% to 1.73%) per annum.

(ii) Purchases of goods from related parties:

	2022 RMB'000	2021 RMB'000
China Xinxing Construction Engineering Co., Ltd.	**99,025**	–
Genertec Italia s.r.l.	**3,168**	5,330
Instrimpex International Tendering Co., Ltd.	**2,579**	–
China Telecommunication Construction No.5 Engineering Co., Ltd.	**1,232**	–
Genertec Europe Temax GmbH.	**560**	–
China National Instruments Import & Export (Group) Corporation	**69**	–
China Meheco Beijing Baitai-Borui Technology Co., Ltd.	**40**	–

The purchases from the related parties were made on terms mutually agreed between the Group and the respective parties.

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with Genertec Group and companies under Genertec Group (continued)

(iii) Rental as a lessee:

	2022 RMB'000 (rental payment)	2021 RMB'000 (rental payment)
Paryocean Properties Co., Ltd.	**1,247**	1,193
China National Instruments Import & Export (Group) Corporation	**203**	456
China National Machinery Import & Export Corporation	**–**	902

The rentals are charged based on terms mutually agreed between the Group and the respective parties.

(iv) Interest expenses:

	2022 RMB'000	2021 RMB'000
Genertec Hong Kong International Capital Limited	**79,723**	57,452
China General Technology (Group) Holding Company Limited	**3,884**	16,164

The interest expenses were charged at rates ranging from 3.80% to 5.31% (2021: 1.89% to 4.75%) per annum.

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with Genertec Group and companies under Genertec Group (continued)

(v) Consulting service fees:

	2022 RMB'000	2021 RMB'000
China National Instruments Import & Export (Group) Corporation	**156**	–
Genertec (UK) Limited	**92**	5
China International Postal and Telecommunications Exhibition and Advertisement Co., Ltd.	**38**	–
Instrimpex International Tendering Co., Ltd.	**30**	25
China International Tendering Co.,Ltd	**20**	–
China Meheco Beijing Baitai-Borui Technology Co.,Ltd.	**9**	–
China General Technology (Group) Holding Company Limited	**4**	–
Health China (Beijing) Healthcare Management Co., Ltd.	**–**	132
China International Advertising Co., Ltd.	**–**	107
China General Consulting & Investment Co., Ltd.	**–**	38

The consulting service expenses were charged based on prices mutually agreed between the parties.

(vi) Sales of goods to related parties:

	2022 RMB'000	2021 RMB'000
China General Technology (Group) Holding Company Limited	**1,443**	4
China Xinxing Construction Engineering Co., Ltd.	**–**	6,713

The sales of goods were charged based on prices mutually agreed between the parties.

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with Genertec Group and companies under Genertec Group (continued)

(vii) Capital commitments:

	2022 RMB'000	2021 RMB'000
China Xinxing Construction Engineering Co., Ltd.	**199,652**	–

The related party transactions in respect of items (i), (ii), (iii), (v), (vi), and (vii) above also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(b) Significant transactions with other government-related entities

The largest shareholder of the Company is a state-owned enterprise. In accordance with HKAS 24 *Related Party Disclosures*, government-related entities include entities that are directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government. On this basis, related parties include other government-related entities, in addition to Genertec Group and companies under Genertec Group.

During the year, the Group's significant transactions with other government-related entities constituted a large portion of the finance lease services and advisory services. In addition, substantially all restricted cash, time deposits, cash and cash equivalents and borrowings as at 31 December 2022 and 2021 and the relevant interest earned and paid during the years were transacted with banks and other financial institutions which are controlled by the PRC government.

(c) Transactions and balances with a company under CITIC Capital Holdings Limited

CITIC Capital Holdings Limited is one of the major shareholders of the Company. CCP Leasing II Limited is the subsidiary of CITIC Capital Holdings Limited. CCP Leasing II Limited, as subscriber, completed the subscription of the guaranteed convertible bonds in an aggregate principal amount of USD150,000,000 on 25 March 2021. As at 31 December 2022, the principal amount of the convertible bonds was USD150,000,000 (As at 31 December 2021: USD150,000,000). The interest payment was RMB19,981,000 during the year ended 31 December 2022 (2021: RMB9,704,000).

