THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Genertec Universal Medical Group Company Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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)

MAJOR AND CONNECTED TRANSACTION ACQUISITION OF THE REMAINING 54% EQUITY INTEREST IN A NON-WHOLLY OWNED SUBSIDIARY AND NOTICE OF EGM

The notice convening the EGM of Genertec Universal Medical Group Company Limited to be held at Conference Room, 5/F, West Wing of Hademen Plaza, 8-1 Chongwenmenwai Street, Dongcheng District, Beijing, China on Friday, 30 December 2022 at 10:00 a.m. is set out in this circular.

Whether or not you are able to attend the EGM, please complete and sign the enclosed form of proxy for use at the EGM in accordance with the instructions stated thereon and return it to the Company's share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours (excluding any part of a day that is a public holiday) before the time appointed for the EGM or the adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the EGM if they so wish.

This circular together with the form of proxy are also published on the websites of Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk) and the Company (www.umcare.cn), respectively.

PRECAUTIONARY MEASURES FOR THE EGM

To safeguard the health and safety of Shareholders and to prevent the spreading of the COVID-19 pandemic, the following precautionary measures will be implemented at the EGM of the Company:

(1) compulsory temperature checks;
(2) submission of a health declaration form;
(3) wearing of surgical face mask; and
(4) no provision of refreshment and souvenir.

Any attendee, who (a) refuses to comply with the precautionary measures; (b) is subject to the government's quarantine requirements or has close contact with any person under quarantine; (c) is subject to the government's prescribed testing requirement or direction and has not tested negative; or (d) feels unwell or has any symptoms of COVID-19, may be denied entry into or be required to leave the EGM venue at the absolute discretion of the Company as permitted by law.

The Company reminds all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. As an alternative, by using forms of proxy with voting instructions inserted, Shareholders may appoint any person or the chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM instead of attending the EGM in person.

14 December 2022

CONTENTS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"Acquisition"	the acquisition of the Equity Interest I and the Equity Interest II by Hospital Investment Co., Ltd. from Minmetals Shareholders and CITIC Capital (Tianjin)
"Articles of Association"	the articles of association of the Company currently in force
"Assets Contribution Shareholders"	the Minmetals Shareholders other than Minmetals Assets Management and Minmetals Innovation Investment
"Benchmark Date"	31 July 2021
"Board"	the board of Directors of the Company
"Capital Increase Agreement"	the capital increase agreement entered into by Minmetals Assets Management, China MCC 5 Group Co., Ltd. (中國五冶集團有限公司), China MCC 19 Group Co., Ltd. (中國十九冶集團有限公司), China MCC 17 Group Co., Ltd. (中國十七冶集團有限公司) and Minmetals (Handan) Real Estate Management Company Limited (五礦(邯鄲)房產管理有限公司), Minmetals Innovation Investment, Hospital Investment Co., Ltd., CITIC Capital (Tianjin) and the Target Company on 31 May 2020
"Cash Contribution Shareholders"	Minmetals Assets Management, Minmetals Innovation Investment and CITIC Capital (Tianjin)
"CITIC Capital"	CITIC Capital Holdings Limited (中信資本控股有限公司)
"CITIC Capital (Tianjin)"	CITIC Capital Equity Investment (Tianjin) Corporation Limited (中信資本股權投資(天津)股份有限公司)
"CITIC CPL"	CITIC Capital Partners Limited
"close associates"	has the meaning ascribed thereto under the Listing Rules
"Companies Ordinance"	Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time
"Company"	Genertec Universal Medical Group Company Limited (通用環球醫療集團有限公司), a company incorporated in Hong Kong with limited liability and the issued shares of which are listed on the main board of the Stock Exchange (stock code: 2666)

"Completion"	the completion of the Acquisition in accordance with the terms and conditions of the Equity Transfer Agreement I and Equity Transfer Agreement II
"controlling shareholder"	has the meaning ascribed thereto under the Listing Rules
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be held at Conference Room, 5/F, West Wing of Hademen Plaza, 8-1 Chongwenmenwai Street, Dongcheng District, Beijing, China on Friday, 30 December 2022 at 10:00 a.m., to consider and, if appropriate, to approve the Equity Transfer Agreement I, the Equity Transfer Agreement II and the Acquisition contemplated thereunder
"Enlarged Group"	the Group enlarged by the Acquisition
"Equity Interest I"	a total of 44% equity interest in the Target Company held by Minmetals Shareholders
"Equity Interest II"	10% equity interest in the Target Company held by CITIC Capital (Tianjin)
"Equity Transfer Agreement I"	the equity transfer agreement dated 30 July 2022 entered into by Hospital Investment Co., Ltd., Minmetals Shareholders and the Target Company in relation to the acquisition of the Equity Interest I
"Equity Transfer Agreement II"	the equity transfer agreement dated 30 July 2022 entered into by Hospital Investment Co., Ltd., CITIC Capital (Tianjin) and the Target Company in relation to the acquisition of the Equity Interest II
"Equity Transfer Agreements"	Equity Transfer Agreement I and Equity Transfer Agreement II
"Group"	the Company and its subsidiaries
"GT-HK"	Genertec Hong Kong International Capital Limited (通用技術集團香港國際資本有限公司), a company incorporated with limited liability under the laws of Hong Kong on 24 March 1994, an indirect wholly-owned subsidiary of GT-PRC, and one of the controlling shareholders of the Company
"GT-PRC"	China General Technology (Group) Holding Company Limited (中國通用技術(集團)控股有限責任公司), a state-owned enterprise and the controlling shareholder of the Company

"Haide Ruixiang"	Beijing Haide Ruixiang Assets Management Co., Ltd. (北京海德瑞祥資產管理有限公司), one of Minmetals Shareholders
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"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
"Latest Practicable Date"	9 December 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained therein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Million Surplus Developments"	Million Surplus Developments Limited (百盈發展有限公司), a company incorporated in the British Virgin Islands with limited liability
"Minmetals Assets Management"	Minmetals Assets Management Company Limited (五礦資產經營管理有限公司)
"Minmetals Innovation Investment"	Minmetals Innovation Investment Company Limited (五礦創新投資有限公司)
"Minmetals Shareholders"	Minmetals Assets Management, Haide Ruixiang, Beijing Dongxing Metallurgical New-Tech & Development Corporation. (北京東星冶金新技術開發有限公司), China MCC 5 Group Co., Ltd. (中國五冶集團有限公司), China MCC 19 Group Co., Ltd. (中國十九冶集團有限公司), China MCC 17 Group Co., Ltd. (中國十七冶集團有限公司), Minmetals (Handan) Real Estate Management Company Limited (五礦(邯鄲)房產管理有限公司) and Minmetals Innovation Investment
"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
"Restructuring Agreement"	the restructuring agreement entered into by Hospital Investment Co., Ltd., Minmetals Shareholders, CITIC Capital (Tianjin) and the Target Company on 31 August 2020 in respect of the Capital Increase II

"RMB"	Renminbi, the lawful currency of the PRC
"SAIC"	State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), the predecessor of the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
"SASAC"	the State-owned Assets Supervision and Administration Commission of the State Council of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Share(s)"	ordinary share(s) in the share capital of the Company
"Shareholder(s)"	holder(s) of the issued shares of the Company
"Share Option Scheme"	the share option scheme adopted by the Company on 31 December 2019
"SOEs"	state-owned enterprises
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Target Company"	Genertec Minmetals Hospital Management (Beijing) Company Limited (通用五礦醫院管理(北京)有限公司), an indirect non-wholly owned subsidiary of the Company, as of the Latest Practicable Date
"Target Hospitals" or "Target Group"	Shanghai MCC Hospital (上海中冶醫院), Ma'anshan MCC 17 Hospital (馬鞍山十七冶醫院), China MCC 5 Group Co., Ltd. Hospital (中國五冶集團有限公司醫院), China MCC 19 Group Co., Ltd. Workers' Hospital (中國十九冶集團有限公司職工醫院), Tangshan MCC 22 Hospital (唐山二十二冶醫院), Minmetals Hanxing General Hospital (五礦邯邢職工總醫院), and Taiyuan 7th People's Hospital (太原市第七人民醫院)
"USD"	United States dollars, the lawful currency of the United States
"Valuation Report I"	the valuation report dated 12 March 2022 prepared by the Valuer in relation to the Valuation Target
"Valuation Report II"	the valuation report dated 25 June 2022 prepared by the Valuer in relation to the Valuation Target

"Valuation Reports"	Valuation Report I and Valuation Report II
"Valuation Target"	100% equity interest of the Target Company and the Target Hospitals
"Valuer"	Beijing Guo Rong Xing Hua Assets Appraisal Co., Ltd (北京國融興華資產評估有限責任公司)
"%"	per cent

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)

Executive Directors:
Ms. Peng Jiahong (彭佳虹女士) *(Chairwoman)*
Mr. Wang Wenbing (王文兵先生) *(Chief Executive Officer)*
Mr. Yu Gang (俞綱先生)

Non-executive Directors:
Mr. Chan Kai Kong (陳啟剛先生) *(Vice-chairman)*
Mr. Tong Chaoyin (童朝銀先生)
Mr. Xu Ming (徐明先生)
Mr. Zhu Ziyang (朱梓陽先生)

Independent Non-executive Directors:
Mr. Li Yinquan (李引泉先生)
Mr. Chow Siu Lui (鄒小磊先生)
Mr. Xu Zhiming (許志明先生)
Mr. Chan, Hiu Fung Nicholas (陳曉峰先生)

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

Head Office and Principal Place of Business in China:
4th, 5th and 13th Floor
West Wing of Hademen Plaza
8-1 Chongwenmenwai Street
Dongcheng District
Beijing, China

14 December 2022

To the Shareholders

Dear Sir/Madam,

MAJOR AND CONNECTED TRANSACTION
ACQUISITION OF THE REMAINING 54% EQUITY INTEREST IN A NON-WHOLLY OWNED SUBSIDIARY
AND
NOTICE OF EGM

1. INTRODUCTION

References are made to the announcements of the Company dated 1 August 2022 and 2 September 2022 in relation to, among others, the Acquisition. The purpose of this circular is to provide the Shareholders with, among other things, (i) further information in relation to the Acquisition, and (ii) other information as required under the Listing Rules.

