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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 2666)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

FINANCIAL HIGHLIGHTS

- For the six months ended 30 June 2023, the revenue amounted to approximately RMB6,634.4 million, representing an increase of 16.1% as compared with that of approximately RMB5,712.3 million for the corresponding period of 2022.
- For the six months ended 30 June 2023, the profit for the period amounted to approximately RMB1,193.6 million, representing an increase of 1.5% as compared with that of approximately RMB1,176.4 million for the corresponding period of 2022.
- For the six months ended 30 June 2023, the profit for the period attributable to owners of the parent amounted to approximately RMB1,093.2 million, representing an increase of 0.3% as compared with that of approximately RMB1,089.4 million for the corresponding period of 2022.
- As at 30 June 2023, the total assets amounted to approximately RMB84,247.6 million, representing an increase of 9.6% as compared with that of approximately RMB76,870.8 million as at 31 December 2022.
- As at 30 June 2023, the equity attributable to owners of the parent amounted to approximately RMB14,712.4 million, representing an increase of 5.3% as compared with that of approximately RMB13,970.1 million as at 31 December 2022.
- For the six months ended 30 June 2023, the return on equity was 15.25%.
- For the six months ended 30 June 2023, the return on total assets was 2.96%.

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

The Board is pleased to announce that the unaudited condensed consolidated interim results of the Company and its subsidiaries for the six months ended 30 June 2023 with the comparative figures for the corresponding period or the end of 2022 are as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

	Notes	**2023 (Unaudited)** ***RMB'000***	2022 (Unaudited) *RMB'000*
REVENUE	*4*	**6,634,380**	5,712,259
Cost of sales		**(4,370,275)**	(3,331,598)
Gross profit		**2,264,105**	2,380,661
Other income and gains	*4*	**317,118**	240,613
Selling and distribution costs		**(159,773)**	(225,793)
Administrative expenses		**(538,266)**	(440,686)
Impairment losses on financial assets, net		**(96,395)**	(137,588)
Loss on derecognition of financial assets measured at amortised cost		**(93)**	(17)
Other expenses		**(211,417)**	(304,460)
Finance costs		**(16,998)**	(13,768)
Share of profits and losses of:			
A joint venture		**8,667**	5,930
Associates		**(3,453)**	(90)
PROFIT BEFORE TAX	*5*	**1,563,495**	1,504,802
Income tax expense	*6*	**(369,913)**	(328,442)
PROFIT FOR THE PERIOD		**1,193,582**	1,176,360
Attributable to:			
Owners of the parent		**1,093,175**	1,089,365
Non-controlling interests		**57,614**	51,167
Other equity instruments		**42,793**	35,828
		1,193,582	1,176,360
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
Basic (expressed in RMB per share)		**0.58**	0.58
Diluted (expressed in RMB per share)		**0.53**	0.53

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
PROFIT FOR THE PERIOD	**1,193,582**	1,176,360
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(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 period	**504,232**	216,230
Reclassification adjustments included in the consolidated statement of profit or loss	**(214,136)**	(634,993)
Income tax effect	**(49,208)**	90,642
	240,888	(328,121)
Exchange differences on translation of foreign operations	**1,805**	3,102
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	**242,693**	(325,019)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Actuarial losses on the post-retirement benefit obligations, net of tax	**(1,363)**	(1,367)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	**(1,363)**	(1,367)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**241,330**	(326,386)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,434,912**	849,974
Attributable to:		
Owners of the parent	**1,335,171**	763,647
Non-controlling interests	**56,948**	50,499
Other equity instruments	**42,793**	35,828
	1,434,912	849,974

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	Notes	**30 June 2023 (Unaudited)** *RMB'000*	31 December 2022 (Audited) *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**3,906,815**	3,780,646
Right-of-use assets		**1,130,768**	1,154,545
Loans and accounts receivables	*11*	**42,526,025**	41,404,185
Prepayments, other receivables and other assets		**681,947**	654,520
Goodwill		**102,253**	102,253
Deferred tax assets		**748,344**	743,021
Financial assets at fair value through profit or loss		**172,515**	245,987
Derivative financial instruments		**227,037**	100,544
Investment in a joint venture		**492,008**	486,195
Investments in associates		**110,740**	28,769
Other intangible assets		**91,971**	79,173
Total non-current assets		**50,190,423**	48,779,838
CURRENT ASSETS			
Inventories		**358,742**	375,728
Loans and accounts receivables	*11*	**29,055,840**	23,457,292
Prepayments, other receivables and other assets		**676,289**	668,574
Derivative financial instruments		**432,479**	131,610
Financial assets at fair value through profit or loss		**186,204**	–
Restricted deposits		**837,526**	778,303
Cash and cash equivalents	*12*	**2,510,137**	2,679,426
Total current assets		**34,057,217**	28,090,933
CURRENT LIABILITIES			
Trade and bills payables	*13*	**2,536,721**	2,247,218
Other payables and accruals		**3,573,908**	3,206,851
Interest-bearing bank and other borrowings	*14*	**23,630,274**	20,802,790
Derivative financial instruments		**3,117**	37,494
Tax payable		**132,315**	84,006
Total current liabilities		**29,876,335**	26,378,359

	Notes	**30 June 2023 (Unaudited)** *RMB'000*	31 December 2022 (Audited) *RMB'000*
NET CURRENT ASSETS		**4,180,882**	1,712,574
TOTAL ASSETS LESS CURRENT LIABILITIES		**54,371,305**	50,492,412
NON-CURRENT LIABILITIES			
Convertible bonds – host debts		**1,029,707**	982,982
Interest-bearing bank and other borrowings	*14*	**28,906,384**	25,125,611
Other payables and accruals		**4,454,821**	4,316,530
Other non-current liabilities		**294,651**	280,968
Derivative financial instruments		**–**	83,308
Total non-current liabilities		**34,685,563**	30,789,399
Net assets		**19,685,742**	19,703,013
EQUITY			
Equity attributable to owners of the parent			
Share capital	*15*	**5,297,254**	5,297,254
Equity component of convertible bonds		**75,486**	75,486
Reserves	*16*	**9,339,635**	8,597,375
		14,712,375	13,970,115
Other equity instruments		**2,078,923**	1,660,414
Non-controlling interests		**2,894,444**	4,072,484
Total equity		**19,685,742**	19,703,013

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to owners of the parent												Other equity instruments RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000 (Note 15)	Equity component of convertible bonds RMB'000	Capital reserve* RMB'000 (Note 16)	Statutory reserve* RMB'000 (Note 16)	Special reserves* RMB'000 (Note 16)	Share-based compensation reserve* RMB'000 (Note 16)	General and regulatory reserves* RMB'000 (Note 16)	Exchange fluctuation reserve* RMB'000 (Note 16)	Hedge reserve* RMB'000	Post-retirement benefit reserve* RMB'000	Retained profits* RMB'000	Total RMB'000			
At 31 December 2022 (Audited)	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
Profit for the period	-	-	-	-	-	-	-	-	-	-	1,093,175	1,093,175	42,793	57,614	1,193,582
Other comprehensive income for the period:															
Cash flow hedges, net of tax	-	-	-	-	-	-	-	-	240,888	-	-	240,888	-	-	240,888
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	1,805	-	-	-	1,805	-	-	1,805
Actuarial losses on the post-retirement benefit obligations, net of tax	-	-	-	-	-	-	-	-	-	(697)	-	(697)	-	(666)	(1,363)
Total comprehensive income for the period	-	-	-	-	-	-	-	1,805	240,888	(697)	1,093,175	1,335,171	42,793	56,948	1,434,912
Dividends *(Note 7)*	-	-	-	-	-	-	-	-	-	-	(591,982)	(591,982)	-	-	(591,982)
Appropriation of general and regulatory reserves	-	-	-	-	-	-	47,082	-	-	-	(47,082)	-	-	-	-
Appropriation of special reserve – safety fund	-	-	-	-	63	-	-	-	-	-	-	63	-	61	124
Redemption of renewable corporate bonds	-	-	(2,438)	-	-	-	-	-	-	-	-	(2,438)	(497,587)	-	(500,025)
Recognition of equity-settled share-based payments	-	-	-	-	-	584	-	-	-	-	-	584	-	-	584
Issue of renewable corporate bonds	-	-	-	-	-	-	-	-	-	-	-	-	897,360	-	897,360
Share of other reserves of investments accounted for using the equity method	-	-	(2,854)	-	-	-	-	-	-	-	-	(2,854)	-	-	(2,854)
Distribution paid to holders of a renewable corporate bond	-	-	-	-	-	-	-	-	-	-	-	-	(24,057)	-	(24,057)
Acquisition of non-controlling interests	-	-	3,716	-	-	-	-	-	-	-	-	3,716	-	(1,235,049)	(1,231,333)
At 30 June 2023 (Unaudited)	5,297,254	75,486	25,469	1,253,384	63	12,622	854,791	34,513	(245,266)	(5,705)	7,409,764	14,712,375	2,078,923	2,894,444	19,685,742

* These reserve accounts comprise the consolidated reserves of RMB9,339,635,000 (31 December 2022: RMB8,597,375,000) in the interim condensed consolidated statement of financial position.

	Share capital RMB'000 (Note 15)	Equity component of convertible bonds RMB'000	Capital reserve* RMB'000 (Note 16)	Statutory reserve* RMB'000 (Note 16)	Share-based compensation reserve* RMB'000 (Note 16)	General and regulatory reserves* RMB'000 (Note 16)	Exchange fluctuation reserve* RMB'000 (Note 16)	Hedge reserve* RMB'000	Post-retirement benefit reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Other equity instruments RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
	Attributable to owners of the parent													
At 31 December 2021 (Audited)	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 period	–	–	–	–	–	–	–	–	–	1,089,365	1,089,365	35,828	51,167	1,176,360
Other comprehensive loss for the period:														
Cash flow hedges, net of tax	–	–	–	–	–	–	–	(328,121)	–	–	(328,121)	–	–	(328,121)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	3,102	–	–	–	3,102	–	–	3,102
Actuarial losses on the post-retirement benefit obligations, net of tax	–	–	–	–	–	–	–	–	(699)	–	(699)	–	(668)	(1,367)
Total comprehensive income for the period	–	–	–	–	–	–	3,102	(328,121)	(699)	1,089,365	763,647	35,828	50,499	849,974
Dividends	–	–	–	–	–	–	–	–	–	(578,512)	(578,512)	–	–	(578,512)
Appropriation of general and regulatory reserves	–	–	–	–	–	51,928	–	–	–	(51,928)	–	–	–	–
Recognition of equity-settled share-based payments	–	–	–	–	1,636	–	–	–	–	–	1,636	–	–	1,636
Distribution paid to holders of renewable corporate bonds	–	–	–	–	–	–	–	–	–	–	–	(24,056)	–	(24,056)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	400,605	400,605
Acquisition of non-controlling interests	–	–	364	–	–	–	–	–	–	–	364	–	(452)	(88)
At 30 June 2022 (Unaudited)	5,297,254	75,486	27,442	1,059,986	13,232	809,808	30,718	(362,699)	(6,408)	6,346,305	13,291,124	1,673,612	3,308,078	18,272,814

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Notes	**2023 (Unaudited) *RMB'000***	2022 (Unaudited) *RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**1,563,495**	1,504,802
Adjustments for:			
Finance costs and interest expense		**1,215,882**	954,660
Interest income	4	**(34,566)**	(22,671)
Share of profits of a joint venture and associates		**(5,214)**	(5,840)
Derivative instruments – transactions not qualifying as hedges:			
– Unrealised fair value gains, net	4	**(40,814)**	(93,849)
– Realised fair value gains, net	4	**–**	(10,981)
Depreciation and amortisation, exclusive of right-of-use assets		**211,949**	170,944
Depreciation of right-of-use assets		**30,617**	25,665
Impairment of loans and accounts receivables and other receivables	5	**96,395**	137,588
Loss on disposal of property, plant and equipment, net	5	**144**	211
Gain on disposal of intangible assets	4	**(3,512)**	–
Equity-settled share-based compensation expense	5	**584**	1,636
Interest income from continuing involvement in transferred assets	4	**(16,822)**	(14,205)
Gain on unlisted debt investments, at fair value	4	**(7,275)**	(3,765)
Fair value gains from financial assets at fair value through profit or loss	4	**(2,292)**	(2,565)
Special reserve – safety fund appropriation		**124**	–
Foreign exchange losses, net	5	**196,203**	296,355
		3,204,898	2,937,985
Decrease/(increase) in inventories		**16,986**	(8,101)
Increase in loans and accounts receivables		**(6,818,795)**	(4,940,633)
(Increase)/decrease in prepayments, other receivables and other assets		**(71,261)**	46,264
Decrease in amounts due from related parties		**3,846**	548
Increase in trade and bills payables		**242,972**	515,680
Increase in other payables and accruals		**332,830**	438,658
Increase in amounts due to related parties		**33,704**	10,560
Net cash flows used in operating activities before tax and interest		**(3,054,820)**	(999,039)
Interest received		**50,188**	34,400
Income tax paid		**(334,765)**	(355,975)
Net cash flows used in operating activities		**(3,339,397)**	(1,320,614)

	Notes	**2023 (Unaudited)** ***RMB'000***	2022 (Unaudited) *RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from an associate		**5**	98
Dividends received from a joint venture		**–**	3,269
Realised losses on derivative financial instruments not qualifying as hedges		**–**	(224,023)
Realised gains on financial assets at fair value through profit or loss		**7,275**	3,765
Decrease in time deposits		**150,000**	23,000
Purchase of financial assets at fair value through profit or loss		**(170,000)**	–
Acquisition of subsidiaries		**–**	129,777
Receipt of other investments		**5,110**	7,566
Addition to investments in associates		**(80,000)**	–
Proceeds from disposal of financial assets at fair value through profit or loss		**59,560**	120,000
Proceeds from disposal of items of property, plant and equipment		**154**	–
Cash paid for acquisition of property, plant and equipment and other non-current assets		**(340,981)**	(149,847)
Net cash flows used in investing activities		**(368,877)**	(86,395)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of renewable corporate bonds		**897,360**	–
Redemption of renewable corporate bonds		**(500,025)**	–
Acquisition of non-controlling interests		**(1,176,521)**	(88)
Cash received from borrowings		**27,745,968**	17,465,958
Repayments of borrowings		**(22,725,051)**	(12,171,279)
Increase in amounts due to related parties		**2,323,141**	8,104
Decrease in amounts due to related parties		**(2,323,726)**	(21,054)
Interest paid		**(1,166,615)**	(962,842)
Principal portion of lease payments		**1,092,963**	(941,216)
Receipt of other financing activities		**351,710**	235,944
Increase in restricted deposits		**(209,223)**	(2,255)
Cash paid on other financing activities		**(249,646)**	(247,166)
Dividends paid		**(591,982)**	(578,512)
Net cash flows from financing activities		**3,468,353**	2,785,594
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(239,921)**	1,378,585
Cash and cash equivalents at beginning of the period		**2,679,426**	2,342,078
Effect of exchange rate changes on cash and cash equivalents		**70,632**	(41,017)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		**2,510,137**	3,679,646
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**3,347,663**	4,468,874
Less: Restricted deposits		**(837,526)**	(789,228)
Cash and cash equivalents as stated in the statement of financial position	*12*	**2,510,137**	3,679,646
Cash and cash equivalents as stated in the statement of cash flows		**2,510,137**	3,679,646

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with HKAS 34 Interim Financial Reporting. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022.