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Transactions with a joint venture:

(i) Interest expense

	2022 **RMB'000**	2021 RMB'000
Sichuan Huankang Hospital Management Co., Ltd.	**14,522**	14,415

The interest expenses were charged at a rate of 3.20% per annum (2021:3.20%).

(ii) Consulting service fees:

	2022 **RMB'000**	2021 RMB'000
Sichuan Huankang Hospital Management Co., Ltd.	**2**	59

The consulting service expenses were charged based on prices mutually agreed between the parties.

(e) Compensation of key management personnel:

	2022 **RMB'000**	2021 RMB'000
Short-term employee benefits	**25,933**	23,526

38. 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.

38. SHARE OPTION SCHEME (CONTINUED)

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

38. SHARE OPTION SCHEME (CONTINUED)

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.

39. 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).

40. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each reporting period are as follows:

2022

	RMB'000
Financial assets	
Financial assets at amortised cost:	
Loans and accounts receivables	64,861,477
Financial assets included in prepayments, other receivables and other assets	394,480
Restricted deposits	778,303
Cash and cash equivalents	2,679,426
Financial assets at fair value through profit or loss:	
Derivative financial instruments	6,389
Financial assets at fair value through profit or loss	245,987
Hedging instruments designated as cash flow hedges:	
Derivative financial instruments designated as cash flow hedges	225,765
	69,191,827
Financial liabilities	
Financial liabilities at amortised cost:	
Trade and bills payables	2,247,218
Financial liabilities included in other payables and accruals	5,337,754
Convertible bonds – host debts	982,982
Interest-bearing bank and other borrowings	45,928,401
Financial liabilities at fair value through profit or loss:	
Derivative financial instruments	3,117
Hedging instruments designated as cash flow hedges:	
Derivative financial instruments designated as cash flow hedges	117,685
	54,617,157

40. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The carrying amounts of each of the categories of financial instruments as at the end of each reporting period are as follows: (continued)

2021

	RMB'000
Financial assets	
Financial assets at amortised cost:	
Loans and accounts receivables	60,565,317
Financial assets included in prepayments, other receivables and other assets	321,350
Restricted deposits	954,862
Cash and cash equivalents	2,342,078
Financial assets at fair value through profit or loss:	
Financial assets at fair value through profit or loss	366,470
Hedging instruments designated as cash flow hedges:	
Derivative financial instruments designated as cash flow hedges	6,915
	64,556,992
Financial liabilities	
Financial liabilities at amortised cost:	
Trade and bills payables	1,111,983
Financial liabilities included in other payables and accruals	4,579,061
Convertible bonds – host debts	882,689
Interest-bearing bank and other borrowings	43,289,882
Financial liabilities at fair value through profit or loss:	
Derivative financial instruments	238,120
Hedging instruments designated as cash flow hedges:	
Derivative financial instruments designated as cash flow hedges	316,097
	50,417,832

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Financial instruments not measured at fair value

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

Cash and bank balances, restricted deposits, accounts receivable, notes receivable, current portion of financial assets included in other receivables, trade and bills payables, short-term borrowings and current portion of financial liabilities included in other payables and accruals

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

Lease receivables, long-term receivables arising from sale-and-leaseback arrangements, factoring receivables, interest-bearing bank and other borrowings excluding bonds issued and short-term borrowings

Substantially all of the interest-bearing bank and other borrowings, excluding bonds issued and short-term borrowings, are on floating rate terms, bear interest at prevailing market interest rates, and their carrying values approximate to their fair values. For loans and accounts receivables with long-term remaining maturities, the applied interest rates approximate to prevailing market interest rates and their carrying values approximate to their fair value.

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments not measured at fair value (continued)

Bonds issued and Convertible bonds – host debts

The fair values of the bonds and convertible bonds – host debts are calculated based on quoted market prices or a discounted cash flow model that is used based on a current yield curve appropriate for the remaining term to maturity.