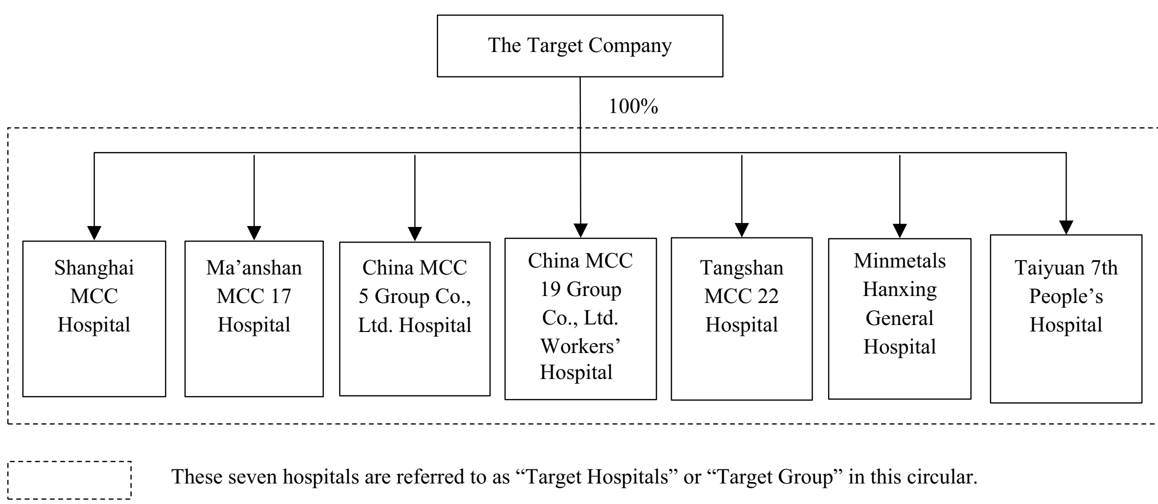
2. BACKGROUND

In March 2019, Hospital Investment Co., Ltd., Minmetals Assets Management, Minmetals Innovation Investment and CITIC Capital (Tianjin) established the Target Company, for the purpose of promoting cooperation between the Group and China Minmetals Corporation (中國五礦集團有限公司). Upon the establishment of the Target Company, it was held by Hospital Investment Co., Ltd., Minmetals Assets Management, Minmetals Innovation Investment and CITIC Capital (Tianjin) as to 46%, 39%, 5% and 10%, respectively, and accounted for as a subsidiary of the Company.

On 31 May 2020, Hospital Investment Co., Ltd. entered into the Capital Increase Agreement with certain Minmetals Shareholders and CITIC Capital (Tianjin), pursuant to which the parties agreed to increase the capital of the Target Company (the "**Capital Increase I**"). The Capital Increase I was completed in March 2022.

On 31 August 2020, Hospital Investment Co., Ltd. entered into the Restructuring Agreement with Minmetals Shareholders and CITIC Capital (Tianjin), pursuant to which, among other things, the parties agreed to further increase the capital of the Target Company (the "**Capital Increase II**", together with the Capital Increase I, the "**Capital Increases**"). The Capital Increase II was completed in August 2022.

The chart below shows the relationship between the Target Company and the Target Hospitals immediately after the completion of the Capital Increases:



Upon completion of the Capital Increases, the Target Company was held by Hospital Investment Co., Ltd., Minmetals Shareholders and CITIC Capital (Tianjin) as to 46%, 44% and 10%, respectively, and remained as a subsidiary of the Company.

3. THE ACQUISITION

On 30 July 2022, Hospital Investment Co., Ltd. entered into (i) the Equity Transfer Agreement I with Minmetals Shareholders and the Target Company, pursuant to which Hospital Investment Co., Ltd. (as the purchaser) has conditionally agreed to acquire, and Minmetals Shareholders (as vendors) have conditionally agreed to sell the Equity Interest I, being a total of 44% of the equity interest in the Target Company, for a total consideration of RMB1,096.2 million; and (ii) the Equity Transfer Agreement II with CITIC Capital (Tianjin) and the Target Company, pursuant to which Hospital Investment Co., Ltd. (as the purchaser) has conditionally agreed to acquire, and CITIC Capital (Tianjin) (as the vendor) has conditionally agreed to sell the Equity Interest II, being 10% of the equity interest in the Target Company, at nil consideration.

As of the Latest Practicable Date, the Target Company was owned as to 46% by Hospital Investment Co., Ltd., 44% by Minmetals Shareholders and 10% by CITIC Capital (Tianjin). Upon Completion, the Target Company would be owned as to 100% by Hospital Investment Co., Ltd., and accordingly, become an indirect wholly owned subsidiary of the Company.

EQUITY TRANSFER AGREEMENT I

Date:

30 July 2022

Parties:

(1) Minmetals Shareholders (as vendors);

(2) Hospital Investment Co., Ltd. (as the purchaser); and

(3) The Target Company

Subject matter:

Pursuant to the Equity Transfer Agreement I, Hospital Investment Co., Ltd. has conditionally agreed to acquire, and Minmetals Shareholders have conditionally agreed to sell the Equity Interest I, being a total of 44% equity interest in the Target Company held by Minmetals Shareholders.

Consideration and Payment Terms:

Pursuant to the Equity Transfer Agreement I, the total consideration for the Equity Interest I was RMB1,096.2 million. The table below sets forth the consideration to be paid by Hospital Investment Co., Ltd. to each of the Minmetals Shareholders:

Vendor	**Consideration** *(RMB in million)*
China MCC 5 Group Co., Ltd. (中國五冶集團有限公司)	66.14
China MCC 19 Group Co., Ltd. (中國十九冶集團有限公司)	74.32
Minmetals Assets Management	Nil[1]
China MCC 17 Group Co., Ltd. (中國十七冶集團有限公司)	36.75
Minmetals (Handan) Real Estate Management Company Limited (五礦(邯鄲)房產管理有限公司)	39.59
Haide Ruixiang	713.58

Vendor	Consideration *(RMB in million)*
Beijing Dongxing Metallurgical New-Tech & Development Corporation. (北京東星冶金新技術開發有限公司)	165.85
Minmetals Innovation Investment	Nil[1]

Note:

1. Pursuant to the relevant agreements in relation to the establishment of and capital increases to the Target Company, Minmetals Assets Management and Minmetals Innovation Investment shall make their respective contributions to the Target Company in cash. As of the Latest Practicable Date, Minmetals Assets Management and Minmetals Innovation Investment had not paid up any of the respective contributions subscribed by them to the Target Company, therefore, as agreed by all shareholders of the Target Company, the consideration for equity interest held by them under the Equity Transfer Agreement I will be nil. Hospital Investment Co., Ltd. would instead assume Minmetals Assets Management's and Minmetals Innovation Investment's obligations of capital contribution after the transfer of the Equity Interest I.

To ensure the completion of regulatory registration for the change in rights holder of certain hospital assets under the Capital Increases, Minmetals Shareholders agree to set aside 5% of the consideration as deposit.

Hospital Investment Co., Ltd. shall (i) pay the respective considerations (after deduction of the deposit) to the relevant Minmetals Shareholders (where applicable) within ten working days from the effective date of the Equity Transfer Agreement I, and (ii) pay the deposit to the relevant Minmetals Shareholders (where applicable) within ten days after the completion of the aforesaid regulatory registration.

Basis of Consideration:

The total consideration for the Equity Interest I was arrived at after arm's length negotiations and with reference to the appraised value of the Valuation Target as of the Benchmark Date.

According to the Valuation Reports, the appraised value of the Valuation Target under the asset-based method was approximately RMB2,393.88 million. As set out in the Accountant's Report in Appendix IV to this circular, the net assets of the Target Group (without taking into account the Target Company) as at 31 August 2022 was approximately RMB747.44 million. There seems to be a difference (the "**Difference**") of approximately RMB1,646.44 million between the abovementioned appraised value of the Valuation Target and the net assets of the Target Group, however, the main reasons leading to the Difference are as follows:

(a) *cash contributions of RMB1,282 million made by Hospital Investment Co., Ltd.* Under the asset-based method, the appraised value of the Valuation Target (namely Target Company together with the Target Group) was mainly determined by the value of the hospital assets, as well as cash contributions of RMB1,282 million made by Hospital Investment Co., Ltd. during the Capital Increases; and

(b) *the appreciation of certain assets under the Target Hospitals.* The combined statements of financial position (including net assets) of the Target Group were prepared under the historical cost convention, while, as disclosed in the sub-section headed "Valuation methodology" below in this circular, under the asset-based method, the assets and liabilities of the Target Group were adjusted from historical costs to current acquisition costs during the preparation of valuation results, as the asset-based method is essentially a cost-based method. And the adjustment, in essence, reflects the appreciation of the assets under the Target Group. The appraised value of net assets of the Target Group increased by approximately RMB400 million as compared with the net assets set out in the Accountant's Report, in which:

(i) approximately RMB300 million represents the appreciation of the fixed assets (mainly for houses and buildings) of the Target Group, because the value of the Target Group's fix assets represents the fair value of the fixed assets re-estimated by the Valuer with a comprehensive measurement of the value of equivalent assets in the region where the relevant assets are located; and

(ii) approximately RMB100 million represents the appreciation of the right-of-use assets (from the land) of the Target Group, because the value of the right-of-use assets of the Target Group represents the fair value of the right-of-use assets re-estimated by the Valuer according to the economic development, nature of the land, benchmark land price and other factors of cities where the relevant assets are located.

In addition, according to the Valuation Reports, the Valuer considered both the asset-based method and the income method when conducting the valuation, and it concluded that the valuation results under the asset-based method were more reasonable and objective in reflecting the value of the Valuation Target. The value of the Valuation Target under the income method, although a lower one, may not be able to reflect the value accurately. As stated in the section headed "Valuation Methodology" in this circular, for asset-heavy targets like the Target Hospitals, as the value of the assets is relatively explicit, normally the Valuer adopts the asset-based method. The asset-based method assesses the value of the assets and liabilities of the Target Hospitals. It is in line with the market norm of hospital acquisitions in the healthcare industry to use the value of the Valuation Target under the asset-based method as the pricing basis.

In considering the Acquisition, the Directors have reviewed (i) the experience and qualifications of the Valuer and (ii) the Valuation Reports, in which the Valuer considered that the asset-based method was more appropriate for the valuation. Given (i) the extensive valuation experience of the appraisers responsible for the Valuation Reports, (ii) the market norm of hospital acquisitions in the healthcare industry, and (iii) the Valuation Reports were prepared by an independent and qualified valuer, and the parties to the Acquisition have completed the filing procedures of the Valuation Reports with the SASAC, which complies with the applicable regulations, the Directors considered that using the value of the Valuation Target under the asset-based method to determine consideration for the Acquisition is fair and reasonable.