The financial information relating to the year ended 31 December 2022 that is included in the interim condensed consolidated statement of financial position as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance. The Company's auditors have reported on the financial statements for the year ended 31 December 2022. The auditor's report was unqualified; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

HKFRS 17	*Insurance Contracts*
Amendments to HKFRS 17	*Insurance Contracts*
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform – Pillar Two Model Rules*

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

(a) Amendments to HKAS 1 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. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

(b) 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 Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* 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 Group has applied the amendments on temporary differences related to leases as at 1 January 2022. The amendments did not have any impact to the Group.

(d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Cooperation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. The Group is currently assessing its exposure to Pillar Two income taxes.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into two operating segments, namely the finance business and the healthcare 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 healthcare business comprises primarily (a) medical services; (b) hospital and healthcare management; (c) import and export trade and domestic trade of medical-related goods; and (d) life cycle management of equipment assets.

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

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

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

As at and for the six months ended 30 June 2023

	Finance business *RMB'000* (Unaudited)	Healthcare business *RMB'000* (Unaudited)	Adjustments and eliminations *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Segment revenue:				
Sales to external customers	**2,988,243**	**3,646,137**	**–**	**6,634,380**
Cost of sales	**(1,288,011)**	**(3,171,275)**	**89,011**	**(4,370,275)**
Other income and gains	**305,781**	**137,557**	**(126,220)**	**317,118**
Selling and distribution costs and administrative expenses	**(407,896)**	**(290,143)**	**–**	**(698,039)**
Impairment losses on financial assets, net	**(91,985)**	**(4,410)**	**–**	**(96,395)**
Loss on derecognition of financial assets measured at amortised cost	**(93)**	**–**	**–**	**(93)**
Share of loss of associates	**(3,453)**	**–**	**–**	**(3,453)**
Share of profit of a joint venture	**–**	**8,667**	**–**	**8,667**
Other expenses	**(202,433)**	**(8,984)**	**–**	**(211,417)**
Finance costs	**(1,178)**	**(53,029)**	**37,209**	**(16,998)**
Profit before tax	**1,298,975**	**264,520**	**–**	**1,563,495**
Income tax expense	**(337,028)**	**(32,885)**	**–**	**(369,913)**
Profit after tax	**961,947**	**231,635**	**–**	**1,193,582**
Segment assets	**77,250,303**	**13,911,447**	**(6,914,110)**	**84,247,640**
Segment liabilities	**66,034,929**	**5,441,079**	**(6,914,110)**	**64,561,898**
Other segment information:				
Impairment losses recognised in the statement of profit or loss	**91,985**	**4,410**	**–**	**96,395**
Depreciation and amortisation	**27,789**	**214,777**	**–**	**242,566**
Investments in associates	**56,550**	**54,190**	**–**	**110,740**
Investment in a joint venture	**–**	**492,008**	**–**	**492,008**
Capital expenditure	**26,101**	**314,880**	**–**	**340,981**

As at and for the six months ended 30 June 2022

	Finance business *RMB'000* (Unaudited)	Healthcare business *RMB'000* (Unaudited)	Adjustments and eliminations *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Segment revenue:				
Sales to external customers	2,987,313	2,724,946	–	5,712,259
Intersegment sales	448	–	(448)	–
Cost of sales	(1,026,493)	(2,391,202)	86,097	(3,331,598)
Other income and gains	229,620	97,090	(86,097)	240,613
Selling and distribution costs and administrative expenses	(412,028)	(254,451)	–	(666,479)
Impairment losses on financial assets, net	(137,015)	(573)	–	(137,588)
Loss on derecognition of financial assets measured at amortised cost	(17)	–	–	(17)
Share of loss of an associate	–	(90)	–	(90)
Share of profit of a joint venture	–	5,930	–	5,930
Other expenses	(301,574)	(2,886)	–	(304,460)
Finance costs	(760)	(13,456)	448	(13,768)
Profit before tax	1,339,494	165,308	–	1,504,802
Income tax expense	(306,879)	(21,563)	–	(328,442)
Profit after tax	1,032,615	143,745	–	1,176,360
Segment assets	69,960,171	11,568,707	(4,373,174)	77,155,704
Segment liabilities	60,258,356	2,997,708	(4,373,174)	58,882,890
Other segment information:				
Impairment losses recognised in the statement of profit or loss	137,015	573	–	137,588
Depreciation and amortisation	32,575	164,034	–	196,609
Investment in an associate	–	4,096	–	4,096
Investment in a joint venture	–	478,676	–	478,676
Capital expenditure	15,639	134,208	–	149,847

Geographical information

(a) Sales to external customers

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Chinese Mainland	**6,634,380**	5,712,259

The revenue information is based on the locations of customers.

(b) Non-current assets

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

Information about major customers

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

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Finance lease income	**133,894**	323,181
Long-term receivable income arising from sale-and-leaseback arrangements	**2,240,391**	2,031,576
Factoring Income	**67,021**	46,245
Revenue from contracts with customers	**4,186,501**	3,301,480
Revenue from other sources	**25,653**	27,067
Tax and surcharges	**(19,080)**	(17,290)
	6,634,380	5,712,259

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2023

Segments	**Finance business** *RMB'000* **(Unaudited)**	**Healthcare business** *RMB'000* **(Unaudited)**	**Total** *RMB'000* **(Unaudited)**
Types of goods or services			
Service fee income	**561,117**	**17,678**	**578,795**
Sale of finished goods	**–**	**188,093**	**188,093**
Healthcare service income	**–**	**3,419,613**	**3,419,613**
Total revenue from contracts with customers	**561,117**	**3,625,384**	**4,186,501**
Geographical market			
Chinese Mainland	**561,117**	**3,625,384**	**4,186,501**
Timing of revenue recognition			
Goods transferred at a point in time	**–**	**188,093**	**188,093**
Services transferred at a point in time	**561,117**	**3,437,291**	**3,998,408**
Total revenue from contracts with customers	**561,117**	**3,625,384**	**4,186,501**

For the six months ended 30 June 2022

Segments	Finance business *RMB'000* (Unaudited)	Healthcare business *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Types of goods or services			
Service fee income	601,581	13,009	614,590
Sale of finished goods	–	127,628	127,628
Healthcare service income	–	2,559,262	2,559,262
Total revenue from contracts with customers	601,581	2,699,899	3,301,480
Geographical market			
Chinese Mainland	601,581	2,699,899	3,301,480
Timing of revenue recognition			
Goods transferred at a point in time	–	127,628	127,628
Services transferred at a point in time	601,581	2,572,271	3,173,852
Total revenue from contracts with customers	601,581	2,699,899	3,301,480

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

For the six months ended 30 June 2023

Segments	**Finance business** *RMB'000* (Unaudited)	**Healthcare business** *RMB'000* (Unaudited)	**Total** *RMB'000* (Unaudited)
Revenue from contracts with customers			
External customers	**561,117**	**3,625,384**	**4,186,501**
Total revenue from contracts with customers	**561,117**	**3,625,384**	**4,186,501**

For the six months ended 30 June 2022

Segments	Finance business *RMB'000* (Unaudited)	Healthcare business *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Revenue from contracts with customers			
External customers	601,581	2,699,899	3,301,480
Total revenue from contracts with customers	601,581	2,699,899	3,301,480

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other income and gains		
Interest income	**34,566**	22,671
Derivative instruments – transactions not qualifying as hedges		
– Unrealised fair value gains, net	**40,814**	93,849
– Realised fair value gains, net	**–**	10,981
Government grants *(note 4a)*	**208,502**	90,075
Gain on unlisted debt investments, at fair value	**7,275**	3,765
Interest income from continuing involvement in transferred assets	**16,822**	14,205
Fair value gains from financial assets at fair value through profit or loss	**2,292**	2,565
Gain on disposal of other intangible assets	**3,512**	–
Others	**3,335**	2,502
	317,118	240,613

4a. GOVERNMENT GRANTS

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Government special subsidies	**208,502**	90,075

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of borrowings included in cost of sales	**1,198,884**	940,892
Cost of inventories sold	**107,161**	82,265
Cost of medical services	**1,856,208**	1,422,941
Cost of others	**8,495**	6,576
Depreciation and amortisation*	**242,079**	196,609
Loss on disposal of items of property, plant and equipment	**144**	211
Research and development expenses*	**6,852**	6,309
Employee benefit expense*		
– Equity-settled share-based compensation expense	**584**	1,636
– Wages and salaries	**938,390**	914,700
– Pension scheme contributions	**129,540**	99,295
– Other employee benefits	**489,338**	245,648
	1,557,852	1,261,279
Impairment of loans and accounts receivables and other receivables	**96,395**	137,588
Foreign exchange losses, net	**196,203**	296,355
– Cash flow hedges (transfer from equity to offset foreign exchange)	**(214,136)**	(634,993)
– Others	**410,339**	931,348
Derivative instruments – transactions not qualifying as hedges		
– Unrealised fair value gains, net *(note 4)*	**(40,814)**	(93,849)
– Realised fair value gains, net *(note 4)*	**–**	(10,981)

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

6. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current – Chinese Mainland		
Charge for the period	**420,247**	367,284
Underprovision/(Overprovision) in prior years	**4,197**	(26,174)
Deferred tax	**(54,531)**	(12,668)
Total tax charge for the period	**369,913**	328,442

Hong Kong profits tax is provided at the rate of 16.5% (six months ended 30 June 2022: 16.5%) on the estimated assessable profits arising in Hong Kong. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

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 six months ended 30 June 2023 based on existing legislation, interpretations and practices in respect thereof.

The subsidiaries incorporated in the British Virgin Islands are exempted from income tax in the British Virgin Islands.

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

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit before tax	**1,563,495**	1,504,802
At PRC statutory income tax rate	**390,874**	376,201
Expenses not deductible for tax purposes	**3,777**	1,023
Income not subject to tax	**(45,706)**	(31,180)
Profits attributable to a joint venture and associates	**(2,167)**	(1,460)
Adjustment on current income tax in respect of prior years	**4,197**	(26,174)
Unrecognised tax losses	**9,580**	2,363
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**18,176**	14,775
Additional deductible expense	**(8,818)**	(7,106)
Income tax expense as reported in the interim condensed consolidated statement of profit or loss	**369,913**	328,442

The share of tax attributable to associates and a joint venture amounting to approximately RMB1,000 (six months ended 30 June 2022: Nil) and RMB2,403,000 (six months ended 30 June 2022: RMB1,885,000), respectively, is included in "Share of profits and losses of associates" and "Share of profit and loss of a joint venture" in the consolidated statement of profit or loss.

7. DIVIDENDS

A final dividend of HK$0.34 per share totalling HK$643,123,000 (equivalent to RMB591,982,000) in respect of the year ended 31 December 2022 had been approved at the annual general meeting of the Company held on 7 June 2023 and was paid on 27 June 2023.

The board of directors resolved not to declare any interim dividend to shareholders in respect of the period for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,891,539,661 (2022: 1,891,539,661) in issue during the period, as adjusted to reflect the rights issue during the period.

The calculation of the diluted earnings per share amount is based on the consolidated net profit for the period attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the convertible bonds, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

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

Earnings

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**1,093,175**	1,089,365
Interest on convertible bonds	**20,324**	18,386
Profit attributable to ordinary equity holders of the parent, before the above impact arising from convertible bonds	**1,113,499**	1,107,751

Shares

	Number of shares For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation	**1,891,539,661**	1,891,539,661
Effect of dilution – weighted average number of ordinary shares:		
Share options	**–**	–
Convertible bonds	**191,349,754**	182,643,312
Weighted average number of ordinary shares for diluted earnings per share	**2,082,889,415**	2,074,182,973

	For the six months ended 30 June	
	2023	2022
	RMB	*RMB*
	(Unaudited)	(Unaudited)
Basic earnings per share	**0.58**	0.58
Diluted earnings per share	**0.53**	0.53

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired property, plant and equipment at a total cost of RMB329,466,000 (six months ended 30 June 2022: RMB688,286,000).