The table below summarises the carrying amounts and fair values of bonds issued and convertible bonds – host debts which are not presented at fair value on the statement of financial position as at 31 December 2022.

	Carrying amounts		Fair values	
	2022	2021	**2022**	2021
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bonds issued	**16,565,306**	14,807,554	**16,485,237**	14,883,502
Convertible bonds – host debts	**982,982**	882,689	**919,554**	896,206
	17,548,288	15,690,243	**17,404,791**	15,779,708

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

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

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments measured at fair value

Interest rate swap contracts

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

Forward currency contracts

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

Cross-currency interest rate swaps

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

Financial assets at fair value through profit or loss

The valuations of the financial assets at fair value through profit or loss were based on information known to the Group and market conditions existing at the end of the reporting period. The fair values were determined by using appropriate valuation techniques. Valuation techniques include using recent arm's length market transactions, referring to the current market value of another instrument that is substantially the same and making as much use of available and supportable market data as possible.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2022:

Description	Fair value at 31 December 2022	Valuation technique	Unobservable input	Relationship of unobservable inputs to fair value
Financial assets at fair value through profit or loss	**245,987**	Adjusted recent transaction price	Volatility	The higher the volatility, the higher the fair value

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments measured at fair value (continued)

Financial assets at fair value through profit or loss (continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2021:

Description	Fair value at 31 December 2021	Valuation technique	Unobservable input	Relationship of unobservable inputs to fair value
Financial assets at fair value through profit or loss	366,470	Adjusted recent transaction price	Volatility	The higher the volatility, the higher the fair value

Fair value hierarchy

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

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs).

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

Assets and liabilities measured at fair value:

As at 31 December 2022

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	–	245,987	–	245,987
Derivative financial assets				
– Forward currency contracts	–	146,220	–	146,220
– Interest rate swap contracts	–	62,642	–	62,642
– Cross-currency interest rate swaps	–	23,292	–	23,292
	–	478,141	–	478,141
Derivative financial liabilities				
– Forward currency contracts	–	120,802	–	120,802

As at 31 December 2021

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	–	366,470	–	366,470
Derivative financial assets				
– Interest rate swap contracts	–	6,915	–	6,915
	–	373,385	–	373,385
Derivative financial liabilities				
– Forward currency contracts	–	544,448	–	544,448
– Interest rate swap contracts	–	1,403	–	1,403
– Cross-currency interest rate swaps	–	8,366	–	8,366
	–	554,217	–	554,217

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

Liabilities for which fair values are disclosed:

As at 31 December 2022

	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Bonds issued	**16,485,237**	**–**	**–**	**16,485,237**
Convertible bonds – host debts	**–**	**919,554**	**–**	**919,554**
	16,485,237	**919,554**	**–**	**17,404,791**

As at 31 December 2021

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Bonds issued	14,883,502	–	–	14,883,502
Convertible bonds – host debts	–	896,206	–	896,206
	14,883,502	896,206	–	15,779,708

During the year ended 31 December 2022, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3 (2021: Nil).

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise loans and accounts receivables, trade and bills payables, interest-bearing bank and other borrowings, cash and short term deposits, and derivative financial instruments. The main purpose of interest-bearing bank and other borrowings is to finance the Group's operations while other financial assets and liabilities such as loans and accounts receivables and trade and bills payables are directly related to the Group's operating activities.

The Group also enters into derivative transactions, including principally interest rate swap contracts, forward currency contracts, and cross-currency interest rate swaps. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk, currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank and other borrowings and loans and accounts receivables. The Group aims to mitigate such risks by reducing future variability in cash flows or fair value, while balancing the cost of such risk mitigation measure.

The table below demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, to the Group's profit before tax.