The main considerations of the Board for selecting 31 July 2021 as the Benchmark Date are as follows:

(a) It takes time to perform the valuation and prepare a formal valuation report.

Set out below is the process of the valuation:

(i) first of all, during the discussion about the transaction, the relevant parties to the Acquisition need to determine a benchmark date acceptable to all parties, and use the valuation of the Valuation Target as of that date as the pricing basis for the Acquisition;

(ii) after the benchmark date is determined, the auditor would perform necessary audit on the Valuation Target (which takes approximately three months);

(iii) after the audit work is completed, the Valuer would perform the valuation with reference to the audited results (which takes approximately two months); and

(iv) thereafter, the relevant parties to the Acquisition would be required to perform their corresponding approval procedures (if applicable) for state-owned assets (which takes approximately two months).

This process is in line with the industry practice in the PRC for transactions with state-owned property rights involved. The Valuation Report I was issued in March 2022 and has a validity period of one year from the Benchmark Date to 31 July 2022. The Directors are of the view that the Valuation Report I is reliable as it was issued within a relatively short period of time (namely four months) before the date of the Equity Transfer Agreements.

(b) No material changes in operating conditions of the Valuation Target and the industry.

From the Benchmark Date to the date of the Equity Transfer Agreements (the "**Relevant Period**"), (i) the Target Hospitals' staff remained stable, (ii) their outpatient and inpatient services also maintained normal operation, and (iii) the medical insurance settlement cycles of regions where the Target Hospitals located were within the normal range, considering that (x) during the Relevant Period, the medical insurance policies in those regions remained relatively stable, with the settlement cycles generally ranging from one to three months, and (y) the settlement amount of the Target Hospitals basically matched the amount of their medical business, and the amount of bad debts was relatively small. Therefore, the Directors considered that there was no material change in the operating conditions of the Target Hospitals that may materially affect the value of the Target Hospitals during the Relevant Period.

The Target Company is principally engaged in management of hospitals and retail of drugs. As (i) there was no unfavorable policy published by the relevant authorities for the entities among the industry during the Relevant Period, and (ii) the state is in favor of SOEs to operate hospitals as effective supporters of public hospitals, the Directors considered that there was no material change in the industry where the Target Company engaged that may materially affect the value of the Target Company during the Relevant Period.

(c) Under the asset-based method, the changes in profit and revenue of the Valuation Target after the Benchmark Date would not have material impact on the value of the Valuation Target.

The value of the Valuation Target was determined under the asset-based method. According to the Valuer, the asset-based method focuses on the valuation of the assets and liabilities of the Valuation Target as of the Benchmark Date, and therefore, the changes in profit and revenue of the Valuation Target after the Benchmark Date would not have material impact on the value of the Valuation Target. As a result, even though (i) the Acquisition was conducted in approximately one year after the Benchmark Date; and (ii) after the entry of the Capital Increases, the Target Company experienced certain downturn in its financial performance, the Directors considered that the value of the Valuation Target under the Valuation Report I remained a valid, fair and sound basis for the determination of the consideration of the Acquisition.

When determining the consideration for the Equity Interest I, the relevant parties did not use 44%, being the registered shareholding percentage held by Minmetals Shareholders in the Target Company, to calculate the consideration. Instead, a re-calculated shareholding percentage (i.e. 45.79%) was used by the parties (the "**Re-calculation**") considering the following facts:

(a) as of the date of the Equity Transfer Agreements, the SAIC register has been updated and reflected the shareholding percentage of each shareholder in the Target Company;

(b) the Cash Contribution Shareholders had not paid-up any contribution to the Target Company subscribed by them under the Capital Increases;

(c) the Company's wholly owned subsidiary, Hospital Investment Co., Ltd. has paid all of its capital contributions under the Capital Increases; and

(d) the Assets Contribution Shareholders would complete their contribution prior to the completion of the Acquisition.

The table below sets out the details of the Re-calculation:

Shareholders	**Contributions Subscribed** *(RMB in million)*	**Registered Shareholding Percentage**	**Basis of the Re-calculated Shareholding Percentage** *(RMB in million)*	**Re-calculated Shareholding Percentage**
China MCC 5 Group Co., Ltd.	65.34	2.34%	65.34	2.76%
China MCC 19 Group Co., Ltd.	73.43	2.63%	73.43	3.10%
Minmetals Assets Management	3.9	0.14%	Nil	0%
China MCC 17 Group Co., Ltd.	36.31	1.30%	36.31	1.54%
Minmetals (Handan) Real Estate Management Company Limited	39.11	1.40%	39.11	1.65%
Haide Ruixiang	704.98	25.30%	704.98	29.81%
Beijing Dongxing Metallurgical New-Tech & Development Corporation.	163.85	5.88%	163.85	6.93%
Minmetals Innovation Investment	139.35	5.00%	Nil	0%

Shareholders	Contributions Subscribed *(RMB in million)*	Registered Shareholding Percentage	Basis of the Re-calculated Shareholding Percentage *(RMB in million)*	Re-calculated Shareholding Percentage
Sub-total:	1,226.27	44%	1,083.02	45.79%
CITIC Capital (Tianjin)	278.70	10.00%	Nil	0%
Hospital Investment Co., Ltd.	1,282.01	46.00%	1,282.01	54.21%
Total:	2,786.98	100%	2,365.03	100%

Based on the Re-calculation, Minmetals Shareholders effectively held an aggregate of approximately 45.79% equity interest in the Target Company. Accordingly, 45.79% of the value of the Valuation Target (i.e. RMB2,393.88 million) was RMB1,096.23 million.

Conditions to Effectiveness:

The Equity Transfer Agreement I will become effective upon certain conditions having been fulfilled, which including but not limited to the following:

(a) the completion of Capital Increase II in accordance with terms and conditions of the Restructuring Agreement;

(b) the completion of the industrial and commercial registration by the Target Company, which will reflect the shareholding percentages upon the completion of the Capital Increase Agreement and the Restructuring Agreement; and

(c) the completion of decision making procedures, approval procedures, etc. for the signing and execution of the Equity Transfer Agreement I by the parties thereto in accordance with the laws and regulations, the requirements of the listing authorities (if applicable) and their respective internal management requirements.

As of the Latest Practicable Date, the above conditions (a) and (b) have been fulfilled.

Closing:

The closing date of the Equity Transfer Agreement I should be the first day of the month following the date on which the Target Company completes the industrial and commercial registration and filing in relation to the equity transfer, and such registration and filing include:

(a) the registration for the equity transfer with a business license issued by the relevant registration authority reflecting the Target Company's latest shareholdings after the equity transfer;

(b) the filing in respect of the exit of directors, supervisors and senior management members of the Target Company appointed by the relevant Minmetals Shareholders; and

(c) the filing of the amended articles of association of the Target Company with relevant authority.

Minmetals Shareholders should complete the above procedures within 15 working days of the date of Hospital Investment Co., Ltd.'s payment of the respective considerations to the relevant Minmetals Shareholders (where applicable) other than Haide Ruixiang. Since certain condition to effectiveness has not been fulfilled, and the Equity Transfer Agreement I is not yet in effect, parties thereto have not initiated performance of their obligations under the Equity Transfer Agreement I. Therefore, as at the Latest Practicable Date, none of the above conditions have been fulfilled.

EQUITY TRANSFER AGREEMENT II

Date:

30 July 2022

Parties:

(1) CITIC Capital (Tianjin) (as the vendor);

(2) Hospital Investment Co., Ltd. (as the purchaser); and

(3) The Target Company

Subject matter:

Pursuant to the Equity Transfer Agreement II, Hospital Investment Co., Ltd. has conditionally agreed to acquire, and CITIC Capital (Tianjin) has conditionally agreed to sell the Equity Interest II, being 10% equity interest in the Target Company held by CITIC Capital (Tianjin).

Consideration:

Pursuant to the relevant agreements in relation to the establishment of and capital increases to the Target Company, CITIC Capital (Tianjin) shall make contributions to the Target Company in cash. As of the Latest Practicable Date, CITIC Capital (Tianjin) had not paid up any contribution subscribed by it to the Target Company, and therefore, pursuant to the Equity Transfer Agreement II, the consideration for the 10% equity interest in the Target Company held by it would be nil.

The Directors are of the view that this arrangement is fair and reasonable and in the interest of the Company and its shareholders as a whole, as the value of the Valuation Target has increased since the establishment of the Target Company.

The Target Company was established as a platform company to manage the relevant hospitals and has no operating business income, and its assets mainly consists of assets under the Target Hospitals and cash contributions made by Hospital Investment Co., Ltd. Therefore, the value of the equity interest in the Target Company would mainly be affected by the value of the hospital assets.

According to the Valuation Reports, as of 31 July 2021:

(a) the appraised value of the Target Hospitals assets was slightly higher by approximately RMB13 million than that of the assets dated 31 May 2019, which was the basis of the Capital Increases; and

(b) the value of the Valuation Target is higher than the book value of the Valuation Target (by RMB44.15 million), which reflects the increase in the value of the Valuation Target. Normally such increase in value would be shared by all shareholders of the Target Company, which include those parties that had not made any capital contribution subscribed by them. However, under current arrangement, CITIC Capital (Tianjin) would voluntarily exit from the Target Company at nil consideration, which is beneficial to the Company as this arrangement could bring more economic benefit inflow to the Company.

Upon Completion, Hospital Investment Co., Ltd. would become the holder of the 10% equity interest originally held by CITIC Capital (Tianjin). Under the applicable PRC laws and regulations, it should assume the corresponding capital contribution obligation of the 10% equity interest.

Conditions to Effectiveness:

The Equity Transfer Agreement II will become effective upon the completion of decision making procedures, approval procedures, etc. for the signing and execution of the Equity Transfer Agreement II by the parties thereto in accordance with the laws and regulations, the requirements of the listing authorities (if applicable) and their respective internal management requirements. As of the Latest Practicable Date, the condition has not been fulfilled.

