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**GENERTEC UNIVERSAL MEDICAL GROUP
COMPANY LIMITED**

通用環球醫療集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 2666)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

FINANCIAL HIGHLIGHTS

- For the year ended 31 December 2021, the revenue amounted to approximately RMB9,914.3 million, representing an increase of 16.3% as compared with that of approximately RMB8,521.2 million for 2020.
- For the year ended 31 December 2021, the profit before tax amounted to approximately RMB2,691.8 million, representing an increase of 13.8% as compared with that of approximately RMB2,365.0 million for 2020.
- For the year ended 31 December 2021, the profit for the year attributable to owners of the parent amounted to approximately RMB1,835.2 million, representing an increase of 11.4% as compared with that of approximately RMB1,647.5 million for 2020.
- As at 31 December 2021, the total assets amounted to approximately RMB69,899.8 million, representing an increase of 13.6% as compared with that of approximately RMB61,511.0 million as at 31 December 2020.
- As at 31 December 2021, the equity attributable to owners of the parent amounted to approximately RMB13,104.0 million, representing an increase of 21.7% as compared with that of approximately RMB10,770.5 million as at 31 December 2020.
- For the year ended 31 December 2021, the return on equity was 15.37%.
- For the year ended 31 December 2021, the return on total assets was 3.09%.

The Board is pleased to announce that the audited consolidated annual results of the Company and its subsidiaries for the year ended 31 December 2021 with the comparative figures for the year ended 31 December 2020 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	<i>Notes</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
REVENUE	5	9,914,273	8,521,238
Cost of sales		<u>(5,714,834)</u>	<u>(4,967,263)</u>
Gross profit		4,199,439	3,553,975
Other income and gains	5	313,782	185,467
Selling and distribution costs		(462,005)	(380,390)
Administrative expenses		(739,754)	(613,868)
Impairment losses on financial assets, net		(318,235)	(247,446)
Loss on derecognition of financial assets measured at amortised cost		(942)	–
Other expenses		(285,210)	(113,513)
Finance costs		(29,132)	(30,558)
Share of profits of:			
A joint venture		13,673	11,085
An associate		192	262
PROFIT BEFORE TAX	6	2,691,808	2,365,014
Income tax expense	9	<u>(661,339)</u>	<u>(551,104)</u>
PROFIT FOR THE YEAR		<u>2,030,469</u>	<u>1,813,910</u>
Attributable to:			
Owners of the parent		1,835,233	1,647,537
Non-controlling interests		82,739	66,773
Other equity instruments		112,497	99,600
		<u>2,030,469</u>	<u>1,813,910</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	<i>11</i>		
Basic (<i>expressed in RMB per share</i>)		<u>0.99</u>	<u>0.96</u>
Diluted (<i>expressed in RMB per share</i>)		<u>0.91</u>	<u>0.96</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	<i>Notes</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
PROFIT FOR THE YEAR		<u>2,030,469</u>	<u>1,813,910</u>
OTHER COMPREHENSIVE (LOSS)/INCOME			
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:			
Cash flow hedges:			
Effective portion of changes in fair value of hedging instruments arising during the year	18	88,433	(518,844)
Reclassification adjustments for (gains)/losses included in the consolidated statement of profit or loss		(174,783)	619,473
Income tax effect		<u>28,682</u>	<u>(18,715)</u>
		(57,668)	81,914
Exchange differences on translation of foreign operations		<u>(1,632)</u>	<u>–</u>
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods		<u>(59,300)</u>	<u>81,914</u>
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:			
Actuarial losses on the post-retirement benefit obligations, net of tax	28	<u>(4,842)</u>	<u>(2,726)</u>
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods		<u>(4,842)</u>	<u>(2,726)</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX		<u>(64,142)</u>	<u>79,188</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>1,966,327</u>	<u>1,893,098</u>
Attributable to:			
Owners of the parent		1,773,456	1,728,057
Non-controlling interests		80,374	65,441
Other equity instruments		<u>112,497</u>	<u>99,600</u>
		<u>1,966,327</u>	<u>1,893,098</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	<i>Notes</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	<i>12</i>	2,523,269	2,346,601
Right-of-use assets	<i>13(a)</i>	794,652	763,089
Loans and accounts receivables	<i>20</i>	39,518,628	35,532,729
Prepayments, other receivables and other assets	<i>21</i>	507,316	48,710
Goodwill	<i>14</i>	102,253	69,908
Deferred tax assets	<i>27</i>	561,184	398,739
Financial assets at fair value through profit or loss	<i>17</i>	366,470	–
Derivative financial instruments	<i>18</i>	6,915	–
Investment in a joint venture	<i>15</i>	476,015	455,892
Investment in an associate	<i>16</i>	4,284	4,215
Other intangible assets		46,183	58,603
Total non-current assets		<u>44,907,169</u>	<u>39,678,486</u>
CURRENT ASSETS			
Inventories	<i>19</i>	265,427	198,034
Loans and accounts receivables	<i>20</i>	21,046,689	18,662,682
Prepayments, other receivables and other assets	<i>21</i>	383,576	258,402
Derivative financial instruments	<i>18</i>	–	9,173
Restricted deposits	<i>22</i>	954,862	667,701
Cash and cash equivalents	<i>22</i>	2,342,078	2,036,535
Total current assets		<u>24,992,632</u>	<u>21,832,527</u>
CURRENT LIABILITIES			
Trade payables	<i>23</i>	1,111,983	868,396
Other payables and accruals	<i>24</i>	2,417,318	2,190,903
Interest-bearing bank and other borrowings	<i>25</i>	14,745,821	19,850,230
Derivative financial instruments	<i>18</i>	346,569	337,083
Tax payable		109,608	73,059
Total current liabilities		<u>18,731,299</u>	<u>23,319,671</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>6,261,333</u>	<u>(1,487,144)</u>

	<i>Notes</i>	2021 RMB'000	2020 <i>RMB'000</i>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>51,168,502</u>	<u>38,191,342</u>
NON-CURRENT LIABILITIES			
Convertible bonds – host debts	26	882,689	–
Interest-bearing bank and other borrowings	25	28,544,061	20,131,111
Other payables and accruals	24	3,653,649	3,018,646
Other non-current liabilities	34	257,200	–
Derivative financial instruments	18	<u>207,648</u>	<u>76,250</u>
Total non-current liabilities		<u>33,545,247</u>	<u>23,226,007</u>
Net assets		<u><u>17,623,255</u></u>	<u><u>14,965,335</u></u>
EQUITY			
Equity attributable to the owners of the parent			
Share capital	29	5,297,254	4,327,842
Equity component of convertible bonds	26	75,486	–
Reserves	30	<u>7,731,249</u>	<u>6,442,672</u>
		13,103,989	10,770,514
Other equity instruments	36	1,661,840	1,652,387
Non-controlling interests		<u>2,857,426</u>	<u>2,542,434</u>
Total equity		<u><u>17,623,255</u></u>	<u><u>14,965,335</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	Equity attributable to the owners of the parent													
	Share capital RMB'000 (Note 29)	Equity convertible bonds RMB'000 (Note 26)	Capital reserve* RMB'000 (Note 30)	Statutory reserve* RMB'000 (Note 30)	Share-based compensation reserve* RMB'000 (Note 30)	General and regulatory reserves* RMB'000 (Note 30)	Exchange fluctuation reserve* RMB'000 (Note 30)	Hedge reserve* RMB'000	Post-retirement benefit reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Other equity instruments RMB'000 (Note 36)	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2021	4,327,842	-	34,774	870,192	5,798	-	29,248	23,090	(3,232)	5,482,802	10,770,514	1,652,387	2,542,434	14,965,335
Profit for the year	-	-	-	-	-	-	-	-	-	1,835,233	1,835,233	112,497	82,739	2,030,469
Other comprehensive loss for the year:														
Cash flow hedges, net of tax	-	-	-	-	-	-	-	(57,668)	-	-	(57,668)	-	-	(57,668)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(1,632)	-	-	-	(1,632)	-	-	(1,632)
Actuarial losses on the post-retirement benefit obligations, net of tax	-	-	-	-	-	-	-	-	(2,477)	-	(2,477)	-	(2,365)	(4,842)
Total comprehensive income for the year	-	-	-	-	-	-	(1,632)	(57,668)	(2,477)	1,835,233	1,773,456	112,497	80,374	1,966,327
Issue of shares	969,412	-	-	-	-	-	-	-	-	-	969,412	-	-	969,412
Issue of convertible bonds (Note 26)	-	75,486	-	-	-	-	-	-	-	-	75,486	-	-	75,486
Issue of renewable corporate bonds (Note 36)	-	-	-	-	-	-	-	-	-	-	-	1,643,300	-	1,643,300
Redemption of renewable corporate bonds (Note 36)	-	-	(7,696)	-	-	-	-	-	-	(7,696)	(7,696)	(1,652,304)	-	(1,660,000)
Acquisition of subsidiaries (Note 32)	-	-	-	-	-	-	-	-	-	-	-	-	234,618	234,618
Distribution paid to holders of renewable corporate bonds	-	-	-	-	-	-	-	-	-	-	-	(94,040)	-	(94,040)
Dividends	-	-	-	-	-	-	-	-	-	(482,981)	(482,981)	-	-	(482,981)
Recognition of equity-settled share-based payments	-	-	-	-	5,798	-	-	-	-	-	5,798	-	-	5,798
Appropriation of statutory reserves	-	-	-	189,794	-	-	-	-	-	(189,794)	-	-	-	-
Appropriation of general and regulatory reserves	-	-	-	-	-	757,880	-	-	-	(757,880)	-	-	-	-
At 31 December 2021	<u>5,297,254</u>	<u>75,486</u>	<u>27,078</u>	<u>1,059,986</u>	<u>11,596</u>	<u>757,880</u>	<u>27,616</u>	<u>(34,578)</u>	<u>(5,709)</u>	<u>5,887,380</u>	<u>13,103,989</u>	<u>1,661,840</u>	<u>2,857,426</u>	<u>17,623,255</u>

* These reserve accounts comprise the consolidated reserves of RMB7,731,249,000 (2020: RMB6,442,672,000) in the consolidated statement of financial position.

Equity attributable to the owners of the parent

	Share capital <i>RMB'000</i> <i>(Note 29)</i>	Capital reserve* <i>RMB'000</i> <i>(Note 30)</i>	Statutory reserve* <i>RMB'000</i> <i>(Note 30)</i>	Share- based compensation reserve* <i>RMB'000</i> <i>(Note 30)</i>	Exchange fluctuation reserve* <i>RMB'000</i> <i>(Note 30)</i>	Hedge reserve* <i>RMB'000</i>	Post- retirement benefit reserve* <i>RMB'000</i>	Retained profits* <i>RMB'000</i>	Total <i>RMB'000</i>	Other equity instruments <i>RMB'000</i> <i>(Note 36)</i>	Non- controlling interests <i>RMB'000</i>	Total equity <i>RMB'000</i>
At 1 January 2020	4,327,842	33,302	691,382	-	29,248	(58,824)	(1,838)	4,468,192	9,489,304	1,652,387	2,305,517	13,447,208
Profit for the year	-	-	-	-	-	-	-	1,647,537	1,647,537	99,600	66,773	1,813,910
Other comprehensive income/(loss) for the year:												
Cash flow hedges, net of tax	-	-	-	-	-	81,914	-	-	81,914	-	-	81,914
Actuarial losses on the post-retirement benefit obligations, net of tax	-	-	-	-	-	-	(1,394)	-	(1,394)	-	(1,332)	(2,726)
Total comprehensive income for the year	-	-	-	-	-	81,914	(1,394)	1,647,537	1,728,057	99,600	65,441	1,893,098
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	256,068	256,068
Distribution paid to holders of a renewable corporate bond	-	-	-	-	-	-	-	-	-	(99,600)	-	(99,600)
Dividends	-	-	-	-	-	-	-	(454,117)	(454,117)	-	-	(454,117)
Recognition of equity-settled share-based payments	-	-	-	5,798	-	-	-	-	5,798	-	-	5,798
Acquisition of non-controlling interests	-	1,472	-	-	-	-	-	-	1,472	-	(84,592)	(83,120)
Appropriation of reserves	-	-	178,810	-	-	-	-	(178,810)	-	-	-	-
At 31 December 2020	<u>4,327,842</u>	<u>34,774</u>	<u>870,192</u>	<u>5,798</u>	<u>29,248</u>	<u>23,090</u>	<u>(3,232)</u>	<u>5,482,802</u>	<u>10,770,514</u>	<u>1,652,387</u>	<u>2,542,434</u>	<u>14,965,335</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		<u>2,691,808</u>	<u>2,365,014</u>
Adjustments for:			
Finance costs and interest expense		1,720,709	1,754,175
Interest income	5	(45,765)	(43,554)
Share of profits of a joint venture and an associate		(13,865)	(11,347)
Derivative financial instruments – transactions not qualifying as hedges:			
Unrealised fair value losses, net	6	241,377	81,202
Realised fair value losses, net	6	24,682	15,500
Depreciation of property, plant and equipment	6	259,437	222,715
Depreciation of right-of-use assets	6	43,220	32,514
Loss/(gain) on disposal of property, plant and equipment, net		4,737	(3,921)
Amortisation of intangible assets		16,807	14,964
Impairment of loans and accounts receivables and other receivables	6	318,235	247,446
Equity-settled share-based compensation expense	6	5,798	5,798
Foreign exchange (gains)/losses, net	6	(30,609)	2,952
Interest income from continuing involvement in transferred assets	5	(10,931)	–
Gain on unlisted debt investments, at fair value	5	(7,842)	–
Fair value gains from financial assets at fair value through profit or loss	5	(1,470)	–
		<u>5,216,328</u>	4,683,458
Increase in inventories		(52,312)	(23,510)
Increase in loans and accounts receivables		(6,649,032)	(4,874,480)
(Increase)/decrease in prepayments, other receivables and other assets		(210,760)	50,518
Decrease in other assets		4,429	1,110
(Increase)/decrease in amounts due from related parties		(147)	1,253
Increase/(decrease) in trade payables		171,104	(500,833)
Increase in other payables and accruals		781,381	344,382
(Decrease)/increase in amounts due to related parties		(1,409)	1,402
Net cash flows used in operating activities before interest and tax		(740,418)	(316,700)
Interest received		49,541	25,389
Income tax paid		(709,693)	(680,410)
Net cash flows used in operating activities		<u>(1,400,570)</u>	<u>(971,721)</u>

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
CASH FLOWS FROM INVESTING ACTIVITIES		
Realised losses on derivative financial instruments not qualifying as hedges	(37,600)	(56,670)
Realised gains on financial assets at fair value through profit or loss	7,842	–
Cash paid for acquisition of property, plant and equipment, intangible assets and other long term assets	(385,066)	(401,394)
Proceeds from disposal of items of property, plant and equipment	145	529
Acquisition of subsidiaries	47,473	89,079
Dividends received from an associate	123	245
Decrease in time deposits	74,500	–
Increase in amounts due from a related party	(15,000)	–
Other repayments of investments	–	(25,910)
Other receipt of investments	14,511	97,590
Purchase of financial assets at fair value through profit or loss	(500,000)	–
Proceeds from disposal of financial assets at fair value through profit or loss	135,000	–
Addition to a joint venture	(6,450)	–
Net cash flows used in investing activities	<u>(664,522)</u>	<u>(296,531)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of renewable corporate bonds	1,643,300	–
Proceeds from issue of convertible bonds	966,173	–
Proceeds from issue of shares	969,412	–
Redemption of renewable corporate bonds	(1,660,000)	–
Increase in amounts due to related parties	4,379,332	3,029,281
Decrease in amounts due to related parties	(6,035,021)	(1,282,192)
Acquisition of non-controlling interest	–	(83,120)
Cash received from borrowings	28,621,382	24,816,668
Repayments of borrowings	(23,580,303)	(23,152,970)
Principal portion of lease payments	(314,957)	(932,706)
Interest paid	(1,686,284)	(1,887,288)
Cash paid for restricted deposits	(5,766,482)	(6,125,462)
Receipt of restricted deposits	5,403,097	5,986,491
Dividends paid	(482,981)	(454,117)
Other cash receipts relating to financing activities	455,653	442,014
Other cash payments relating to financing activities	(520,543)	(391,227)
Net cash flows from/(used in) financing activities	<u>2,391,778</u>	<u>(34,628)</u>

	<i>Notes</i>	2021 RMB'000	2020 <i>RMB'000</i>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		326,686	(1,302,880)
Cash and cash equivalents at beginning of year		2,036,535	3,385,867
Effect of exchange rate changes on cash and cash equivalents		<u>(21,143)</u>	<u>(46,452)</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>2,342,078</u>	<u>2,036,535</u>
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		3,123,940	2,456,736
Less: Restricted deposits		<u>(781,862)</u>	<u>(420,201)</u>
Cash and cash equivalents as stated in the statement of financial position	22	<u>2,342,078</u>	<u>2,036,535</u>
Cash and cash equivalents as stated in the statement of cash flows		<u>2,342,078</u>	<u>2,036,535</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2021

1. CORPORATE AND GROUP INFORMATION

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

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2021. A subsidiary is an entity (including a structure entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 9, HKAS 39,
HKFRS 7, HKFRS 4 and HKFRS 16
Amendment to HKFRS 16

Interest Rate Benchmark Reform – Phase 2

*Covid-19-Related Rent Concessions beyond 30 June 2021
(early adopted)*

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

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy.

The Group had certain interest-bearing bank and other borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate (“HIBOR”) and United States dollars based on the London Interbank Offered Rate (“LIBOR”) as at 31 December 2021. The Group also had interest rate swap contracts and cross-currency interest rate swaps whereby the Group pays interest at a fixed rate of 1.76%~3.93% and receives interest at variable rates based on LIBOR on the notional amount. The Group expects that HIBOR will continue to exist and the interest rate benchmark reform has not had an impact on the Group’s HIBOR-based borrowings. For the LIBOR-based borrowings and interest rate swap, since the interest rates of these instruments were not replaced by RFRs during the year, the amendments did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings and interest rate swap are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments provided that the “economically equivalent” criterion is met.

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i> ¹
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
HKFRS 17	<i>Insurance Contracts</i> ²
Amendments to HKFRS 17	<i>Insurance Contracts</i> ^{2, 5}
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> ^{2, 4}
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> ²
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i> ²
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> ²
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i> ¹
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i> ¹
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 ¹

¹ Effective for annual periods beginning on or after 1 January 2022

² Effective for annual periods beginning on or after 1 January 2023

³ No mandatory effective date yet determined but available for adoption

⁴ As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

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

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

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

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

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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

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

Amendments to HKAS 12 narrow the scope of the initial recognition exception 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 and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- *HKFRS 9 Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.
- *HKFRS 16 Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Classification between finance leases and operating leases

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

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

Estimation uncertainty

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

Impairment of non-financial assets (other than goodwill)

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

Deferred tax assets

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

Impairment of financial instruments

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

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

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

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

Fair value of financial instruments

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

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2021 was RMB102,253,000 (2020: RMB69,908,000). Further details are given in Note 14.