The property, plant and equipment disposed of by the Group during the six months ended 30 June 2023 was RMB2,629,000 (six months ended 30 June 2022: RMB269,000), resulting in a net loss on disposal of RMB144,000 (six months ended 30 June 2022: RMB211,000).

10. FINANCIAL INSTRUMENTS BY CATEGORY

	30 June 2023 *RMB'000* **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
Financial assets		
Financial assets at amortised cost:		
Loans and accounts receivables	**71,581,865**	64,861,477
Financial assets included in prepayments, other receivables and other assets	**563,247**	394,480
Restricted deposits	**837,526**	778,303
Cash and cash equivalents	**2,510,137**	2,679,426
Financial assets at fair value through profit or loss:		
Derivative financial instruments	**47,203**	6,389
Financial assets at fair value through profit or loss	**358,719**	245,987
Hedging instruments designated in cash flow hedges:		
Derivative financial instruments designated as cash flow hedges	**612,313**	225,765
Total	**76,511,010**	69,191,827
Financial liabilities		
Financial liabilities at amortised cost:		
Trade and bills payables	**2,536,721**	2,247,218
Financial liabilities included in other payables and accruals	**6,453,236**	5,337,754
Convertible bonds – host debts	**1,029,707**	982,982
Interest-bearing bank and other borrowings	**52,536,658**	45,928,401
Financial liabilities at fair value through profit or loss:		
Derivative financial instruments	**3,117**	3,117
Hedging instruments designated in cash flow hedges:		
Derivative financial instruments designated as cash flow hedges	**–**	117,685
Total	**62,559,439**	54,617,157

11. LOANS AND ACCOUNTS RECEIVABLES

	30 June 2023 *RMB'000* **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
Loans and accounts receivables due within one year	**29,055,840**	23,457,292
Loans and accounts receivables due after one year	**42,526,025**	41,404,185
	71,581,865	64,861,477

11a. Loans and accounts receivables by nature

	30 June 2023 *RMB'000* **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
Gross lease receivables *(note 11b)*	**6,429,320**	7,324,293
Less: Unearned finance income	**(1,880,272)**	(1,510,528)
Net lease receivables *(note 11b)* **	**4,549,048**	5,813,765
Long-term receivables arising from sale-and-leaseback arrangements *(note 11c)* **	**65,140,126**	58,011,919
Factoring receivable *(note 11d)* **	**2,075,322**	1,408,147
Subtotal of interest-earning assets	**71,764,496**	65,233,831
Accounts receivable *(note 11e)* *	**1,618,660**	1,338,850
Notes receivable *(note 11f)*	**10,495**	1,900
Subtotal of loans and accounts receivables	**73,393,651**	66,574,581
Less:		
Provision of lease receivables *(note 11h)*	**(763,619)**	(777,701)
Provision for long-term receivables arising from sale-and-leaseback arrangements *(note 11h)*	**(994,666)**	(895,092)
Provision of factoring receivable *(note 11h)*	**(30,719)**	(21,958)
Provision of accounts receivable *(note 11e)*	**(22,782)**	(18,353)
Total	**71,581,865**	64,861,477

* These balances included balances with related parties which are disclosed in note 11i to the interim condensed consolidated financial information.

** These balances are included in the interest-earning assets as disclosed in note 11g.

11b.(1) An ageing analysis of lease receivables, determined based on the ageing of the receivables since the effective date of the relevant lease contracts, as at the end of the reporting period is as follows:

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Gross lease receivables		
3 years and beyond	**6,429,320**	7,324,293
Net lease receivables		
3 years and beyond	**4,549,048**	5,813,765

11b.(2) The table below illustrates the gross and net amounts of lease receivables that the Group expects to receive in the following consecutive accounting years:

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Gross lease receivables		
Due within 1 year	**2,621,102**	4,754,900
Due in 1 to 2 years	**1,880,429**	1,802,753
Due in 2 to 3 years	**1,251,107**	653,316
Due after 3 years and beyond	**676,682**	113,324
Total	**6,429,320**	7,324,293
Net lease receivables		
Due within 1 year	**1,663,793**	3,695,780
Due in 1 to 2 years	**1,420,603**	1,537,037
Due in 2 to 3 years	**890,153**	560,898
Due after 3 years and beyond	**574,499**	20,050
Total	**4,549,048**	5,813,765

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

As at 30 June 2023, the amounts of the gross lease receivables and net lease receivables pledged as security for the Group's borrowings were RMB56,689,000 and RMB50,698,000 respectively (as at 31 December 2022: RMB300,478,000 and RMB282,716,000).

11c.(1) An ageing analysis of long-term receivables arising from sale-and-leaseback arrangements, determined based on the ageing of the receivables since the effective dates of the relevant loan contracts, as at the end of the reporting period is as follows:

	30 June 2023 *RMB'000* **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
Within 1 year	**28,776,161**	23,420,268
1 to 2 years	**17,272,314**	19,579,695
2 to 3 years	**12,786,822**	8,585,709
3 years and beyond	**6,304,829**	6,426,247
Total	**65,140,126**	58,011,919

11c.(2) The table below illustrates the amounts of long-term receivables arising from sale-and-leaseback arrangements that the Group expects to receive in the following consecutive accounting years:

	30 June 2023 *RMB'000* **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
Due within 1 year	**25,408,615**	18,561,312
Due in 1 to 2 years	**17,698,551**	16,636,111
Due in 2 to 3 years	**13,418,661**	12,846,286
Due after 3 years and beyond	**8,614,299**	9,968,210
Total	**65,140,126**	58,011,919

As at 30 June 2023, 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 RMB10,865,688,000 (amount as at 31 December 2022: RMB6,133,017,000)

11d. An ageing analysis of the factoring receivable, determined based on the ageing of the receivables since the recognition date of the factoring receivable, as at the end of the reporting period is as follows:

	30 June 2023 *RMB'000* **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
Within 1 year	**1,337,055**	986,647
More than 1 year	**738,267**	421,500
Total	**2,075,322**	1,408,147

11e.(1) An ageing analysis of the accounts receivable, determined based on the ageing of the receivables since the recognition date of the accounts receivable, as at the end of the reporting period is as follows:

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 year	**1,540,371**	1,273,280
More than 1 year	**78,289**	65,570
Total	**1,618,660**	1,338,850

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

11e.(2) **Provision for accounts receivable**

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

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

As at 30 June 2023 (Unaudited)	**Ageing**		
	Within 1 year	**Over 1 year**	**Total**
Gross carrying amount *(RMB'000)*	1,540,371	78,289	1,618,660
Expected credit loss *(RMB'000)*	3,867	18,915	22,782
Average expected credit loss rate	0.25%	24.16%	1.41%

As at 31 December 2022 (Audited)	Ageing		
	Within 1 year	Over 1 year	Total
Gross carrying amount *(RMB'000)*	1,273,280	65,570	1,338,850
Expected credit loss *(RMB'000)*	1,186	17,167	18,353
Average expected credit loss rate	0.09%	26.18%	1.37%

11f. An ageing analysis of notes receivable, determined based on the ageing of receivables since the recognition date, as at the end of the reporting period is as follows:

	30 June 2023 *RMB'000* **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
Within 1 year	**10,495**	1,900

11g. Analysis of interest-earning assets by assessment

As at 30 June 2023 (Unaudited)	**Stage I (12-month ECL)** *RMB'000*	**Stage II (Lifetime ECL)** *RMB'000*	**Stage III (Lifetime ECL-impaired)** *RMB'000*	**Total** *RMB'000*
Total interest-earning assets	**64,607,210**	**6,261,328**	**895,958**	**71,764,496**
Allowance for impairment losses	**(746,364)**	**(623,657)**	**(418,983)**	**(1,789,004)**
Interest-earning assets, net	**63,860,846**	**5,637,671**	**476,975**	**69,975,492**

As at 31 December 2022 (Audited)	Stage I (12-month ECL) *RMB'000*	Stage II (Lifetime ECL) *RMB'000*	Stage III (Lifetime ECL-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

11h. Change in provision for interest-earning assets

The Group has applied the general approach to providing for expected credited losses ("ECL") prescribed by HKFRS 9 from 1 January 2018, which permits the use of either a twelve-month basis or a lifetime basis to record expected credit losses based on an expected credit loss model for interest-earning assets.

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

In response to the macroeconomic uncertainty, the Group has rolled out certain relief measures on a commercial basis to customers impacted by the macroeconomic uncertainty to support their immediate cash flows and liquidity by offering principal moratorium or tenor extension. Because of the relief measures, 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 macroeconomic uncertainty vulnerable sectors. The Group has paid special attention to the application of macroeconomic data and forward-looking information to ensure that the effect of macroeconomic uncertainty has been sufficiently reflected.

	Six months period ended 30 June 2023			
	Stage I (12-month ECL)	**Stage II (Lifetime ECL)**	**Stage III (Lifetime ECL-impaired)**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
At beginning of the period	**688,107**	**639,852**	**366,792**	**1,694,751**
Impairment losses for the period	**39,483**	**1,071**	**53,449**	**94,003**
Conversion to Stage I	**27,372**	**(27,372)**	**–**	**–**
Conversion to Stage II	**(8,598)**	**27,987**	**(19,389)**	**–**
Conversion to Stage III	**–**	**(17,881)**	**17,881**	**–**
Recoveries of interest-earning assets previously written off	**–**	**–**	**250**	**250**
At end of the period	**746,364**	**623,657**	**418,983**	**1,789,004**

	Year ended 31 December 2022			
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	(Audited)	(Audited)	(Audited)
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

11i. BALANCE WITH RELATED PARTIES

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

Accounts receivable:

	30 June 2023 *RMB'000* **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
China National Instruments Import & Export (Group) Corporation	**1,805**	1,805
Beijing Meikang Borui Technology Co., Ltd.	**25**	–
	1,830	1,805

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

The balances with the related parties are unsecured, interest-free and repayable on demand.

12. CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS

	30 June 2023 *RMB'000* **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
Cash and bank balances	**3,347,663**	3,307,729
Time deposits	**–**	150,000
	3,347,663	3,457,729
Less:		
Pledged deposits and restricted bank deposits	**(837,526)**	(628,303)
Time deposits with original maturity of more than three months	**–**	(150,000)
Cash and cash equivalents	**2,510,137**	2,679,426

As at 30 June 2023, the cash and bank balances of the Group denominated in RMB amounted to RMB3,069,189,000 (31 December 2022: RMB3,043,384,000). RMB is not 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 30 June 2023, cash of RMB837,526,000 (31 December 2022: RMB628,303,000) was pledged for bank and other borrowings.

As at 30 June 2023, cash of RMB1,052,686,000 (31 December 2022: RMB1,214,811,000) was deposited with Genertec Finance Co., Ltd., which is a related party.

13. TRADE AND BILLS PAYABLES

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**1,849,820**	1,604,475
Bills payable	**625,550**	615,096
Due to related parties *(note 13a)*	**61,351**	27,647
	2,536,721	2,247,218

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

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

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 year	**2,317,447**	2,190,111
1 to 2 years	**169,535**	30,744
2 to 3 years	**28,609**	2,320
Over 3 years	**21,130**	24,043
	2,536,721	2,247,218

13a. BALANCES WITH RELATED PARTIES

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

	30 June 2023 *RMB'000* **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
Trade and bills payables:		
China Xinxing Construction Engineering Co., Ltd.	**61,262**	27,170
Genertec International Logistics Co., Ltd.	**79**	79
Beijing Meikang Baitai Medical Technology Co., Ltd.	**10**	–
Genertec Europe Temax GmbH	**–**	319
Genertec Italia s.r.l.	**–**	79
	61,351	27,647

The above related parties are subsidiaries of Genertec Group.

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

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2023 (Unaudited)			31 December 2022 (Audited)		
	Effective annual interest rate (%)	Maturity	*RMB'000*	Effective annual interest rate (%)	Maturity	*RMB'000*
Current:						
Bank loans – secured	**2.80~3.30**	**2023~2024**	**410,000**	2.80	2023	200,000
– unsecured	**2.05~5.44**	**2023~2024**	**6,464,655**	2.05~3.98	2023	2,318,976
Current portion of long-term bank loans:						
– secured	**3.00~4.50**	**2023~2024**	**3,447,105**	3.05~4.99	2023	1,811,973
– unsecured	**2.50~6.46**	**2023~2024**	**4,783,080**	3.20~5.57	2023	8,519,140
Lease liabilities						
– secured	**3.85~4.35**	**2023~2024**	**1,208,522**	3.85	2023	767,574
– unsecured	**4.75~4.90**	**2023~2024**	**19,953**	4.75~4.90	2023	40,368
Bonds payable						
– unsecured	**2.00~4.33**	**2023~2024**	**5,844,865**	1.80~4.30	2023	7,144,759
Due to related parties						
– unsecured	**3.00~6.55**	**2024**	**1,452,094**	–	–	–
			23,630,274			20,802,790
Non-current:						
Bank loans – secured	**3.00~4.50**	**2024~2028**	**5,260,560**	3.05~4.70	2024~2027	3,213,343
– unsecured	**2.50~6.56**	**2024~2030**	**9,650,083**	2.50~5.59	2024~2027	8,216,816
Bonds payable						
– secured	**3.69**	**2026**	**1,225,000**	–	–	–
– unsecured	**3.08~4.05**	**2024~2027**	**9,192,279**	3.08~4.33	2024~2027	9,420,547
Lease liabilities						
– secured	**4.30**	**2024~2028**	**694,653**	–	–	–
– unsecured	**4.75~4.90**	**2024~2042**	**183,809**	4.75~4.90	2024~2031	181,985
Due to related parties						
– unsecured	**2.84~4.00**	**2024**	**2,700,000**	3.80~5.31	2024~2025	4,092,920
			28,906,384			25,125,611
Convertible bonds						
– host debts	**2.00**	**2026**	**1,029,707**	2.00	2026	982,982
			29,936,091			26,108,593
			53,566,365			46,911,383

	30 June 2023 *RMB'000* **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
Analysed into:		
Bank loans repayable:		
Within one year	**15,104,840**	12,850,089
In the second year	**9,971,328**	8,634,240
Beyond three years	**4,939,315**	2,795,919
	30,015,483	24,280,248
Other borrowings repayable:		
Within one year	**8,525,434**	7,952,701
In the second year	**1,828,597**	292,831
Beyond three years	**13,196,851**	14,385,603
	23,550,882	22,631,135
	53,566,365	46,911,383

Notes:

(a) As at 30 June 2023, the Group's bank and other borrowings secured by loans and accounts receivables and cash and bank balances and time deposits were RMB12,245,840,000 (31 December 2022: RMB5,992,890,000).