The sensitivity of the profit before tax is the effect of the assumed changes in interest rates on profit before tax, based on the financial assets and financial liabilities held at the end of each reporting period subject to repricing within the coming year.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk (continued)

	Increase/(decrease) in profit before tax as at 31 December	
	2022	2021
	RMB'000	RMB'000
Change in basis points		
+100 basis points	**(42,138)**	19,980
– 100 basis points	**42,138**	(19,980)

The interest rate sensitivity set out in the table above is for illustration only and is based on simplified scenarios. The figures represent the effect of the pro forma movements in profit before tax based on the projected yield curve scenarios and the Group's current interest rate risk profile. This effect, however, does not incorporate actions that would be taken by management to mitigate the impact of interest rate risk. The projections above also assume that interest rates of financial instruments with different maturities move by the same amount and, therefore, do not reflect the potential impact on profit before tax in the case where some rates change while others remain unchanged.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange relates primarily to the operating activities of the Group (when receipt or payment is settled using a currency that is different from the functional currency).

The Group conducts its businesses mainly in RMB, with certain transactions denominated in United States dollar, and to a lesser extent, other currencies. The Group's exposure to treasury operations mainly arises from its transactions in currencies other than RMB. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position. For example, the Group enters into cross currency interest rate swaps and forward currency contracts to mitigate the currency risk arising from variable cash flows of some of its foreign currency floating rate loans (see Note 18).

The exchange rate of RMB to the United States dollar ("USD") is managed under a floating exchange rate system. The Hong Kong dollar ("HKD") exchange rate has been pegged to USD and therefore the exchange rate of RMB to HKD has fluctuated in line with the changes in the exchange rate of RMB to USD.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Currency risk (continued)

The table below is a sensitivity analysis of exchange rate changes of the currencies to which the Group had significant exposure on its monetary assets and liabilities and its forecast cash flows. The analysis shows the effect of a reasonably possible movement in the currency rate against RMB, with all other variables held constant, on profit before tax. This effect, however, was based on the assumption that the Group's foreign exchange exposures as at the end of each reporting period were kept unchanged and, therefore, have not incorporated actions that would be taken by the Group to mitigate the adverse impact of this foreign exchange risk.

	Increase/ (decrease) in foreign exchange rate	Increase/(decrease) in profit before tax as at 31 December	
		2022	2021
	%	**RMB'000**	RMB'000
Currency			
If RMB strengthens against USD/HKD	(1)	**(349)**	818
If RMB weakens against USD/HKD	1	**349**	(818)

Credit risk

Credit risk is the risk of loss arising from a lessee's or counterparty's inability to meet its obligations.

The Group enters into transactions only with the recognised and creditworthy third parties. In accordance with the policy of the Group, the Group examines and verifies the credit risk of all customers that the Group has credit transactions with. Besides, the Group monitors and controls the loans and accounts receivables regularly to mitigate the risk of significant exposure from bad debts.

Other financial assets of the Group include cash and bank deposits, accounts receivable, notes receivable, derivative financial instruments, financial assets at fair value through profit or loss, and financial assets included in 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 is equal to the carrying amounts of these assets.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

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 the Chinese Mainland. Lessees of the Group are from different industries as follows:

	As at 31 December 2022		As at 31 December 2021	
	RMB'000	**%**	RMB'000	%
Interest-earning assets				
Healthcare	**17,346,262**	**27**	22,267,645	36
Urban public utility	**45,147,968**	**69**	36,433,511	60
Others	**2,739,601**	**4**	2,426,451	4
	65,233,831	**100**	61,127,607	100
Less: loss allowance for impairment of interest-earning assets	**1,694,751**		1,432,281	
Net	**63,539,080**		59,695,326	

As the customers of the Group are widely dispersed and are engaged in different industries, there is no significant credit risk concentration within the Group.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on the customers' creditworthiness unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2022

	Stage I (12-month ECLs) RMB'000	Stage II (Lifetime ECLs) RMB'000	Stage III (Lifetime ECLs – impaired) RMB'000	Simplified approach RMB'000	Total RMB'000
Accounts receivable	–	–	–	1,320,497	1,320,497
Notes receivable	1,900	–	–	–	1,900
Interest-earning assets	57,364,300	5,703,086	471,694	–	63,539,080
Financial assets included in prepayments, other receivables and other assets	337,577	49,955	6,948	–	394,480
Restricted deposits	778,303	–	–	–	778,303
Cash and cash equivalents	2,679,426	–	–	–	2,679,426
	61,161,506	5,753,041	478,642	1,320,497	68,713,686