4. OPERATING SEGMENT INFORMATION

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

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

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

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

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

As at and for the year ended 31 December 2021

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

As at and for the year ended 31 December 2020

	Finance and advisory <i>RMB'000</i>	Hospital group <i>RMB'000</i>	Adjustments and eliminations <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue:				
Sales to external customers	4,899,669	3,621,569	–	8,521,238
Intersegment sales	–	1,432	(1,432)	–
Cost of sales	(1,840,231)	(3,243,661)	116,629	(4,967,263)
Other income and gains	164,054	138,016	(116,603)	185,467
Selling and distribution costs and administrative expenses	(678,262)	(317,402)	1,406	(994,258)
Impairment (losses)/reversal on financial assets, net	(282,089)	34,643	–	(247,446)
Share of profit of an associate	–	262	–	262
Share of profit of a joint venture	–	11,085	–	11,085
Other expenses	(103,616)	(9,897)	–	(113,513)
Finance costs	(5,204)	(25,354)	–	(30,558)
Profit before tax	2,154,321	210,693	–	2,365,014
Income tax expense	(526,240)	(24,864)	–	(551,104)
Profit after tax	<u>1,628,081</u>	<u>185,829</u>	<u>–</u>	<u>1,813,910</u>
Segment assets	<u>55,922,417</u>	<u>8,100,062</u>	<u>(2,511,466)</u>	<u>61,511,013</u>
Segment liabilities	<u>47,099,754</u>	<u>1,957,390</u>	<u>(2,511,466)</u>	<u>46,545,678</u>
Other segment information:				
Impairment losses/(reversal) recognised in the statement of profit or loss	282,089	(34,643)	–	247,446
Depreciation and amortisation	48,448	221,745	–	270,193
Investment in an associate	–	4,215	–	4,215
Investment in a joint venture	–	455,892	–	455,892
Capital expenditure	124,457	276,937	–	401,394

Geographical information

(a) Revenue from external customers

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Mainland China	9,914,273	8,519,130
Hong Kong	—	2,108
	<u>9,914,273</u>	<u>8,521,238</u>

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

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

Information about a major customer

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

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue		
Finance lease income	1,042,792	2,701,978
Long-term receivable income arising from sale-and-leaseback arrangements	3,416,105	1,331,731
Factoring income	43,501	14,329
Revenue from contracts with customers	5,397,813	4,479,947
Revenue from other sources – Others	51,046	21,802
Taxes and surcharges	(36,984)	(28,549)
	<u>9,914,273</u>	<u>8,521,238</u>

Revenue from contracts with customers

(i) *Disaggregated revenue information*

For the year ended 31 December 2021

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

For the year ended 31 December 2020

Segments	Finance and advisory <i>RMB'000</i>	Hospital group <i>RMB'000</i>	Total <i>RMB'000</i>
Types of goods or services			
Service fee income	875,165	17,616	892,781
Sale of finished goods	–	229,552	229,552
Healthcare service income	–	3,357,614	3,357,614
	<u>875,165</u>	<u>3,604,782</u>	<u>4,479,947</u>
Geographical markets			
Hong Kong	–	2,108	2,108
Mainland China	875,165	3,602,674	4,477,839
	<u>875,165</u>	<u>3,604,782</u>	<u>4,479,947</u>
Timing of revenue recognition			
Goods transferred at a point in time	–	229,552	229,552
Services transferred at a point in time	875,165	3,375,230	4,250,395
	<u>875,165</u>	<u>3,604,782</u>	<u>4,479,947</u>

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

For the year ended 31 December 2021

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

For the year ended 31 December 2020

Segments	Finance and advisory <i>RMB'000</i>	Hospital group <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from contracts with customers			
External customers	875,165	3,604,782	4,479,947
Intersegment sales	<u>—</u>	<u>1,432</u>	<u>1,432</u>
	875,165	3,606,214	4,481,379
Intersegment adjustments and eliminations	<u>—</u>	<u>(1,432)</u>	<u>(1,432)</u>
Total revenue from contracts with customers	<u><u>875,165</u></u>	<u><u>3,604,782</u></u>	<u><u>4,479,947</u></u>

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Service fee income	51,959	35,560
Sale of finished goods	19,175	7,751
Healthcare services	<u>91,765</u>	<u>90,973</u>
	<u><u>162,899</u></u>	<u><u>134,284</u></u>

(ii) *Performance obligations*

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

Sale of finished goods

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

Service fee income

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

Healthcare service income

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Other income and gains		
Gains on disposal of property, plant, and equipment	–	3,921
Interest income	45,765	43,554
Foreign exchange incomes, net	30,609	–
Government grants (<i>note 5a</i>)	211,508	134,352
Gain on unlisted debt investments, at fair value	7,842	–
Interest income from continuing involvement in transferred assets	10,931	–
Fair value gains from financial assets at fair value through profit or loss	1,470	–
Others	5,657	3,640
	<u>313,782</u>	<u>185,467</u>

5a. GOVERNMENT GRANTS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Government special subsidies	<u>211,508</u>	<u>134,352</u>

6. PROFIT BEFORE TAX

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Cost of borrowings included in cost of sales	1,691,577	1,723,617
Cost of inventories sold	207,835	163,463
Cost of medical services	2,328,687	1,919,294
Cost of others	22,579	12,314
Depreciation of property, plant and equipment	259,437	222,715
Depreciation of right-of-use assets	43,220	32,514
Amortisation of intangible assets*	15,807	13,964
Lease payments not included in the measurement of lease liabilities	10,621	15,872
Auditor's remuneration – audit services	3,515	2,999
– other services	2,691	2,254
Research and development expenses	25,844	16,629
Employee benefit expense* (including directors' remuneration (<i>Note 7</i>))		
– Equity-settled share-based compensation expense	5,798	5,798
– Wages and salaries	1,368,619	1,061,787
– Pension scheme contributions (defined contribution schemes)	186,256	104,678
– Other employee benefits	<u>557,137</u>	<u>491,218</u>
	<u>2,117,810</u>	<u>1,663,481</u>
Impairment of loans and accounts receivables, other receivables and subordinated tranches of asset-backed securities	318,235	247,446
Foreign exchange (gains)/losses, net	(30,609)	2,952
Cash flow hedges (transfer from equity to offset foreign exchange)	(174,783)	619,473
Others	144,174	(616,521)
Derivative financial instruments – transactions not qualifying as hedges:		
– Unrealised fair value losses, net	241,377	81,202
– Realised fair value losses, net	<u>24,682</u>	<u>15,500</u>

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

7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	Group	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Fees	<u>773</u>	<u>1,119</u>
Other emoluments:		
Salaries, allowances and benefits in kind	5,103	3,885
Performance related bonuses*	5,986	6,878
Pension scheme contributions	<u>492</u>	<u>322</u>
	<u>11,581</u>	<u>11,085</u>
	<u>12,354</u>	<u>12,204</u>

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

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

(a) Independent non-executive directors

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

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Mr. Li Yinquan	172	186
Mr. Chow Siu Lui	172	186
Mr. Han Demin	172	186
Mr. Liao Xinbo	<u>172</u>	<u>189</u>
	<u>688</u>	<u>747</u>

There were no other emoluments payable to the independent non-executive directors during the year (2020: Nil).

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

	Fees <i>RMB'000</i>	Salaries, allowances and benefits in kind <i>RMB'000</i>	Performance related bonuses <i>RMB'000</i>	Pension scheme contributions <i>RMB'000</i>	Total <i>RMB'000</i>
2021					
Executive directors:					
Ms. Peng Jiahong	–	2,239	2,628	226	5,093
Mr. Wang Wenbing (i)	–	731	858	40	1,629
Mr. Yu Gang	–	2,133	2,500	226	4,859
Non-executive directors:					
Mr. Zhao Yan (ii)	–	–	–	–	–
Mr. Tong Chaoyin (iii)	–	–	–	–	–
Mr. Feng Songtao (iv)	–	–	–	–	–
Ms. Liu Kun (v)	–	–	–	–	–
Mr. Liu Zhiyong (vi)	–	–	–	–	–
Mr. Zhang Yichen (vii)	–	–	–	–	–
Mr. Zhu Ziyang (viii)	–	–	–	–	–
Mr. Liu Xiaoping (ix)	43	–	–	–	43
Mr. Su Guang (x)	42	–	–	–	42
	<u>85</u>	<u>5,103</u>	<u>5,986</u>	<u>492</u>	<u>11,666</u>
2020					
Executive directors:					
Ms. Peng Jiahong	–	1,991	3,497	169	5,657
Mr. Yu Gang	–	1,894	3,381	153	5,428
Non-executive directors:					
Mr. Zhang Yichen (vii)	–	–	–	–	–
Ms. Liu Kun (v)	–	–	–	–	–
Mr. Liu Xiaoping (ix)	186	–	–	–	186
Mr. Liu Zhiyong (vi)	–	–	–	–	–
Mr. Su Guang (x)	186	–	–	–	186
	<u>372</u>	<u>3,885</u>	<u>6,878</u>	<u>322</u>	<u>11,457</u>

Notes:

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

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2020: Nil).

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2020: one director and the chief executive), details of whose remuneration are set out in Note 7 above. Details of the remuneration for the year of the remaining three (2020: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Salaries, allowances and benefits in kind	3,950	3,287
Performance related bonuses	16,936	24,891
Pension scheme contributions	625	407
	<u>21,511</u>	<u>28,585</u>

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

	Number of employees	
	2021	2020
HKD4,000,001 to HKD5,000,000 (RMB3,270,401 to RMB4,088,000)	1	1
HKD5,000,001 to HKD6,000,000 (RMB4,088,001 to RMB4,905,600)	1	–
HKD8,000,001 to HKD9,000,000 (RMB6,729,601 to RMB7,570,800)	–	1
HKD16,000,001 to HKD17,000,000 (RMB13,081,601 to RMB13,899,200)	1	–
HKD20,000,001 to HKD21,000,000 (RMB16,824,001 to RMB17,665,200)	–	1
	<u>–</u>	<u>1</u>
	<u>3</u>	<u>3</u>

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

9. INCOME TAX EXPENSE

	2021	2020
	RMB'000	RMB'000
Current – Mainland China		
Charge for the year	793,864	680,029
Charge for/(Overprovision in) prior years	1,238	(20,056)
Deferred tax	<u>(133,763)</u>	<u>(108,869)</u>
Total tax charge for the year	<u>661,339</u>	<u>551,104</u>

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the year (2020: 16.5%).

The income tax provision of the Group in respect of its operations in Mainland China has been calculated at the applicable tax rate of 0% to 25% on the estimated assessable profits for the year, based on existing legislation, interpretations and practices in respect thereof.

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

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Profit before tax	<u>2,691,808</u>	<u>2,365,014</u>
At the PRC statutory income tax rate	672,952	591,254
Expenses not deductible for tax purposes	3,851	13,213
Income not subject to tax	(48,190)	(33,352)
Profits attributable to a joint venture and an associate	(3,466)	(2,837)
Adjustment on current income tax in respect of prior years	1,238	(20,056)
Unrecognised tax losses	3,842	2,942
Additional deductible expense	(28,424)	(28,060)
Utilisation of previously unrecognised tax losses	(1,364)	–
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	<u>60,900</u>	<u>28,000</u>
Income tax expense as reported in the consolidated statement of profit or loss	<u>661,339</u>	<u>551,104</u>

The share of tax attributable to an associate and a joint venture amounting to approximately RMB5,000 (2020: RMB16,000) and RMB1,323,000 (2020: RMB3,891,000), respectively, is included in “Share of profit of an associate” and “Share of profit of a joint venture” in the consolidated statement of profit or loss.

10. DIVIDENDS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Proposed final dividend – HKD0.36 (2020: HKD0.31) per ordinary share	<u>550,570</u>	<u>494,261</u>

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

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,859,853,318 (2020: 1,716,304,580) in issue during the year, as adjusted to reflect the rights issue during the year.

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

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

	2021	2020
	RMB'000	RMB'000
Profit attributable to ordinary equity holders of the parent	1,835,233	1,647,537
Interest on convertible bonds	<u>27,776</u>	<u>—</u>
Profit attributable to ordinary equity holders of the parent, before the above impact arising from convertible bonds	<u>1,863,009</u>	<u>1,647,537</u>
	Number of shares	
	2021	2020
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<u>1,859,853,318</u>	<u>1,716,304,580</u>
Effect of dilution – weighted average number of ordinary shares:		
Share options	686,724	—
Convertible bonds	<u>177,210,365</u>	<u>—</u>
Weighted average number of ordinary shares for diluted earnings per share	<u>2,037,750,407</u>	<u>1,716,304,580</u>

12. PROPERTY, PLANT AND EQUIPMENT

31 December 2021

	Transportation equipment RMB'000	Office equipment RMB'000	Electronic equipment RMB'000	Medical equipment RMB'000	Leasehold improvements RMB'000	Buildings RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2021:								
Cost	19,742	42,775	431,864	663,776	62,959	1,338,037	134,380	2,693,533
Accumulated depreciation	(5,819)	(14,162)	(94,625)	(146,585)	(22,626)	(63,115)	-	(346,932)
Net carrying amount	<u>13,923</u>	<u>28,613</u>	<u>337,239</u>	<u>517,191</u>	<u>40,333</u>	<u>1,274,922</u>	<u>134,380</u>	<u>2,346,601</u>
At 1 January 2021, net of accumulated depreciation	13,923	28,613	337,239	517,191	40,333	1,274,922	134,380	2,346,601
Additions	3,980	1,901	26,344	161,096	10,398	1,824	111,936	317,479
Acquisition of subsidiaries (note 32)	1,670	2,177	1,057	42,289	-	79,375	-	126,568
Depreciation provided during the year	(3,316)	(8,608)	(59,800)	(127,567)	(12,160)	(47,986)	-	(259,437)
Transfers	-	-	-	-	-	92,266	(92,266)	-
Disposals	(1,136)	(1,093)	(559)	(2,728)	-	(2,426)	-	(7,942)
At 31 December 2021, net of accumulated depreciation	<u>15,121</u>	<u>22,990</u>	<u>304,281</u>	<u>590,281</u>	<u>38,571</u>	<u>1,397,975</u>	<u>154,050</u>	<u>2,523,269</u>
At 31 December 2021:								
Cost	23,773	44,400	459,044	860,836	73,357	1,504,563	154,050	3,120,023
Accumulated depreciation	(8,652)	(21,410)	(154,763)	(270,555)	(34,786)	(106,588)	-	(596,754)
Net carrying amount	<u>15,121</u>	<u>22,990</u>	<u>304,281</u>	<u>590,281</u>	<u>38,571</u>	<u>1,397,975</u>	<u>154,050</u>	<u>2,523,269</u>

As at 31 December 2021, the Group has not obtained the property ownership certificates for buildings with a net book value of RMB584,737,000 (31 December 2020: RMB552,900,000). The Group was in the process of applying for the property ownership certificates for the above buildings as at 31 December 2021.

As at 31 December 2021, no property, plant and equipment (31 December 2020: Nil) were pledged to secure general banking facilities granted to the Group.

31 December 2020

	Transportation equipment RMB'000	Office equipment RMB'000	Electronic equipment RMB'000	Medical equipment RMB'000	Leasehold improvements RMB'000	Buildings RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2020:								
Cost	15,158	33,947	328,407	574,738	27,324	1,174,379	93,310	2,247,263
Accumulated depreciation	(3,623)	(7,613)	(27,236)	(57,209)	(8,641)	(20,381)	-	(124,703)
Net carrying amount	<u>11,535</u>	<u>26,334</u>	<u>301,171</u>	<u>517,529</u>	<u>18,683</u>	<u>1,153,998</u>	<u>93,310</u>	<u>2,122,560</u>
At 1 January 2020, net of								
accumulated depreciation	11,535	26,334	301,171	517,529	18,683	1,153,998	93,310	2,122,560
Additions	2,687	8,267	57,161	59,324	31,597	73,472	88,296	320,804
Acquisition of subsidiaries	1,989	606	46,414	2,044	876	73,078	1,474	126,481
Depreciation provided during the year	(2,235)	(6,592)	(67,437)	(89,732)	(13,985)	(42,734)	-	(222,715)
Transfers	-	-	-	28,430	3,162	17,108	(48,700)	-
Disposals	(53)	(2)	(70)	(404)	-	-	-	(529)
At 31 December 2020, net of accumulated depreciation	<u>13,923</u>	<u>28,613</u>	<u>337,239</u>	<u>517,191</u>	<u>40,333</u>	<u>1,274,922</u>	<u>134,380</u>	<u>2,346,601</u>
At 31 December 2020:								
Cost	19,742	42,775	431,864	663,776	62,959	1,338,037	134,380	2,693,533
Accumulated depreciation	(5,819)	(14,162)	(94,625)	(146,585)	(22,626)	(63,115)	-	(346,932)
Net carrying amount	<u>13,923</u>	<u>28,613</u>	<u>337,239</u>	<u>517,191</u>	<u>40,333</u>	<u>1,274,922</u>	<u>134,380</u>	<u>2,346,601</u>

13. LEASES

The Group as a lessee

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

(a) *Right-of-use assets*

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

	Right-of-use assets		
	Property	Leasehold	Total
	RMB'000	land	RMB'000
	RMB'000	RMB'000	RMB'000
As at 1 January 2020	120,646	569,291	689,937
Additions	5,580	11,464	17,044
Acquisition of subsidiaries	–	94,299	94,299
Covid-19-related rent concessions from lessors	(5,543)	–	(5,543)
Revision of a lease term arising from a change in the non-cancellable period of a lease	(134)	–	(134)
Depreciation charge	(29,871)	(2,643)	(32,514)
As at 31 December 2020 and 1 January 2021	90,678	672,411	763,089
Additions	24,633	–	24,633
Acquisition of subsidiaries (<i>Note 32</i>)	–	52,395	52,395
Depreciation charge	(40,276)	(2,944)	(43,220)
Revision of a lease term arising from a change in the non-cancellable period of a lease	(2,245)	–	(2,245)
As at 31 December 2021	<u>72,790</u>	<u>721,862</u>	<u>794,652</u>

(b) Lease liabilities

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Carrying amount at 1 January	2,174,077	3,120,242
New leases	524,633	1,405,563
Accretion of interest recognised during the year	99,246	102,400
Payments	(897,333)	(2,448,451)
Covid-19-related rent concessions from lessors	–	(5,543)
Acquisition of subsidiaries (Note 32)	1,529	–
Revision of a lease term arising from a change in the non-cancellable period of a lease	(2,245)	(134)
	<u>1,899,907</u>	<u>2,174,077</u>
Carrying amount at 31 December		
Analysed into:		
Current portion	1,120,162	700,137
Non-current portion	779,745	1,473,940

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest on lease liabilities	99,246	102,400
Depreciation charge of right-of-use assets	43,220	32,514
Expense relating to short-term leases	10,621	15,872
	<u>153,087</u>	<u>150,786</u>
Total amount recognised in profit or loss		

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

14. GOODWILL

	<i>RMB'000</i>
At 1 January 2020:	
Cost	69,908
Accumulated impairment	<u>—</u>
Net carrying amount	<u><u>69,908</u></u>
Cost at 1 January 2020, net of accumulated impairment	69,908
Impairment during the year	<u>—</u>
Cost and net carrying amount at 31 December 2020	<u><u>69,908</u></u>
At 31 December 2020:	
Cost	69,908
Accumulated impairment	<u>—</u>
Net carrying amount	<u><u>69,908</u></u>
Cost at 1 January 2021, net of accumulated impairment	69,908
Acquisition of subsidiaries (<i>Note 32</i>)	32,345
Impairment during the year	<u>—</u>
Cost and net carrying amount at 31 December 2021	<u><u>102,253</u></u>
At 31 December 2021:	
Cost	102,253
Accumulated impairment	<u>—</u>
Net carrying amount	<u><u>102,253</u></u>

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

The recoverable amount of CGUs has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period which can be justified approved by senior management. The post-tax discount rate applied to the cash flow projections is 15% (2020: 15%). The implied pre-tax discount rate for the cash flow projections is 13.98% to 15% (2020: 12.66% to 15%). As at 31 December 2021, the Group assessed the impairment of goodwill and the recoverable amount exceeded the carrying amount, and hence the goodwill was not regarded as impaired (2020: Nil).