Closing:

The closing date of the Equity Transfer Agreement II should be the date on which the Target Company completes the industrial and commercial registration and filing in relation to the equity transfer, and such registration and filing include:

(a) the registration for the equity transfer with business license issued by the relevant registration authority reflecting the Target Company's latest shareholdings after the equity transfer (if applicable);

(b) the filing in respect of the exit of directors and supervisors of the Target Company appointed by CITIC Capital (Tianjin); and

(c) the filing of the amended articles of association of the Target Company with relevant authority.

Hospital Investment Co., Ltd. and the Target Company should complete the above procedures within 15 working days from the effective date of the Equity Transfer Agreement II. CITIC Capital (Tianjin) shall actively cooperate with Hospital Investment Co., Ltd. and the Target Company in completing the above procedures. Since the condition to effectiveness has not been fulfilled, and the Equity Transfer Agreement II is not yet in effect, parties thereto have not initiated performance of their obligations under the Equity Transfer Agreement II. Therefore, as at the Latest Practicable Date, none of the above conditions have been fulfilled.

THE VALUATION REPORTS

The Valuation Reports were issued by the Valuer in March 2022 and June 2022, respectively, and both have a validity period of one year from the Benchmark Date to 31 July 2022. Therefore, when the parties entered into the Equity Transfer Agreements, the Valuation Reports were still within their validity period. Other than certain information (namely principals and the issuance date of the report), the contents of Valuation Report I are consistent with that of the Valuation Report II.

Valuation methodology

According to the Valuer, pursuant to the Practice Guidelines for Asset Valuation – Enterprise Value (《資產評估執業準則－企業價值》), when performing valuation of enterprises, valuers should select the valuation methods by analyzing the suitability of the three basic asset valuation methods (namely, the income method, the market method and the asset-based method) based on various factors (such as the purpose of the valuation, the valuation target, the type of value, information gathering). If different valuation methods are suitable for the valuation, valuers should adopt two or more valuation methods and use qualitative or quantitative analysis to form valuation conclusions.

According to the Valuation Reports, the Valuer considered two valuation methods, namely:

(a) income method, focusing on the future earnings of the Valuation Target; and

(b) the assets-based method, focusing on the difference between the value of the Valuation Target's assets and liabilities.

The Valuer was of the view that the adoption of the income method would be inappropriate given:

(a) the Target Company was established as a platform company to manage the relevant hospitals and has no operating business income; and

(b) the Target Hospitals are non-profit medical institutions and as such, under the relevant laws and regulations, the Target Hospitals could not distribute their reserves to their owners or shareholders.

While the asset-based method focuses on the valuation of the assets and liabilities of the Valuation Target as of the Benchmark Date and would enable the users of the Valuation Reports to easily understand the composition of the Valuation Target's value. The asset-based method is essentially a cost-based method, the assets and liabilities in the balance sheet need to be adjusted to current acquisition costs as they are historical costs.

In general, the asset-based method is based on the balance sheet of the Valuation Target as of the Benchmark Date, and the value of the Valuation Target was determined by assessing the value of each identifiable on- and off-balance sheet asset and liability of the Valuation Target (i.e. the value of the Valuation Target is determined as the net amount of assets less liabilities, which is the value of the equity available to the owners of the Valuation Target).

The preconditions for the adoption of the asset-based method are as follows:

(a) the assets under the valuation are in a state of continuous use;

(b) sufficient historical information is available; and

(c) it is impossible to determine the profitability of the Valuation Target and it is difficult to find reference companies in the market.

As the Target Company was established as a platform company to manage the relevant hospitals, assets of the Target Company mainly consist of cash contributions from its shareholders and the assets of Target Hospitals. For the valuation of asset-heavy companies, valuers normally would adopt asset-based method. During the preparation of the Valuation Reports, the Valuer was able to obtain detailed information on the assets and liabilities of the Valuation Target and collect necessary external information required under the asset-based method. On this basis, the Valuer conducted a full inspection and appraisal on assets and liabilities of the Valuation Target.

Therefore, apart from the view stated above that the adoption of the income method would be inappropriate, for the purpose of the Acquisition and considering the characteristics of the Valuation Target, the Valuer is of the view that the asset-based method is more reliable and appropriate as compared with the income method.

According to the Valuer, the valuation results formed under the asset-based method are independent from the relevant conditions, conclusions or other factors under the income method.

Major assumptions

When preparing the Valuation Reports, the Valuer adopted the following major assumptions:

(i) Basic assumptions

a. ***Transaction assumptions***. As the most fundamental assumption for the valuation of assets, it is assumed that all assets to be appraised are in the process of transaction (i.e. as a subject for purchase or sale in the market), and the valuation is based on a simulated market including the trading conditions of the assets to be appraised by the valuer.

b. ***Open-market assumption***. It is assumed that for assets traded or to be traded in the market, parties of the transaction are equal and have opportunities and time to get adequate market information to make rational judgments on the functions, usage and price of the assets.

c. ***Assumption on continuing operation***. It is assumed that the appraised enterprise continues to operate in accordance with its original business purpose and operating methods after the valuation benchmark date.

(ii) Special assumptions

a. It is assumed that the business scope and operating method of the appraised enterprises are in line with the current direction with its existing management methods and management level after the valuation benchmark date.

b. It is assumed that physical assets associated with the valuation target have no major technical failure that will affect their continuous use, and that there are no potential significant quality defects in their key parts and materials.

c. It is assumed that the values of various parameters measured in the valuation are determined according with the current price system, without considering the influence of inflation factors after the benchmark date of the valuation.

Significant inputs

The assets of the Target Hospitals mainly include real properties and equipment. Thus, when preparing the Valuation Reports, the Valuer adopted certain significant inputs, among others:

The economic useful life of real properties	60 years
The economic useful life of medical equipment (such as magnetic resonance imaging (MRI) equipment)	10 years
The economic useful life of other equipment (such as air conditioner)	8 years

The identity and qualification of the Valuer

The relevant parties to the Acquisition went through internal procedures for the engagement of external consultants, comparing the competences of different candidates on the market, and finally decided to engage Beijing Guo Rong Xing Hua Assets Appraisal Co., Ltd as the Valuer, because it is an independent qualified professional valuer with extensive experience in comparable transactions.

According to the official website of the China Asset Appraisal Association (中國資產評估協會), the Valuer was a member registered in 1999 with over 100 certified asset appraisers. According to the Valuation Reports, the appraisers in charge of the Valuation Reports have an average of 13 years of experiences in valuation in the PRC.

For more details, please refer to Appendix III to this circular for the summary of the Valuation Reports.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company established in the PRC with limited liability in 2019 and is principally engaged in management of hospitals and retail of drugs. As at the date of this circular, the equity interest of the Target Company is held by Hospital Investment Co., Ltd., Minmetals Shareholders and CITIC Capital (Tianjin) as to 46%, 44% and 10%, respectively. Since its establishment, the Target Company has been accounted for as a subsidiary of the Company. Upon Completion, the Target Company will become an indirectly wholly owned subsidiary of the Company. Therefore, the Company would be able to consolidate 100% assets of the Target Hospitals under the Target Company. There is no original acquisition cost of the assets of the Target Hospitals under the Target Company as these assets were allocated (劃撥) by the PRC government.

The table below sets out the audited consolidated financial information of the Target Company for the two financial years ended 31 December 2021 and the unaudited consolidated financial information of the Target Company for the eight months ended 31 August 2022, all of which were prepared in accordance with generally accepted accounting principles in the PRC:

	Year Ended 31 December 2020 (audited) *(RMB: million)*	**Year Ended 31 December 2021 (audited)** *(RMB: million)*	**Eight Months Ended 31 August 2022 (unaudited)** *(RMB: million)*
Loss before taxation	(0.42)	(0.85)	(1.77)
Loss after taxation	(0.42)	(0.85)	(1.77)

Note: The financial information of the Target Company above is the individual statement of the Target Company, without taking into account the financial impact of the Target Hospitals upon injection into the Target Company. Please refer to Appendix IV to this circular for details of financial information of the Target Hospitals.

EFFECT OF THE ACQUISITION ON THE GROUP'S EARNINGS AND ASSETS AND LIABILITIES

Assets and liabilities

As illustrated in the unaudited pro forma financial information as set out in Appendix V to this circular, had the Acquisition taken place on 30 June 2022, the total assets of the Enlarged Group would decrease from RMB77,155,704,000 to approximately RMB77,053,949,000 on a pro forma basis, and the total liabilities of the Enlarged Group would increase from RMB58,882,890,000 to approximately RMB59,158,600,000 on a pro forma basis.

Earnings

As set out in the Accountant's Report on the Target Group included in Appendix IV to this circular, the revenue and loss attributable to owners of the parent of the Target Group were approximately RMB1,050,914,000 and RMB22,038,000 for the eight months ended 31 August 2022, respectively.

For further details, please refer to the Unaudited Pro Forma Financial Information of the Enlarged Group set out in Appendix V to this circular.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Acquisition is in line with the national policies of reform on state-owned enterprises-affiliated hospitals and would make it more efficient for the Group to carry out its business strategies on the Target Company. In recent years, the Group has actively participated in the integration and takeover of medical institutions from SOEs to build up its resources for building a healthcare conglomerate. To this end, more control over the medical resources under the Target Company would be beneficial to the efficient implementation of the Group's initiatives to improve the efficiency of operations of its medical institutions, such that the Group would have more room and flexibility in integrating resources among medical institutions and adopting new technologies and regime to enhance the service quality of its medical institutions and its business and financial performance. In addition, the Target Company has to obtain approval from all of its shareholders for matters that are material to its operations. Upon Completion, Hospital Investment Co., Ltd. would become the sole shareholder of the Target Company, and accordingly, the approval process involved in its decision-making process would be simplified.