(b) As at 30 June 2023, the principal amounts of the Group's borrowings from a related party were RMB2,145,160,000 from Genertec Hong Kong International Capital Limited, RMB2,000,000,000 from China General Technology (Group) Holding Company Limited and RMB6,934,000 from Genertec Finance Co., Ltd. (31 December 2022: RMB2,092,920,000 from Genertec Hong Kong International Capital Limited and RMB2,000,000,000 from China General Technology (Group) Holding Company Limited).

(c) As at 30 June 2023, China General Technology (Group) Holding Company Limited provided a comfort letter for bank borrowings in the amount of RMB8,754,837,000 (31 December 2022: RMB11,335,933,000).

(d) In June 2023, the Company's wholly-owned subsidiary, China Universal Leasing Co., Ltd. ("CULC"), issued a batch of leasing asset-backed securities with an aggregate principal amount of RMB1,355,000,000 to institutional investors through an asset management plan. The asset-backed securities have one senior tranche and one subordinated tranche. The Group received proceeds of RMB1,225,000,000 from the senior tranche which has expected annualised yields of 3.69% and a maturity period of three years. The subordinated tranche amounting to RMB130,000,000 was purchased by CULC itself and thus no proceeds were received. As at 30 June 2023, the amortised cost of the debt securities issued amounted to RMB1,225,000,000 (31 December 2022: Nil).

15. SHARE CAPITAL

	Number of shares		Share capital	
	30 June 2023	31 December 2022	**30 June 2023**	31 December 2022
			RMB'000	*RMB'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
Issued and fully paid ordinary shares	**1,891,539,661**	1,891,539,661	**5,297,254**	5,297,254

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

	Number of shares in issue	Share capital
		RMB'000
As at 1 January 2023 and 31 December 2022 (Audited)	1,891,539,661	5,297,254
As at 30 June 2023 (Unaudited)	1,891,539,661	5,297,254
As at 1 January 2022 and 31 December 2021 (Audited)	1,891,539,661	5,297,254
As at 31 December 2022 (Audited)	1,891,539,661	5,297,254

16. RESERVES

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

Capital reserve

The capital reserve represents the excess of the carrying amounts of capital and capital reserve of the subsidiaries acquired pursuant to the reorganisation, over the nominal value of the Company's shares issued as consideration plus the amount of borrowings capitalised in excess of the nominal value of shares issued.

Statutory reserve

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

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

Exchange fluctuation reserve

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

Share-based compensation reserve

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

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.

Special reserve

The special reserve mainly represents funds set aside for the purpose of certain safety production activities. Pursuant to certain regulations issued by the State Administration of Work Safety of the PRC and other relevant regulatory bodies, the subsidiary, Yangquan Medical Oxygen Factory, set aside funds mainly for construction service activities at prescribed rates. These funds can be used for maintenance and/or improvements of safety of these activities, and are not available for distribution to shareholders.

17. CONTINGENT LIABILITIES

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

18. PLEDGE OF ASSETS

Details of the Group's bank and other borrowings, which are secured by the assets of the Group, are included in notes 11, 12 and 14 to the interim condensed consolidated financial information.

19. COMMITMENTS

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

(a) Capital commitments

	30 June 2023 *RMB'000* (Unaudited)	31 December 2022 *RMB'000* (Audited)
Contracted, but not provided for	**525,437**	1,686,009

(b) Credit commitments

	30 June 2023 *RMB'000* (Unaudited)	31 December 2022 *RMB'000* (Audited)
Credit commitments	**6,357,000**	2,530,000

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

20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Financial instruments not measured at fair value

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

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

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

Lease receivables, long-term receivables arising from sale-and-leaseback arrangements, factoring receivables and long-term interest-bearing bank and other borrowings excluding bonds issued

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

Bonds issued and convertible bonds – host debts

The fair values of the bonds and convertible bonds – host debts were calculated based on quoted market prices or a discounted cash flow model that is based on a current yield curve appropriate for the remaining term to maturity.

The table below summarises the carrying amounts and fair values of bonds issued and convertible bonds – host debts which are not presented at fair value in the statement of financial position.

	Carrying amounts		**Fair values**	
	30 June 2023	31 December 2022	**30 June 2023**	31 December 2022
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
Bonds issued	**16,262,144**	16,565,306	**16,354,846**	16,485,237
Convertible bonds – host debts	**1,029,707**	982,982	**1,016,360**	919,554
	17,291,851	17,548,288	**17,371,206**	17,404,791

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

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

Financial instruments measured at fair value

Interest rate swap contracts

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

Forward currency contracts

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

Cross-currency interest rate swaps

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

Fair value hierarchy

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

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

Assets and liabilities measured at fair value:

As at 30 June 2023 (Unaudited)

	Level 1 *RMB'000*	**Level 2** *RMB'000*	**Level 3** *RMB'000*	**Total** *RMB'000*
Financial assets at fair value through profit or loss	**–**	**358,719**	**–**	**358,719**
Derivative financial assets				
– Forward currency contracts	**–**	**567,235**	**–**	**567,235**
– Interest rate swap contracts	**–**	**59,534**	**–**	**59,534**
– Cross-currency interest rate swaps	**–**	**32,747**	**–**	**32,747**
	–	**659,516**	**–**	**659,516**
	–	**1,018,235**	**–**	**1,018,235**
Derivative financial liabilities				
– Forward currency contracts	**–**	**3,117**	**–**	**3,117**

As at 31 December 2022 (Audited)

	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
	–	232,154	–	232,154
	–	478,141	–	478,141
Derivative financial liabilities				
– Forward currency contracts	–	120,802	–	120,802

Liabilities for which fair values are disclosed:

As at 30 June 2023 (Unaudited)

	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Bonds issued	**15,077,586**	**1,277,260**	**–**	**16,354,846**
Convertible bonds – host debts	**–**	**1,016,360**	**–**	**1,016,360**
	15,077,586	**2,293,620**	**–**	**17,371,206**

As at 31 December 2022 (Audited)

	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*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

During the six months ended 30 June 2023, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3 (year ended 31 December 2022: Nil).

21. EVENTS AFTER THE REPORTING PERIOD

On 11 August 2023, Genertec Universal Medical Technology Services (Tianjin) Co., Ltd. (the "Purchaser"), a wholly owned subsidiary of the Company, entered into the equity transfer agreement with Casstar Medical Technology Wuxi Co., Ltd. ("Casstar") and Casstar's existing shareholders (the "Vendors"), pursuant to which the Purchaser conditionally agreed to acquire, and the Vendors conditionally agreed to sell the equity interest, being an aggregate of 85% of the equity interest in Casstar, for a consideration of RMB467.5 million.

Upon completion of the acquisition of equity interest by the Purchaser from the Vendors, Casstar will be owned as to 85% by the Purchaser and 15% by Ms. Chen Xingjie, one of Casstar's exisiting shareholders, an independent third party of the Company, respectively. Accordingly, Casstar will become an indirect non-wholly owned subsidiary of the Company and the financial results of Casstar will be consolidated into the financial statements of the Group.

PERFORMANCE OVERVIEW

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Operating Results		
Income	**6,634,380**	5,712,259
Healthcare business income*1/2	**3,646,137**	2,724,946
Finance business income*1/2	**2,988,243**	2,987,761
Cost of sales	**(4,370,275)**	(3,331,598)
Cost of healthcare business*2	**(3,171,275)**	(2,391,202)
Cost of finance business*2	**(1,288,011)**	(1,026,493)
Profit before tax	**1,563,495**	1,504,802
Profit for the period	**1,193,582**	1,176,360
Profit for the period attributable to owners of the parent	**1,093,175**	1,089,365
Basic earnings per share *(RMB)*	**0.58**	0.58
Diluted earnings per share *(RMB)**3	**0.53**	0.53
Profitability Indicators		
Return on total assets(1)	**2.96%**	3.20%
Return on equity(2)	**15.25%**	16.51%
Net interest margin(3)	**3.22%**	4.16%
Net interest spread(4)	**2.71%**	3.75%

*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 and the shares convertible from the convertible bonds

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

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

(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.

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Assets and Liabilities		
Total assets	**84,247,640**	76,870,771
Net interest-earning assets	**71,764,496**	65,233,831
Total liabilities	**64,561,898**	57,167,758
Interest-bearing bank and other borrowings	**53,566,365**	46,911,383
Total equity	**19,685,742**	19,703,013
Equity attributable to owners of the parent	**14,712,375**	13,970,115
Net assets per share *(RMB)*	**7.78**	7.39
Financial Indicators		
Debt ratio(1)	**76.63%**	74.37%
Gearing ratio(2)	**2.72**	2.38
Current ratio(3)	**1.14**	1.06
Asset Quality		
Non-performing assets ratio(4)	**0.98%**	0.99%
Provision coverage ratio(5)	**255.06%**	263.11%
Write-off of non-performing assets ratio(6)	**0.00%**	7.00%
Ratio of overdue interest-earning assets (over 30 days)(7)	**0.88%**	0.86%

(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 state-owned enterprise and focusing on healthcare industry. As of 30 June 2023, Universal Medical (i) consolidated the accounts of 55 medical institutions, providing 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 digital medical services; and (iii) offered comprehensive financial solutions centered on finance leasing for customers.

Since 2023, the domestic economy continued to recover, while the development environment remains complex and challenging. The Group served the "Healthy China" strategy and continued to expand its footprint in the healthcare sector. The Group was dedicated to promoting high-quality development for improving quality and expanding quantity with expected stability and energetic growth, and continued to realize the vision of "To Be the Most Trusted Global Leader in Medical & Healthcare Services". In the first half of 2023, the Group recorded a revenue of RMB6,634.4 million in total, up by 16.1% as compared to the corresponding period of the previous year. In particular, the healthcare business recorded a revenue of RMB3,646.1 million, up by 33.8% as compared to the corresponding period of the previous year, with its proportion to the total revenue increased to 55.0%; the Group recorded a profit for the period of RMB1,193.6 million, up by 1.5% as compared to the corresponding period of the previous year, of which, the healthcare business contributed RMB231.6 million, up by 61.1% as compared to the corresponding period of the previous year; the Group recorded a profit attributable to owners of the parent of RMB1,093.2 million, up by 0.3% as compared to the corresponding period of the previous year, of which, the healthcare business contributed RMB174.0 million, up by 88.0% as compared to the corresponding period of the previous year; and the Group recorded a return on total assets (ROA) of 2.96% and a return on equity attributable to ordinary shareholders (ROE) of 15.25%. The indicators of income and the assets conditions maintained a steady and excellent performance.

1.1 Integrated healthcare business

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 discipline operation, 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, so as to facilitate positive and continuous development of Hospitals of SOEs and constantly improve operation efficiency and effectiveness.

The results contributions of the consolidated Hospitals of SOEs were included in "Integrated healthcare services" business under the "Healthcare business" segment in the Group's financial report. In the first half of 2023, they contributed to the Group a revenue of RMB3,528.0 million, up by 33.4% as compared to the corresponding period of the previous year; recorded a profit for the period of RMB186.4 million in total, up by 62.0% as compared to the corresponding period of the previous year; and the net profit margin was 5.28%, up by 0.93 percentage point from the same period of the previous year. Such increase in the consolidated revenue and profit for the period was mainly attributable to the gradual elimination of the negative external factors existed in the previous periods effecting the development of the healthcare business, the positive results achieved by implementing group operation management and control and the consolidation of additional medical institutions.