Assumptions were used in the value in use calculation of the CGUs for 31 December 2021 and 31 December 2020. The following describes each key assumption on which management has based its cash flows projections to undertake impairment testing of goodwill:

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

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

15. INVESTMENT IN A JOINT VENTURE

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Share of net assets	523,604	509,931
Unpaid consideration	(47,589)	(54,039)
Carrying amount of the investment	<u>476,015</u>	<u>455,892</u>

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

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

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

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Non-current assets	<u>339,676</u>	<u>340,007</u>
Cash and cash equivalents	34	50
Current assets	<u>650,926</u>	<u>624,395</u>
Current liabilities	<u>(8,264)</u>	<u>(7,733)</u>
Non-current liabilities	<u>–</u>	<u>–</u>
Net assets	<u><u>982,372</u></u>	<u><u>956,719</u></u>
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	53.30%	53.30%
Group's share of net assets of the joint venture, excluding excess of consideration over share of net assets acquired	523,604	509,931
Unpaid consideration	<u>(47,589)</u>	<u>(54,039)</u>
Carrying amount of the investment	<u><u>476,015</u></u>	<u><u>455,892</u></u>

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
For the period after the Group's investment:		
Revenue	36,828	28,456
Administrative expenses	(5,987)	(6,675)
Other expenses	(28)	(13)
Profit and total comprehensive income for the period after the Group's investment	<u><u>25,653</u></u>	<u><u>20,797</u></u>

16. INVESTMENT IN AN ASSOCIATE

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Share of net assets	<u>4,284</u>	<u>4,215</u>
	<u><u>4,284</u></u>	<u><u>4,215</u></u>

The following table illustrates the summarised financial information of the associate:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Carrying amount of the investment	<u>4,284</u>	<u>4,215</u>
Share of the associate's profit for the period after the Group's investment	<u>192</u>	<u>262</u>

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Unlisted debt investments, at fair value	<u>366,470</u>	<u>–</u>

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

The above debt investments at 31 December 2021 included a carrying amount of RMB366,470,000 (31 December 2020: nil), and they were investments of priorities tranches of asset-backed securities. The Group does not have the current ability to direct the activities of those products that significantly affect their returns. The Group's maximum exposure to those debt investments approximates to their carrying amounts.

18. DERIVATIVE FINANCIAL INSTRUMENTS

	2021		2020	
	Assets <i>RMB'000</i>	Liabilities <i>RMB'000</i>	Assets <i>RMB'000</i>	Liabilities <i>RMB'000</i>
Forward currency contracts	–	544,448	9,173	366,778
Interest rate swaps	6,915	1,403	–	27,162
Cross-currency interest rate swaps	–	8,366	–	19,393
	<u>6,915</u>	<u>554,217</u>	<u>9,173</u>	<u>413,333</u>
Portion classified as non-current:				
Forward currency contracts	–	201,687	–	73,639
Interest rate swaps	6,915	815	–	2,611
Cross-currency interest rate swaps	–	5,146	–	–
	<u>6,915</u>	<u>207,648</u>	<u>–</u>	<u>76,250</u>
Current portion	<u>–</u>	<u>346,569</u>	<u>9,173</u>	<u>337,083</u>

Cash flow hedge under HKFRS 9

During the year, the Group designated 23 (2020: 5) foreign exchange rate contracts, 4 (2020:2) interest rate swap contracts and 7 (2020: 4) cross-currency interest rate swaps as hedges for future cash flows arising from borrowings which will be settled in United States dollars and Hong Kong dollars.

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

The Group holds forward currency contracts, with (i) a negative net fair value of RMB306,328,000 (31 December 2020: a negative net fair value of RMB360,233,000) and a total notional amount of USD1,042,900,000 (31 December 2020: USD1,037,600,000);and (ii) a net fair value of RMB0.00 (31 December 2020: a net fair value of RMB9,173,000) and a total notional amount of HKD0.00 (31 December 2020: HKD924,677,000). These forward currency contracts were designated as hedging instruments in cash flow hedges of currency risks arising from bank loans denominated in United States dollars and Hong Kong dollars.

The Group holds interest rate swap contracts, with (i) a positive net fair value of RMB4,673,000 (31 December 2020: a negative net fair value of RMB25,347,000), and a total notional amount of USD118,250,000 (31 December 2020: USD264,000,000) whereby the Group pays a fixed rate of interest on the USD notional amount at 1.76% to 2.37% per annum. The swaps are being used to hedge the interest rate exposure of three floating rate long-term borrowings denominated in United States dollars with the total face value of USD118,250,000 (31 December 2020: USD264,000,000);and (ii) a positive net fair value of RMB839,000 (31 December 2020: a negative net fair value of RMB1,815,000), and a total notional amount of HKD930,150,000 (31 December 2020: HKD390,000,000) whereby the Group pays a fixed rate of interest on the HKD notional amount at 2.00% to 2.47% per annum. The swaps are being used to hedge the interest rate exposure of three floating rate long-term borrowing denominated in Hong Kong dollars with the total face value of HKD930,150,000 (31 December 2020: HKD390,000,000).

The Group holds cross-currency interest rate swaps, with a negative net fair value of RMB8,366,000 (31 December 2020: RMB19,393,000), and a total notional amount of USD92,942,000 (31 December 2020: USD30,000,000) whereby the Group pays a fixed rate of interest on the USD notional amount at 3.72% to 3.93% per annum. These swaps were designated as hedging instruments in cash flow hedges of currency risks arising from bank loans denominated in United States dollars and are being used to hedge the interest rate exposure of seven floating rate long-term borrowing denominated in United States dollars with the total face value of USD92,942,000 (31 December 2020: USD30,000,000).

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

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

	Maturity						Total
	Less than 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 5 years	
As at 31 December 2020							
Forward currency contracts							
Notional amount (<i>in USD'000</i>)	55,550	50,000	664,550	-	197,500	70,000	1,037,600
Average forward rate (<i>USD/RMB</i>)	7.02	7.08	7.02	-	7.07	7.42	
Notional amount (<i>in HKD'000</i>)	-	-	924,677	-	-	-	924,677
Average forward rate (<i>HKD/USD</i>)	-	-	7.84	-	-	-	
Interest rate swap contracts							
Notional amount (<i>in USD'000</i>)	-	-	215,000	-	-	49,000	264,000
Average fixed rate	-	-	4.02%	-	-	1.76%	
Notional amount (<i>in HKD'000</i>)	-	-	-	-	390,000	-	390,000
Average fixed rate	-	-	-	-	2.47%	-	
Cross-currency interest rate swaps							
Notional amount (<i>in USD'000</i>)	-	30,000	-	-	-	-	30,000
Average forward rate (<i>USD/RMB</i>)	-	7.09	-	-	-	-	
Average fixed rate	-	3.50%	-	-	-	-	
Hedge rate	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	

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

	Notional amount <i>USD/HKD'000</i>	Carrying amount <i>RMB'000</i>	Line item in the statement of financial position	Change in fair value <i>RMB'000</i>
As at 31 December 2021				
Forward currency contracts (USD/RMB)	1,042,900	(306,328)	Derivative financial instruments (liabilities)	53,905
Forward currency contracts (HKD/USD)	-	-	N/A	(9,173)
Interest rate swaps (in USD'000)	118,250	4,673	Derivative financial instruments (assets)	30,020
Interest rate swaps (in HKD'000)	930,150	839	Derivative financial instruments (asset/liabilities)	2,654
Cross-currency interest rate swaps (USD/RMB)	92,942	(8,366)	Derivative financial instruments (liabilities)	11,027
As at 31 December 2020				
Forward currency contracts (USD/RMB)	1,037,600	(360,233)	Derivative financial instruments (liabilities)	(511,306)
Forward currency contracts (HKD/USD)	924,677	9,173	Derivative financial instruments (assets)	(2,567)
Interest rate swaps (in USD'000)	264,000	(25,347)	Derivative financial instruments (liabilities)	16,237
Interest rate swaps (in HKD'000)	390,000	(1,815)	Derivative financial instruments (liabilities)	(1,815)
Cross-currency interest rate swaps (USD/RMB)	30,000	(19,393)	Derivative financial instruments (liabilities)	(19,393)

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

	Cash flow hedge reserve	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Unsecured bank loans	<u>(265,424)</u>	<u>(440,207)</u>

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

Year ended 31 December 2021

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

Year ended 31 December 2020

	<u>Total hedging gain/(loss) recognised in other comprehensive income</u>			<u>Amount reclassified from other comprehensive income to profit or loss</u>			Line item in the statement of profit or loss
	Gross amount	Tax effect	Total	Gross amount	Tax effect	Total	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Forward currency contracts	(513,873)	117,867	(396,006)	601,702	(136,987)	464,715	Other expense
Cross-currency interest rate swaps	(19,393)	4,848	(14,545)	17,771	(4,443)	13,328	Other expense
Interest rate swaps	14,422	-	14,422	-	-	-	N/A
Total	<u>(518,844)</u>	<u>122,715</u>	<u>(396,129)</u>	<u>619,473</u>	<u>(141,430)</u>	<u>478,043</u>	

Derivative financial instruments – transactions not qualifying as hedges:

Forward currency contracts with a total nominal amount of USD967,837,000 (2020: a total nominal amount of USD600,000,000) are not designated for hedge purposes and are measured at fair value through profit or loss. An unrealised loss on the fair value of these financial derivatives amounting to RMB241,377,000 (2020: a loss of RMB81,845,000) was included in the statement of profit or loss during the year ended 31 December 2021.

Interest rate benchmark reform

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

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

Year ended 31 December 2021

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

Year ended 31 December 2020

	Nominal amount <i>RMB'000</i>	Weighted average maturity <i>(Years)</i>
Interest rate swap – United States dollar LIBOR	1,722,574	0.94
Cross-currency interest rate swap – United States dollar LIBOR	<u>195,747</u>	0.37
	<u><u>1,918,321</u></u>	

19. INVENTORIES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Finished goods	<u><u>265,427</u></u>	<u><u>198,034</u></u>

20. LOANS AND ACCOUNTS RECEIVABLES

	2021 <i>RMB'000</i>	2020 RMB'000
Loans and accounts receivables due within 1 year	21,046,689	18,662,682
Loans and accounts receivables due after 1 year	<u>39,518,628</u>	<u>35,532,729</u>
	<u>60,565,317</u>	<u>54,195,411</u>

20a. Loans and accounts receivables by nature

	2021 <i>RMB'000</i>	2020 RMB'000
Gross lease receivables (<i>note 20b</i>)	11,581,268	22,025,928
Less: Unearned finance income	<u>(1,523,108)</u>	<u>(2,597,394)</u>
Net lease receivables (<i>note 20b</i>) **	10,058,160	19,428,534
Long-term receivables arising from sale-and-leaseback arrangements (<i>note 20c</i>)**	50,169,353	34,945,806
Factoring receivables (<i>note 20d</i>)**	<u>900,094</u>	<u>275,882</u>
Subtotal of interest-earning assets	61,127,607	54,650,222
Accounts receivables (<i>note 20e</i>)*	882,565	687,994
Notes receivables (<i>note 20f</i>)	<u>759</u>	<u>430</u>
Subtotal of loans and accounts receivables	62,010,931	55,338,646
Less:		
Provision for lease receivables (<i>note 20g</i>)	(757,343)	(715,515)
Provision for long-term receivables arising from sale-and-leaseback arrangements (<i>note 20g</i>)	(665,396)	(407,839)
Provision for factoring receivables (<i>note 20g</i>)	(9,542)	(2,703)
Provision for accounts receivables (<i>note 20e</i>)	<u>(13,333)</u>	<u>(17,178)</u>
	<u>60,565,317</u>	<u>54,195,411</u>

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

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

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Gross lease receivables:		
Within 1 year	-	-
1 to 2 years	-	-
2 to 3 years	-	10,995,409
3 years and beyond	<u>11,581,268</u>	<u>11,030,519</u>
	<u>11,581,268</u>	<u>22,025,928</u>

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Net lease receivables:		
Within 1 year	-	-
1 to 2 years	-	-
2 to 3 years	-	9,698,939
3 years and beyond	<u>10,058,160</u>	<u>9,729,595</u>
	<u>10,058,160</u>	<u>19,428,534</u>

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Gross lease receivables:		
Due within 1 year	7,168,599	10,856,003
Due in 1 to 2 years	3,648,919	7,429,166
Due in 2 to 3 years	630,256	3,252,150
Due after 3 years and beyond	<u>133,494</u>	<u>488,609</u>
	<u>11,581,268</u>	<u>22,025,928</u>

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Net lease receivables:		
Due within 1 year	6,061,836	9,219,306
Due in 1 to 2 years	3,355,899	6,714,139
Due in 2 to 3 years	574,388	3,037,926
Due after 3 years and beyond	<u>66,037</u>	<u>457,163</u>
	<u>10,058,160</u>	<u>19,428,534</u>

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

As at 31 December 2021, the amounts of the gross lease receivables and net lease receivables pledged as security for the Group's borrowings were RMB1,308,453,000 and RMB1,212,912,000 (As at 31 December 2020: RMB2,303,825,000 and RMB2,084,462,000), respectively.

20c(1). An ageing analysis of long-term receivables arising from sale-and-leaseback arrangements, determined based on the age of the receivables since the effective dates of the relevant loan contracts, as at the end of the reporting period is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 1 year	26,114,907	19,895,124
1 to 2 years	13,874,035	15,050,682
2 to 3 years	<u>10,180,411</u>	<u>—</u>
	<u><u>50,169,353</u></u>	<u><u>34,945,806</u></u>

20c(2). The table below illustrates the amounts of long-term receivables arising from sale-and-leaseback arrangements that the Group expects to receive in the following consecutive accounting years:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Due within 1 year	14,371,463	9,049,697
Due in 1 to 2 years	13,446,498	8,618,269
Due in 2 to 3 years	11,715,243	7,987,677
Due after 3 years and beyond	<u>10,636,149</u>	<u>9,290,163</u>
	<u><u>50,169,353</u></u>	<u><u>34,945,806</u></u>

As at 31 December 2021, 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 RMB5,382,843,000 (31 December 2020: RMB3,679,898,000).

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 1 year	888,730	275,882
More than 1 year	<u>11,364</u>	<u>—</u>
	<u><u>900,094</u></u>	<u><u>275,882</u></u>

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

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	850,350	646,991
More than 1 year	32,215	41,003
	<u>882,565</u>	<u>687,994</u>

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

20e(2). Provision for accounts receivables

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

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

As at 31 December 2021

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

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

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	<u>759</u>	<u>430</u>

20g. Analysis of interest-earning assets

As at 31 December 2021	Stage I (12-month ECLs) RMB'000	Stage II (Lifetime ECLs) RMB'000	Stage III (Lifetime ECLs- impaired) RMB'000	Total RMB'000
Total interest-earning assets	53,626,877	6,705,055	795,675	61,127,607
Allowance for impairment losses	<u>(589,413)</u>	<u>(498,358)</u>	<u>(344,510)</u>	<u>(1,432,281)</u>
Interest-earning assets, net	<u>53,037,464</u>	<u>6,206,697</u>	<u>451,165</u>	<u>59,695,326</u>

As at 31 December 2020	Stage I (12-month ECLs) RMB'000	Stage II (Lifetime ECLs) RMB'000	Stage III (Lifetime ECLs- impaired) RMB'000	Total RMB'000
Total interest-earning assets	45,008,862	9,093,464	547,896	54,650,222
Allowance for impairment losses	<u>(498,020)</u>	<u>(393,522)</u>	<u>(234,515)</u>	<u>(1,126,057)</u>
Interest-earning assets, net	<u>44,510,842</u>	<u>8,699,942</u>	<u>313,381</u>	<u>53,524,165</u>

20h. Movements in provision for interest-earning assets

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

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

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

2021				
	Stage I (12-month ECLs) <i>RMB'000</i>	Stage II (Lifetime ECLs) <i>RMB'000</i>	Stage III (Lifetime ECLs- impaired) <i>RMB'000</i>	Total <i>RMB'000</i>
At beginning of the year	498,020	393,522	234,515	1,126,057
Impairment losses for the year	118,020	62,657	125,547	306,224
Conversion to Stage I	32,049	(32,049)	–	–
Conversion to Stage II	(58,676)	109,299	(50,623)	–
Conversion to Stage III	–	(35,071)	35,071	–
At end of the year	<u>589,413</u>	<u>498,358</u>	<u>344,510</u>	<u>1,432,281</u>
2020				
	Stage I (12-month ECLs) <i>RMB'000</i>	Stage II (Lifetime ECLs) <i>RMB'000</i>	Stage III (Lifetime ECLs- impaired) <i>RMB'000</i>	Total <i>RMB'000</i>
At beginning of the year	403,611	303,539	178,225	885,375
Impairment losses for the year	121,953	25,324	135,091	282,368
Conversion to Stage I	32,248	(32,248)	–	–
Conversion to Stage II	(59,792)	109,492	(49,700)	–
Conversion to Stage III	–	(12,585)	12,585	–
Reversal	–	–	(41,686)	(41,686)
At end of the year	<u>498,020</u>	<u>393,522</u>	<u>234,515</u>	<u>1,126,057</u>

20i. BALANCES WITH A RELATED PARTY

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

Accounts receivables:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
China National Instruments Import & Export (Group) Corporation	(i) <u>1,805</u>	<u>1,805</u>

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

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

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	<i>Note</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current:			
Prepayments		96,194	37,979
Other receivables		225,561	184,824
Other current assets		38,520	20,102
Due from related parties	21a	16,956	1,809
Interest receivables		<u>6,345</u>	<u>13,688</u>
		<u>383,576</u>	<u>258,402</u>
Non-current:			
Subordinated tranches of asset-backed securities		133,174	–
Continuing involvement in transferred assets (<i>Note 37</i>)		257,200	–
Prepayments for non-current assets		97,688	36,670
Other receivables for non-current assets		12,344	12,040
Other non-current assets		<u>6,910</u>	<u>–</u>
		<u>507,316</u>	<u>48,710</u>
		<u><u>890,892</u></u>	<u><u>307,112</u></u>

21a. BALANCES WITH RELATED PARTIES

Particulars of amounts due from related parties are as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Due from related parties:		
Beijing Xincai Hospital	15,000	–
Beijing 618 Hospital	1,419	–
Paryocean Properties Co., Ltd.	294	303
Genertec Finance Co., Ltd.	122	373
China National Instruments Import & Export (Group) Corporation	<u>121</u>	<u>1,133</u>
	<u><u>16,956</u></u>	<u><u>1,809</u></u>

The above related parties are subsidiaries of Genertec Group.

The balances with the related parties are unsecured and interest-free.

22. CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Cash and bank balances	3,123,940	2,456,736
Time deposits	<u>173,000</u>	<u>247,500</u>
	3,296,940	2,704,236
Less: Restricted deposits:		
Pledged deposits and restricted bank deposits	(781,862)	(420,201)
Time deposits with original maturity of more than three months	<u>(173,000)</u>	<u>(247,500)</u>
	(954,862)	(667,701)
Cash and cash equivalents	<u>2,342,078</u>	<u>2,036,535</u>

As at 31 December 2021, the cash and bank balances of the Group denominated in RMB amounted to RMB2,910,903,000 (31 December 2020: RMB2,422,550,000). RMB is freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

As at 31 December 2021, cash of RMB781,862,000 (31 December 2020: RMB420,201,000) was pledged and restricted for bank and other borrowings.

As at 31 December 2021, cash of RMB1,491,458,000 (31 December 2020: RMB1,125,850,000) was deposited with Genertec Finance Co., Ltd., a related party.