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

As at 31 December 2021

	Stage I (12-month ECLs) RMB'000	Stage II (Lifetime ECLs) RMB'000	Stage III (Lifetime ECLs – impaired) RMB'000	Simplified approach RMB'000	Total RMB'000
Accounts receivable	–	–	–	869,232	869,232
Notes receivable	759	–	–	–	759
Interest-earning assets	53,037,464	6,206,697	451,165	–	59,695,326
Financial assets included in prepayments, other receivables and other assets	321,350	–	–	–	321,350
Restricted deposits	954,862	–	–	–	954,862
Cash and cash equivalents	2,342,078	–	–	–	2,342,078
	56,656,513	6,206,697	451,165	869,232	64,183,607

Note:

Among which, all the financial assets in stage 1 are credit rated as Pass.

As 31 December 2022, no assets were past due over 30 days and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

When the lease payment for a period is past due by one day as at each reporting date, the whole interest-earning assets is classified as past due.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

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

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

	As at 31 December 2022					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
FINANCIAL ASSETS:						
Loans and accounts receivables	232,640	8,690,164	19,033,714	46,492,059	–	74,448,577
Financial assets included in prepayments, other receivables and other assets	32,818	1,378	396,790	134,709	–	565,695
Restricted deposits	–	628,303	–	158,403	–	786,706
Derivative financial assets	–	712	130,898	100,544	–	232,154
Financial assets at fair value through profit or loss	–	2,960	8,118	246,712	–	257,790
Cash and cash equivalents	2,679,426	–	–	–	–	2,679,426
Total financial assets	2,944,884	9,323,517	19,569,520	47,132,427	–	78,970,348
FINANCIAL LIABILITIES:						
Trade and bills payables	558,333	–	1,688,885	–	–	2,247,218
Financial liabilities included In other payables and accruals	539,422	836,625	684,852	3,770,528	–	5,831,427
Derivative financial liabilities	–	–	37,494	83,308	–	120,802
Convertible bonds – host debts	–	10,447	10,447	1,096,925	–	1,117,819
Interest-bearing bank and other borrowings	–	4,123,947	17,829,853	26,514,449	215,228	48,683,477
Total financial liabilities	1,097,755	4,971,019	20,251,531	31,465,210	215,228	58,000,743

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

The tables below summarise the maturity profile of the Group's financial assets and liabilities based on the contractual undiscounted cash flows: (continued)

	As at 31 December 2021					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
FINANCIAL ASSETS:						
Loans and accounts receivables	201,183	7,465,320	17,592,171	44,811,548	–	70,070,222
Financial assets included in prepayments, other receivables and other assets	–	1,747	184,993	135,592	–	322,332
Restricted deposits	–	956,340	–	–	–	956,340
Derivative financial assets	–	–	–	6,915	–	6,915
Financial assets at fair value through profit or loss	–	4,500	13,750	381,264	–	399,514
Cash and cash equivalents	2,348,545	–	–	–	–	2,348,545
Total financial assets	2,549,728	8,427,907	17,790,914	45,335,319	–	74,103,868
FINANCIAL LIABILITIES:						
Trade and bills payables	–	1,106,515	5,468	–	–	1,111,983
Financial liabilities included In other payables and accruals	572,507	328,245	579,517	3,222,402	–	4,702,671
Derivative financial liabilities	–	240,114	106,455	207,648	–	554,217
Convertible bonds – host debts	–	9,564	9,564	949,634	–	968,762
Interest-bearing bank and other borrowings	–	3,184,622	12,884,665	29,803,148	5,878	45,878,313
Total financial liabilities	572,507	4,869,060	13,585,669	34,182,832	5,878	53,215,946

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

The table below summarises the maturity profile of the Group's credit commitments based on contractual undiscounted cash flows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Credit commitments:		
Less than 3 months	**2,530,000**	4,895,000
3 to 12 months	**–**	1,795,000
	2,530,000	6,690,000