As at 30 June 2023, the number of consolidated medical institutions increased to 55 (including four Grade III Class A hospitals and 26 Grade II hospitals), with a capacity of 13,893 beds in total, of which the Fengdong Branch of Xi'an XD Group Hospital (西電醫院灃東院區) was newly opened in the first half of 2023, with a capacity of 310 beds. 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 30 June 2023

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 for the relevant period is as follows:

For the first half of 2023

	Visits in the first half of 2023				Medical business income in the first half of 2023 *(RMB ten thousand)*				Average index		
Category	**Capacity**	**Outpatient and emergency visits**	**Inpatient based on discharge**	**Visits for medical examination**	**Income from outpatient and emergency treatment**	**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	**4,176**	**1,292,729**	**77,923**	**80,810**	**42,822**	**86,758**	**2,829**	**132,657**	**64**	**331**	**11,134**
Grade II	**8,360**	**2,022,010**	**125,165**	**330,611**	**62,060**	**113,230**	**5,937**	**181,517**	**43**	**307**	**9,046**
Others *(note)*	**1,357**	**463,462**	**8,665**	**46,161**	**13,932**	**4,200**	**586**	**19,811**	**29**	**301**	**4,847**
Total	**13,893**	**3,778,201**	**211,753**	**457,582**	**118,814**	**204,188**	**9,352**	**333,985**	**48**	**314**	**9,643**

For the first half of 2022

	Visits in the first half of 2022				Medical business income in the first half of 2022 *(RMB ten thousand)*				Average index		
Category	Capacity	Outpatient and emergency visits[1]	Inpatient based on discharge	Visits for medical examination	Income from outpatient and emergency treatment	Inpatient income	Medical examination income	Total medical business income (including financial subsidy income)	Income per bed *(RMB ten thousand)*	Outpatient fee per visit[2] *(RMB)*	Inpatient fee per visit *(RMB)*
Grade III	3,847	1,826,004	61,088	60,464	43,389	71,334	3,120	118,011	61	238	11,677
Grade II	8,359	3,021,724	99,732	285,907	64,959	88,890	6,101	160,280	38	215	8,913
Others *(note)*	1,496	337,931	7,104	34,847	14,448	2,972	341	19,599	26	428	4,184
Total	13,702	5,185,659	167,924	381,218	122,796	163,196	9,562	297,890	43	237	9,718

1 Taking into account the impact of nucleic acid, otherwise, the outpatient and emergency visits for the first half of 2022 should be 3,552,139 in total

2 Taking into account the impact of nucleic acid

For the first half of 2021

Category	Capacity	Visits in the first half of 2021: Outpatient and emergency visits	Inpatient based on discharge	Visits for medical examination	Medical business income in the first half of 2021 (*RMB ten thousand*): Income from outpatient and emergency treatment	Inpatient income	Medical examination income	Total medical business income (including financial subsidy income)	Average index: Income per bed (*RMB ten thousand*)	Outpatient fee per visit (*RMB*)	Inpatient fee per visit (*RMB*)
Grade III	3,877	1,264,794	62,099	72,489	38,985	73,313	1,941	114,477	59	308	11,806
Grade II	8,420	1,766,629	101,549	362,655	47,073	92,166	5,314	144,958	34	266	9,076
Others (*note*)	1,495	373,587	7,179	40,687	11,801	3,664	442	17,543	23	316	5,104
Total	13,792	3,405,010	170,827	475,831	97,859	169,143	7,697	276,978	40	287	9,901

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

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 first half of the year amounted to RMB3,339.9 million in aggregate, representing an increase of approximately 12.1% as compared to the corresponding period of the previous year. Due to the significant increase in income per bed as a result of the optimisation of internal bed resource structure and the scale expansion of Grade III hospitals, the average income per bed on an annualised basis increased to approximately RMB480,000, representing an increase of approximately 10.6% as compared to the corresponding period of the previous year.

- ***Outpatient and emergency business and inpatient business achieved continuous growth with significant increase in outpatient-to-inpatient conversion rate***

  The total number of medical treatments in the consolidated medical institutions for the first half of the year was approximately 4,236,000, of which the number of outpatient and emergency visits amounted to approximately 3,778,000. Excluding the impact of nucleic acid, the number of outpatient and emergency visits for the first half of 2023 increased by 6.4% as compared to that for the first half of 2022. The number of visits for medical examination reached approximately 458,000, which represented an increase of 20.0% as compared to the corresponding period of the previous year, recording a significant and continuous growth. The number of inpatient visits based on discharges amounted to approximately 212,000, representing an increase of 26.1% as compared to the corresponding period of the previous year. With a significant increase in the outpatient-to-inpatient conversion rate, the overall bed utilisation rate was increased to 90% which was 13 percentage points higher than that of the corresponding period of the previous year, while the average length of stay per inpatient visit was effectively controlled and reduced to 10.2 days.

- ***We recorded steady growth in the number of surgeries with optimised medical revenue structure***

  We actively responded to China's requirements for high-quality development of public hospitals with increasing surgical capacity and improvement in patient structure. The overall number of surgeries amounted to 49,793, representing an increase of 10.4% over that for the first half of 2022. In particular, the number of patients for Grade III and Grade IV surgeries amounted to 29,603, which represented an increase of 10.7% over that for the first half of 2022, with its proportion slightly increasing from that of the corresponding period to 59.5%, thus leading to a substantial increase in the revenue from medical services, with the proportion of revenue from medical services[3] increasing from 30.1% for the first half of 2022 to 31.6%.

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3 The proportion of revenue from medical services (excluding revenue from medicine, consumables as well as physical examination and testing) as to medical revenue is calculated as below: revenue from medical services / medical revenue × 100%. Revenue from medical services include appointment income, bed income, diagnosis income, treatment income, surgery income, pharmaceutical service income and care income. Medical revenue represents revenue from provision of medical service activities by the hospitals, including outpatient revenue and inpatient revenue.

By focusing on the strategic goals of "comfortable environment, top-notch services, advanced technology and efficient operation", the Group continued to enhance the cultivation of core capabilities of medical institutions to foster high-quality development momentum through standardised construction and digital transformation, achieving positive periodic results. Excluding the impact of newly consolidated medical institutions in 2022, the existing medical institutions recorded consolidated revenue of RMB2,639.5 million in aggregate for the first half of 2023, representing an increase of 13.9% as compared to the corresponding period of the previous year; profit for the period of RMB165.3 million in aggregate, representing an increase of 51.1% as compared to the corresponding period of the previous year; and net profit margin of 6.26%, representing an increase of 1.54 percentage points 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 profit growth drivers for the listed company. The performance contribution of this business segment mainly comes from providing hospital clients with life cycle management of medical equipment, medical devises sales and internet-based healthcare services, which recorded a total revenue of RMB51.0 million in the first half of 2023 and a total profit for the period of RMB11.1 million.

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. Up to the current moment, the Group opened 21 new specialties departments in its member hospitals, and continued to build a rapidly replicable operating system, thereby generating a total revenue of RMB132.83 million of the operating projects of this segment for the first half of the year, representing an increase of RMB109.44 million as compared to the corresponding period of the previous year and gradually leading to cooperation with external hospitals. 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. We have completed the acquisition of Beth Hesda Nephrology Hospital (畢士大(成都)腎病專科醫院) and Haiyang Senzhikang Hospital Co., Ltd. (海陽森之康醫院), and continued to facilitate the acquisition programme of other specialist hospitals and hemodialysis centre.

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. The direct operating revenue from the oncology segment reached RMB15.03 million for the first half of the year. The tumor precision diagnosis and treatment center of Ma'anshan MCC17 Hospital (馬鞍山十七冶醫院) operated by the Group was opened in March 2023, with an aim to develop into a tumor diagnosis and treatment and cancer-related chronic disease prevention and control center integrating cancer prevention, early screening, diagnosis, treatment, healthcare, rehabilitation, nutrition, psychology, teaching, scientific research and management. In June 2023, the Group concluded a cooperative arrangement with Mevion Medical Group, under which both parties will jointly establish a tumor precision medical service company as the sole platform to provide oncology radiotherapy services by both parties in the PRC, with an aim to accelerate the establishment of leading oncology diagnosis and treatment business system and intelligent oncology diagnosis and treatment platform in the PRC, continuing to empower the development of the external and internal hospitals of the Group.

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 and external hospital implementations, and in the process, we have built the Beijing R&D center which is equipped with two sets of Internet of Things and information management systems, and trained and formed a team of 100 sales staff. We have obtained maintenance authorisations and training support from over ten major equipment manufacturers at home and abroad, and established the Beijing-provincial capital city-hospital three-level spare parts warehouse. So far, the Group was entrusted the operation of 14 hospitals with the assets under management with a value over RMB3 billion. The value of contracts entered into in the first half of 2023 amounted to over RMB90 million.

In order to accelerate our business layout across the country, improvement of technology service capacity and optimisation of spare part system, the Group also sought for opportunities for extensional mergers and acquisitions. In August 2023, the Group acquired 85% equity interests of Casstar Medical Technology Wuxi Co., Ltd. (凱思軒達醫療科技無錫有限公司) ("Casstar") at the consideration of RMB467.5 million. Casstar is recognized as a high-tech enterprise, a provincial specialized and sophisticated small and medium-sized enterprise, and a provincial gazelle enterprise, and has been committed to providing maintenance services for various type of medical imaging equipment since its establishment, with maintenance capacity covering mainstream medical imaging equipment, as well as life emergency, respiratory anaesthesia, hemodialysis and ultrasound equipment. It served a total of over 1,500 hospitals and maintained long-term cooperation relationship with more than 500 hospitals with asset under management of over RMB10 billion, providing nationwide service capacity. It also has a number of intellectual right patents, enjoys core strength in the Internet of Things, digital development and other fields, and is a leading enterprise with great influence in the industry. This acquisition will provide strong support for the Group to improve its core competitiveness in the life cycle management equipment, and will accelerate the implementation of the Group's industry consolidation strategy, so as to facilitate rapid development of its business.

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 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, cash flow 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 playing the role as a cash cow for the sustainable development of the Group.

In 2023, the domestic and international economic and financial markets remained under the pressure of many risks, challenges and uncertainties. Faced with the impact of various factors such as increasing financing costs in the overseas markets, intensified market competition at home, tightening financial regulation and shortage in quality assets, the Group 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 development, we strived to arrange financing structure properly, so as to ensure liquidity sufficiency and security while minimising the pressure of rising costs as a result of US Dollar interest rate hikes on the offshore markets.

In the first half of 2023, the Group recorded income of finance business of RMB2,988.2 million in total, remaining stable as compared with the corresponding period of the previous year. The average yield of interest-earning assets was 7.04%, representing a decrease of 0.42 percentage point as compared to the corresponding period of the previous year, which was mainly due to the impacts of intensified competition for quality projects and decline in the overall profitability of the industry. The average cost rate of interest-bearing liabilities was 4.33%, representing an increase of 0.62 percentage point as compared to the corresponding period of the previous year, which was mainly due to the impact of increasing financing costs of existing foreign currency-denominated loans as a result of US Dollar interest rate hikes. Due to the narrowed profit margin under the double pressure of declining revenue and increasing costs, the net interest spread was 2.71% and the net interest margin was 3.22% for the first half of the year. Since the beginning of the year, the Group took proactive initiatives in response to the fluctuations in the domestic and overseas financial markets, and continued to optimise structure and implement strict cost control. As of 30 June 2023, the proportion of overseas financing decreased by 7 percentage points as compared to that at the end of the previous year. Leveraging on the advantage of domestic financing, we recorded a decrease of 0.22 percentage point in the average cost rate for onshore loans as compared to that at the end of the previous year. As Genertec Universal International Financial Leasing (Tianjin) Co., Ltd. (通用環球國際融資租賃(天津)有限公司) ("CULC (Tianjin)") was granted an AAA issuer credit rating by China Chengxin International Credit Rating Co., Ltd. (中誠信國際信用評級有限責任公司), both CULC (the parent company) and CULC (Tianjin) (the subsidiary) received AAA rating, further enhancing the financing capacity of the Group.

We continued to strengthen asset management while maintaining solid expansion, hence our asset quality continued to remain excellent. As at 30 June 2023, our net interest-earning assets reached RMB71,764.5 million, representing an increase of 10.0% as compared to that at the beginning of the year; the non-performing asset ratio was 0.98%; the overdue ratio (30 days) was 0.88%, and the provision coverage ratio was 255.06%.

Given that the current 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 build a solid moat for the high-quality development of a central state-owned and listed enterprise.

1.4 Prospect for the second half of the year

In the second half of 2023, the Group will adhere to the general principle of seeking progress while maintaining stability, continue to follow the overall deployment of the "14th Five-Year Plan" and keep abreast of the latest development continuously 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 the first half of 2023, facing with a complex and changing internal and external environment, 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 RMB6,634.4 million in total, representing an increase of 16.1% as compared to the corresponding period of the previous year. Profit before tax was RMB1,563.5 million, representing an increase of 3.9% as compared to the corresponding period of the previous year. Profit for the period attributable to owners of the parent was RMB1,093.2 million, representing an increase of 0.3% as compared to the corresponding period of the previous year.

The following table sets forth the Group's statement of profit or loss for the six months ended 30 June 2023:

	For the six months ended 30 June		
	2023	2022	Change %
	RMB'000	*RMB'000*	
	(Unaudited)	(Unaudited)	
Income	**6,634,380**	5,712,259	16.1%
Cost of sales	**(4,370,275)**	(3,331,598)	31.2%
Gross profit	**2,264,105**	2,380,661	-4.9%
Other income and gains	**317,118**	240,613	31.8%
Selling and distribution costs	**(159,773)**	(225,793)	-29.2%
Administrative expenses	**(538,266)**	(440,686)	22.1%
Impairment of financial assets	**(96,395)**	(137,588)	-29.9%
Loss on derecognition of financial assets measured at amortised cost	**(93)**	(17)	447.1%
Financial costs	**(16,998)**	(13,768)	23.5%
Other expenses	**(211,417)**	(304,460)	-30.6%
Share of loss of associates	**(3,453)**	(90)	3,736.7%
Share of profit of a joint venture	**8,667**	5,930	46.2%
Profit before tax	**1,563,495**	1,504,802	3.9%
Income tax expense	**(369,913)**	(328,442)	12.6%
Profit for the period	**1,193,582**	1,176,360	1.5%
Profit for the period attributable to owners of the parent	**1,093,175**	1,089,365	0.3%
Basic earnings per share *(RMB)*	**0.58**	0.58	0.0%
Diluted earnings per share *(RMB)*	**0.53**	0.53	0.0%

2.2 Analysis of Business Revenue

In the first half of 2023, the Group recorded revenue of RMB6,634.4 million, among which the healthcare business segment recorded revenue of RMB3,646.1 million, representing an increase of 33.8% as compared to the corresponding period of the previous year, with its proportion to the total revenue increasing to 55.0%, and the finance business segment recorded revenue of RMB2,988.2 million, which remained the same with that for the corresponding period of the previous year and accounted for 45.0% of the total revenue. The Group recorded gross profit from operations of RMB2,264.1 million, among which the healthcare business segment recorded gross profit of RMB474.9 million, representing an increase of 42.3% as compared to the corresponding period of the previous year, while the finance business segment recorded gross profit from operations of RMB1,700.2 million, representing a decrease of 13.3% as compared to the corresponding period of the previous year.