23. TRADE PAYABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade payables	1,111,819	866,823
Due to related parties (<i>note 23b</i>)	<u>164</u>	<u>1,573</u>
	<u>1,111,983</u>	<u>868,396</u>

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

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 1 year	1,055,530	824,326
1 to 2 years	29,456	21,204
2 to 3 years	6,289	1,263
Over 3 years	<u>20,708</u>	<u>21,603</u>
	<u>1,111,983</u>	<u>868,396</u>

23b. BALANCES WITH RELATED PARTIES

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade payables:		
Genertec International Logistics Co., Ltd.	87	88
Genertec Italia s.r.l.	77	1,150
Genertec Europe Temax GmbH	<u>-</u>	<u>335</u>
	<u>164</u>	<u>1,573</u>

The above related parties are subsidiaries of Genertec Group.

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

24. OTHER PAYABLES AND ACCRUALS

	<i>Notes</i>	2021 RMB'000	2020 <i>RMB'000</i>
Current:			
Lease deposits due within one year		394,964	588,421
Accrued salaries		291,098	211,514
Welfare payables		37,289	37,883
Current portion of post-retirement benefit obligation	28	7,446	7,474
Contract liabilities	24a	148,915	162,899
Due to related parties	24b	466,640	456,181
Other taxes payable		111,491	56,343
Interest payable		280,620	251,670
Funds collected on behalf of special purpose entities in relation to asset-backed securitisations		264,329	–
Other payables		414,526	418,518
		2,417,318	2,190,903
Non-current:			
Lease deposits due after 1 year		2,812,407	2,266,648
Accrued salaries		726,886	655,390
Non-current post-employment benefit obligation	28	88,513	87,425
Deferred revenue		12,093	9,183
Other payables		13,750	–
		3,653,649	3,018,646
		6,070,967	5,209,549

24a. Details of contract liabilities are as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000	1 January 2020 RMB'000
Service fee income	3,108	51,959	35,560
Sale of finished goods	9,248	19,175	7,751
Healthcare service	136,559	91,765	90,973
	<u>148,915</u>	<u>162,899</u>	<u>134,284</u>

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

24b. BALANCES WITH RELATED PARTIES

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

		2021 RMB'000	2020 RMB'000
Due to related parties			
Genertec Hong Kong International Capital Limited	(i)	14,068	7,594
China General Technology (Group) Holding Limited	(i)	–	5,464
Sichuan Huankang Hospital Management Co., Ltd.	(ii)	452,572	443,123
		<u>466,640</u>	<u>456,181</u>

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

25. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2021			31 December 2020		
	Effective annual interest rate (%)	Maturity	RMB'000	Effective annual interest rate (%)	Maturity	RMB'000
Current:						
Bank loans						
– secured	3.65	2022	90,000	3.95	2021	10,000
– unsecured	0.92~4.55	2022	3,787,871	1.08~4.57	2021	2,306,909
Current portion of long-term bank loans:						
– secured	3.60~4.99	2022	1,518,722	3.98~5.51	2021	1,355,840
– unsecured	1.59~4.60	2022	3,124,284	1.55~4.75	2021	5,439,223
Lease liabilities						
– secured	3.85~5.04	2022	1,079,488	3.85~5.04	2021	659,853
– unsecured	4.75~4.90	2022	40,674	4.75~4.90	2021	40,284
Bonds payables						
– unsecured	2.60~4.19	2022	4,854,782	1.65~6.29	2021	6,344,062
Due to a related party						
– unsecured	4.00	2022	250,000	1.89~4.75	2021	3,694,059
			<u>14,745,821</u>			<u>19,850,230</u>
Non-current:						
Bank loans						
– secured	3.60~4.99	2023~2026	2,813,112	3.98~4.99	2022~2025	1,981,602
– unsecured	0.88~4.45	2023~2024	12,973,292	1.64~4.60	2022~2023	9,215,224
Bonds payables						
– unsecured	3.40~4.50	2023~2025	9,952,772	3.40~6.50	2022~2025	7,211,725
Lease liabilities						
– secured	3.85	2023	756,456	3.85~5.04	2022~2023	1,421,700
– unsecured	4.75~4.90	2023~2030	23,289	4.75~4.90	2022~2024	52,240
Due to a related party						
– unsecured	1.92~4.00	2023~2024	2,025,140	4.00	2022	248,620
			<u>28,544,061</u>			<u>20,131,111</u>
Convertible bonds						
– host debts (Note 26)	2.00	2026	882,689			–
			<u>29,426,750</u>			<u>20,131,111</u>
			<u>44,172,571</u>			<u>39,981,341</u>

	2021	2020
	RMB'000	RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	8,520,877	9,111,972
In the second year	6,818,187	3,942,224
In the third to fifth years, inclusive	8,968,217	7,254,602
	24,307,281	20,308,798
Other borrowings repayable:		
Within one year	6,224,944	10,738,258
In the second year	760,903	751,216
In the third to fifth years, inclusive	12,873,900	8,183,069
Beyond five years	5,543	–
	19,865,290	19,672,543
	44,172,571	39,981,341

Notes:

- (a) As at 31 December 2021, the Group's bank and other borrowings secured by loans and accounts receivables, cash and bank balances and time deposits were RMB6,257,778,000 (31 December 2020: RMB5,428,995,000).
- (b) As at 31 December 2021, the principal amount of the Group's borrowings from a related party was RMB2,275,140,000 from Genertec HONGKONG International Capital Limited (31 December 2020: RMB2,100,000,000 from China General Technology (Group) Holding Co., Ltd. (PRC) and RMB1,848,237,000 from Genertec HONGKONG International Capital Limited).
- (c) As at 31 December 2021, China General Technology (Group) Holding Limited provided a comfort letter for bank borrowings in an amount of RMB11,105,434,000 (31 December 2020: RMB10,321,427,000).

26. CONVERTIBLE BONDS

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

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

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

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

27. DEFERRED TAX

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

Deferred tax assets

	Impairment	Salary and welfare payable	Cash flow hedges	Fair value loss on derivative financial instruments	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross deferred tax assets at 1 January 2021	273,834	161,620	-	617	2,413	438,484
Credited to the statement of profit or loss during the year	80,798	7,165	18,345	44,486	3,922	154,716
Credited to reserves	-	-	9,179	-	-	9,179
Gross deferred tax assets at 31 December 2021	<u>354,632</u>	<u>168,785</u>	<u>27,524</u>	<u>45,103</u>	<u>6,335</u>	<u>602,379</u>
Gross deferred tax assets at 1 January 2020	214,061	120,963	10,423	-	-	345,447
Credited/(charged) to the statement of profit or loss during the year	59,773	40,657	(11,211)	617	2,413	92,249
Credited to reserves	-	-	788	-	-	788
Gross deferred tax assets at 31 December 2020	<u>273,834</u>	<u>161,620</u>	<u>-</u>	<u>617</u>	<u>2,413</u>	<u>438,484</u>

Deferred tax liabilities

	Lease deposits	Cash flow hedges	Fair value gain on derivative financial instruments	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross deferred tax liabilities at 1 January 2021	30,293	8,227	-	1,225	39,745
Charged to the statement of profit or loss during the year	7,596	11,276	-	2,081	20,953
Credited to reserves	-	(19,503)	-	-	(19,503)
Gross deferred tax liabilities at 31 December 2021	<u>37,889</u>	<u>-</u>	<u>-</u>	<u>3,306</u>	<u>41,195</u>
Gross deferred tax liabilities at 1 January 2020	30,127	-	4,961	1,774	36,862
Charged/(credited) to the statement of profit or loss during the year	166	(11,276)	(4,961)	(549)	(16,620)
Credited to reserves	-	19,503	-	-	19,503
Gross deferred tax liabilities at 31 December 2020	<u>30,293</u>	<u>8,227</u>	<u>-</u>	<u>1,225</u>	<u>39,745</u>

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

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Net deferred tax assets recognised in the consolidated statement of financial position	<u>561,184</u>	<u>398,739</u>

The Company has tax losses arising in Hong Kong of RMB147,000,000 (2020: RMB137,668,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose and tax losses arising in Mainland China of RMB49,262,000 (2020: RMB43,808,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in the Company that has been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

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

At 31 December 2021, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, the funds will be retained to expand the operations in Mainland China and it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB4,796,212,000 (2020: RMB4,625,562,000).

28. POST-RETIREMENT BENEFIT OBLIGATIONS

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

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

The most recent actuarial valuation of the post-retirement benefit obligations was carried out at 31 December 2021 using the projected unit credit actuarial valuation method.

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

	2021	2020
	RMB'000	RMB'000
Post-retirement benefit obligations	95,959	94,899
Less: current portion	(7,446)	(7,474)
Non-current portion	<u>88,513</u>	<u>87,425</u>

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

	2021	2020
Discount rate for post-retirement benefits	3.10%	3.35%
Mortality rate	China Insurance Life Mortality Table (2010-2013). CL5 for Male and CL6 for Female	China Insurance Life Mortality Table (2010-2013). CL5 for Male and CL6 for Female
Total military welfare expense growth rate	6.00%	6.00%
Growth rate of work-related injury and living expenses	2.50%	2.50%

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

	2021		2020	
	Increase in rate %	Increase/ (decrease) in post-retirement benefit obligations RMB'000	Decrease in rate %	Increase/ (decrease) in post-retirement benefit obligations RMB'000
Discount rates for post-retirement benefits	0.25	(2,530)	0.25	2,642
Annual increase rate of military welfare expense	0.25	767	0.25	(738)
Annual increase rate of work-related injury and living expenses	0.25	23	0.25	(22)
	2021		2020	
	Increase in rate %	Increase/ (decrease) in post-retirement benefit obligations RMB'000	Decrease in rate %	Increase/ (decrease) in post-retirement benefit obligations RMB'000
Discount rates for post-retirement benefits	0.25	(2,496)	0.25	2,607
Annual increase rate of military welfare expense	0.25	768	0.25	(739)
Annual increase rate of work-related injury and living expenses	0.25	22	0.25	(21)

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

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

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	7,446	7,474
Between 2 and 5 years	28,412	28,605
Between 6 and 10 years	31,509	32,029
Over 10 years	78,326	81,879
	<hr/>	<hr/>
Total expected payments	<u>145,693</u>	<u>149,987</u>

The average duration of the post-retirement benefit obligations at the end of 2021 was 12.64 years (2020: 11.77 years).

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

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

	<i>RMB'000</i>
1 January 2020	97,426
<i>Pension cost charged to profit or loss:</i>	
Past service cost	(261)
Net interest	<u>3,192</u>
Sub-total included in profit or loss	2,931
<i>Remeasurement (gains)/losses in other comprehensive income:</i>	
Changes of the financial assumptions	(1,550)
Experience adjustments	<u>4,276</u>
Sub-total included in other comprehensive income	2,726
Benefits settled	<u>(8,184)</u>
31 December 2020	<u><u>94,899</u></u>

29. SHARE CAPITAL

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Issued and fully paid:		
1,891,539,661 (2020: 1,716,304,580) ordinary shares	<u>5,297,254</u>	<u>4,327,842</u>

30. RESERVES

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

Capital reserve

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

Statutory reserve

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

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

Exchange fluctuation reserve

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

Share-based compensation reserve

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

General and regulatory reserves

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

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

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

	2021	2020
Percentage of equity interest held by non-controlling interest:		
Genertec Universal Huayang Shanxi Healthcare Industry Co., Ltd.	49.00%	49.00%
Genertec Ansteel Hospital Management Co., Ltd.	<u>48.85%</u>	<u>48.85%</u>
	2021	2020
	RMB'000	RMB'000
(Loss)/profit for the year allocated to non-controlling interests:		
Genertec Universal Huayang Shanxi Healthcare Industry Co., Ltd.	(89)	16,114
Genertec Ansteel Hospital Management Co., Ltd.	<u>30,517</u>	<u>21,312</u>
Accumulated balances of non-controlling interests at the reporting dates:		
Genertec Universal Huayang Shanxi Healthcare Industry Co., Ltd.	665,380	665,470
Genertec Ansteel Hospital Management Co., Ltd.	<u>541,775</u>	<u>515,989</u>

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

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

	Genertec Universal Huayang Shanxi Healthcare Industry Co., Ltd. RMB'000	Genertec Ansteel Hospital Management Co., Ltd. RMB'000
2020		
Revenue	904,009	685,627
Total expenses	(871,123)	(643,100)
Profit for the year	32,886	42,527
Total comprehensive income for the year	<u>32,886</u>	<u>41,709</u>
Current assets	1,090,257	632,226
Non-current assets	721,999	793,417
Current liabilities	(446,405)	(281,159)
Non-current liabilities	<u>(7,750)</u>	<u>(88,208)</u>
Net cash flows (used in)/from operating activities	(736,929)	34,125
Net cash flows used in investing activities	(46,992)	(49,616)
Net cash flows used in financing activities	<u>—</u>	<u>(8,091)</u>
Net decrease in cash and cash equivalents	<u>(783,921)</u>	<u>(23,582)</u>

32. BUSINESS COMBINATIONS

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

On 1 February 2021, Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd., a wholly-owned subsidiary of the Group (“Hospital Investment Co., Ltd.”), acquired a 72.75% equity interest in Genertec Universal (Xi’an) Health Hospital Management Co., Ltd. at a consideration of RMB200,000,000. Upon completion of the transaction, Genertec Universal (Xi’an) Health Hospital Management Co., Ltd. is the promoter of Genertec Universal Xi’an Beihuan Hospital.

On 28 February 2021, Hospital Investment Co., Ltd. acquired a 51% equity interest in Liangshanzhou Huankang Hospital Management Co., Ltd. at a consideration of RMB176,418,000. Pangang Group Xichang New Steel Enterprise Co., Ltd. contributed RMB169,500,000 with 100% equity of Liangshanzhou Panxin Health Management Co., Ltd. to Liangshanzhou Huankang Hospital Management Co., Ltd. Liangshanzhou Panxin Health Management Co., Ltd. is the promoter of Pangang Group Xichang Hospital.

On 30 April 2021, Hospital Investment Co., Ltd. acquired a 60% equity interest in Beijing Huankang Hospital Management Co., Ltd. at a consideration of RMB2,342,000. Upon completion of the transaction, Beijing Huankang Hospital Management Co., Ltd. is the promoter of China Building Material Academy Guanzhuang Dongli Hospital.

On 1 July 2021, Genertec CREC (Beijing) Hospital Management Co., Ltd., a subsidiary of the Group, acquired a 100% equity interest in CREC Taiyuan Hospital at a consideration of RMB20,402,000. Upon completion of the transaction, Genertec CREC (Beijing) Hospital Management Co., Ltd. is the promoter of CREC Taiyuan Hospital.

On 30 November 2021, Anhui Huankang Hospital Management Co., Ltd., a wholly-owned subsidiary of the Group, acquired a 100% equity interest in Wuhu Community Healthcare Service Center of Baohe District, Hefei (“Wuhu Community Healthcare Service Center”) at a consideration of RMB3,016,000. Upon completion of the transaction, Anhui Huankang Hospital Management Co., Ltd. is the promoter of Wuhu Community Healthcare Service Center.

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

	Fair value recognised on acquisition RMB’000
Assets	
Property, plant and equipment (<i>note 12</i>)	126,568
Right-of-use assets (<i>note 13(a)</i>)	52,395
Cash and cash equivalents	50,489
Loans and accounts receivables	23,253
Prepayments, other receivables and other assets	37,344
Receivable of consideration to be paid as capital injection	399,162
Inventories	15,081
Other assets	267
	<u>704,559</u>
Liabilities	
Trade payables	68,700
Other payables and accruals	29,879
Interest-bearing bank and other borrowings	1,529
	<u>100,108</u>
Total identifiable net assets at fair value	604,451
Non-controlling interests	(234,618)
Goodwill on acquisition	32,345
	<u>399,168</u>
Purchase consideration transferred	
Including:	
Consideration paid as additional capital injection to the subsidiaries after acquisition	176,418
Consideration unpaid as additional capital injection to the subsidiaries after acquisition	222,744
Consideration paid upon acquisition	3,016
	<u>399,168</u>
Analysis of cash flows on acquisition:	
Net cash acquired with the subsidiaries included in cash flows from investing activities	50,489
Cash paid	(3,016)
	<u>47,473</u>
Net inflow of cash and cash equivalents included in cash flows from investing activities	47,473
Transaction costs of the acquisition included in cash flows from operating activities	(214)

If the acquisition had taken place at the beginning of the year, the revenue of the Group for the year would have been RMB10,290,072,000 and the net profit of the Group for the year would have been RMB2,048,380,000.

The fair values of the loans and accounts receivables and prepayments, other receivables and other assets as at the dates of acquisitions amounted to RMB23,253,000 and RMB37,344,000, respectively. The gross contractual amount of loans and accounts receivables was RMB24,834,000, of which RMB1,581,000 was expected to be uncollectible. The gross contractual amount of prepayments, other receivables and other assets was RMB37,997,000, of which RMB653,000 was expected to be uncollectible.

The Group incurred transaction costs of RMB214,000 for these acquisitions. These transaction costs have been expensed and are included in other expenses in the consolidated statement of profit or loss.

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB24,633,000 (2020: RMB5,580,000) and RMB24,633,000 (2020: RMB5,580,000), respectively, in respect of lease arrangements for property.

(b) Changes in liabilities arising from financing activities

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

	Bank and other loans <i>RMB'000</i>	Bonds <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>	Due to related parties <i>RMB'000</i>
At 1 January 2020	18,079,070	14,809,640	3,120,242	1,993,891
Proceeds from new borrowings	13,036,668	11,780,000	1,400,000	2,949,615
New leases	–	–	5,563	–
Foreign exchange movement	(765,751)	–	–	(1,378)
Repayment of borrowings	(10,118,447)	(13,034,523)	(2,332,706)	(1,200,000)
Covid-19-related rent concessions from lessors	–	–	(5,543)	–
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	–	(134)	–
Interest expense	71,700	670	102,400	206,109
Interest paid	–	–	(115,745)	–
At 31 December 2020	<u>20,303,240</u>	<u>13,555,787</u>	<u>2,174,077</u>	<u>3,948,237</u>

(c) Total cash outflow for leases

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within operating activities	10,621	15,872
Within financing activities	<u>314,957</u>	<u>932,706</u>
	<u>325,578</u>	<u>948,578</u>

34. OTHER NON-CURRENT LIABILITIES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Continuing involvement in transferred assets	<u>257,200</u>	<u>–</u>

35. SHARE OPTION SCHEME

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

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

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

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

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

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

Expiry date	Exercise price per share option* HKD	Number of share options
31 December 2022	5.97	5,024,667
31 December 2023	5.97	5,024,667
31 December 2024	5.97	5,024,666

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

Exercise price per share option (HKD)	Date of grant	Outstanding as at 1 January 2021	Granted during the year ended 31 December 2021	Outstanding as at 31 December 2021
5.97	2019/12/31	15,074,000	–	15,074,000

5,024,667 share options which were granted on 31 December 2019 were vested and exercisable, but not yet exercised during the year.

The fair value (measured as at the grant dates) of the Share Options that were outstanding as at 31 December 2021 was RMB16,312,000. The weighted average fair values were HKD1.12, HKD1.22 and HKD1.28 per option for each of the three tranches with two-year, three-year and four-year vesting periods, respectively. The share option expense recognised was RMB5,798,000 (2020: RMB5,798,000) during the year ended 31 December 2021 in employee benefit expense.

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

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

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

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

At 31 December 2021, the Company had 15,074,000 (31 December 2020: 15,074,000) non-vested Share Options (including 2,644,000 (31 December 2020: 2,644,000) non-vested Share Options) granted to certain executive directors, 4,235,000 (31 December 2020: 3,394,000) non-vested Share Options granted to certain employees among the five highest paid employees and 4,596,000 (31 December 2020: 4,596,000) non-vested Share Options granted to certain key management personnel) outstanding under the Share Option Scheme. Should all of them be vested, the exercise in full of the outstanding Share Options would, under the present capital structure of the Company, result in the issue of 15,074,000 additional ordinary shares of the Company.