To 100% consolidate the assets of the Target Company would also benefit the Group financially. The Target Hospitals are non-profit medical institutions, and subjected to the relevant laws and regulations, they are not allowed to allocate their reserves to their owners or shareholders. But the non-profit nature of the Target Hospitals would not prevent the Company from consolidating the Target Hospitals into its financial account. Upon completion of the Capital Increases, the Target Hospitals were injected into the Target Company and thus their financial results (including profits) were consolidated into the financial statements of the Group in proportion. Upon Completion, the proportion of the Company's consolidation of the Target Company and the Target Hospitals would increase from 46% to 100%. Furthermore, although the Target Hospitals are not allowed to allocate reserves to their owners or shareholders, the Group may obtain variable returns through cooperations with the Target Hospitals, as an alternative way to enjoy the financial benefits from the Target Hospitals. As of the Latest Practicable Date, the Group plans to realise its investment mainly in the following ways:

(a) whole life cycle management business for medical equipment: as the Company operates the whole life cycle management business for medical equipment, it is competent to provide the Target Hospitals with management services covering procurement, maintenance, refined management and benefit analysis of their equipment. It is expected that the Company would enter into service contracts with the Target Hospitals for the provision of the aforementioned services, which would save operation costs for the Target Hospitals; and

(b) discipline construction: the Company has established many business teams with various specialties, such as oncology, nephropathy, stomatology, physical examination, Chinese medicine, with professional medical knowledge and extensive experience. With the support of these well-established teams from the headquarter and the Company's collective hospital operation management system, the Company would enter into operation management service agreements with the Target Hospitals to improve the construction of their respective departments and enhance their professional abilities, and accordingly, the Company would receive management fees from the Target Hospitals. It is expected that such improvement on discipline construction would (i) bring long term growth to the Target Hospitals' specialty business, through which the Target Hospitals would make contribution to the enhancement of the Company's capability in the overall specialty operation of its hospital group, and (ii) improve the Group's business scale of collective specialty business, management service competence and brand influence, which would further lead to revenue growth of the Group.

Upon Completion, the Company would be ableto obtain 100% of the aforesaid variable returns.

As Mr. Chan Kai Kong is the chief financial officer and a senior managing director of CITIC Capital, the holding company of CITIC Capital (Tianjin), and Mr. Li Yinquan is a director of China Minmetals Corporation (中國五礦集團有限公司), the ultimate controlling shareholder of Minmetals Shareholders, both of them have abstained from voting to approve the Equity Transfer Agreement I and Equity Transfer Agreement II and the Acquisition contemplated thereunder. Considering that (i) the consideration under the Acquisition was based on the independent Valuation Reports which were properly and prudently prepared, (ii) the appraised value of the Valuation Target is higher than its book value of the Valuation Target (by approximately RMB44.15 million), which reflects the increase in the value of the Valuation Target, and (iii) the amount of consideration taking into account the actual payment status of the Target Company's shareholders and their purpose of the Acquisition, the Directors (including the independent non-executive Directors but excluding Mr. Chan Kai Kong and Mr. Li Yinquan) consider that the terms of the Equity Transfer Agreement I and Equity Transfer Agreement II are on normal commercial terms or better and are fair and reasonable and the contemplated transactions thereunder are in the interests of the Company and the Shareholders as a whole.

GENERAL INFORMATION

The Company

The Company is an integrated healthcare service provider with a focus on the fast-growing healthcare service industry in the PRC. Leveraging its own diversified healthcare resources and strong financial support, the Company has been committed to building up hospitals' comprehensive strengths in terms of healthcare technology, service quality, operating efficiency as well as managerial capacity.

Hospital Investment Co., Ltd.

Hospital Investment Co., Ltd. is a company established in the PRC with limited liability in 2015. The principal activity of Hospital Investment Co., Ltd. is investment holding.

Minmetals Shareholders

Minmetals Assets Management, a wholly owned subsidiary of China Minmetals Corporation, is a company established in the PRC with limited liability in 1984, the primary activity of which is assets management, investment management, enterprise management and advisory services.

China MCC 5 Group Co., Ltd. (中國五冶集團有限公司), a subsidiary of China Minmetals Corporation, is a company established in the PRC with limited liability in 1980, the primary activity of which is constructional engineering, smelting, and real estate development.

China MCC 19 Group Co., Ltd. (中國十九冶集團有限公司), a subsidiary of China Minmetals Corporation, is a company established in the PRC with limited liability in 1982, the primary activity of which is metallurgical engineering, constructional engineering and municipal engineering.

China MCC 17 Group Co., Ltd. (中國十七冶集團有限公司), a subsidiary of China Minmetals Corporation, is a company established in the PRC with limited liability in 2006, the principal activity of which is constructional engineering, metallurgical engineering and municipal engineering.

Minmetals (Handan) Real Estate Management Company Limited (五礦(邯鄲)房產管理有限公 司), a wholly owned subsidiary of China Minmetals Corporation, is a company established in the PRC with limited liability in 2011, the principal activity of which is assets management, property management and rental services.

Minmetals Innovation Investment, a wholly owned subsidiary of China Minmetals Corporation, is a company established in the PRC with limited liability in 2017. The principal activity of Minmetals Innovation Investment is investment, assets management, investment management and investment advisory services.

Haide Ruixiang, a wholly owned subsidiary of Minmetals Assets Management, is a company established in the PRC with limited liability in 2013, the primary activity of which is assets management and investment management.

Beijing Dongxing Metallurgical New-Tech & Development Corporation. (北京東星冶金新技術開發有限公司), a wholly owned subsidiary of Haide Ruixiang, is a company established in the PRC with limited liability in 1988, the primary activity of which is technology development of metallurgy and technology consultancy.

In respect of the shareholding structure of China MCC 17 Group Co., Ltd. as of the Latest Practicable Date, there were two shareholders holding more than 10% equity interest of it. Apart from China Minmetals Corporation, Anhui Jiangdong Industrial Investment Group Co., Ltd. (安徽江東產業投資集團有限公司) ("**Jiangdong Industrial Investment**") owns approximately 26.32% equity interests in China MCC 17 Group Co., Ltd. Jiangdong Industrial Investment is a wholly owned subsidiary of Jiangdong Holding Group Co., Ltd. (江東控股集團有限責任公司), which in turn is wholly owned by the People's Government of Ma'anshan Municipality (馬鞍山市人民政府). Jiangdong Holding Group Co., Ltd. is mainly engaged in investment activities with its own funds.

Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, based on the information available to the Company, as of the Latest Practicable Date, other than China Minmetals Corporation, there was no shareholder of the Minmetals Shareholders holding more than 10% equity interest of each of the Minmetals Shareholders.

CITIC Capital (Tianjin)

CITIC Capital (Tianjin) is a joint stock company established in the PRC with limited liability in 2009. The principal activity of CITIC Capital (Tianjin) is investment, assets management and advisory services. CITIC Capital (Tianjin) is indirectly held by CITIC Capital. To the best knowledge of the

Directors, as of the Latest Practicable Date, CITIC Capital is effectively owned by institutional shareholders, which include CITIC Limited (0267.HK, 19.90%), Tencent Holdings Limited (0700.HK, 20.70%), Fubon Financial Holding Co., Ltd. and its affiliate (2881.TW, 19.92%), Qatar Holding LLC (sovereign wealth fund of Qatar, 18.73%), and management of CITIC Capital (managing director and above, 20.75%).

The Target Company

The Target Company, a subsidiary of Hospital Investment Co., Ltd., is a company established in the PRC with limited liability in 2019 and is principally engaged in management of hospitals and retail of drugs.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Minmetals Shareholders and CITIC Capital (Tianjin) held 44% and 10% equity interest in the Target Company (a non-wholly owned subsidiary of the Company), respectively, and thus are connected persons of the Company at the subsidiary level under the Listing Rules by virtue of being substantial shareholders of the Target Company. Therefore, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Under Rule 14A.101 of the Listing Rules, since (i) Minmetals Shareholders and CITIC Capital (Tianjin) are connected persons of the Company at the subsidiary level; (ii) the Board (excluding Mr. Chan Kai Kong and Mr. Li Yinquan who are considered to have interest in the Acquisition) has approved the Acquisition; and (iii) the independent non-executive Directors (excluding Mr. Li Yinquan who is considered to have interest in the Acquisition) have confirmed that the terms of the Acquisition are fair and reasonable and the Acquisition is on normal commercial terms or better and in the interests of the Company and Shareholders as a whole, the Acquisition is subject to the reporting and announcement requirements, and is exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to Rule 14.23(1) of the Listing Rules and considering that (i) the Acquisition involves the same parties as those in the Capital Increases, (ii) the Acquisition is to be conducted within 12 months from the completion of the Capital Increases, and (iii) through the Acquisition and the Capital Increases, the Company would in effect acquire 100% interests in the hospital assets of the Target Company, the transaction contemplated under the Acquisition shall be aggregated with the Capital Increases, according to Rule 14.22 of the Listing Rules.

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisition (on an aggregate basis with the Capital Increases) is more than 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification, announcement, circular and shareholders' approval requirements under the Listing Rules.

4. EGM AND PROXY ARRANGEMENT

The notice of the EGM is set out on pages EGM-1 to EGM-2 of this circular.

Pursuant to the Listing Rules and the Articles of Association, any vote of Shareholders at a general meeting must be taken by poll except where the chairwoman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. An announcement on the poll results will be published by the Company after the EGM in the manner prescribed under the Listing Rules.

As CITIC Capital (Tianjin) has material interest in the Acquisition, CITIC Capital (Tianjin) and its close associates (including CITIC Capital) are required to abstain from voting on the relevant resolutions at the EGM under the Rule 14.46 of the Listing Rules. Therefore, CITIC Capital (Tianjin) and its close associates, which were interested in 59,407,000 Shares, representing about 3.14% of the issued share capital of the Company as at the Latest Practicable Date, must abstain from voting on the relevant resolutions at the EGM. As at the Latest Practicable Date and to the best knowledge, information and belief of the Directors, save as disclosed in this circular, no other Shareholders should abstain from voting at the EGM.

The form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk) and the Company (www.umcare.cn). To be valid, the form of proxy must be completed and signed in accordance with the instructions stated thereon and deposited, together with any authority under which it is executed or a copy of the authority certified notarially, at the Company's share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours (excluding any part of a day that is a public holiday) before the time appointed for the EGM or the adjourned meeting (as the case may be). Accordingly, the form of proxy must be delivered to the Company not later than 10:00 a.m. on Wednesday, 28 December 2022. Completion and delivery of the form of proxy will not preclude you from attending and voting at the EGM if you so wish.

5. RECOMMENDATION

The Directors (including the independent non-executive Directors but excluding Mr. Chan Kai Kong and Mr. Li Yinquan) consider that the terms of the Equity Transfer Agreement I and Equity Transfer Agreement II are on normal commercial terms or better and are fair and reasonable and the contemplated transactions thereunder are in the interests of the Company and the Shareholders as a whole.

Accordingly, the Directors (including the independent non-executive Directors but excluding Mr. Chan Kai Kong and Mr. Li Yinquan) recommend the Shareholders to vote in favour of the ordinary resolution to be proposed in respect of approving Equity Transfer Agreements and the transactions contemplated thereunder at the EGM.