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

	For the six months ended 30 June				
	2023		2022		
	RMB'000 **(Unaudited)**	**% of total**	*RMB'000* (Unaudited)	% of total	Change %
Healthcare business	**3,646,137**	**55.0%**	2,724,946	47.7%	33.8%
Finance business	**2,988,243**	**45.0%**	2,987,761	52.3%	0.0%
Offset	**–**	**–**	(448)	0.0%	-100.0%
Total	**6,634,380**	**100.0%**	5,712,259	100.0%	16.1%

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

	For the six months ended 30 June				
	2023		2022		
	RMB'000 **(Unaudited)**	**% of total**	*RMB'000* (Unaudited)	% of total	Change %
Healthcare business	**474,862**	**21.0%**	333,744	14.0%	42.3%
Finance business	**1,700,232**	**75.1%**	1,961,268	82.4%	-13.3%
Offset	**89,011**	**3.9%**	85,649	3.6%	3.9%
Total	**2,264,105**	**100.0%**	2,380,661	100.0%	-4.9%

2.2.1 Healthcare business

The Group's healthcare business includes integrated healthcare services as well as specialties and healthcare industry business. In the first half of 2023, the healthcare business recorded a revenue of RMB3,646.1 million, representing an increase of RMB921.2 million or 33.8% as compared to the corresponding period of the previous year, and recorded gross profit of RMB474.9 million, representing an increase of RMB141.1 million or 42.3% as compared to the corresponding period of the previous year.

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

	For the six months ended 30 June				
	2023		2022		
	RMB'000 **(Unaudited)**	**% of total**	*RMB'000* (Unaudited)	% of total	Change %
Healthcare business					
Income from integrated healthcare services	**3,612,722**	**99.1%**	2,719,659	99.8%	32.8%
Income from specialties and healthcare industry	**50,993**	**1.4%**	18,739	0.7%	172.1%
Offset	**(17,578)**	**-0.5%**	(13,452)	-0.5%	30.7%
Total	**3,646,137**	**100.0%**	2,724,946	100.0%	33.8%

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

	For the six months ended 30 June				
	2023		2022		
	RMB'000 **(Unaudited)**	**% of total**	*RMB'000* (Unaudited)	% of total	Change %
Healthcare business					
Gross profit from integrated healthcare services	**446,327**	**94.0%**	325,899	97.7%	37.0%
Gross profit from specialties and healthcare industry	**27,917**	**5.9%**	7,692	2.3%	262.9%
Offset	**618**	**0.1%**	153	0.0%	303.9%
Total	**474,862**	**100.0%**	333,744	100.0%	42.3%

In the first half of 2023, the revenue and gross profit from the healthcare business of the Group showed a trend of rapid growth momentum, which was attributable to (i) the gradual improvement of the overall operation of the hospitals following the gradual elimination of the negative external factors previously effecting the development of the healthcare business; (ii) the improvement in the revenue generation ability and profitability of the hospitals benefitting from the Group's efforts in increasing investments and enhancing management in the last two years; (iii) the growth in the business scale of the medical business through hospital mergers and acquisitions; and (iv) the rapid development of the specialties and healthcare industry business which empowered the development of the internal hospitals by enhancing service capability and further improved business layout through consolidation of external resources.

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 the first half of 2023, this business recorded revenue of RMB3,612.7 million, representing an increase of RMB893.1 million or 32.8% as compared to the corresponding period of the previous year; and gross profit of RMB446.3 million, representing an increase of RMB120.4 million or 37.0% as compared to the corresponding period of the previous year.

2.2.1.2 Specialties and healthcare industry business

The result contribution of the specialties and healthcare industry business mainly comes from the provision of life cycle management of medical equipment, medical device sales and provision of Internet-based healthcare services to medical institutions within and outside the Group. In the first half of 2023, this business recorded a revenue of RMB51.0 million, representing an increase of RMB32.3 million or 172.1% as compared to the corresponding period of the previous year; and gross profit of RMB27.9 million, representing an increase of RMB20.2 million or 262.9% as compared to the corresponding period of the previous year. 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 and ophthalmology as well as Internet-based healthcare, health insurance and other healthcare industry business units.

2.2.2 Finance business

The finance business 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 the first half of 2023, the finance business recorded a revenue of RMB2,988.2 million, which remained the same as compared to the corresponding period of the previous year, and gross profit of RMB1,700.2 million, representing a decrease of 13.3% as compared to the corresponding period of the previous year.

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

	For the six months ended 30 June				
	2023		2022		
	RMB'000 **(Unaudited)**	**% of total**	*RMB'000* (Unaudited)	% of total	Change %
Finance business income	**2,988,243**		2,987,761		0.0%
Including:					
Finance service	**2,431,304**	**81.4%**	2,391,131	80.0%	1.7%
Advisory service	**556,647**	**18.6%**	596,535	20.0%	-6.7%

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

	For the six months ended 30 June				
	2023		2022		
	RMB'000	**% of total**	*RMB'000*	% of total	Change %
	(Unaudited)		(Unaudited)		
Gross profit from finance business	**1,700,232**		1,961,268		-13.3%
Including:					
Finance service	**1,143,409**	**67.3%**	1,364,141	69.6%	-16.2%
Advisory service	**556,647**	**32.7%**	596,535	30.4%	-6.7%

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 the PRC. In the first half of 2023, against the background of intensified market competition and overall decline in profitability of the finance leasing industry, the Group adhered to its established business strategies and made continuous efforts to promote steady development of the finance business by solidifying business foundation, adjusting business structure and mitigating risk profile. The Group recorded interest income of RMB2,431.3 million, representing an increase of 1.7% as compared to the corresponding period of the previous year, and our gross profit amounted to RMB1,143.4 million, representing a decrease of 16.2% as compared to the corresponding period of the previous year. Due to the increasing growth of existing foreign currency financing costs as a result of continuous interest rate hikes of US Dollar, the gross profit showed a trend of decrease.

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

	For the six months ended 30 June				
	2023		2022		
	RMB'000 **(Unaudited)**	**% of total**	*RMB'000* (Unaudited)	% of total	Change %
Healthcare	**545,125**	**22.4%**	809,008	33.8%	-32.6%
Urban public utility	**1,746,638**	**71.8%**	1,505,708	63.0%	16.0%
Other	**139,541**	**5.8%**	76,415	3.2%	82.6%
Total	**2,431,304**	**100.0%**	2,391,131	100.0%	1.7%

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

	30 June 2023			30 June 2022		
	Average balance ***RMB'000*** **(Unaudited)**	**Interest income(1)/ expense(2)** ***RMB'000*** **(Unaudited)**	**Average yield(3)/ cost rate(4)**	Average balance *RMB'000* (Unaudited)	Interest income(1)/ expense(2) *RMB'000* (Unaudited)	Average yield(3)/ cost rate(4)
Interest-earning assets	**69,899,278**	**2,441,306**	**7.04%**	64,926,912	2,401,449	7.46%
Interest-bearing liabilities	**61,644,309**	**1,323,725**	**4.33%**	57,843,253	1,062,824	3.71%
Net interest margin (5)	**–**	**–**	**3.22%**	–	–	4.16%
Net interest spread (6)	**–**	**–**	**2.71%**	–	–	3.75%

(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 the first half of 2023, the Group's net interest spread of finance service business was 2.71%, representing a decrease of 1.04 percentage points from 3.75% 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) the average yield of interest-earning assets was 7.04%, representing a decrease of 0.42 percentage point from 7.46% in the corresponding period of the previous year. On the one hand, the overall profitability of the industry recorded a decrease due to the impact of the policies and market environment, and the average yield of the interest-earning assets showed an overall decrease as compared to the corresponding period of the previous year. On the other hand, faced with complicated financial environment at home and abroad, the Group implemented strict risk control, selected high-quality projects, took proactive initiatives to secure quality customers, made continuous efforts to promote the establishment of a comprehensive risk management system, constantly optimised business structure and facilitated high-quality implementation of various projects.

(2) the average cost rate of interest-bearing liabilities of the Group was 4.33%, representing an increase of 0.62 percentage point from 3.71% for the corresponding period of the previous year, which was mainly due to the impact of interest rate hikes implemented by the United States Federal Reserve. In the first half of the year, the Group continued to optimise its financing structure. Leveraging on the current market environment where we experienced an overall recovery of the PRC economy and relatively easy monetary policy, the Group took proactive initiatives to obtain funding in the PRC at low costs, leading to a decrease of 0.22 percentage point in the average cost rate for onshore loans as compared to that at the end of last year. In March and April of this year, the Group made early repayment of its existing foreign currency loans of approximately RMB3,687 million, leading to further decrease in the scale of its foreign currency financing, down by 6.8 percentage points from that at the end of last year. In addition, the Group sought for proper opportunity to conduct interest rate swap transaction in the amount of approximately RMB4,017 million, with the interest-rate risk hedging ratio reaching 46.13%. 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, accelerate the establishment of a diversified financing system, make great efforts in building efficient financing channels, 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 the first half of 2023, the Group recorded gross profit from advisory services of RMB556.6 million, representing a decrease of 6.7% as compared to the corresponding period of the previous year.

2.2.3 Operating cost

In the first half of 2023, the Group's sales and distribution costs amounted to RMB159.8 million, representing a decrease of 29.2% as compared to the corresponding period of the previous year, which was mainly due to the period-on-period decrease in sales and distribution costs as the labour costs of certain staff of the finance business were transferred to administrative expenses as a result of re-designation of their positions in the second half of 2022.

Administrative expenses amounted to RMB538.3 million, representing an increase of 22.1% as compared to the corresponding period of the previous year, which was attributable to (i) the period-on-period increase of labour costs; (ii) the period-on-period increase in travel expenses and other business development expenses following the resumption of normal business operation of the Company. Administrative expenses from finance business segment amounted to RMB266.9 million, representing an increase of 31.5% as compared to the corresponding period of the previous year. Administrative expenses from healthcare business segment amounted to RMB271.4 million, representing an increase of 14.1% as compared to the corresponding period of the previous year.

2.2.4 Profit before tax

In the first half of 2023, the Group recorded profit before tax of RMB1,563.5 million, representing an increase of RMB58.7 million or 3.9% as compared to the corresponding period of the previous year.

2.2.5 Profit for the period attributable to owners of the parent

In the first half of 2023, the Group recorded profit for the period attributable to owners of the parent of RMB1,093.2 million, representing an increase of RMB3.8 million or 0.3% as compared to the corresponding period of the previous year.

2.2.6 Operating revenue from acquired medical institutions

As of 30 June 2023, 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 the first half of 2023, the acquired medical institutions of the Group recorded revenue of RMB3,528.0 million during the consolidation period, representing an increase of RMB883.9 million or 33.4% as compared to the corresponding period of the previous year; recorded profit for the period of RMB186.4 million, representing an increase of RMB71.4 million or 62.0% as compared to the corresponding period of the previous year. The net profit margin was 5.28%, representing an increase of 0.93 percentage point from 4.35% in the corresponding period of the previous year. Excluding the impact of newly consolidated medical institutions, the existing medical institutions of the Group recorded revenue of RMB2,639.5 million, representing an increase of 13.9% as compared to the corresponding period of the previous year; recorded profit for the period of RMB165.3 million, representing an increase of 51.1% as compared to the corresponding period of the previous year, and the net profit margin of 6.26%, representing an increase of 1.54 percentage points from 4.72% 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 six months ended 30 June		
	2023	2022	
	RMB'000	*RMB'000*	Change %
	(Unaudited)	(Unaudited)	
Revenue	**3,528,049**	2,644,112	33.4%
Costs	**(3,114,865)**	(2,343,146)	32.9%
Gross profit	**413,184**	300,966	37.3%
Other income and gains	**64,286**	57,913	11.0%
Selling and distribution costs	**(2,191)**	(2,420)	-9.5%
Administrative expenses	**(258,000)**	(224,665)	14.8%
Impairment on financial assets	**(28)**	403	-106.9%
Other expenses	**(7,803)**	(2,864)	172.5%
Share of loss of an associate	**–**	(90)	-100.0%
Financial costs	**(7,074)**	(3,812)	85.6%
Profit before tax	**202,374**	125,431	61.3%
Income tax expense	**(15,984)**	(10,410)	53.5%
Profit for the period	**186,390**	115,021	62.0%

3. FINANCIAL POSITION ANALYSIS

3.1 Overview of Assets

As at 30 June 2023, the Group's total assets was RMB84,247.6 million, representing an increase of 9.6% as compared to the end of the previous year. In particular, our restricted deposits was RMB837.5 million, representing an increase of 7.6% as compared to the end of the previous year and accounting for 1.0% of the total assets; our cash and cash equivalents was RMB2,510.1 million, representing a decrease of 6.3% as compared to the end of the previous year and accounting for 3.0% of the total assets; our loans and accounts receivables was RMB71,581.9 million, representing an increase of 10.4% as compared to the end of the previous year and accounting for 85.0% of the total assets.