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

36. OTHER EQUITY INSTRUMENTS

China Universal Leasing Co., Ltd. ("China Universal Leasing"), a wholly-owned subsidiary of the Group, issued the first tranche of the bonds (the "T1 Bonds") of the renewable corporate bond with a total principal amount of RMB1,660,000,000, with a basic term of three years from 27 December 2018. The T1 Bonds are with a fixed interest rate of 6% per annum. The issue price is RMB100 per bond, which is equal to 100% of the principal value of the T1 Bonds. The Renewable Bonds have been fully redeemed on 27 December 2021.

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

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

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

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

For the year ended 31 December 2021, the profits attributable to holders of the renewable corporate bonds based on the applicable distribution rates were RMB112,497,000 (For the year ended 31 December 2020: RMB99,600,000) and the distribution made by the Group to the holders of the renewable corporate bonds was RMB94,040,000 (For the year ended 31 December 2020: RMB99,600,000).

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

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

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

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

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

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

38. EVENTS AFTER THE REPORTING PERIOD

There was no material subsequent event undertaken by the Group after 31 December 2021.

PERFORMANCE OVERVIEW

	For the year ended 31 December				
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Operating Results					
Income	9,914,273	8,521,238	6,815,587	4,296,866	3,418,829
Finance and advisory business income* ¹	5,307,546	4,899,669	4,768,645	4,165,136	3,341,103
Hospital group business income* ¹	4,608,377	3,623,001	2,046,942	131,730	77,468
Cost of sales	(5,714,834)	(4,967,263)	(3,636,505)	(1,705,442)	(1,244,640)
Cost of finance and advisory business* ²	(1,829,066)	(1,840,231)	(1,926,405)	(1,591,850)	(1,173,189)
Cost of hospital group business	(4,022,583)	(3,243,661)	(1,757,074)	(113,592)	(71,451)
Profit before tax	2,691,808	2,365,014	2,211,859	1,859,039	1,576,461
Profit for the year	2,030,469	1,813,910	1,634,392	1,350,664	1,148,679
Profit for the year attributable to owners of the parent	1,835,233	1,647,537	1,488,736	1,352,173	1,148,658
Basic earnings per share (RMB)	0.99	0.96	0.87	0.79	0.67
Diluted earnings per share (RMB)*³	0.91	0.96	0.87	0.79	0.67
Profitability Indicators					
Return on total assets ⁽¹⁾	3.09%	3.04%	3.11%	3.18%	3.44%
Return on equity ⁽²⁾	15.37%	16.26%	16.65%	17.05%	16.36%
Net interest margin ⁽³⁾	4.05%	4.09%	3.74%	4.10%	4.41%
Net interest spread ⁽⁴⁾	3.56%	3.54%	3.24%	3.23%	3.51%

*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 year/average balance of assets at the beginning and end of the year;

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

(3) Net interest margin is calculated by dividing net interest income by average balance of interest-earning assets; and

(4) Net interest spread is the difference between average yield of interest-earning assets and average cost rate of interest-bearing liabilities. Average balance of interest-earning assets is calculated based on the average balance of net lease receivables and factoring receivables before provision as at each month end within the reporting period; average balance of interest-bearing liabilities is calculated based on the average balance of bank and other borrowings and lease deposits as at each month end within the reporting period.

	31 December 2021 RMB'000	31 December 2020 RMB'000	31 December 2019 RMB'000	31 December 2018 RMB'000	31 December 2017 RMB'000
Assets and Liabilities					
Total assets	69,899,801	61,511,013	57,852,542	47,256,927	37,732,513
Net interest-earning assets	61,127,607	54,650,222	49,785,639	44,270,664	35,021,292
Total liabilities	52,276,546	46,545,678	44,405,334	37,000,119	30,263,687
Interest-bearing bank and other borrowings	44,172,571	39,981,341	38,002,843	32,981,989	26,882,695
Total equity	17,623,255	14,965,335	13,447,208	10,256,808	7,468,826
Equity attributable to owners of the parent	13,103,989	10,770,514	9,489,304	8,395,611	7,468,601
Net assets per share (RMB)	<u>7.05</u>	<u>6.28</u>	<u>5.53</u>	<u>4.89</u>	<u>4.35</u>
Financial Indicators					
Debt ratio ⁽¹⁾	74.79%	75.67%	76.76%	78.30%	80.21%
Gearing ratio ⁽²⁾	2.51	2.67	2.83	3.22	3.6
Current ratio ⁽³⁾	<u>1.33</u>	<u>0.94</u>	<u>1.1</u>	<u>1.06</u>	<u>0.98</u>
Asset Quality					
Non-performing assets ratio ⁽⁴⁾	0.98%	1.00%	0.90%	0.81%	0.78%
Provision coverage ratio ⁽⁵⁾	238.29%	205.52%	198.46%	190.24%	189.92%
Write-off of non-performing assets ratio ⁽⁶⁾	0.00%	9.34%	0.00%	0.00%	0.00%
Ratio of overdue interest-earning assets (over 30 days) ⁽⁷⁾	<u>0.76%</u>	<u>0.94%</u>	<u>0.84%</u>	<u>0.62%</u>	<u>0.44%</u>

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

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

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

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

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

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

(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

2021 was the opening year of the “14th Five-Year Plan”. We fulfilled the responsibilities as a central enterprise, adhered to serving the “Healthy China” strategy, and firmly moved forward in the field of medical and healthcare. As a conglomerate controlled by a central enterprise and focusing on healthcare industry, as of 31 December 2021, Universal Medical (i) owned and operated a large group of state-owned hospitals consisting of 45 medical institutions, and provided supply chain management, medical equipment related medical services integrating production, learning, research and marketing, equipment maintenance, medical testing, health and wellness, Internet-based healthcare services and other services for hospitals within and outside the Group; and (ii) offered comprehensive financial solutions centered on finance leasing for customers in public hospitals, urban public utility and other fields, and provided industry, equipment and financing consulting, hospital department upgrade and other services.

In 2021, we steadily promoted our business and improved our overall operating performance. The Group recorded a revenue of RMB9,914.3 million, representing an increase of 16.3% as compared to the previous year; net profit of RMB2,030.5 million, representing an increase of 11.9% as compared to the previous year; net profit attributable to owners of the parent of RMB1,835.2 million, representing an increase of 11.4% as compared to the previous year; return on total assets (ROA) of 3.09%, and return on equity attributable to ordinary shareholders (ROE) of 15.37%.

1.1 Hospital Group Improved Quality and Efficiency, with Net Profit Increasing by 39.5%

In 2021, we continued to consolidate the accounts of medical institutions into our own hospital group, and in the context of normalized pandemic prevention and control, we orderly advanced the post-investment management of medical institutions, and continuously enhanced the three core capabilities of “discipline”, “operation” and “service”, to build overall advantages of the hospital group in terms of safety, effectiveness, accessibility, and humanities as a way to achieve steady progress in operating efficiency.

In terms of the overall financial performance of the hospital group business: in 2021, the hospital group contributed a revenue of RMB4,608.4 million to the Company, representing an increase of 27.2% as compared to the previous year, and its proportion in the total revenue from the business of the Group increased from 42.5% in 2020 to 46.5%; the hospital group achieved a total gross profit of RMB585.8 million, representing an increase of 54.4% as compared to the previous year, and its proportion in the gross profit of the Group’s business as a whole increased from 10.7% in 2020 to 14.0%. Without taking into account the hospital investment platform, the hospital group achieved a total gross profit of RMB585.0 million, representing an increase of 53.9% as compared to the previous year, a total net profit of RMB214.3 million, representing an increase of 39.5% as compared to the previous year, a gross profit margin from operations of 12.70% and a net profit margin of 4.65%.

In terms of bed capacity, as of 31 December 2021, we cumulatively entered into contracts with 59 medical institutions (including six Grade III hospitals and 30 Grade II hospitals) with a capacity of over 16,000 beds in total; and the number of consolidated medical institutions increased to 45 (including three Grade III Class A hospitals and 20 Grade II hospitals), with a total of 10,376 beds. The hospital group cumulatively launched a total of 372 construction projects, including 10 new outpatient and inpatient multifunction building projects, with a planned number of new beds exceeding 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 as of 31 December 2021

Province	Grade III hospitals	Grade II hospitals	Others (note)	Total
Shaanxi	1	7	8	16
Shanxi	1	3	4	8
Liaoning	1	1	1	3
Anhui	–	2	5	7
Shandong	–	1	–	1
Hebei	–	3	1	4
Sichuan	–	1	1	2
Zhejiang	–	–	1	1
Hunan	–	1	–	1
Jiangsu	–	1	–	1
Beijing	–	–	1	1
	<u>3</u>	<u>20</u>	<u>22</u>	<u>45</u>
Total	3	20	22	45

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

In terms of operation, in the post-pandemic era, the number of beds and the overall operation of our medical institutions have shown a recovery growth. Meanwhile, with the implementation of group management and control of hospitals, the core capabilities of disciplines, operations and services have been gradually improved to lay the groundwork for sustainable growth trends in the medical business. In 2020, due to the impact of the pandemic, the development of the medical service industry showed an abnormal trend. The overall medical business operation of our hospital group in 2020 declined slightly compared with that in 2019. Therefore, to present a more meaningful operation results, we set out below the recovery development compared with that in 2019:

- Revenue from medical business recovered and exceeded pre-pandemic levels, and income per bed increased steadily

In 2021, we overcame the impact of the pandemic, actively developed surgical and consumer medical businesses, and increased technical projects to further optimize the business structure. The income from outpatient, inpatient, and physical examination of institutions at all levels exceeded that of 2019, and the total income from medical business increased by 9.7% as compared to that of 2019. The income per bed increased from approximately RMB380,000 in 2019 to approximately RMB420,000, and the efficiency of bed use was further improved.

- The volume of outpatient and emergency businesses increased significantly, with a growth rate exceeding the market average rate

As new business and new projects were launched, our overall outpatient and emergency visits in 2021 increased by 945,800 as compared to that of 2019, with a growth rate of 19.9%, which exceeded the market average rate¹. Without taking into account the impact of nucleic acid visits, the overall outpatient and emergency visits still outperformed that of 2019 by approximately 5.5%.

- The structure of hospital expenses was optimized, and the average inpatient expenses of Grade II hospitals increased organically

We actively responded to China's requirements for high-quality development of public hospitals. In order to further improve operational efficiency, we actively optimized the expense structure. The proportion of overall medical income (excluding medicine and hygiene materials) increased from 52.2% in 2019 to 55.0% in 2021. In addition, the overall patient structure of Grade II hospitals was improved as the proportion of surgical patients, and the number of Grade III and Grade IV surgeries increased. In 2021, the average cost of outpatient and inpatient visits increased by approximately 10% as compared to that of 2019.

¹ According to the National Medical Service Situation from January to November 2021 (《2021年1-11月全國醫療服務情況》) latest released by the statistical information center of National Health Commission of PRC, the overall growth rate of outpatient and emergency visits in public hospitals across the country was 11.5%.

The operating performance of the 45 consolidated medical institutions during 2019-2021 are as follows:

2021

Category	Capacity	Visits in 2021			Medical business income in 2021 (RMB ten thousand)				Average index		
		Outpatient and emergency visits	Inpatient	Visits for medical examination	Outpatient and emergency income	Inpatient income	Medical examination income	Total medical business income (including financial subsidy income)	Income per bed (RMB ten thousand)	Outpatient fee per visit (RMB)	Inpatient fee per visit (RMB)
Grade III	3,164	2,076,270	99,563	179,544	62,968	129,223	3,637	196,162	62	303	12,979
Grade II	5,624	2,810,256	143,079	596,656	78,634	110,808	9,468	199,002	35	280	7,745
Others (note)	1,588	801,547	15,647	147,472	26,158	7,613	2,144	38,675	24	326	4,866
Total	10,376	5,688,073	258,289	923,672	167,760	247,644	15,249	433,839	42	295	9,588

2020

Category	Capacity	Visits in 2020			Medical business income in 2020 (RMB ten thousand)				Average index		
		Outpatient and emergency visits	Inpatient	Visits for medical examination	Outpatient and emergency income	Inpatient income	Medical examination income	Total medical business income (including financial subsidy income)	Income per bed (RMB ten thousand)	Outpatient fee per visit (RMB)	Inpatient fee per visit (RMB)
Grade III	3,216	1,645,890	92,929	179,357	53,777	124,364	6,395	184,649	57	327	13,383
Grade II	5,521	2,028,498	130,989	463,830	57,164	98,919	10,129	166,766	30	282	7,552
Others (note)	1,476	735,078	13,399	128,204	23,878	6,428	1,432	34,330	23	325	4,797
Total	10,213	4,409,466	237,317	771,391	134,820	229,711	17,956	385,746	38	306	9,680

2019

Category	Capacity	Visits in 2019			Medical business income in 2019 (RMB ten thousand)				Average index		
		Outpatient and emergency visits	Inpatient	Visits for medical examination	Outpatient and emergency income	Inpatient income	Medical examination income	Total medical business income (including financial subsidy income)	Income per bed (RMB ten thousand)	Outpatient fee per visit (RMB)	Inpatient fee per visit (RMB)
Grade III	3,327	1,710,949	99,285	163,152	56,123	132,893	4,233	193,249	58	328	13,385
Grade II	5,611	2,325,322	151,834	445,964	59,327	106,313	8,397	173,131	31	255	7,002
Others (note)	1,476	705,979	15,068	121,709	17,577	7,219	1,585	29,048	20	249	4,791
Total	10,414	4,742,250	266,187	730,825	133,027	246,425	14,214	395,427	38	281	9,258

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

In 2021, with the development of “Enhanced and Specialized” medical business as the core, the hospital group advanced discipline building as a whole by promoting core disciplines, specialties and consumer healthcare services with “Various Measures, and Made Achievements in Multiple Fields”, including:

- In terms of discipline building, two hospitals have successfully passed the accreditation of National Chest Pain Centers (國家級胸痛中心), two hospitals have passed the accreditation of Cardiac Rehabilitation Centers (心臟康復中心), two hospitals have passed the accreditation of Heart Failure Centers (心衰中心), one hospital has passed the accreditation of Atrial Fibrillation Center (房顫中心), one hospital has passed the accreditation of Advanced Stroke Center (高級卒中中心), and one hospital led the establishment of a prefecture-level chest pain center alliance. One provincial key discipline, and one municipal key specialty were added to the orthopedics department, and one Grade II Class A orthopedic hospital was added. 18 hospitals were empowered by digestive specialties; one hospital was approved to become a sub-center of the national center for digestive diseases; and one hospital was approved as a base of the national center for digestive diseases.

- In terms of vertical management of specialties, in 2021, we successively advanced the vertical management mode for the stomatology department/stomatology branch in 10 affiliated hospitals, with a revenue of RMB51.38 million, representing an increase of 43.4% as compared with that of 2020, and for the kidney diseases in eight affiliated hospitals (including five nephrology departments and eight hemodialysis centers), with a revenue of RMB152.51 million, representing an increase of 18.3% as compared with that of 2020. As a pilot for vertical management of tumors, Ansteel General Hospital (鞍鋼總醫院) established the first tumor precision diagnosis and treatment center within the Group in September 2021, carried out four clinical trials of tumor drugs and one clinical trial of devices, which are in compliance with GCP, and applied for 1 key research and development project in Liaoning Province. It held the Group's first oncology annual academic meeting with a cumulative online audience of 11,700 people in December 2021.
- In terms of scientific research and talent training, we strengthened cooperation between university and enterprise, and signed a formal cooperation agreement with Shaanxi University of Chinese Medicine. Xi'an XD Group Hospital (西電集團醫院) was listed as the "Third Affiliated Hospital of Shaanxi University of Chinese Medicine" (directly affiliated). We signed strategic cooperation agreements with the Medicine College of Hebei University of Engineering, Xi'an Medical University, Zhejiang Chinese Medical University, Chinese Hospital Association and other institutions. The China Clinical Research Community (中國臨床研究共同體), which we participated in initiation, also reached cooperation intention with Hainan Real World Data Research Institute (海南真實世界數據研究院). Throughout the year, medical institutions published a total of 150 papers, and were granted with 39 patents, including one invention patent. 14 new subjects were approved and 29 projects were in research. We possess four registered clinical trial institutions, and over 60 registered majors in medicine and medical devices. We participated in 24 new drug projects of internationally renowned pharmaceutical companies and domestic innovative hospitals. The training platform of our hospital group uploaded over 700 learning materials, carried out over 100 various training projects, and held nearly 500 exams. Our internal cardiovascular training center completed internal training for eight hospitals on six majors and became the interventional diagnosis and treatment training base for cardiovascular disease of the Chinese Medical Doctor Association (中國醫師協會).

1.2 The Expansion of the Industrial Chain Achieved Initial Results, and the Advantages of Scalable Development were Gradually Established

In 2021, focusing on the core resources of the hospital group, we consolidated the business foundation in various fields such as Internet-based healthcare, equipment maintenance, and medical testing. While efficiently serving the Group's internal hospitals, we actively expanded external customers and gradually established advantages from scalable development.

- Internet-based healthcare: relying on bricks-and-mortar hospitals, our Internet-based healthcare platform “Universal Healthcare” gave full play to the Group’s industrial resources and industry integration capabilities to become a unified Internet portal for the healthcare group, the core carrier of the healthcare industry chain business, and provide support and assistance for the digital management of specialties. As of 31 December 2021, seven medical institutions of the hospital group obtained licenses and business permits as an Internet-based hospital. “Universal Healthcare” was officially launched for 34 internal and external medical institutions with over 3,000 online doctors and 750,000 registered users, and served over 2 million visits. It has developed an online + offline service model, and realized “a one-stop medical treatment” for patients covering the whole process.
- Equipment maintenance: we actively promoted an advanced business model of “managing medical equipment for a full life cycle” to provide hospitals with standardized maintenance service and comprehensive equipment operation and management services. As of 31 December 2021, our maintenance business recorded an annual revenue of RMB36.96 million, representing an increase of 194.8% as compared to 2020.
- Medical testing: relying on clinicians and medical teams from subordinate medical institutions, the Group has carried out medical testing business to provide more accurate and professional testing services to local medical institutions nearby. Last year, we tailored the development plan of the testing center for the subordinates Xi’an XD Group Hospital and Pangang Group General Hospital (攀鋼集團總醫院), and built a specialized testing platform focusing on infection, immunization, eugenics and reproduction according to the characteristics of the region and the hospital. By increasing high-end testing items and upgrading technologies, the Group established benchmarking regional testing centers of Universal Medical to incubate new profit sources for the Company. Among them, the testing center of Xi’an XD Group Hospital (西電集團醫院) recorded an annual revenue of RMB89.96 million, representing an increase of 48.3% as compared to 2020.

1.3 Financial Business Developed Steadily, with an Increase of 15.6% in Gross Profit of Interest Margin

With years of experience in the industry, we have built efficient marketing capabilities, flexible financing capabilities, and professional risk control capabilities to provide customers in public hospitals, urban public utility and other fields with comprehensive financial solutions centered on finance leasing, as well as industry, equipment and financing consulting, department upgrade and other services, which has fully guaranteed the continuous profitability of the Company as the hospital group grows.

In 2021, as the regulatory system for the financial business of central enterprises was further improved, we further enhanced operation and management capabilities on the basis of sound risk prevention and mitigation to steadily advance financial business. The Group recorded interest income of finance services of RMB4,469.0 million, representing a year-on-year increase of 8.3%, and the gross profit of interest margin of RMB2,640.6 million, representing a year-on-year increase of 15.6%. All business indicators of the Group maintained a good level. The average yield of interest-earning assets was 7.39%, representing a decrease of 0.46 percentage point over 2020; the average cost rate of interest-bearing liabilities was 3.83%, representing a decrease of 0.48 percentage point over 2020; the net interest spread was 3.56%, and the net interest margin was 4.05%. All of the aforesaid business indicators remained at a leading position in the industry.