Interest rate benchmark reform

As at 31 December 2022, the Group had certain interest-bearing bank and other borrowings, interest rate swap contracts and cross-currency interest rate swaps denominated in United States dollars. The interest rates of these instruments are based on the LIBOR with a tenor of one month or three months, which will cease to be published after 30 June 2023. Replacement of the benchmark rates of these instruments from LIBOR to an RFR has yet to commence but it is expected that there will be renegotiations of terms in the future. During the transition, the Group is exposed to the following risks:

- Parties to the contract may not reach agreement in a timely manner as any changes to the contractual terms require the agreement of all parties to the contract
- Additional time may be needed for the parties to the contract to reach agreement as they may renegotiate terms which are not part of the interest rate benchmark reform (e.g., changing the credit spread of the bank borrowings due to changes in credit risk of the Group)
- The existing fallback clause included in the instruments may not be adequate to facilitate a transition to a suitable RFR

The Group will continue to monitor the development of the reform and take proactive measures for a smooth transition.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate benchmark reform (continued)

The information about financial instruments based on an interbank offered rate that has yet to transition to an alternative benchmark rate is as follows:

As at 31 December 2022

	Non-derivative financial liabilities carrying value RMB'000	Derivative instruments nominal amount RMB'000
Interest-bearing bank and other borrowings		
– United States dollar LIBOR	**9,432,745**	**–**
Cross-currency interest rate swaps		
– United States dollar LIBOR	**–**	**340,175**
Interest rate swaps		
– United States dollar LIBOR	**–**	**823,564**
	9,432,745	**1,163,739**

As at 31 December 2021

	Non-derivative financial liabilities carrying value RMB'000	Derivative instruments nominal amount RMB'000
Interest-bearing bank and other borrowings		
– United States dollar LIBOR	8,858,596	–
Cross-currency interest rate swaps		
– United States dollar LIBOR	–	592,573
Interest rate swaps		
– United States dollar LIBOR	–	753,927
	8,858,596	1,346,500

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payments to shareholders, return capital to shareholders, raise new debt or issue new shares. No changes were made to the objectives, policies or processes for managing capital during the year.

The Group monitors capital using a gearing ratio, which is calculated as bank and other borrowings divided by total equity. The gearing ratio as at the reporting date is as follows:

Group

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Bank and other borrowings (Note 25)	**46,911,383**	44,172,571
Total equity	**19,703,013**	17,623,255
Gearing ratio	**2.38**	2.51

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management (continued)

CULC and Genertec Universal International Financial Leasing (Tianjin) Co., Ltd. ("TJ-Leasing")

The primary objective of the capital management of CULC and TJ-Leasing, principal subsidiaries of the Group located in the Chinese Mainland, is to ensure that they comply with the regulatory requirements of the Ministry of Commerce of the PRC (the "MOFCOM") in addition to the general requirements that are relevant to the Group. In accordance with the "Administration of Foreign Investment in the Leasing Industry" promulgated by the MOFCOM on 3 February 2005, the "Interim Measures for the Supervision and Management of Financial Leasing Companies" issued by the CBIRC on 26 May 2020 and other relevant laws and regulations, CULC and TJ-Leasing have set up appropriate business development and capital management programs and established a comprehensive evaluation system. They actively adjust the capital structure in light of changes in the market and the risks confronted by adjusting their dividend policy or financing channels. During the year, there were no significant changes in the policies or processes for managing the capital of CULC and TJ-Leasing.

In accordance with the aforementioned requirements, CULC and TJ-Leasing should maintain their risk assets ("Risk Assets") within 8 times of their equity. The Risk Assets shall be determined on the basis of the total assets less cash. The calculations of the ratios of the Risk Assets to equity as at each reporting date are as follows:

CULC

	As at 31 December	
	2022	**2021**
	RMB'000	**RMB'000**
Total assets	**54,462,604**	51,558,585
Less: Cash and cash equivalents	**(1,266,864)**	(1,006,440)
Total Risk Assets	**53,195,740**	50,552,145
Equity	**11,200,978**	11,321,425
Ratio of Risk Assets to equity	**4.75**	4.47

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management (continued)

TJ-Leasing

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Total assets	**28,258,246**	26,472,648
Less: Cash and cash equivalents	**(211,772)**	(498,150)
Total Risk Assets	**28,046,474**	25,974,498
Equity	**5,291,647**	4,376,324
Ratio of Risk Assets to equity	**5.30**	5.94

43. 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.