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

	30 June 2023		31 December 2022		
	RMB'000 **(Unaudited)**	**% of total**	*RMB'000* (Audited)	% of total	Change %
Restricted deposits	**837,526**	**1.0%**	778,303	1.0%	7.6%
Cash and cash equivalents	**2,510,137**	**3.0%**	2,679,426	3.5%	-6.3%
Inventories	**358,742**	**0.4%**	375,728	0.5%	-4.5%
Loans and accounts receivables	**71,581,865**	**85.0%**	64,861,477	84.4%	10.4%
Prepayments, other receivables and other assets	**1,358,236**	**1.6%**	1,323,094	1.8%	2.7%
Property, plant and equipment	**3,906,815**	**4.7%**	3,780,646	4.9%	3.3%
Other intangible assets	**91,971**	**0.1%**	79,173	0.1%	16.2%
Investment in a joint venture	**492,008**	**0.6%**	486,195	0.6%	1.2%
Investment in associates	**110,740**	**0.1%**	28,769	0.0%	284.9%
Deferred tax assets	**748,344**	**0.9%**	743,021	1.0%	0.7%
Derivative financial assets	**659,516**	**0.8%**	232,154	0.3%	184.1%
Right-of-use assets	**1,130,768**	**1.3%**	1,154,545	1.5%	-2.1%
Goodwill	**102,253**	**0.1%**	102,253	0.1%	0.0%
Financial assets at fair value through profit or loss	**358,719**	**0.4%**	245,987	0.3%	45.8%
Total	**84,247,640**	**100.0%**	76,870,771	100.0%	9.6%

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

	30 June 2023		31 December 2022		
	RMB'000	**% of total**	*RMB'000*	% of total	Change %
	(Unaudited)		(Audited)		
Healthcare business	**13,911,447**	**16.5%**	13,778,495	17.9%	1.0%
Finance business	**77,250,303**	**91.7%**	68,811,920	89.5%	12.3%
Inter-segment offset	**(6,914,110)**	**-8.2%**	(5,719,644)	-7.4%	20.9%
Total	**84,247,640**	**100.0%**	76,870,771	100.0%	9.6%

3.1.1 Restricted deposits

As at 30 June 2023, the Group had restricted deposits of RMB837.5 million, representing an increase of 7.6% as compared to the end of the previous year. Restricted deposits mainly comprised restricted project refunds from factoring business, time deposits and financing deposits.

3.1.2 Cash and cash equivalents

As at 30 June 2023, the Group had cash and cash equivalents of RMB2,510.1 million, representing a decrease of 6.3% as compared to the end of the previous year. The balance of cash and cash equivalents will be gradually applied in accordance with the Group's business plan.

3.1.3 Loans and accounts receivables

As at 30 June 2023, the balance of the Group's loans and accounts receivables was RMB71,581.9 million, representing an increase of 10.4% as compared to the end of the previous year. The net interest-earning assets was RMB69,975.5 million, accounting for 97.8% of the loans and accounts receivables; and net accounts receivables was RMB1,595.9 million, accounting for 2.2% of the loans and accounts receivables.

3.1.3.1 Interest-earning assets

In the first half of 2023, 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 30 June 2023, the Group's net interest-earning assets was RMB71,764.5 million, representing an increase of RMB6,530.7 million, or 10.0%, as compared to the end of the previous year.

Net interest-earning assets by industry

In the first half of 2023, 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:

	30 June 2023		31 December 2022		
	RMB'000 **(Unaudited)**	**% of total**	*RMB'000* (Audited)	% of total	Change %
Healthcare	**15,053,812**	**21.0%**	17,346,262	26.6%	-13.2%
Urban public utility	**52,435,270**	**73.1%**	45,147,968	69.2%	16.1%
Others	**4,275,414**	**5.9%**	2,739,601	4.2%	56.1%
Net interest-earning assets	**71,764,496**	**100.0%**	65,233,831	100.0%	10.0%
Less: Provision for asset impairment	**(1,789,004)**		(1,694,751)		5.6%
Net value of interest-earning assets	**69,975,492**		63,539,080		10.1%

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 30 June 2023, 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:

	30 June 2023		31 December 2022		
	RMB'000 **(Unaudited)**	**% of total**	*RMB'000* (Audited)	% of total	Change %
Within 1 year	**28,309,606**	**39.4%**	22,983,482	35.2%	23.2%
1-2 years	**19,762,774**	**27.5%**	18,688,243	28.7%	5.7%
2-3 years	**14,433,356**	**20.1%**	13,573,846	20.8%	6.3%
Over 3 years	**9,258,760**	**13.0%**	9,988,260	15.3%	-7.3%
Net interest-earning assets	**71,764,496**	**100.0%**	65,233,831	100.0%	10.0%

Quality of interest-earning assets

The Group has been implementing robust asset management policies and continuously adopting stringent and prudent asset classification policies. As at 30 June 2023, the Group had non-performing assets of RMB701.4 million, representing an increase of RMB57.3 million as compared to the end of the previous year. The Group continuously improved its risk management system, adopted effective risk prevention measures and increased efforts in the collection of non-performing assets. As at 30 June 2023, the Group's non-performing assets ratio was 0.98%, representing a slight decrease as compared to the end of the previous year.

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

	30 June 2023		31 December 2022		
	RMB'000 **(Unaudited)**	**% of total**	*RMB'000* (Audited)	% of total	Change %
Pass	**64,607,210**	**90.02%**	58,052,407	88.99%	11.3%
Special attention	**6,455,875**	**9.00%**	6,537,307	10.02%	-1.2%
Substandard	**516,345**	**0.72%**	510,044	0.78%	1.2%
Doubtful	**111,169**	**0.16%**	105,038	0.16%	5.8%
Loss	**73,897**	**0.10%**	29,035	0.05%	154.5%
Net interest-earning assets	**71,764,496**	**100.00%**	65,233,831	100.00%	10.0%
Non-performing assets[(1)]	**701,411**		644,117		8.9%
Non-performing assets ratio[(2)]	**0.98%**		0.99%		

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

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

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

Ratio of overdue interest-earning assets

In the first half of 2023, the Group implemented prudent risk control and asset management policy, maintaining a stable performance of the risk management system. As at 30 June 2023, the overdue ratio (over 30 days) was 0.88%, which remained basically the same.

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

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Overdue ratio (over 30 days)[(1)]	**0.88%**	0.86%

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

Provision for impairment of interest-earning assets

As at 30 June 2023, the Group's provision coverage ratio was 255.06%. With the expansion of its business, the Group's management believes that it is imperative to take prudent measures to protect the Group against systematic risks and move towards the international standards and practices. As such, the Group maintained its asset provision coverage ratio at a stable level.

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

	As at 30 June 2023			
	Stage 1 (12-month expected credit loss) ***RMB'000*** **(Unaudited)**	**Stage 2 (Lifetime expected credit loss)** ***RMB'000*** **(Unaudited)**	**Stage 3 (Lifetime expected credit loss – impaired)** ***RMB'000*** **(Unaudited)**	**Total** ***RMB'000*** **(Unaudited)**
Net interest-earning assets	**64,607,210**	**6,261,328**	**895,958**	**71,764,496**
Provision for impairment of interest-earning assets	**(746,364)**	**(623,657)**	**(418,983)**	**(1,789,004)**
Net value of interest-earning assets	**63,860,846**	**5,637,671**	**476,975**	**69,975,492**

	As at 31 December 2022			
	Stage 1 (12-month expected credit loss)	Stage 2 (Lifetime expected credit loss)	Stage 3 (Lifetime expected credit loss – impaired)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	(Audited)	(Audited)	(Audited)
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

Write-off of interest-earning assets

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

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Write-off	**–**	42,064
Non-performing assets as at the end of last year	**644,117**	601,062
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.

Asset-backed securities related assets, etc.

In the first half of 2023, the Group sold interest-earning assets with a cumulative principal of approximately RMB1,492 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 30 June 2023, the balance of the subordinated shares held by the Group for the asset-backed securities business was RMB186.2 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 as at 30 June 2023, with no significant abnormality in asset quality.

As at 30 June 2023, the balance of the Group's assets with continuing involvement was RMB294.7 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 receivables

As at 30 June 2023, the Group's net accounts receivables was RMB1,595.9 million, representing an increase of RMB275.4 million or 20.9% as compared to the end of the previous year. The increase in accounts receivables was mainly due to the increase in the healthcare service income from its affiliated medical institutions.

3.1.4 Other assets

As at 30 June 2023, the Group's balance of right-of-use assets was RMB1,130.8 million, representing a decrease of RMB23.8 million as compared to the end of the previous year, which was mainly due to the maturity of lease contract of the Group's office building.

As at 30 June 2023, the Group's balance of property, plant and equipment was RMB3,906.8 million, representing an increase of RMB126.2 million as compared to the end of the previous year, which was mainly due to the increase in the balance of property, plant and equipment from the renovation and expansion works of the Group's affiliated medical institutions.

As at 30 June 2023, the balance of the Group's investment in joint ventures was RMB492.0 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 RMB110.7 million, which was the investment in 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), GT-PRC Healthcare Company Limited (通用技術集團醫療健康有限公司) and Beijing Tongrentang Anshan Traditional Chinese Medicine Hospital Co., Ltd. (北京同仁堂鞍山中醫醫院有限公司).

As at 30 June 2023, the Group's balance of goodwill was RMB102.3 million, 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 (咸陽彩虹醫院) by the Group.

3.2 Overview of Liabilities

As at 30 June 2023, the Group's total liabilities amounted to RMB64,561.9 million, representing an increase of RMB7,394.1 million, or 12.9%, as compared to the end of the previous year. The balance of interest-bearing bank and other borrowings amounted to RMB53,566.4 million, representing an increase of RMB6,655.0 million, or 14.2%, as compared to the end of the previous year, accounting for 83.0% of the total liabilities; balance of other payables and accruals amounted to RMB8,028.7 million, representing an increase of RMB505.3 million, or 6.7%, as compared to the end of the previous year, accounting for 12.4% of the total liabilities.

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

	30 June 2023		31 December 2022		
	RMB'000 **(Unaudited)**	**% of total**	*RMB'000* (Audited)	% of total	Change %
Interest-bearing bank and other borrowings	**53,566,365**	**83.0%**	46,911,383	82.1%	14.2%
Trade and bills payables	**2,536,721**	**3.9%**	2,247,218	3.9%	12.9%
Other payables and accruals	**8,028,729**	**12.4%**	7,523,381	13.2%	6.7%
Derivative financial liabilities	**3,117**	**0.0%**	120,802	0.2%	-97.4%
Taxes payable	**132,315**	**0.2%**	84,006	0.1%	57.5%
Other non-current liabilities	**294,651**	**0.5%**	280,968	0.5%	4.9%
Total	**64,561,898**	**100.0%**	57,167,758	100.0%	12.9%

3.2.1 Interest-bearing bank and other borrowings

Since the beginning of this year, faced with the complicated financial environment at home and abroad, the Group adhered to a flexible and sound financing strategy, made coordinated efforts to facilitate the continuous optimisation of its debt structure, strengthened the innovation of financing tools, and continued to improve its diversified financing system at multiple levels with multiple channels, further enhancing 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 enriching bond portfolio and 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 a tranche of medium-term notes for rural revitalisation and a tranche of asset-backed securities for the quality development of the yellow river basin, effectively promoting the sustainable development of the society. In the indirect financing market, the Group focused on several core financial institutions such as large state-owned commercial banks, joint-stock commercial banks, city commercial banks and foreign banks, and conducted extensive, in-depth and long-term cooperation in the direction of finance and industry in accordance with polices of banks. With the implementation of the ESG loan and green loan projects, the Group recorded substantial increase in the scale of credit facilities. Meanwhile, the Group continued to keep a keen watch on the international market and steadily promoted offshore syndicated and bilateral loans business to strongly support diversified and stable funding resources.

The Group's interest-bearing bank and other borrowings were mainly used to finance the capital requirement of our finance lease business. As at 30 June 2023, the balance of the Group's interest-bearing bank and other borrowings was RMB53,566.4 million, representing an increase of RMB6,655.0 million or 14.2% as compared to the end of the previous year. The borrowings of the Group are dominated in RMB, USD and HKD.

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

	30 June 2023		31 December 2022		
	RMB'000 **(Unaudited)**	**% of total**	*RMB'000* (Audited)	% of total	Change %
Bank loans	**30,015,483**	**56.0%**	24,280,248	51.8%	23.6%
Due to related parties	**4,152,094**	**7.8%**	4,092,920	8.7%	1.4%
Bonds	**17,291,851**	**32.3%**	17,548,288	37.4%	-1.5%
Other loans	**2,106,937**	**3.9%**	989,927	2.1%	112.8%
Total	**53,566,365**	**100.0%**	46,911,383	100.0%	14.2%

As at 30 June 2023, the balance of the Group's bank loans amounted to RMB30,015.5 million, which accounted for 56.0% of the total interest-bearing bank and other borrowings, representing an increase of 4.2 percentage points as compared to the end of the previous year. The Group continuously made efforts in domestic credit market and strengthened its cooperation with banks in width and depth, with the proportion of balance of bank loans increased, leading to a decrease of 0.22 percentage point in the average cost rate for onshore loans as compared to that at the end of last year.