While our financial business continues to expand steadily, our asset quality remains at an industry-leading level. As of 31 December 2021, our net interest-earning assets reached RMB61,127.6 million, representing an increase of 11.9% from the beginning of the year; the non-performing asset ratio was 0.98%, representing a decrease of 0.02 percentage point from the end of 2020; the overdue ratio (30 days) was 0.76%, representing a decrease of 0.18 percentage point from the end of 2020; and the provision coverage ratio was 238.29%, representing an increase of 32.77 percentage points from the end of 2020.

1.4 Prospect for the Future – Industry and Us

We believe that with the deepening of the aging society and the acceleration of the construction of a healthy China, China's medical and health market will maintain a trend of rapid growth in the future. However, the industry still faces complex challenges between supply and demand. In 2022, in the trend of high-quality development of the medical industry, higher requirements on efficient operation and lean management have been put forward for survival and competition among Chinese hospitals, and the hospital management group will usher in greater development opportunities. The demand for personalized and accurate specialty diagnosis and treatment continues to increase, and specialized medical services will have the opportunity to grow on a large scale. The development of smart healthcare is accelerated; the "Internet + medical and health" is gradually standardized; and the medical and health industry is continuously transformed and upgraded in a digital manner. Equipment, medical testing, and health industries such as Internet-based healthcare and health and wellness, which will be responsible for ensuring and improving people's livelihood in the future, will also rely more on physical hospitals to strive for sustainable development.

Following the overall deployment of the "14th Five-Year Plan", we will continue to actively carry out the mission of safeguarding life and health with quality medical care, give full play to the advantages of group-based management and control to comprehensively improve the lean management, and build a digital hospital management group. We will build core capabilities in pursuing integrated development of featured specialties such as oncology and nephrology, and extend industrial chain services around the core resources of the hospital group to make breakthroughs in the high-quality development of the entire group, and create greater returns for all Shareholders.

2. Analysis of Statement of Profit or Loss

2.1 Overview

In 2021, the Group continued to firmly move forward in the field of medical and healthcare and solidly promote our business development and recorded revenue of RMB9,914.3 million, representing an increase of 16.3% as compared to the previous year. Profit before tax was recorded RMB2,691.8 million, representing an increase of 13.8% as compared to the previous year. Profit for the year attributable to owners of the parent was RMB1,835.2 million, representing an increase of 11.4% as compared to the previous year.

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

	For the year ended		
	31 December		
	2021	2020	Change %
RMB'000	RMB'000		
Income	9,914,273	8,521,238	16.3%
Cost of sales	(5,714,834)	(4,967,263)	15.0%
Gross profit	4,199,439	3,553,975	18.2%
Other income and gains	313,782	185,467	69.2%
Selling and distribution costs	(462,005)	(380,390)	21.5%
Administrative expenses	(739,754)	(613,868)	20.5%
Impairment of financial assets	(318,235)	(247,446)	28.6%
Loss on derecognition of financial assets measured at amortised cost	(942)	–	100.0%
Financial costs	(29,132)	(30,558)	-4.7%
Other expenses	(285,210)	(113,513)	151.3%
Share of profit of an associate	192	262	-26.7%
Share of profit of a joint venture	13,673	11,085	23.3%
Profit before tax	2,691,808	2,365,014	13.8%
Income tax expense	(661,339)	(551,104)	20.0%
Profit for the year	2,030,469	1,813,910	11.9%
Profit for the year attributable to owners of the parent	1,835,233	1,647,537	11.4%
Basic earnings per share (RMB)	0.99	0.96	3.4%
Diluted earnings per share (RMB)	0.91	0.96	-4.9%

2.2 Analysis of Business Revenue

In 2021, the Group recorded revenue of RMB9,914.3 million, among which finance and advisory business recorded revenue of RMB5,307.5 million, representing an increase of 8.3% as compared to the previous year and accounting for 53.5% of total revenue, and hospital group business recorded revenue of RMB4,608.4 million, representing an increase of 27.2% as compared to the previous year and accounting for 46.5% of total revenue. The Group recorded gross profit from operations of RMB4,199.4 million, among which finance and advisory business recorded gross profit from operations of RMB3,478.5 million, representing an increase of 13.7% as compared to the previous year, while hospital group business segment recorded gross profit from operations of RMB585.8 million, representing an increase of 54.4% as compared to the previous year.

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

	For the year ended 31 December				
	2021		2020		Change %
	RMB'000	% of total	RMB'000	% of total	
Finance and advisory business	5,307,546	53.5%	4,899,669	57.5%	8.3%
Hospital group business	4,608,377	46.5%	3,623,001	42.5%	27.2%
Offset	(1,650)	0.0%	(1,432)	0.0%	15.2%
Total	9,914,273	100.0%	8,521,238	100.0%	16.3%

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

	For the year ended 31 December				
	2021		2020		Change %
	RMB'000	% of total	RMB'000	% of total	
Finance and advisory business	3,478,480	82.8%	3,059,438	86.1%	13.7%
Hospital group business	585,794	14.0%	379,340	10.7%	54.4%
Offset	135,165	3.2%	115,197	3.2%	17.3%
Total	4,199,439	100.0%	3,553,975	100.0%	18.2%

2.2.1 Finance and advisory business

The finance and advisory business includes comprehensive financial solutions centered on finance leasing provided by us for customers in public hospitals, urban public utility and other fields, and services such as industry, equipment and financing consulting, and department upgrades in medical institutions. In 2021, the finance and advisory business recorded a revenue of RMB5,307.5 million, representing an increase of 8.3% as compared to the previous year, and gross profit of RMB3,478.5 million, representing an increase of 13.7% as compared to the previous year.

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

	For the year ended 31 December				
	2021		2020		Change %
	RMB'000	% of total	RMB'000	% of total	
Finance and advisory business income	5,307,546		4,899,669		8.3%
Including:					
Finance service	4,469,013	84.2%	4,125,220	84.2%	8.3%
Advisory service	<u>836,975</u>	<u>15.8%</u>	<u>773,764</u>	<u>15.8%</u>	<u>8.2%</u>

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

	For the year ended 31 December				
	2021		2020		Change %
	RMB'000	% of total	RMB'000	% of total	
Gross profit from finance and advisory business	3,478,480		3,059,438		13.7%
Including:					
Finance service	2,640,621	75.9%	2,285,000	74.7%	15.6%
Advisory service	<u>836,975</u>	<u>24.1%</u>	<u>773,764</u>	<u>25.3%</u>	<u>8.2%</u>

2.2.1.1 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 2021, as the regulatory system for the financial business of central enterprises was further improved, we further enhanced our operation and management capabilities on the basis of sound risk prevention and mitigation to steadily advance financial business, and recorded interest income of RMB4,469.0 million, representing an increase of 8.3% as compared to the previous year.

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

	For the year ended 31 December				
	2021		2020		Change %
	<i>RMB'000</i>	% of total	<i>RMB'000</i>	% of total	
Healthcare	1,948,813	43.6%	2,639,010	64.0%	-26.2%
Urban public utility	2,336,328	52.3%	1,232,258	29.9%	89.6%
Other	183,872	4.1%	253,952	6.1%	-27.6%
Total	<u>4,469,013</u>	<u>100.0%</u>	<u>4,125,220</u>	<u>100.0%</u>	<u>8.3%</u>

In 2021, the gross profit of interest margin from our finance service business was RMB2,640.6 million, representing an increase of 15.6% as compared to the previous year. The increase of the gross profit of interest margin was mainly due to the increase in the size of interest-earning assets and the rise of net interest spread of finance lease business.

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

	31 December 2021			31 December 2020		
	Average balance RMB'000	Interest income ⁽¹⁾ / expense ⁽²⁾ RMB'000	Average yield ⁽³⁾ / cost rate ⁽⁴⁾	Average balance RMB'000	Interest income ⁽¹⁾ / expense ⁽²⁾ RMB'000	Average yield ⁽³⁾ / cost rate ⁽⁴⁾
Interest-earning assets	58,120,479	4,294,592	7.39%	51,571,650	4,047,510	7.85%
Interest-bearing liabilities	50,698,497	1,940,889	3.83%	45,016,835	1,939,803	4.31%
Net interest margin ⁽⁵⁾	-	-	4.05%	-	-	4.09%
Net interest spread ⁽⁶⁾	-	-	3.56%	-	-	3.54%

- (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 bond;
- (5) Net interest margin is calculated by dividing net interest income by average balance of interest-earning assets; and
- (6) Net interest spread is the difference between average yield of interest-earning assets and average cost rate of interest-bearing liabilities.

In 2021, the Group's net interest spread of finance service business was 3.56%, representing an increase of 0.02 percentage point from 3.54% in the previous year, remaining at a good level in the industry. Net interest spread is the difference between average yield of interest-earning assets and average cost rate of interest-bearing liabilities, among which:

- (1) In 2021, the Group's average yield of interest-earning assets was 7.39%, representing a decrease of 0.46 percentage point from 7.85% in the previous year. In 2021, the scale of the Group's interest-earning assets recorded a solid growth as compared to the previous year. However, due to the influence of market competition and loan interest rates transmission, the average yield of new interest-earning assets decreased as compared to the previous year, making the average yield of interest-earning assets in 2021 slightly lower than that of the previous year.

- (2) In 2021, the average cost rate of interest-bearing liabilities of the Group was 3.83%, representing a decrease of 0.48 percentage point from 4.31% in the previous year. Since the COVID-19 pandemic in 2020, China implemented a relatively easy monetary policy. The newly added financing costs of the Group was on a downward trend. In 2021, as contracts of high-cost financing projects expired, the proportion of new financing with lower cost increased, which drove down the Group's overall average cost rate of interest-bearing liabilities in 2021. Control on funding cost is one of the Group's core advantages to carry out our finance business, and we will continue to deepen cooperation with financial institutions, actively expand financing channels, enrich financing varieties, optimize liability structure, and reasonably and effectively control financing costs on the premise of ensuring sufficient capital liquidity.

2.2.1.2 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 healthcare resources platform, and in accordance with the characteristics of hospital operation at all stages, we provided customers with valuable, flexible and diversified comprehensive services comprising finance services, equipment replacement, technology and management advice, clinical department upgrade advisory so as to improve the technical service capabilities and management efficiency of partner hospitals. In 2021, the Group recorded gross profit from advisory services of RMB837.0 million, representing an increase of RMB63.2 million or 8.2% as compared to the previous year.

2.2.2 Hospital group business

As a conglomerate controlled by a central enterprise and focusing on healthcare industry, as of 31 December 2021, we owned and operated a large state-owned hospital group consisting of 45 medical institutions. In 2021, the hospital group business recorded income of RMB4,608.4 million, representing an increase of 27.2% as compared to the previous year, and recorded gross profit of RMB585.8 million, representing an increase of 54.4% as compared to the previous year.

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

	For the year ended 31 December				
	2021		2020		Change %
	<i>RMB'000</i>	% of total	<i>RMB'000</i>	% of total	
Hospital group business					
Income from integrated healthcare services	4,322,175	93.8%	3,383,263	93.4%	27.8%
Income from supply chain business, etc.	828,792	18.0%	619,128	17.1%	33.9%
Offset	(542,590)	-11.8%	(379,390)	-10.5%	43.0%
Total	4,608,377	100.0%	3,623,001	100.0%	27.2%

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

	For the year ended 31 December				
	2021		2020		Change %
	<i>RMB'000</i>	% of total	<i>RMB'000</i>	% of total	
Hospital group business					
Gross profit from integrated healthcare services	472,233	80.6%	301,009	79.4%	56.9%
Gross profit from supply chain business, etc.	124,354	21.2%	82,646	21.8%	50.5%
Offset	(10,793)	-1.8%	(4,315)	-1.2%	150.1%
Total	585,794	100.0%	379,340	100.0%	54.4%

2.2.2.1 Integrated healthcare services

Revenue from the Group's integrated healthcare services comes from revenue from healthcare service, examination, medicine and hygiene materials, physical examination and other services provided by consolidated medical institutions for outpatients, emergency patients and inpatients. Costs of integrated healthcare services include costs of medicine and hygiene materials, labor costs as well as depreciation and amortization expenses. In 2021, the Group recorded consolidated revenue from integrated healthcare services of RMB4,322.2 million, representing an increase of 27.8% as compared to the previous year; gross profit from integrated healthcare services of RMB472.2 million, representing an increase of 56.9% as compared to the previous year. In 2021, the Group continued to promote the integration and takeover of the contracted state-owned medical institution projects, and the number of consolidated medical institutions gradually increased to 45. The increase in the number of consolidated medical institutions, the recovery growth in the post-pandemic era, and the improvement of operational efficiency under group management and control were the main reasons for the increase in the overall revenue and gross profit of integrated medical services.

2.2.2.2 Supply chain business, etc.

The hospital supply chain business mainly provides supply chain management, medical device sales and maintenance and other services for hospitals within and outside the Group. As our business expanded in 2021, the Group recorded a total revenue from the supply chain business of RMB828.8 million, representing an increase of 33.9% as compared to the previous year; and gross profit from the supply chain business of RMB124.4 million, representing an increase of 50.5% as compared to the previous year. The substantial increase in the revenue and gross profit from the supply chain business, etc. was mainly attributable to the expansion of the supply chain distribution business undertaken by medical institutions within the Group and the rapid growth of the maintenance business.

2.2.3 Operating cost

In 2021, the Group's sales and distribution costs amounted to RMB462.0 million, representing an increase of 21.5% as compared to the previous year, mainly due to the recovery of business expansion in the post-pandemic era and the cancellation of reduction and exemption of social insurance contributions under the former pandemic outbreak, which brought the sales and distribution costs back to normal level in 2021.

Administrative expenses amounted to RMB739.8 million, representing an increase of 20.5% as compared to the previous year, which was mainly due to the increase in labor costs and investment in information infrastructure upgrades. Administrative expenses from finance and advisory business amounted to RMB343.6 million, accounting for 46.4% of the total administrative expenses, representing an increase of 7.1% as compared to the previous year. Administrative expenses from hospital group business amounted to RMB396.2 million, accounting for 53.6% of the total administrative expenses, representing an increase of 35.2% as compared to the previous year.

2.2.4 Profit before tax

In 2021, the Group recorded profit before tax of RMB2,691.8 million, representing an increase of RMB326.8 million or 13.8%, as compared to the previous year.

2.2.5 Profit for the period attributable to owners of the parent

In 2021, the Group recorded profit for the year attributable to owners of the parent of RMB1,835.2 million, representing an increase of RMB187.7 million or 11.4%, as compared to the previous year.

2.2.6 Revenue from hospital group operation

As of 31 December 2021, the number of the Group's consolidated medical institutions has increased to 45.

In 2021, the medical institutions of the Group (excluding the medical institution investment platforms) recorded revenue of RMB4,607.6 million during the consolidation period, representing an increase of 27.1% as compared to the previous year; recorded profit for the year of RMB214.3 million, representing an increase of 39.5% as compared to the previous year. The gross profit margin from operations was 12.70%, representing an increase of 2.21 percentage points from 10.49% in the previous year; the net profit margin was 4.65%, representing an increase of 0.41 percentage point from 4.24% in the previous year.

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

	For the year ended		Change %
	31 December		
	2021	2020	
	<i>RMB'000</i>	<i>RMB'000</i>	
Revenue	4,607,624	3,623,790	27.1%
Costs	(4,022,583)	(3,243,661)	24.0%
Gross profit	585,041	380,129	53.9%
Other income and gains	106,185	92,969	14.2%
Selling and distribution costs	(37,605)	(24,344)	54.5%
Administrative expenses	(394,921)	(291,852)	35.3%
Impairment on financial assets	4,957	34,643	-85.7%
Other expenses	(11,186)	(9,896)	13.0%
Share of profit of an associate	192	262	-26.7%
Financial costs	(12,032)	(8,480)	41.9%
Profit before tax	240,631	173,431	38.7%
Income tax expense	(26,289)	(19,791)	32.8%
Profit for the year	214,342	153,640	39.5%

3. Financial Position Analysis

3.1 Overview of Assets

As at 31 December 2021, the Group's total assets was RMB69,899.8 million, representing an increase of 13.6% as compared to the end of the previous year. In particular, our restricted deposits was RMB954.9 million, representing an increase of 43.0% as compared to the end of the previous year, accounting for 1.4% of the total assets; our cash and cash equivalents was RMB2,342.1 million, representing an increase of 15.0% as compared to the end of the previous year, accounting for 3.3% of the total assets; our loans and accounts receivables was RMB60,565.3 million, representing an increase of 11.8% as compared to the end of the previous year, accounting for 86.7% of the total assets.

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

	31 December 2021		31 December 2020		Change %
	RMB'000	% of total	RMB'000	% of total	
Restricted deposits	954,862	1.4%	667,701	1.1%	43.0%
Cash and cash equivalents	2,342,078	3.4%	2,036,535	3.3%	15.0%
Inventories	265,427	0.4%	198,034	0.3%	34.0%
Loans and accounts receivables	60,565,317	86.6%	54,195,411	88.1%	11.8%
Prepayments, other receivables and other assets	890,892	1.3%	307,112	0.5%	190.1%
Property, plant and equipment	2,523,269	3.6%	2,346,601	3.8%	7.4%
Other intangible assets	46,183	0.1%	58,603	0.1%	-21.2%
Investment in a joint venture	476,015	0.7%	455,892	0.8%	4.4%
Investment in an associate	4,284	0.0%	4,215	0.0%	1.6%
Deferred tax assets	561,184	0.8%	398,739	0.7%	40.7%
Derivative financial assets	6,915	0.0%	9,173	0.0%	-24.6%
Right-of-use asset	794,652	1.1%	763,089	1.2%	4.1%
Goodwill	102,253	0.1%	69,908	0.1%	46.3%
Financial assets at fair value through profit or loss	366,470	0.5%	–	–	100.0%
Total	69,899,801	100.0%	61,511,013	100.0%	13.6%

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

	31 December 2021		31 December 2020		Change %
	RMB'000	% of total	RMB'000	% of total	
Finance and advisory business	63,844,047	91.3%	55,922,417	90.9%	14.2%
Hospital group business	8,937,442	12.8%	8,100,062	13.2%	10.3%
Inter-segment offset	(2,881,688)	-4.1%	(2,511,466)	-4.1%	14.7%
Total	69,899,801	100.0%	61,511,013	100.0%	13.6%

3.1.1 Restricted deposits

As at 31 December 2021, the Group had restricted deposits of RMB954.9 million, representing an increase of 43.0% as compared to the end of the previous year, and accounting for 1.4% of total assets. Restricted deposits mainly comprised a small amount of pledged project refunds from factoring business, time deposits and financing deposits, among which, there was a significant increase in project refunds in this year.

3.1.2 Cash and cash equivalents

As at 31 December 2021, the Group had cash and cash equivalents of RMB2,342.1 million, representing an increase of 15.0% as compared to the end of the previous year, accounting for 3.4% of the total assets. The balance of cash and cash equivalents will be gradually applied in accordance with the Group's business plan.

3.1.3 Loans and accounts receivables

As at 31 December 2021, the balance of the Group's loans and accounts receivables was RMB60,565.3 million, representing an increase of 11.8% as compared to the end of the previous year. The net interest-earning assets was RMB59,695.3 million, accounting for 98.6% of the loans and accounts receivables; and net accounts receivables was RMB869.2 million, accounting for 1.4% of the loans and accounts receivables.

3.1.3.1 Interest-earning assets

In 2021, the Group strengthened its risk management and control in a prudent manner, and expanded the lease business with caution while ensuring asset security. As at 31 December 2021, the Group's net interest-earning assets was RMB61,127.6 million, representing an increase of 11.9% as compared to the end of the previous year.