Yours faithfully,
For and on behalf of the Board
Genertec Universal Medical Group Company Limited
通用環球醫療集團有限公司
Peng Jiahong
Chairwoman of the Board

1. FINANCIAL INFORMATION OF THE GROUP

The published audited consolidated financial statements of the Group for each of the three years ended 31 December 2019, 2020 and 2021, together with the accompanying notes to the financial statements, are disclosed in the following documents, which can be accessed on both the website of the Stock Exchange at https://www.hkexnews.hk and the website of the Company at www.umcare.cn:

(a) annual report of the Company for the year ended 31 December 2019, which can be accessed via the link at:

https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0423/2020042300516.pdf

(b) annual report of the Company for the year ended 31 December 2020, which can be accessed via the link at:

https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0421/2021042100668.pdf

(c) annual report of the Company for the year ended 31 December 2021, which can be accessed via the link at:

https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0420/2022042000434.pdf

2. STATEMENT OF INDEBTEDNESS OF THE ENLARGED GROUP

As at 31 October 2022, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had a total indebtedness of RMB46,015,957,000 with the following breakdown:

	RMB'000
Bank borrowings	24,597,622
Debt Securities	18,156,520
Lease Liabilities	1,141,855
Other borrowings	2,119,960
Total	46,015,957

As at 31 October 2022, bank borrowings and other borrowings of the Group were RMB26,717,582,000, of which RMB4,803,930,000 were secured by certain assets of the Group with a total value of RMB7,529,659,000.

As at 31 October 2022, the issued debt securities of the Group were RMB18,156,520,000. No indebtedness of the Group was guaranteed as at 31 October 2022. The Group has authorized but unissued debt securities of RMB11,400,000,000 as at 31 October 2022.

As at 31 October 2022, Lease Liabilities of the Group were RMB1,141,855,000, of which RMB920,000,000 were secured by certain assets of the Group with a total value of RMB679,211,000.

Save as disclosed above and apart from intra-group liabilities, the Group did not have any outstanding mortgages, charges, debentures, loan capital, debt securities, bank loans and overdrafts or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities as at 31 October 2022.

3. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that the working capital available to the Group is sufficient for the Group's present requirements for at least the next 12 months from the date of publication of this circular after taking into account: (i) the internal resources of the Group; (ii) the available facilities of the Group; and (iii) the Acquisition.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, to the best of the Directors' knowledge, there has been no material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Group were prepared.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Genertec Universal Medical Group Company Limited (通用環球醫療集團有限公司) ("**Universal Medical**") is controlled by a central state-owned enterprise with focus on healthcare industry. Leveraging core competencies in modern managerial idea, professional talent team, quality medical resources, diversified financial strength as well as inclusive and enterprising corporate culture, we strive to build up a trustworthy healthcare conglomerate focusing on medical services and supported by finance services so as to gradually build a shared and win-win healthcare industrial ecosystem. As a conglomerate controlled by a central enterprise and focusing on healthcare industry, as of 30 June 2022, Universal Medical (i) consolidated the accounts of and operated a large group of state-owned hospitals consisting of 51 medical institutions, and provided supply chain management, medical equipment related medical services integrating production, learning, research and marketing, life cycle management of medical equipment, medical testing, 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.

For Hospital Group Business, "Safeguarding Health and Wellness through Quality Healthcare" is the business mission we always implement. We give full play to the advantages of central state-owned enterprises in running medical care and provide the people with high-quality medical services which are safe, effective, accessible, and humanistic. In the first half of 2022, the Group consolidated the accounts of six additional medical institutions with a capacity of 2,507 beds in total; and the number of consolidated medical institutions as at 30 June 2022 increased to 51 (including 4 Grade III Class A hospitals and 25 Grade II hospitals), with actual capacity of 12,850 beds in total. The number of beds of medical institutions that have been contracted but not yet consolidated was over 2,500. The planned number of newly built beds exceeded 4,000 in total. In the future, based on the existing operation scale, we will continue to expand the scale of the hospital group through internal construction and mergers and acquisitions of/cooperation with external hospitals and it is expected to open 30,000 beds by the end of 2025.

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. Given the market competition landscape against the backdrop of ongoing pandemic and the implementation of a series of government-led industry reforms such as medical insurance cost control and centralised procurement of medical consumables, it puts the medical institutions in China on track to pursue high-quality development featured with refined management. Following the integration and takeover of medical institutions of SOEs since 2017, we continued to empower the development of the hospitals and took active and effective measures in response to external factors such as the pandemic and reforms. In the future, in order to serve the national healthcare initiative and in the trend of high-quality development of the medical industry, we will give full play to the competition advantages of central state-owned enterprises in running medical care by reinforcing group management and control and upgrading professional operation, further improving the operating efficiency of medical institutions.

Meanwhile, by fostering hospital group, we will also further build replicable advantages in terms of hospital operation management, life cycle management of medical equipment, supply chain management, infrastructure management and digital services, expand the market presence in addition to the health conglomerate and cultivate the new service mode featured with the integration of industry and finance, so as to promote quality and efficiency enhancement for external hospital customers and create new growth drivers for the Company.

For Finance and Advisory Business, the Group strives to build an innovative, high-quality and efficient finance service model, providing a solid foundation to achieve high-quality development of a central state-owned listed enterprise. The Group's financial business mainly focuses on finance leasing business, and centered on further exploration and development in the fields such as public hospitals and urban public utility based on the development prospect, profitability, revenue/risk profile, cashflow stability of the industry and other criteria. In 2022, we strived to overcome the impact of ongoing pandemic. With risk control as a top priority, we were committed to ensuring quality project development for our customers, with an aim to ensure safe and healthy development of the finance business. By keeping abreast of the market changes, we strived to control financing costs with a flexible approach to meet investment capital requirements.

We believe that, against the backdrop of accelerated implementation of the new urbanisation initiative by the government, urban public utility entities predominated by state-owned enterprises would continue to play an important role, and the total scale of incremental funds would remain substantial. With the increased efforts in the construction of public hospital system by local governments during the "14th Five Year" period, Grade II and above public hospitals with solid credit history and stable operation will also be faced with dual requirements for "Capital + Comprehensive Operation Management Services". While keeping a controllable risk profile, the Group will continue to facilitate steady development of the finance leasing business in the fields of public hospitals and urban public utility. Leveraging on the core businesses of the central state-owned group and in an active response to the national policies, the Group will continue to foster and expand innovative businesses. The Group will give full play to the finance business to empower the development of the medical care industry, and create a new business model featured with the integration of industry and finance, so as to lay a solid foundation for the high-quality development of a central state-owned and listed enterprise and achieve a leapfrog growth in the operating results.

In the future, we will always take serving the national strategy as an important political responsibility and development opportunity, actively engage in the new development pattern, safeguard health and wellness through quality healthcare, empower the high-quality development of medical institutions, accelerate the building of a shared and win-win healthcare industrial ecosystem, make unremitting efforts to build a trustworthy world-class medical and health enterprise, and make effective contributions to serving the Healthy China strategy.

The following management discussion and analysis is based on the financial information included in the accountant's report on Shanghai MCC Hospital, Ma'anshan MCC 17 Hospital, China MCC 5 Group Co., Ltd. Hospital, China MCC 19 Group Co., Ltd. Workers' Hospital, Tangshan MCC 22 Hospital, Minmetals Hanxing General Hospital and Taiyuan 7th People's Hospital (the "**Target Hospitals**" of this appendix) as set out in Appendix IV to this circular.

BUSINESS REVIEW

The Target Hospitals represent seven general hospitals, including one Grade III hospital and six Grade II general hospitals with a capacity of more than 3,600 beds in total which are scattered in six regions including Shanghai, Anhui, Chengdu, Sichuan and Hebei. With its advantageous geographic location and strong market demands for medical services, the Target Hospitals have outstanding competitive edge in the region. Faced with the recurrence of rampant Covid-19 pandemic, all the Target Hospitals were still able to provide all kinds of medical services and maintained a stable operation.

In 2021, the Target Hospitals recorded a steady increase in business volume, further improved the quality and efficiency of its medical services, obtained remarkable achievements in discipline optimisation, made steady progress in the development of featured departments, and achieved positive results in refining medical management. The Target Hospitals recorded outpatient and emergency visits of 1.64 million and inpatients visits of nearly 90,000 throughout the year. The business revenue reached approximately RMB1.6 billion aggregately.

Since March 2022, the Target Hospitals have completed the closing of the acquisition, effectively pushed forward the integration with post-acquisition enterprises and further promoted the consolidation and optimisation of medical resources, achieving positive results in quality improvement and efficiency enhancement.

FINANCIAL SUMMARY

Set our below is the financial information of the Target Hospitals for the three years ended 31 December 2019, 2020 and 2021 and the eight months ended 31 August 2022 (the "**Relevant Period**"):

	As at 31 December			As at 31 August
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	1,428,230	1,503,699	1,577,595	1,610,683
Net assets	770,303	763,010	784,628	747,440

	Year ended 31 December			Eight months ended 31 August
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	1,365,062	1,362,831	1,570,032	1,050,914
Gross profit	93,780	86,556	107,516	48,132
(Loss)/profit before tax	(3,239)	(18,768)	21,618	(21,003)
(Loss)/profit for the year/period	(3,239)	(18,768)	21,618	(21,003)

REVENUE

Revenue of the Target Hospitals for the year ended 31 December 2019 amounted to RMB1,365.1 million. In 2020, the overall business of the Target Hospitals was affected due to the implementation of pandemic prevention and control policy in various regions. Faced with the difficulties and challenges brought by the pandemic, the Target Hospitals adopted various measures to effectively increase service volume, such as focusing on community ancillary services by channeling healthcare services down to the communities. Thus, revenue of the Target Hospitals for the year ended 31 December 2020 amounted to RMB1,362.8 million, which was basically the same as that of the previous year. In 2021, the Target Hospitals demonstrated a trend of post-pandemic recovery growth. Revenue of the Target Hospitals for the year ended 31 December 2021 amounted to RMB1,570.0 million, representing an increase of approximately 15.2% as compared to the year ended 31 December 2020, and revenue of the Target Hospitals for the eight months ended 31 August 2022 amounted to RMB1,050.9 million, representing an increase of 6.6% as compared to the corresponding period of 2021. The fluctuations in the revenue was mainly attributable to the increase in revenue from healthcare services of the Target Hospitals.