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

	30 June 2023		31 December 2022		
	RMB'000 **(Unaudited)**	**% of total**	*RMB'000* (Audited)	% of total	Change %
RMB	**41,010,639**	**76.6%**	32,720,554	69.8%	25.3%
USD	**7,927,058**	**14.8%**	10,419,838	22.2%	-23.9%
HKD	**4,628,668**	**8.6%**	3,770,991	8.0%	22.7%
Total	**53,566,365**	**100.0%**	46,911,383	100.0%	14.2%

As at 30 June 2023, the balance of the Group's interest-bearing bank and other borrowings denominated in RMB was RMB41,010.6 million, which accounted for 76.6% of its total interest-bearing bank and other borrowings, representing an increase of 6.8 percentage points as compared to the end of the previous year. Affected by the increasingly tightened monetary policy in overseas market, the Group reduced the scale of foreign currency financing in a reasonable and appropriate manner, 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:

	30 June 2023		31 December 2022		
	RMB'000 **(Unaudited)**	**% of total**	*RMB'000* (Audited)	% of total	Change %
Domestic	**40,330,701**	**75.3%**	32,020,554	68.3%	26.0%
Overseas	**13,235,664**	**24.7%**	14,890,829	31.7%	-11.1%
Total	**53,566,365**	**100.0%**	46,911,383	100.0%	14.2%

As at 30 June 2023, the Group's domestic financing balance was RMB40,330.7 million, which accounted for 75.3% of the total interest-bearing bank and other borrowings, representing an increase of 7.0 percentage points as compared to the end of the previous year. Taking advantage of the relatively easing 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:

	30 June 2023		31 December 2022		
	RMB'000 **(Unaudited)**	**% of total**	*RMB'000* (Audited)	% of total	Change %
Current	**23,630,274**	**44.1%**	20,802,790	44.3%	13.6%
Non-current	**29,936,091**	**55.9%**	26,108,593	55.7%	14.7%
Total	**53,566,365**	**100.0%**	46,911,383	100.0%	14.2%

As at 30 June 2023, the total balance of the Group's current interest-bearing bank and other borrowings amounted to RMB23,630.3 million, which accounted for 44.1% of its total interest-bearing bank and other borrowings, representing a decrease of 0.2 percentage point as compared to the end of the previous year. On the premise that sufficient liquidity is maintained, the Group continued to optimize financing maturity 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:

	30 June 2023		31 December 2022		
	RMB'000 **(Unaudited)**	**% of total**	*RMB'000* (Audited)	% of total	Change %
Secured	**12,245,840**	**22.9%**	6,174,875	13.2%	98.3%
Unsecured	**41,320,525**	**77.1%**	40,736,508	86.8%	1.4%
Total	**53,566,365**	**100.0%**	46,911,383	100.0%	14.2%

As at 30 June 2023, the Group's total secured interest-bearing bank and other borrowings amounted to RMB12,245.8 million, which accounted for 22.9% of its total interest-bearing bank and other borrowings, representing an increase of 9.7 percentage points as compared to the end of the previous year. The Group's secured assets were mainly interest-earning assets. In order to expand financing channels, cultivate different financing entities, and diversify financing resources, the proportion of the secured interest-bearing bank and other borrowings slightly increased.

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

	30 June 2023		31 December 2022		
	RMB'000 **(Unaudited)**	**% of total**	*RMB'000* (Audited)	% of total	Change %
Direct financing	**17,495,613**	**32.7%**	17,770,641	37.9%	-1.5%
Indirect financing	**36,070,752**	**67.3%**	29,140,742	62.1%	23.8%
Total	**53,566,365**	**100.0%**	46,911,383	100.0%	14.2%

As at 30 June 2023, the total balance of the direct financing of the Group's interest-bearing bank and other borrowings amounted to RMB17,495.6 million, which accounted for 32.7% of its total interest-bearing bank and other borrowings, representing a decrease of 5.2 percentage points as compared to the end of the previous year. The Group continued to explore 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 30 June 2023, other payables and accruals amounted to RMB8,028.7 million in total, representing an increase of RMB505.3 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 30 June 2023, the Group's total equity was RMB19,685.7 million, representing a decrease of RMB17.3 million or 0.1% as compared to the end of the previous year, among which the non-controlling interests were RMB2,894.4 million, representing a decrease of RMB1,178.0 million or 28.9% as compared to the end of the previous year, which was mainly due to the decrease of non-controlling interests from the acquisition of equity interest in Genertec Minmetals.

The following table sets forth the equities as of the dates indicated:

	30 June 2023		31 December 2022		
	RMB'000 **(Unaudited)**	**% of total**	*RMB'000* (Audited)	% of total	Change %
Share capital	**5,297,254**	**26.9%**	5,297,254	26.9%	0.0%
Equity attributable to holders of convertible corporate bonds(1)	**75,486**	**0.4%**	75,486	0.4%	0.0%
Reserves	**9,339,635**	**47.4%**	8,597,375	43.6%	8.6%
Equity attributable to owners of the parent	**14,712,375**	**74.7%**	13,970,115	70.9%	5.3%
Equity attributable to holders of renewable corporate bonds(2)	**2,078,923**	**10.6%**	1,660,414	8.4%	25.2%
Non-controlling interests(3)	**2,894,444**	**14.7%**	4,072,484	20.7%	-28.9%
Total	**19,685,742**	**100.0%**	19,703,013	100.0%	-0.1%

(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 2023, the conversion price of the convertible bonds was adjusted from HKD6.28 to HKD6.09 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 29 June 2023, the Group has fully redeemed these renewable 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 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.

On 27 March 2023, CULC, a wholly-owned subsidiary of the Company, issued the renewable corporate bonds of an aggregate principal amount of RMB300 million in the PRC, with a basic term of two years from 27 March 2023. 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 4.8%. The issue price is RMB100 per bond, which is equal to 100% of the principal value of the corporate bonds.

On 29 June 2023, CULC, a wholly-owned subsidiary of the Company, issued the renewable corporate bonds of an aggregate principal amount of RMB600 million in the PRC, with a basic term of two years from 29 June 2023. 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 4.3%. The issue price is RMB100 per bond, which is equal to 100% of the principal value of the corporate bonds.

(3) On 30 July 2022, Hospital Investment Co., Ltd. and Genertec Minmetals entered into (i) an equity transfer agreement 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 Genertec Minmetals held by Minmetals Shareholders; and (ii) an equity transfer agreement with CITIC Capital (Tianjin), pursuant to which Hospital Investment Co., Ltd. (as the purchaser) had conditionally agreed to acquire, and CITIC Capital (Tianjin) (as the vendor) had conditionally agreed to sell 10% of the equity interest in Genertec Minmetals held by CITIC Capital (Tianjin). The acquisition had been completed on 1 March 2023. Upon completion of the transactions, Genertec Minmetals was owned as to 100% by Hospital Investment Co., Ltd., and accordingly became an indirect wholly-owned subsidiary of the Company.

4. CASH FLOWS ANALYSIS

In the first half of 2023, the Group's net cash outflow from operating activities amounted to RMB3,339.4 million, representing an increase of outflow of RMB2,018.8 million as compared to the corresponding period of the previous year, which was mainly due to the substantial period-on-period increase in the finance business scale as a result of the continuous recovery of domestic economy. Net cash outflow from investing activities amounted to RMB368.9 million, representing an increase of outflow of RMB282.5 million as compared to the corresponding period of the previous year, primarily due to a continuous increase in the investment in the infrastructure projects and medical equipment so as to improve the medical environment and hospital operating efficiency. Net cash inflow from financing activities amounted to RMB3,468.4 million, representing an increase of inflow of RMB682.8 million as compared to the corresponding period of the previous year, primarily due to the increase in financing demands as a result of the increase in finance business scale.

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

	For the six months ended 30 June		
	2023	2022	Change %
	RMB'000	*RMB'000*	
	(Unaudited)	(Unaudited)	
Net cash flows used in operating activities	**(3,339,397)**	(1,320,614)	152.9%
Net cash flows used in investing activities	**(368,877)**	(86,395)	327.0%
Net cash flows generated from financing activities	**3,468,353**	2,785,594	24.5%
Effect of exchange rate changes on cash and cash equivalents	**70,632**	(41,017)	272.2%
Net (decrease)/increase in cash and cash equivalents	**(169,289)**	1,337,568	-112.7%

5. CAPITAL MANAGEMENT

The primary objective of the Group's capital management activities is to ensure that it maintains healthy capital ratios, so as to support the Group's business and maximize its shareholders' benefits. The Group uses debt ratio and gearing ratio to monitor its capital status. As at 30 June 2023, no change was made to the Group's objectives, policies or processes for capital management.

Debt ratio

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Total assets	**84,247,640**	76,870,771
Total liabilities	**64,561,898**	57,167,758
Total equity	**19,685,742**	19,703,013
Debt ratio	**76.63%**	74.37%

Gearing ratio

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Interest-bearing bank and other borrowings	**53,566,365**	46,911,383
Total equity	**19,685,742**	19,703,013
Gearing ratio	**2.72**	2.38

As at 30 June 2023, the Group's debt ratio and gearing ratio increased 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 the first half of 2023, the Group had capital expenditure of RMB341.0 million.

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	
	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Change in base points		
+100 base points	**(60,157)**	(42,138)
-100 base points	**60,157**	42,138

7.2 Currency Risk

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

The Group conducts its business mainly in RMB, with certain financing activities denominated in USD and other currencies pegged to the USD. The Group's currency risk mainly arises from the transactions denominated in currencies other than RMB. In order to control currency risk, the Group adopted prudent currency risk management strategies which hedges risk exposures one by one under comprehensive risk exposure management. It proactively hedged against foreign exchange exposure based on the currency and terms through using the operation of financial instruments such as forward exchange rate. As of 30 June 2023, the Group's exposure to foreign exchange risk amounted to USD1,710.4 million, USD1,709.5 million or 99.9% 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 %	**30 June 2023**	31 December 2022
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
If RMB strengthens against USD/HKD	(1)	**83**	(349)
If RMB weakens against USD/HKD	1	**(83)**	349

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, the Group is 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.

Follow-up visits

The Group formulated and implemented an annual follow-up 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 follow-up 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:

	30 June 2023		31 December 2022	
	RMB'000 **(Unaudited)**	**% of total**	*RMB'000* (Audited)	% of total
Healthcare	**15,053,812**	**21.0%**	17,346,262	26.6%
Urban public utility	**52,435,270**	**73.1%**	45,147,968	69.2%
Others	**4,275,414**	**5.9%**	2,739,601	4.2%
Total	**71,764,496**	**100.0%**	65,233,831	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:

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Net interest-earning assets	**70,488,251**	63,848,757
Accounts receivables	**1,595,878**	1,320,497
Other receivables	**563,247**	394,480
Derivative financial assets	**659,516**	232,154
Bills receivables	**10,495**	1,900

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			
30 June 2023 (Unaudited)						
Total financial assets	**2,897,846**	**11,996,209**	**22,813,135**	**48,492,334**	**64,771**	**86,264,295**
Total financial liabilities	**(75,503)**	**(13,140,660)**	**(17,355,396)**	**(35,100,185)**	**(523,742)**	**(66,195,486)**
Net liquidity gap[(1)]	**2,822,343**	**(1,144,451)**	**5,457,739**	**13,392,149**	**(458,971)**	**20,068,809**
31 December 2022 (Audited)						
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

(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 30 June 2023, the Group had interest-earning assets of RMB10,916.4 million and cash of RMB837.5 million pledged or paid to banks to secure the bank borrowings and other borrowings.

9. MATERIAL INVESTMENTS, ACQUISITIONS AND DISPOSALS

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

Save as disclosed above, there were no significant investments held, nor were there any material disposals of subsidiaries during the six months ended 30 June 2023.

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

10.1 Contingent Liabilities

	30 June 2023 *RMB'000* **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
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:

	30 June 2023 *RMB'000* **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
Capital expenditure under signed contracts but not appropriated (1)	**525,437**	1,686,009
Credit commitments (2)	**6,357,000**	2,530,000

(1) Capital expenditure under signed contracts but not appropriated during the period 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 30 June 2023, we had a total of 20,048 employees, representing a decrease of 29 or 0.15% compared to 20,077 employees as of 30 June 2022.

We have a highly-educated and high-quality work force, with about 58.15% of our employees holding bachelor's degrees and above, about 5.69% holding master's degrees and above, about 37.85% with intermediate title and above, and about 12.85% with senior vice title and above as of 30 June 2023.

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. For the six months ended 30 June 2023, the Group complied with all statutory social insurance and housing fund obligations applicable to the Group under the PRC laws in all material respects.

DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 June 2023.

CORPORATE GOVERNANCE CODE

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

During the period from 1 January 2023 to 30 June 2023, the Company has complied with all code provisions as set out in the CG Code save for the deviation from code provision B.2.2.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Having made specific enquiry to all the Directors (including Mr. Yu Gang who resigned during the accounting period covered by this interim results announcement), all of them confirmed that they have complied with the Model Code and the Securities Dealing Code throughout the period from 1 January 2023 or the date of her appointment as Director (as the case may be) and up to the date of his resignation as Director or to the date of this announcement (as the case may be) to.

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

REVIEW OF FINANCIAL INFORMATION

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

The Audit Committee has discussed with the management and the external auditor and reviewed the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2023 and this announcement.

In addition, Ernst & Young, the external auditor of the Company, has independently reviewed the interim condensed consolidated financial statements of the Group for the six months ended 30 June 2023 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

DISCLOSURE UNDER SECTION 436 OF THE COMPANIES ORDINANCE

The financial information relating to the year ended 31 December 2022 that is included in these unaudited condensed interim consolidated financial statements for the six months ended 30 June 2023 as comparative information does not constitute the statutory annual consolidated financial statements of the Company for that year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2022 to the Registrar of Companies as required under section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2023.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.umcare.cn, respectively. The interim report of the Company for the six months ended 30 June 2023 containing all the information required under the Listing Rules will be despatched to the shareholders of the Company and published on the above-mentioned websites in due course.

DEFINITIONS

"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 (Tianjin)"	CITIC Capital Equity Investment (Tianjin) Corporation Limited (中信資本股權投資(天津)股份有限公司)
"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
"Director(s)"	the director(s) of the Company

"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-PRC"	China General Technology (Group) Holding Company Limited (中國通用技術(集團)控股有限責任公司), a state-owned enterprise under the direct administration of the PRC central government, and one of the controlling shareholders of the Company
"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
"Hospitals of SOEs"	medical institutions run by state-owned enterprises
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"Minmetals Shareholders"	Genertec Minmetals and certain subsidiaries of China Minmetals Corporation (中國五礦集團有限公司)
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules

"PRC" or "China"	The People's Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan
"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
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"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

By order of the Board of Directors
Genertec Universal Medical Group Company Limited
通用環球醫療集團有限公司
Peng Jiahong
Chairwoman of the Board

Hong Kong, 23 August 2023

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