Net interest-earning assets by industry

In 2021, the Group continued to lay emphasis on adjustment to interest-earning assets structure and risk prevention and control. Under the strict project entry threshold, the Group expanded into new fields of urban public utility in a prudent manner.

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

	31 December 2021		31 December 2020		Change %
	RMB'000	% of total	RMB'000	% of total	
Healthcare	22,267,645	36.4%	28,971,620	53.0%	-23.1%
Urban public utility	36,433,511	59.6%	22,233,552	40.7%	63.9%
Others	2,426,451	4.0%	3,445,050	6.3%	-29.6%
Net interest-earning assets	61,127,607	100.0%	54,650,222	100.0%	11.9%
Less: Provision for asset impairment	(1,432,281)		(1,126,057)		27.2%
Net value of interest-earning assets	59,695,326		53,524,165		11.5%

The maturity profile of the net interest-earning assets

The Group formulated reasonable business investment strategies according to its strategic plan so as to ensure sustainable and steady cash inflow. As at 31 December 2021, the maturity profile of the Group's net interest-earning assets was relatively balanced.

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

	31 December 2021		31 December 2020		Change %
	RMB'000	% of total	RMB'000	% of total	
Within 1 year	20,936,076	34.3%	18,529,766	33.9%	13.0%
1-2 years	17,079,116	27.9%	15,347,527	28.1%	11.3%
2-3 years	12,370,147	20.2%	11,025,603	20.2%	12.2%
Over 3 years	10,742,268	17.6%	9,747,326	17.8%	10.2%
Net interest-earning assets	61,127,607	100.0%	54,650,222	100.0%	11.9%

Quality of interest-earning assets

The Group has been implementing robust asset management policies and continuously adopting stringent and prudent asset classification policies. As at 31 December 2021, the Group had non-performing assets of RMB601.1 million, representing an increase of RMB53.2 million as compared to 31 December 2020. The Group continuously improved its risk management system, adopted effective risk prevention measures and increased the effort in the collection of non-performing assets. As at 31 December 2021, the Group's non-performing assets ratio was 0.98%.

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

	31 December 2021		31 December 2020		Change %
	RMB'000	% of total	RMB'000	% of total	
Pass	53,626,877	87.73%	45,008,862	82.36%	19.1%
Special attention	6,899,668	11.29%	9,093,464	16.64%	-24.1%
Substandard	479,105	0.78%	485,990	0.89%	-1.4%
Doubtful	78,704	0.13%	61,906	0.11%	27.1%
Loss	43,253	0.07%	-	-	100.0%
Net interest-earning assets	61,127,607	100.00%	54,650,222	100.00%	11.9%
Non-performing assets ⁽¹⁾	601,062		547,896		9.7%
Non-performing assets ratio ⁽²⁾	0.98%		1.00%		

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

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

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

Ratio of overdue interest-earning assets

In 2021, the Group implemented prudent risk control and asset management policy and continued improving the risk management system. As at 31 December 2021, the overdue ratio (over 30 days) was 0.76%, decreased by 0.18 percentage point as compared to 0.94% at the end of the previous year.

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

	31 December 2021	31 December 2020
Overdue ratio (over 30 days) ⁽¹⁾	<u>0.76%</u>	<u>0.94%</u>

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

Provision for impairment of interest-earning assets

As at 31 December 2021, the Group's provision coverage ratio was 238.29%, representing an increase of 32.77 percentage points as compared to the end of the previous year. With the expansion of its business, the Group's management believes that it is imperative to take prudent measures to protect the Group against systematic risks and move towards the international standards and practices. As such, the Group maintained its asset provision coverage ratio at an appropriate level.

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

	As at 31 December 2021			Total RMB'000
	Stage 1 (12-month expected credit loss) RMB'000	Stage 2 (Lifetime expected credit loss) RMB'000	Stage 3 (Lifetime expected credit loss-impaired) RMB'000	
Net interest-earning assets	53,626,877	6,705,055	795,675	61,127,607
Provision for impairment of interest-earning assets	(589,413)	(498,358)	(344,510)	(1,432,281)
Net value of interest-earning assets	<u>53,037,464</u>	<u>6,206,697</u>	<u>451,165</u>	<u>59,695,326</u>
	As at 31 December 2020			Total RMB'000
	Stage 1 (12-month expected credit loss) RMB'000	Stage 2 (Lifetime expected credit loss) RMB'000	Stage 3 (Lifetime expected credit loss-impaired) RMB'000	
Net interest-earning assets	45,008,862	9,093,464	547,896	54,650,222
Provision for impairment of interest-earning assets	(498,020)	(393,522)	(234,515)	(1,126,057)
Net value of interest-earning assets	<u>44,510,842</u>	<u>8,699,942</u>	<u>313,381</u>	<u>53,524,165</u>

Write-off of interest-earning assets

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

	31 December 2021	31 December 2020
	<i>RMB'000</i>	<i>RMB'000</i>
Write-off	–	41,686
Non-performing assets as at the end of last year	547,896	446,128
Write-off ratio ⁽¹⁾	–	9.34%

⁽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 2021, the Group sold interest-earning assets with a cumulative principal of approximately RMB3,801 million through the asset-backed securities business, all of which belonged to urban public utility. The Group will actively expand the asset-backed securities business in the future based on the needs of business development. As at 31 December 2021, the balance of the subordinated shares held by the Group for the asset-backed securities business was RMB148.8 million. As an asset management service provider for off-balance sheet assets, the Group implemented prudent asset management policies in the manner of on-balance sheet assets and strengthened asset process monitoring. The quality of off-balance sheet assets was steady at the end of 2021, with no significant abnormality in asset quality.

As at 31 December 2021, the balance of the Group's assets with continuing involvement was RMB257.2 million. In accordance with the accounting standards, for the above-mentioned asset-backed securities business, the Group continued to bear risks due to credit enhancement measures such as self-held subordinate shares. The Group recognized continuing involvement in assets and liabilities.

3.1.3.2 Accounts receivable

As at 31 December 2021, the Group's net accounts receivables was RMB869.2 million, representing an increase of RMB198.4 million or 29.6% as compared to the end of the previous year. The increase in accounts receivables was mainly due to the extension of local medical insurance settlement in our affiliated hospitals caused by the adjustment of local medical insurance payment.

3.1.4 Other assets

As at 31 December 2021, the Group's balance of inventory was RMB265.4 million, representing an increase of RMB67.4 million as compared to the beginning of the year, which was mainly due to the addition of newly consolidated medical institutions in 2021 and the decrease in inventory turnover of the Group's medical institutions in Xi'an caused by the pandemic at the end of 2021.

As at 31 December 2021, the Group's balance of right-of-use assets was RMB794.7 million, of which, right-of-use assets recognized in office lease was RMB72.8 million and balance of right-of-use assets increased by RMB31.6 million as compared to the beginning of the year, and such increase was mainly due to the increase of land use right from newly consolidated medical institutions of the Group.

As at 31 December 2021, the Group's balance of property, plant and equipment was RMB2,523.3 million, representing an increase of RMB176.7 million as compared to the beginning of the year, which was mainly due to the increase of balance of property, plant and equipment from newly consolidated medical institutions of the Group.

As at 31 December 2021, the Group's balance of prepayments, other receivables and other assets was RMB890.9 million, representing an increase of RMB583.8 million as compared to the beginning of the year, which was mainly due to the increase of other receivables from medical institutions newly acquired by the Group and the increase of assets resulting from the subordinated portion of the Group's asset-backed securities business.

As at 31 December 2021, the balance of the Group's investment in joint ventures was RMB476.0 million, which was the investment in Sichuan Huankang Hospital Management Company Limited (四川環康醫院管理公司); the balance of investment in associates was RMB4.3 million, which was the investment in the associates of Ansteel General Hospital.

As at 31 December 2021, the Group's balance of goodwill was RMB102.3 million, representing an increase of RMB32.3 million as compared to the beginning of the year, which included goodwill of RMB58.9 million arising from the acquisition of Xi'an XD Group Hospital, 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 31 December 2021, the Group's total liabilities amounted to RMB52,276.5 million, representing an increase of RMB5,730.9 million, or 12.3%, as compared to the end of the previous year. The balance of interest-bearing bank and other borrowings amounted to RMB44,172.6 million, representing an increase of RMB4,191.2 million, or 10.5%, as compared to the end of the previous year, accounting for 84.5% of the total liabilities; balance of other payables and accruals amounted to RMB6,071.0 million, representing an increase of RMB861.4 million, or 16.5%, as compared to the end of the previous year, accounting for 11.6% of the total liabilities.

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

	31 December 2021		31 December 2020		Change %
	RMB'000	% of total	RMB'000	% of total	
Interest-bearing bank and other borrowings	44,172,571	84.5%	39,981,341	85.9%	10.5%
Trade payable	1,111,983	2.1%	868,396	1.9%	28.1%
Other payables and accruals	6,070,967	11.6%	5,209,549	11.2%	16.5%
Derivative financial instruments	554,217	1.1%	413,333	0.9%	34.1%
Taxes payable	109,608	0.2%	73,059	0.1%	50.0%
Other non-current liabilities	257,200	0.5%	–	–	100.0%
Total	52,276,546	100.0%	46,545,678	100.0%	12.3%

3.2.1 Interest-bearing bank and other borrowings

In 2021, China's economy continued to recover steadily, remarkable progress was achieved in pandemic prevention and control, and prudent monetary policies were maintained in a flexible, precise, reasonable and appropriate manner. The Group was committed to the new development concept, and strove to build a diversified, stable financing system at multiple levels with multiple channels. The Group has made continued efforts to enrich its financing varieties, optimize the financing structure, and strengthen the innovation of financing tools to maintain its competitive edge on the debt side. In the direct financing market, the Group further increased the number of stable investors, and introduced renewable corporate bonds and asset-backed securities. Leveraging the advantages of domestic AAA ratings and efficient bond issuance capabilities, the Group issued multiple tranches of lower-cost long- and short-term bonds alternately in the inter-bank market and the Shanghai Stock Exchange in a timely manner. In addition, in March 2021, the Group issued convertible bonds of USD150 million, which not only effectively improved the equity structure of the Company, but also raised long-term operating and development funds for the Company. In the indirect financing market, the Group further developed financing institutions, and established strategic partnerships with several core financial institutions such as large commercial banks, joint-stock commercial banks and foreign banks to conduct extensive, in-depth and long-term cooperation in the direction of finance and industry. Meanwhile, the Group continued to steadily promote overseas financing, and actively expanded foreign currency syndicated and bilateral loans business to strongly support diversified and stable funding resources.

The Group's interest-bearing bank and other borrowings are mainly used to provide capital for its finance lease business. As at 31 December 2021, the balance of the Group's interest-bearing bank and other borrowings was RMB44,172.6 million, representing an increase of RMB4,191.2 million or 10.5% as compared to 31 December 2020. The borrowings of the Group are mainly at fixed interest rates or at the loan prime rate (LPR), the London Interbank Offered Rate, Hong Kong Interbank Offered Rate and other floating rates.

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

	<u>31 December 2021</u>		<u>31 December 2020</u>		Change %
	<i>RMB'000</i>	% of total	<i>RMB'000</i>	% of total	
Bank loans	24,307,281	55.0%	20,308,798	50.8%	19.7%
Due to related parties	2,275,140	5.2%	3,942,679	9.9%	-42.3%
Bonds	15,690,243	35.5%	13,555,787	33.9%	15.7%
Other loans	1,899,907	4.3%	2,174,077	5.4%	-12.6%
Total	<u>44,172,571</u>	<u>100.0%</u>	<u>39,981,341</u>	<u>100.0%</u>	<u>10.5%</u>

As at 31 December 2021, the balance of the Group's bank loans amounted to RMB24,307.3 million, accounting for 55.0% of the total interest-bearing bank and other borrowings, representing an increase of 4.2 percentage points as compared to 50.8% as at 31 December 2020. In 2021, the Group continuously strengthened its cooperation with banks in width and depth, with the proportion of balance of bank loans increased slightly.

Breakdown of interest-bearing and other borrowings by currency:

	<u>31 December 2021</u>		<u>31 December 2020</u>		Change %
	<i>RMB'000</i>	% of total	<i>RMB'000</i>	% of total	
RMB	30,685,498	69.5%	28,836,246	72.1%	6.4%
USD	9,876,493	22.3%	6,890,376	17.2%	43.3%
HKD	3,610,580	8.2%	4,254,719	10.7%	-15.1%
Total	<u>44,172,571</u>	<u>100.0%</u>	<u>39,981,341</u>	<u>100.0%</u>	<u>10.5%</u>

As at 31 December 2021, the balance of the Group's interest-bearing bank and other borrowings denominated in RMB was RMB30,685.5 million, which accounted for 69.5% of its total interest-bearing bank and other borrowings, representing a decrease of 2.6 percentage points as compared to 72.1% as at 31 December 2020. The Group followed its strategy of strongly exploring overseas financing market, actively carried out foreign currency financing business abroad, so as to facilitate diversified funding sources, and objectively managed the foreign exchange risk with foreign exchange derivatives.

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

	31 December 2021		31 December 2020		Change %
	RMB'000	% of total	RMB'000	% of total	
Domestic	29,586,998	67.0%	27,736,746	69.4%	6.7%
Overseas	14,585,573	33.0%	12,244,595	30.6%	19.1%
Total	<u>44,172,571</u>	<u>100.0%</u>	<u>39,981,341</u>	<u>100.0%</u>	<u>10.5%</u>

As at 31 December 2021, the Group's domestic financing balance was RMB29,587.0 million, accounting for 67.0% of the total interest-bearing bank and other borrowings, representing a decrease of 2.4 percentage points as compared to 69.4% as at 31 December 2020.

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

	31 December 2021		31 December 2020		Change %
	RMB'000	% of total	RMB'000	% of total	
Current	14,745,821	33.4%	19,850,230	49.6%	-25.7%
Non-current	29,426,750	66.6%	20,131,111	50.4%	46.2%
Total	<u>44,172,571</u>	<u>100.0%</u>	<u>39,981,341</u>	<u>100.0%</u>	<u>10.5%</u>

As at 31 December 2021, the total balance of the Group's current interest-bearing bank and other borrowings amounted to RMB14,745.8 million, accounting for 33.4% of its total interest-bearing bank and other borrowings, representing a decrease of 16.2 percentage points as compared to 49.6% at the end of previous year. In 2021, on the premise that sufficient liquidity is ensured, the Group continued to optimize financing structure, therefore, the ratio of current liabilities decreased and the overall maturity structure of liabilities remained stable and favourable.

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

	31 December 2021		31 December 2020		Change %
	RMB'000	% of total	RMB'000	% of total	
Secured	6,257,778	14.2%	5,428,995	13.6%	15.3%
Unsecured	37,914,793	85.8%	34,552,346	86.4%	9.7%
Total	<u>44,172,571</u>	<u>100.0%</u>	<u>39,981,341</u>	<u>100.0%</u>	<u>10.5%</u>

As at 31 December 2021, the Group's total secured interest-bearing bank and other borrowings amounted to RMB6,257.8 million, accounting for 14.2% of its total interest-bearing bank and other borrowings, representing an increase of 0.6 percentage point as compared to 13.6% at the end of previous year. The Group's secured assets were mainly interest-earning assets. In order to expand financing channels, diversify financing resources, improve the matching of maturity structure of the assets and liabilities and constantly optimize financing conditions, we increased the proportion of the secured interest-bearing bank and other borrowings slightly.

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

	<u>31 December 2021</u>		<u>31 December 2020</u>		<u>Change %</u>
	<u>RMB'000</u>	<u>% of total</u>	<u>RMB'000</u>	<u>% of total</u>	
Direct financing	15,690,243	35.5%	13,555,787	33.9%	15.7%
Indirect financing	28,482,328	64.5%	26,425,554	66.1%	7.8%
Total	<u>44,172,571</u>	<u>100.0%</u>	<u>39,981,341</u>	<u>100.0%</u>	<u>10.5%</u>

As at 31 December 2021, the total balance of the direct financing of the interest-bearing bank and other borrowings amounted to RMB15,690.2 million, accounting for 35.5% of its total interest-bearing bank and other borrowings, representing an increase of 1.6 percentage points as compared to 33.9% as at the end of the previous year. In 2021, the Group continued to work conscientiously in the direct financing market and indirect financing market. The stable and balanced financing structure fully secured the funds required for the Company's development.

3.2.2 *Other payables and accruals*

Other payables and accruals primarily comprise the collection of payments related to asset-backed securities, the lease deposits paid by customers, the accrued interests on borrowings, as well as the accrued salary and welfare payables. As at 31 December 2021, other payables and accruals amounted to RMB6,071.0 million in total, representing an increase of RMB861.4 million as compared to the end of the previous year, mainly due to increase in the collection of payments related to asset-backed securities and lease deposits of the Group.

3.3 Shareholders' Equity

As at 31 December 2021, the Group's total equity was RMB17,623.3 million, representing an increase of RMB2,657.9 million or 17.8% as compared to the end of the previous year, among which the non-controlling interests were RMB2,857.4 million, representing an increase of RMB315.0 million or 12.4% as compared to the end of the previous year, which was mainly due to the increase of non-controlling interests from the newly acquired medical institutions.

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

	31 December 2021		31 December 2020		Change %
	RMB'000	% of total	RMB'000	% of total	
Share capital ⁽¹⁾	5,297,254	30.1%	4,327,842	28.9%	22.4%
Equity attributable to holders of convertible corporate bonds ⁽²⁾	75,486	0.4%	–	–	100.0%
Reserves	7,731,249	43.9%	6,442,672	43.1%	20.0%
Equity attributable to owners of the parent	13,103,989	74.4%	10,770,514	72.0%	21.7%
Equity attributable to holders of renewable corporate bonds ⁽³⁾	1,661,840	9.4%	1,652,387	11.0%	0.6%
Non-controlling interests	2,857,426	16.2%	2,542,434	17.0%	12.4%
Total	17,623,255	100.0%	14,965,335	100.0%	17.8%

⁽¹⁾ On 8 March 2021, 175,235,081 new Shares were allotted and issued by the Company to Million Surplus Developments, a member of Yuanzhi Group. The gross proceeds raised from the subscription were USD150 million, and the net proceeds raised from the subscription, after deduction of the related expenses, were approximately USD149.6 million.

⁽²⁾ 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 2.0% per annum. The net proceeds raised from the issue of the convertible bonds, after deduction of the related expenses, were approximately USD148 million. On 18 June 2021, the conversion price of the convertible bonds was adjusted from HKD6.56 to HKD6.47 due to declaration and payment of final dividends for the year of 2020 by the Company.

⁽³⁾ On 26 December 2018, CULC issued the renewable corporate bonds of an aggregate principal amount of RMB1,660 million in the PRC, with a basic term of three years from 27 December 2018. 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 6%. The issue price is RMB100 per bond, which is equal to 100% of the principal value of the corporate bonds. On 27 December 2021, the Group redeemed the renewable corporate bonds in full.

On 28 June 2021, CULC, a wholly-owned subsidiary of the Company, issued the renewable corporate bonds of an aggregate principal amount of RMB500 million in the PRC, with a basic term of two years from 29 June 2021. CULC will, at the end of the agreed basic term and each extended period, be entitled to an option to extend the term of the bonds. The bonds are with a fixed interest rate of 5.1%. The issue price is RMB100 per bond, which is equal to 100% of the principal value of the corporate bonds.

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

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

4. Cash Flows Analysis

In 2021, the Group's net cash outflow from operating activities amounted to RMB1,400.6 million, representing an increase of outflow of RMB428.9 million as compared to that of the previous year, which was mainly due to the orderly resumption of the domestic production that led to increased scale in finance lease business as compared to the previous year. Net cash outflow from investing activities amounted to RMB664.5 million, representing an increase of outflow of RMB368.0 million as compared to that of the previous year, primarily due to the investment in business arrangement of asset-backed securities issued by the Group. Net cash inflow from financing activities amounted to RMB2,391.8 million, representing an increase of inflow of RMB2,426.4 million as compared to that of the previous year, primarily due to the issuance of corporate convertible bonds and the increase in financing demand in response to the increase in scale of finance lease business.