COST OF SALES

The cost of sales of the Target Hospitals for the year of 2019, 2020 and 2021 as well as the first eight months of 2022 was RMB1,271.3 million, RMB1,276.3 million, RMB1,462.5 million and RMB1,002.8 million, respectively. The increase in cost of sales was mainly attributable to the increase in inventories such as pharmaceuticals and consumables as well as the increase in labour cost. For the year of 2019, 2020 and 2021 as well as the first eight months of 2022, the cost of inventories was RMB504.5 million, RMB481.8 million, RMB519.7 million and RMB357.4 million, respectively.

OTHER INCOME AND GAINS

Other income and gains mainly consist of deposit interest, financial subsidy and gain from the retirement of fixed assets. For the year of 2019, 2020 and 2021 as well as the first eight months of 2022, other income and gains of the Target Hospitals were RMB15.7 million, RMB15.6 million, RMB19.7 million and RMB5.8 million, respectively. The increase of other income and gains in 2021 was mainly attributable to the income from donations received by the Target Hospitals and grants from the communities.

ADMINISTRATIVE AND OTHER OPERATING EXPENSES

Administrative and other operating expenses mainly consist of labour cost, depreciation and amortisation. For the year of 2019, 2020 and 2021 as well as the first eight months of 2022, administrative and other operating expenses of the Target Hospitals were RMB103.8 million, RMB115.2 million, RMB99.2 million and RMB71.0 million, respectively.

FINANCE COSTS

Finance costs are mainly interest expenses incurred from fund raising activities. For the year of 2019, 2020 and 2021 as well as the first eight months of 2022, finance costs of the Target Hospitals were RMB1.3 million, RMB1.7 million, RMB2.5 million and RMB2.8 million, respectively. The changes in finance costs of the Target Hospitals were mainly due to the changes in the loan principal as a result of the reconstruction and expansion projects carried out by the Target Hospitals.

PROFIT FOR THE YEAR

For the year ended 31 December 2019, the Target Hospitals incurred a loss of RMB3.2 million. In 2020, due to factors such as pandemic prevention and control in different regions, the overall business of the Target Hospitals was affected, in particular, the inpatient business saw a striking decline in business volume. For the year ended 31 December 2020, the Target Hospitals recorded a loss of RMB18.8 million. In 2021, as the Target Hospitals actively explored new markets for physical examination business and enhanced its operation and management capability, the Target Hospitals recorded a profit of RMB21.6 million for the year ended 31 December 2021. In the first half of 2022, the recurrence of the pandemic caused a great impact on the Target Hospitals, among which Shanghai MCC Hospital with a relatively large operation scale suffered a considerable loss due to the effect of Shanghai lockdown in the first half of 2022. The Target Hospitals recorded loss for the period of RMB21.0 million during the eight months ended 31 August 2022.

CAPITAL STRUCTURE

The total assets of the Target Hospitals as at 31 December 2019, 31 December 2020, 31 December 2021 and 31 August 2022 were RMB1,428.2 million, RMB1,503.7 million, RMB1,577.6 million and RMB1,610.7 million, respectively.

The total liabilities of the Target Hospitals as at 31 December 2019, 31 December 2020, 31 December 2021 and 31 August 2022 were RMB657.9 million, RMB740.7 million, RMB793.0 million and RMB863.2 million, respectively.

The gearing ratio of the Target Hospitals as at 31 December 2019, 31 December 2020, 31 December 2021 and 31 August 2022 was 46.0%, 49.3%, 50.3% and 53.6%, respectively.

BORROWINGS

The borrowing principal of the Target Hospitals as at 31 December 2019, 31 December 2020, 31 December 2021 and 31 August 2022 was RMB16.2 million, RMB8.6 million, RMB28.0 million and RMB58.9 million, respectively.

LIQUIDITY, CASH AND CASH EQUIVALENTS

Based on the financial situation of the Target Hospitals, the Target Hospitals fund their operations primarily with cash inflows from daily operations. The net operating cash flows of the Target Hospitals for 2019, 2020, 2021 and the period from January to August 2022 were RMB84.7 million, RMB183.0 million, RMB65.3 million and RMB53.4 million, respectively.

The balance of cash and cash equivalents of the Target Hospitals as at 31 December 2019, 31 December 2020, 31 December 2021 and 31 August 2022 was RMB328.9 million, RMB430.5 million, RMB394.7 million and RMB374.8 million, respectively.

During the Relevant Period, the Target Hospitals did not have any official hedging policies and no financial instrument was used for hedging purpose.

PLEDGE OF ASSETS

There has been no pledged asset of the Target Hospitals during the Relevant Period.

CONTINGENT LIABILITIES

There has been no contingent liabilities of the Target Hospitals during the Relevant Period.

FOREIGN EXCHANGE EXPOSURE

During the Relevant Period, the Target Hospitals were not exposed to any material foreign currency risk as all of its business operation, assets and liabilities were denominated in Renminbi which is the functional currency of the Target Hospitals. For the years ended 31 December 2019, 31 December 2020 and 31 December 2021 and the eight months ended 31 August 2022, the Target Hospitals did not hedge any foreign exchange risk.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, 31 December 2020, 31 December 2021 and 31 August 2022, the total number of employees of the Target Hospitals was 3,437, 3,573, 3,689 and 3,779, respectively. For the years ended 31 December 2019, 31 December 2020 and 31 December 2021, the employee salary and benefit expenses of the Target Hospitals amounted to RMB444.5 million, RMB423.6 million and RMB531.0 million. The staff costs decreased as a result of the reduction in insurance premiums in 2020 due to the pandemic. Employee salary and benefit expenses for the eight months ended 31 August 2022 were RMB397.2 million.

SIGNIFICANT ACQUISITION AND DISPOSAL

There has been no significant acquisition and disposal by the Target Hospitals during the Relevant Period.

MATERIAL INVESTMENTS

The Target Hospitals have not made any material investments during the Relevant Period.

FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at the Latest Practicable Date, the Target Group had no plan for material investments or capital assets.

The following is an English translation of the summary of the Valuation Reports. The Valuation Reports were prepared in Chinese only. In case of any discrepancies between the Chinese and English versions of the summary, the Chinese version shall prevail.

SUMMARY OF ASSET VALUATION REPORTS ON THE VALUE OF ALL SHAREHOLDERS' EQUITIES IN GENERTEC MINMETALS HOSPITAL MANAGEMENT (BEIJING) COMPANY LIMITED IN RELATION TO THE PROPOSED TRANSFER OF THE EQUITY INTERESTS IN GENERTEC MINMETALS HOSPITAL MANAGEMENT (BEIJING) COMPANY LIMITED HELD BY CHINA MCC 5 GROUP CO., LTD., CHINA MCC 17 GROUP CO., LTD., CHINA MCC 19 GROUP CO., LTD., MINMETALS (HANDAN) REAL ESTATE MANAGEMENT COMPANY LIMITED, MINMETALS ASSET MANAGEMENT COMPANY LIMITED, MINMETALS INNOVATION INVESTMENT COMPANY LIMITED, BEIJING HAIDE RUIXIANG ASSETS MANAGEMENT CO., LTD., BEIJING DONGXING METALLURGICAL NEW-TECH & DEVELOPMENT CORPORATION. AND CITIC CAPITAL EQUITY INVESTMENT (TIANJIN) CORPORATION LIMITED

Guo Rong Xing Hua Ping Bao Zi [2022] No.050010[1]

Guo Rong Xing Hua Ping Bao Zi [2022] No.050040[2]

Beijing Guo Rong Xing Hua Assets Appraisal Co., Ltd. has accepted the joint engagement of China MCC 5 Group Co., Ltd., China MCC 17 Group Co., Ltd., China MCC 19 Group Co., Ltd., Minmetals (Handan) Real Estate Management Company Limited, Minmetals Asset Management Company Limited, Beijing Haide Ruixiang Assets Management Co., Ltd., Beijing Dongxing Metallurgical New-Tech & Development Corporation. and Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd./ the engagement of Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd., and appraised the market value of all shareholders' equities in Genertec Minmetals Hospital Management

1 Beijing Guo Rong Xing Hua Assets Appraisal Co., Ltd. has accepted the joint engagement of China MCC 5 Group Co., Ltd., China MCC 17 Group Co., Ltd., China MCC 19 Group Co., Ltd., Minmetals (Handan) Real Estate Management Company Limited, Minmetals Asset Management Company Limited, Beijing Haide Ruixiang Assets Management Co., Ltd., Beijing Dongxing Metallurgical New-Tech & Development Corporation. and Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd. and issued its Asset Valuation Reports on the Value of All Shareholders' Equities in Genertec Minmetals Hospital Management (Beijing) Company Limited on 12 March 2022. Except the clients and the date for the issue of the report, the content of the report named Guo Rong Xing Hua Ping Bao Zi [2022] No.050010 shall be substantially the same with that of the report named Guo Rong Xing Hua Ping Bao Zi [2022] No.050040.

2 Beijing Guo Rong Xing Hua Assets Appraisal Co., Ltd. has accepted the engagement of Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd. and issued its Asset Valuation Reports on the Value of All Shareholders' Equities in Genertec Minmetals Hospital Management (Beijing) Company Limited on 25 June 2022. Except the clients and the date for the issue of the report, the content of the report named Guo Rong Xing Hua Ping Bao Zi [2022] No.050040 shall be substantially the same with that of the report named Guo Rong Xing Hua Ping Bao Zi [2022] No.050010.

(Beijing) Company Limited as at the valuation benchmark date in accordance with laws, administrative regulations and asset valuation standards while adhering to the principle of independence, objectivity and impartiality based on necessary valuation procedures. The asset valuation reports are summarised as follows:

I. CLIENTS, APPRAISED ENTITY AND OTHER ASSET VALUATION REPORT USERS AGREED IN THE ENGAGEMENT CONTRACT ON ASSET VALUATION

The clients of this valuation are China MCC 5 Group Co., Ltd., China MCC 17 Group Co., Ltd., China MCC 19 Group Co., Ltd., Minmetals (Handan) Real Estate Management Company Limited, Minmetals Asset Management Company Limited, Beijing Haide Ruixiang Assets Management Co., Ltd., Beijing Dongxing Metallurgical New-Tech & Development Corporation. and Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd./Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd., while the appraised entity is Genertec Minmetals Hospital Management (Beijing) Company Limited.