43. TRANSFERS OF FINANCIAL ASSETS AND INTERESTS IN THE UNCONSOLIDATED STRUCTURED ENTITIES (CONTINUED)

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.

44. 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.

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**320**	378
Prepayments, other receivables and other assets	**7,344,398**	10,751,633
Investments in subsidiaries	**6,579,799**	6,579,357
Right-of-use assets	**2,648**	2,677
Derivative financial instruments	**57,369**	6,915
Total non-current assets	**13,984,534**	17,340,960
CURRENT ASSETS		
Accounts receivable	**–**	5,101
Prepayments, other receivables and other assets	**5,030,859**	1,142,134
Dividends receivable from a subsidiary	**562,400**	548,100
Derivative financial instruments	**38,688**	–
Restricted deposits	**149,628**	62,132
Cash and cash equivalents	**190,808**	222,924
Total current assets	**5,972,383**	1,980,391
CURRENT LIABILITIES		
Trade payables	**91**	89
Other payables and accruals	**31,989**	22,516
Interest-bearing bank and other borrowings	**6,027,450**	1,382,355
Derivative financial instruments	**–**	58,299
Total current liabilities	**6,059,530**	1,463,259
NET CURRENT (LIABILITIES)/ASSETS	**(87,147)**	517,132
TOTAL ASSETS LESS CURRENT LIABILITIES	**13,897,387**	17,858,092

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

	2022 RMB'000	2021 RMB'000
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**8,100,558**	11,894,395
Derivative financial instruments	**24,557**	40,282
Net assets	**5,772,272**	5,923,415
EQUITY		
Share capital	**5,297,254**	5,297,254
Reserves (note)	**475,018**	626,161
Total equity	**5,772,272**	5,923,415

Peng Jiahong
Director

Wang Wenbing
Director

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves is as follows:

	Capital reserve RMB'000	Hedge reserve RMB'000	Retained profits RMB'000	Share-based compensation reserves RMB'000	Total RMB'000
Balance at 1 January 2022	**33,302**	**(6,787)**	**588,050**	**11,596**	**626,161**
Profit for the year	**–**	**–**	**559,770**	**–**	**559,770**
Other comprehensive loss for the year:					
Cash flow hedges, net of tax	**–**	**(132,843)**	**–**	**–**	**(132,843)**
Recognition of equity-settled share-based payments	**–**	**–**	**–**	**442**	**442**
Dividends	**–**	**–**	**(578,512)**	**–**	**(578,512)**
At 31 December 2022	**33,302**	**(139,630)**	**569,308**	**12,038**	**475,018**
Balance at 1 January 2021	33,302	(29,212)	472,287	5,798	482,175
Profit for the year	–	–	598,744	–	598,744
Other comprehensive income for the year:					
Cash flow hedges, net of tax	–	22,425	–	–	22,425
Recognition of equity-settled share-based payments	–	–	–	5,798	5,798
Dividends	–	–	(482,981)	–	(482,981)
At 31 December 2021	33,302	(6,787)	588,050	11,596	626,161

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 March 2023.

通用環球醫療集團有限公司

GENERTEC UNIVERSAL MEDICAL GROUP COMPANY LIMITED

COMPANY'S WEBSITE :

www. umcare.cn

REGISTERED OFFICE :

Room 702, Fairmont House 8 Cotton Tree Drive Central Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA :

4th, 5th and 13th Floor, West Wing of Hademen Plaza 8-1
Chonwenmenwai Street Dongcheng District Beijing, China

IR EMAIL :

ir@um.gt.cn

Official Wechat Account