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

	For the year ended		Change %
	31 December		
	2021	2020	
	<i>RMB'000</i>	<i>RMB'000</i>	
Net cash flows used in operating activities	(1,400,570)	(971,721)	44.1%
Net cash flows used in investing activities	(664,522)	(296,531)	124.1%
Net cash flows generated from/(used in) financing activities	2,391,778	(34,628)	7,007.1%
Effect of exchange rate changes on cash and cash equivalents	(21,143)	(46,452)	-54.5%
Net increase in cash and cash equivalents	<u>305,543</u>	<u>(1,349,332)</u>	<u>122.6%</u>

5. Capital Management

The primary objective of the Group's capital management activities is to ensure that it maintains healthy capital ratios, so as to support the Group's business and maximize its shareholders' benefits. The Group uses debt ratio and gearing ratio to monitor its capital status. As at 31 December 2021, no change was made to the Group's objectives, policies or processes for capital management.

Debt ratio

	31 December	31 December
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Total assets	69,899,801	61,511,013
Total liabilities	52,276,546	46,545,678
Total equity	17,623,255	14,965,335
Debt ratio	<u>74.79%</u>	<u>75.67%</u>

Gearing ratio

	31 December	31 December
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Interest-bearing bank and other borrowings	44,172,571	39,981,341
Total equity	17,623,255	14,965,335
Gearing ratio	<u>2.51</u>	<u>2.67</u>

As at 31 December 2021, the Group's debt ratio and gearing ratio decreased slightly as compared to the end of the previous year.

6. Capital Expenditure

The Group's capital expenditure primarily consists of expenditure on the purchase of medical equipment, other equipment expenditure relating to the Group's operating lease business, construction expenditure on hospital projects and expenditure relating to office facilities. In 2021, the Group had capital expenditure of RMB385.1 million.

Use of Proceeds from the Initial Public Offering

The shares of the Company were listed on the Main Board of the Stock Exchange on 8 July 2015. On 30 July 2015, after deducting underwriting commissions and all related expenses, the net proceeds from the initial public offering amounted to approximately RMB2,775.5 million. As of 31 December 2021, the Group did not expect to make any change in the proposed use of proceeds set out in the Prospectus.

The Board closely monitored the use of proceeds from the initial public offering with reference to the use of proceeds disclosed in the Prospectus and confirmed that there was no material change in the proposed use of proceeds as previously disclosed in the Prospectus. As of 31 December 2021, RMB1,249.0 million which we planned to use for supporting our finance lease business, RMB277.6 million which we planned to use for funding general corporate purposes, and RMB416.3 million which we planned to use for our hospital operation and management business, out of the net proceeds from the initial public offering of the Group, have been fully utilized according to the usages disclosed in the Prospectus.

In 2021, the Group utilized RMB175.6 million in research and development and operation of hospital digitalization business, and RMB60.4 million in development of CVA project solutions and clinical department upgrade services in other new areas.

As of 31 December 2021, the remaining balance of net proceeds of the Group which we planned to use for hospital digitalization business, CVA project solutions and clinical department upgrade services in other new areas was RMB32.1 million and RMB10.0 million, respectively. The remaining amount of RMB10.0 million for CVA project solutions and clinical department upgrade services in other new areas will be used for further development of CVA project solutions and clinical department upgrade services in other new areas and providing hospital customers with financial support for clinical department upgrade in coming years. The remaining amount of RMB32.1 million for hospital digitalization business will be used in coming years, according to the Company's development strategy and plan, for the development and operation of hospital digitalization business, further recruitments to expand our technology solutions team, continuous development of proprietary information management system for hospitals as well as related marketing activities.

Use of Proceeds from the Issue of New Shares

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

In 2021, the Group used RMB243.6 million for further expansion and development of the hospital group business; and RMB50.9 million for expansion of the health industry chain business.

As of 31 December 2021, among the remaining net proceeds from the issue of new Shares by the Company, RMB435.0 million was intended to be applied to the hospital group business and RMB239.9 million was intended to be applied to the health industry chain business.

The Group would continue to enhance the post-investment management of its medical institutions, and comprehensively improve medical technology, management efficiency and service capabilities of those medical institutions by focusing on discipline construction, operation management, organization management, service system innovation and hospital digitalization. The Group would further develop and invest in internet medical treatment, manage and promote specialist hospitals, explore medical testing and technology services, maintenance of medical equipment and combination of medical care with elderly care, in order to build a healthcare industry ecosystem and achieve synergy with the Company's hospital group business.

Use of Proceeds from the Issue of the Convertible Bonds

Considering, among other things, (i) the experiences and resources that would be brought by CITIC Capital (as a long-term strategic investor of the Company) to the Group, and (ii) the new funding to be raised to support the Group's continuing growth and strategic development, on 29 December 2020, Genertec Universal Medical Development (BVI) Co., Ltd. (as the issuer and a wholly-owned subsidiary of the Company), the Company (as the guarantor) and CCP Leasing II Limited (as the subscriber) entered into a subscription agreement in relation to, among others, the issue of the convertible bonds in an aggregate principal amount of USD150,000,000. The initial conversion price is HKD6.56 per conversion share, representing a premium of approximately 14.29% over the closing price of HKD5.74 per Share as quoted on the Stock Exchange on 29 December 2020, being the date of the subscription agreement. The issuance of the convertible bonds was completed on 25 March 2021 and the Group raised net proceeds of approximately RMB966.2 million (equivalent to approximately USD148.0 million). On 18 June 2021, the conversion price of the convertible bonds was adjusted from HKD6.56 to HKD6.47 due to declaration and payment of final dividends for the year of 2020 by the Company. Please refer to the Company's announcements dated 29 December 2020, 25 March 2021 and 10 June 2021, and the Company's circular dated 14 January 2021 for further details.

As of 31 December 2021, it is expected that the Group would not make any change to the planned use of the proceeds as disclosed in the Company's announcement dated 29 December 2020 and the Company's circular dated 14 January 2021.

In 2021, the Group used RMB562.0 million for investment in the lease business of the Company and RMB136.9 million for repayment of due working capital loan of the Company, all of which has been fully used in accordance with the purposes as disclosed by the Company.

In 2021, the Group used RMB181.6 million for investment in the hospital acquisition projects.

As of 31 December 2021, RMB85.7 million of the remaining net proceeds from the issue of convertible bonds of the Group was intended to be applied for the hospital group business, which will be used for investment in hospital acquisition projects and subsequent operation investments in the future.

7. Risk Management

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

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

7.1 Interest Rate Risk

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

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

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

	Increase/(decrease) in profit before tax	
	31 December 2021 RMB'000	31 December 2020 RMB'000
Change in base points		
+100 base points	19,980	131,546
-100 base points	(19,980)	(131,546)

7.2 *Currency Risk*

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

The Group conducts its business mainly in RMB, with certain financing activities denominated in USD and other currencies pegged to the USD. The Group's currency risk mainly arises from the transactions denominated in currencies other than RMB. In order to control currency risk, the Group adopted prudent currency risk management strategies which hedges risk exposures one by one under comprehensive risk exposure management. It proactively hedged against foreign exchange exposure based on the currency and terms through using the operation of financial instruments such as forward exchange rate. As of 31 December 2021, the Group's exposure to foreign exchange risk amounted to USD2,115.4 million, USD2,103.7 million or 99.4% of which had been hedged against by various financial instruments. Thus, the Group's exposure to foreign exchange risk is basically covered.

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

	Change in exchange rate %	Increase/(decrease) in profit before tax	
		31 December 2021 RMB'000	31 December 2020 RMB'000
If RMB strengthens against USD/HKD	(1)	(818)	(808)
If RMB weakens against USD/HKD	1	818	808

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 over-run 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 make its payments in full with its operating revenues and the Group is likely to incur losses notwithstanding the enforcement of any guarantees. For example, if a lease payment that has been categorized as special mention continues to be overdue for a period of time, then the interest-earning assets for this lease contract should be classified as substandard or lower.

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

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

Asset management measures

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

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

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

On-site customer visits

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

Material events handling and reporting procedures

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

Regular assessments on asset quality and update on reclassification

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

Credit Risk Analysis

Analysis on the industry concentration of interest-earning assets

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

	31 December 2021		31 December 2020	
	<i>RMB'000</i>	% of total	<i>RMB'000</i>	% of total
Healthcare	22,267,645	36.4%	28,971,620	53.0%
Urban public utility	36,433,511	59.6%	22,233,552	40.7%
Others	2,426,451	4.0%	3,445,050	6.3%
Total	<u>61,127,607</u>	<u>100.0%</u>	<u>54,650,222</u>	<u>100.0%</u>

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

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

	31 December	31 December
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Net interest-earning assets	60,299,526	53,552,416
Accounts receivables	869,232	670,816
Other receivables	321,350	138,218
Derivative financial assets	6,915	9,173
Bills receivables	<u>759</u>	<u>430</u>

7.4 Liquidity Risk

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

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

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

	On demand	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	<i>RMB'000</i>					
31 December 2021						
Total financial assets	2,549,728	8,427,907	17,790,914	45,335,319	-	74,103,868
Total financial liabilities	(572,507)	(4,869,060)	(13,585,669)	(34,182,832)	(5,878)	(53,215,946)
Net liquidity gap ⁽¹⁾	<u>1,977,221</u>	<u>3,558,847</u>	<u>4,205,245</u>	<u>11,152,487</u>	<u>(5,878)</u>	<u>20,887,922</u>
31 December 2020						
Total financial assets	2,647,548	7,215,731	15,616,118	40,465,032	278	65,944,707
Total financial liabilities	(510,815)	(5,685,324)	(17,459,825)	(24,520,408)	(600)	(48,176,972)
Net liquidity gap ⁽¹⁾	<u>2,136,733</u>	<u>1,530,407</u>	<u>(1,843,707)</u>	<u>15,944,624</u>	<u>(322)</u>	<u>17,767,735</u>

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

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

8. Pledge of Group Assets

As at 31 December 2021, the Group had interest-earning assets of RMB6,595.8 million and cash of RMB781.9 million pledged or paid to banks to secure the bank borrowings.

9. Material Investments, Acquisitions and Disposals

On 25 January 2021, Hospital Investment Co., Ltd., a wholly-owned subsidiary of the Company, and Pangang Group Xichang New Steel Enterprise Co., Ltd. (攀鋼集團西昌新鋼業有限公司) (“Xichang New Steel”) entered into a cooperation agreement (the “Cooperation Agreement”), pursuant to which, both parties agreed to establish a joint venture (“Joint Venture”) with cash of RMB176.42 million contributed by Hospital Investment Co., Ltd., and 100% assessed equity of Liangshan Panxin Health Management Company Limited (涼山州攀新健康管理有限公司) contributed by Xichang New Steel. Pursuant to the Cooperation Agreement, the Joint Venture, upon its establishment, will be held as to 51% and 49% by Hospital Investment Co., Ltd. and Xichang New Steel, respectively.

On 29 December 2021, Genertec Universal (Tianjin) Hospital Group Co., Ltd. (通用環球(天津)醫院集團有限公司) (“Hospital Group Co.”), a wholly-owned subsidiary of the Company entered into a capital increase agreement (the “Capital Increase Agreement”) with Anhui Luzhou Hospital Co., Ltd. (安徽廬州醫院有限公司) (“Anhui Luzhou Hospital”), pursuant to which, both parties agreed to increase the capital of Anhui Luzhou Hospital with cash of RMB200 million by Hospital Group Co., and invest in Anhui Luzhou Hospital with the hospital’s existing net assets, relevant medical resources and cash by the existing individual shareholders of Anhui Luzhou Hospital. Pursuant to the Capital Increase Agreement, upon completion of the above steps, Hospital Group Co. would hold 83.33% equity interest in Anhui Luzhou Hospital.

There were no significant investments held, nor were there any material disposals of subsidiaries during the year ended 31 December 2021.

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

10.1 Contingent Liabilities

	31 December 2021	31 December 2020
	<i>RMB’000</i>	<i>RMB’000</i>
Legal proceedings	–	–
Claimed amounts	–	–

10.2 Capital Commitments and Credit Commitments

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

	31 December 2021	31 December 2020
	<i>RMB'000</i>	<i>RMB'000</i>
Capital expenditure under signed contracts but not appropriated ⁽¹⁾	1,645,398	1,584,121
Credit commitments ⁽²⁾	<u>6,690,000</u>	<u>568,952</u>

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

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

11. Human Resources

As of 31 December 2021, we had a total of 15,242 employees, representing an increase of 1,556 or 11.37%, compared to 13,686 employees as of 31 December 2020, which is mainly due to transfer of employees from acquired hospitals.

We have a highly-educated and high-quality work force, with about 55.2% of our employees holding bachelor's degrees and above, about 6.98% holding master's degrees and above, about 38.6% with intermediate title and above, and about 13.96% with senior vice title and above as of 31 December 2021.

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

In accordance with applicable PRC regulations, we have made contributions to social security insurance funds (including pension insurance, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for our employees. We also provide other insurance plans for eligible employees such as supplementary pension, additional medical insurance and accident insurance in addition to those required under the PRC regulations. For the year ended 31 December 2021, the Group complied with all statutory social insurance and housing fund obligations applicable to the Group under the PRC laws in all material respects.

CORPORATE GOVERNANCE CODE

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

During the year, the Company has complied with all code provisions as set out in the CG Code save for the deviation from code provisions A.4.2 and A.2.1.

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

Code provision A.2.1 of the CG Code stipulates that the roles of the chairman of the Board and the chief executive officer of the Company should be separate and should not be performed by the same individual. From 27 August 2021 to 13 September 2021, Ms. Peng Jiahong assumed the roles of both the chairwoman of the Board and the chief executive officer of the Company, which constituted a deviation from the code provision A.2.1 of CG Code. Please refer to the Company's announcements dated 27 August 2021 and 13 September 2021 for further details. On 13 September 2021, Mr. Wang Wenbing was appointed as an executive Director and the chief executive officer of the Company. With effect from the same day, Ms. Peng Jiahong no longer acted as the chief executive officer of the Company, and the Company re-complies with code provision A.2.1.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Having made specific enquiry in writing to all the Directors (including Mr. Zhang Yichen, Mr. Liu Xiaoping, Mr. Su Guang, Ms. Liu Kun and Mr. Liu Zhiyong who resigned during the accounting period covered by this annual results announcement and Mr. Feng Songtao who resigned with effect from 9 February 2022), the Company confirmed that the Directors had complied with the Model Code and the Securities Dealing Code throughout the period from 1 January 2021 or the date of his appointment as Director (as the case may be) and up to the date of his/her resignation as Director or 31 December 2021 (as the case may be).

REVIEW OF FINANCIAL INFORMATION

The Audit Committee has discussed with the management and the external overseas auditor of the Company and reviewed the audited consolidated financial statements and annual results of the Group for the year ended 31 December 2021.

In addition, Ernst & Young, the external overseas auditor of the Company, has independently audited the consolidated financial statements of the Group for the year ended 31 December 2021 in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

DISCLOSURE UNDER SECTION 436 OF THE COMPANIES ORDINANCE

The financial information relating to the Company for the years ended 31 December 2021, 2020, 2019, 2018 and 2017 included in this announcement does not constitute the Company's statutory annual consolidated financial statements for these five years but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the consolidated financial statements for the years ended 31 December 2020, 2019, 2018 and 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, as well as section 94 of the Companies Ordinance and will deliver the consolidated financial statements for the year ended 31 December 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance in due course.

The Company's overseas auditor has reported on the consolidated financial statements for the years ended 31 December 2021, 2020, 2019, 2018 and 2017. The overseas auditor's reports were unqualified; did not include a reference to any matters to which the overseas auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

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

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

DIVIDEND AND CLOSURE OF REGISTER

The Board recommended the payment of a final dividend of HKD0.36 per share for the year ended 31 December 2021 to Shareholders whose names appear on the register of members of the Company on Wednesday, 15 June 2022. The proposed final dividend will be paid on Monday, 27 June 2022, subject to the approval of the Shareholders at the 2022 AGM to be held on Tuesday, 7 June 2022.

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

- (i) from Wednesday, 1 June 2022 to Tuesday, 7 June 2022, both days inclusive and during which period no share transfer will be registered, for the purpose of ascertaining Shareholders' entitlement to attend and vote at the 2022 AGM. In order to be eligible to attend and vote at the 2022 AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, 31 May 2022; and

- (ii) from Monday, 13 June 2022 to Wednesday, 15 June 2022, both days inclusive and during which period no share transfer will be registered, for the purpose of ascertaining Shareholders' entitlement to the proposed final dividend. In order to establish entitlements to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 10 June 2022.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the Company's website at www.umcare.cn, respectively. The annual report of the Company for the year ended 31 December 2021 containing all the information required under the Listing Rules will be despatched to the Shareholders and published on the above-mentioned websites in due course.

DEFINITION

“2022 AGM”	the annual general meeting of the Company to be held on 7 June 2022
“Ansteel General Hospital”	Ansteel Group General Hospital (鞍鋼集團公司總醫院), a leading Grade III Class A general hospital in Anshan City, Liaoning Province, the PRC
“Audit Committee”	the audit committee of the Board
“Board” or “Board of Directors”	the board of Directors
“CG Code”	the “Corporate Governance Code” contained in Appendix 14 to the Listing Rules
“CITIC Capital”	CITIC Capital Holdings Limited
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong, which has become effective from 3 March 2014), as amended, supplemented or otherwise modified from time to time
“Company” or “Universal Medical”	Genertec Universal Medical Group Company Limited (通用環球醫療集團有限公司) (formerly known as Universal Medical Financial & Technical Advisory Services Company Limited (環球醫療金融與技術諮詢服務有限公司), Universal Medical Services & Health Management Company Limited (環球醫療服務有限公司) and Universal International Leasing Co., Limited (環球國際租賃有限公司)), a company incorporated with limited liability under the laws of Hong Kong on 19 April 2012

“CULC”	China Universal Leasing Co., Ltd. (中國環球租賃有限公司), a wholly foreign-owned enterprise incorporated in China on 1 November 1984 and a wholly-owned subsidiary of the Company
“CVA”	cerebral vascular accident
“Director(s)”	the director(s) of the Company
“GCP”	good clinical practice
“Group”, “we” or “us”	the Company and its subsidiaries
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hospital Investment Co., Ltd.”	Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd. (通用環球醫院投資管理(天津)有限公司), previously known as Wiseman Hospital Investment Management (Tianjin) Co., Ltd. (融慧濟民醫院投資管理(天津)有限公司), a wholly-owned subsidiary of the Company established in the PRC in 2015
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
“PRC” or “China”	The People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan
“Prospectus”	the prospectus issued by the Company on 24 June 2015
“RMB”	Renminbi, the lawful currency of the PRC

“Securities Dealing Code”	the Company’s own code of conduct regarding directors’ and employees’ dealings in the Company’s securities
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“USD”	United States dollars, the lawful currency of the United States

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

Hong Kong, 29 March 2022

As at the date of this announcement, the executive Directors of the Company are Ms. Peng Jiahong (Chairwoman) Mr. Wang Wenbing and Mr. Yu Gang; the non-executive Directors of the Company are Mr. Zhaoyan (vice-chairman), Mr. Tong Chaoyin, Mr. Che Lingyun and Mr. zhu Ziyang; and the independent non-executive Directors of the Company are Mr. Li Yinquan, Mr. Chow Siu Lui, Mr. Han Demin and Mr. Liao Xinbo.