(I) Overview of the clients

1. Information on China MCC 5 Group Co., Ltd.

Company name: China MCC 5 Group Co., Ltd.
Unified Social Credit Identifier: 91510100201906490X
Legal address: No. 9 Wuye Road, Jinjiang District, Chengdu City
Legal representative: Zhu Yongfan
Registered capital: RMB5,004,178,200
Type of company: limited liability company (state controlled)
Date of establishment: 22 September 1980
Term of operation: 8 October 2008 to no-fixed term

Main scope of operation: general engineering contracting, general construction contracting; construction exploration, design, engineering inspection; real estate development; landscaping construction; lightening protection engineering; industry equipment and non-standard equipment production, processing, maintenance; manufacturing, sales and installation of pressure vessels; design, manufacturing and installation of structural steel work; urban redevelopment, mining industry, micro hydropower project investment; industrial investment (not allowed to engage in financial activities such as illegal fundraising and public funds absorbing); sales: building materials (excluding hazardous goods), mineral products (excluding products prohibited by the State), machinery equipment; cargo import and export; sale of commercial concrete, labour services, labour dispatch, property management, machinery manufacturing and repair, building rental, lease of equipment, education training. (For business items for which approvals are required under the laws, they can be carried out after obtaining approval from relevant authorities.)

2. Information on China MCC 17 Group Co., Ltd.

Company name: China MCC 17 Group Co., Ltd. (previously known as China 17th Metallurgical Construction Co., Ltd. (中國第十七冶金建設有限公司))
Unified Social Credit Identifier: 91340500150501353B
Legal address: No.88 Yushan East Road, Huashan District, Ma'anshan City, Anhui Province
Legal representative: Yu Shigong
Registered capital: RMB2,050.00 million
Type of company: limited liability company (state controlled)
Date of establishment: 30 September 2006
Term of operation: 30 September 2006 to no-fixed term

Main scope of operation: Premium Class qualification for general construction contracting work; Grade A qualification for the design of construction industry; Premium Class qualification for general contracting of highway construction; Grade A qualification for the design of highway industry; Premium Class qualification for general contracting of metallurgical engineering construction; Grade A qualification for the design of metallurgical industry; general contracting of municipal utility engineering, mechanical and electrical engineering, power engineering, petrochemical engineering, mine engineering construction; steel structure, electronics and intelligent engineering, bridge, tunnel, highway surface, highway subgrade, highway transportation engineering (highway safety facilities), ready-mixed concrete, construction decoration, curtain wall, professional contracting of ground foundation projects; installation, modification and maintenance of boilers; installation of pressure pipeline; installation and maintenance of hoisting machines; installation and maintenance of passenger ropeway. Large and mid-scale overhaul maintenance for machinery equipment, electrical equipment, pipeline and industrial kilns. Contracting of overseas projects, general contracting of overseas assistance projects, self-operated and commissioned import and export business for various commodities and technologies (other than commodities and technologies whose dealing, import or export is restricted or prohibited to operate by the State); real estate development; engineering exploration, engineering survey, technology development, inspection and testing, engineering pricing, engineering management consultancy and skill training; labour services; scope of operation of subsidiaries as follows: use of explosive materials; lease of construction machinery equipment, construction revolving materials, warehouses and stockyard; agency services for cargo transportation loading and unloading, general cargo freight and warehousing; procurement, supply and sale of building materials, wood, steel, coal and metallurgy furnace charge (other than those specifically stipulated by the State); production, sale and installation of PVC plastic doors and windows, colourful templet, light steel and alloy aluminum doors and windows, metal structures; manufacturing of electrical equipment and manufacturing of cable tray, processing of electric meters, components, mini electrical products and metal products, installation of electrical equipment; manufacturing of superhard materials and products and accessory materials, stone processing. (For business items for which approvals are required under the laws, they can be carried out after obtaining approval from relevant authorities.)

3. *Information on China MCC 19 Group Co., Ltd.*

Company name: China MCC 19 Group Co., Ltd. (previously known as China 19th Metallurgical Construction Company (中國第十九冶金建設公司))
Unified Social Credit Identifier: 91510400204350723Y
Legal address: No.350 Renmin Street, East District, Panzhihua City
Legal representative: Pan Biyi
Registered capital: RMB3,010.00 million
Type of company: limited liability company (sole legal corporation invested or controlled by non-natural person)
Date of establishment: 1 June 1966
Term of operation: 1 June 1966 to no-fixed terms

Main scope of operation: licensed items: construction project construction; construction professional work; construction project survey; construction project design; inspection and testing services; special equipment installation, transformation and repair; import and export of goods; road cargo transportation (excluding hazardous goods); accommodation services; catering services; mining of mineral resources (excluding coal mine) (for business items for which approvals are required under the laws, they can be carried out after obtaining approval from relevant authorities, and the actual business items as approved under the approval documents or license documents granted by the relevant departments shall prevail). General items: landscaping project construction; geological hazard management services; technology services, technology development, technology consultancy, technology exchange, technology transfer, technology promotion; project management services; manufacturing of metal structure; manufacturing of light building materials; manufacturing of plastic products; manufacturing of rubber products; manufacturing of cement products; manufacturing of power transmission and distribution and control equipment; manufacturing of communication equipment; general machinery equipment installation services; repair of instruments and meters; repair of metal products; repair of general equipment; repair of special-purpose equipment; lease of machinery equipment; repair of mechanical and electrical equipment; motor vehicle repair and maintenance; sale of metal materials; sale of building materials; sale of machinery equipment; sale of mechanical and electrical equipment; sale of instruments and meters; sale of chemical products (excluding licensed chemical products); sale of daily groceries; retail of hardware; contracting of overseas project; loading and unloading; general goods warehousing services (excluding hazardous chemicals and other items subject to license and approval); property management; non-residential property rental; housing rental; parking lot services; conference and exhibition services; typewriting and photocopies; engineering technology services (other than planning management, survey, design and supervision); asset management services for investments with internal funds (except for projects subject to approval by the laws, business activities can be conducted independently with the business license in accordance with the laws).

4. Information on Minmetals (Handan) Real Estate Management Company Limited

Company name: Minmetals (Handan) Real Estate Management Company Limited
Unified Social Credit Identifier: 91130400578224537T
Legal address: No.88 Chaoyang Road, Congtai District, Handan City, Heibei Province
Legal representative: Zhao Xi
Registered capital: RMB5 million
Type of company: limited liability company (sole legal corporation invested or controlled by non-natural person)
Date of establishment: 15 June 2011
Term of operation: 15 June 2011 to no-fixed term

Main scope of operation: asset management, property services, housing and facility leasing of the company. (For business items for which approvals are required under the laws, they can be carried out after obtaining approval from relevant authorities)

5. Information on Minmetals Asset Management Company Limited

Company name: Minmetals Asset Management Company Limited
Unified Social Credit Identifier: 91110108101105370P
Legal address: Room307-309 3/F, No.7 Chaoyangmen North Avenue, Dongcheng District, Beijing City
Legal representative: Li Junxi
Registered capital: RMB400.00 million
Type of company: limited liability company (wholly-owned by legal person)
Date of establishment: 31 August 1984
Term of operation: 23 July 2018 to 22 July 2048

Main scope of operation: asset operation, management and advisory services; enterprise management; enterprise management consultancy; investment management and advisory services; equity investment; project investment; investment and management of medical and healthcare service industry; investment and management of education training industry; investment and management of new energy industry; investment and management of environmental protection industry; investment and management of culture industry; entrusted asset management (excluding insurance, securities and banking businesses); property management; technology consultation, technology services; hotel management; sale of building materials (not engaged in the operation of physical stores), metal materials, hardware and electrical appliances (not engaged in the operation of physical stores and excluding electric bikes), machinery equipment, stationery, computers, software and ancillary equipment, instruments and meters, Class I and II medical devices; commercial property rental; real estate agency business; vehicle rental (other than passenger vehicles with more than nine seats); lease of machinery equipment (excluding vehicle rental); sale of Class III medical devices; catering services; insurance brokerage business. ("1. No public fund-raising business shall be conducted without the approval of relevant authorities; 2. Public trading activities of securities products or financial derivatives are not allowed; 3. Granting of loan is not allowed; 4. No guarantee shall be provided to any enterprise other than the investee enterprises; 5. No promise shall be made to investors that the principal of an investment will not be subject to any losses or that the minimum return will be guaranteed"; the market entity shall select business items and carry out operating activities at its own discretion in accordance with the law; sale of Class III medical devices; insurance brokerage business; catering services. For business items for which approvals are required under the laws, they can be carried out after obtaining approval from relevant authorities and shall be subject to the approved extent. No business activities which are prohibited and restricted by the industrial policies of the State and the municipality shall be carried out.)

6. Information on Beijing Haide Ruixiang Assets Management Co., Ltd.

Company name: Beijing Haide Ruixiang Assets Management Co., Ltd.
Unified Social Credit Identifier: 911100007178496507
Legal address: Room307-309 3/F, No.7 Chaoyangmen North Avenue, Dongcheng District, Beijing City
Legal representative: Zhou Jianfeng
Registered capital: RMB101.00 million
Type of company: limited liability company (wholly-owned by legal person)
Date of establishment: 20 November 2013
Term of operation: 20 November 2013 to 19 November 2043

Main scope of operation: asset management and disposal; investment management; hotel management; property management; enterprise management consultancy; project investment; sale of machinery equipment, office supplies, Class I medical devices; lease of Class I medical devices, vehicles (other than passenger vehicles with more than nine seats), machinery equipment; commercial property rental; lease of office space; environmental protection consultation; soil pollution treatment and restoration services; soil treatment services. (The market entity shall select business items and carry out operating activities at its own discretion in accordance with the law; for business items for which approvals are required under the laws, they can be carried out after obtaining approval from relevant authorities and shall be subject to the approved extent. No business activities which are prohibited and restricted by the industrial policies of the State and the municipality shall be carried out.)

7. Information on Beijing Dongxing Metallurgical New-Tech & Development Corporation.

Company name: Beijing Dongxing Metallurgical New-Tech & Development Corporation.
Unified Social Credit Identifier: 91110105101788212R
Legal address: Room307-309 3/F, No.7 Chaoyangmen North Avenue, Dongcheng District, Beijing City
Legal representative: Zhou Jianfeng
Registered capital: RMB43.30 million
Type of company: limited liability company (wholly-owned by legal person)
Date of establishment: 28 May 1988
Term of operation: 29 November 2017 to 28 November 2067

Main scope of operation: technology development, technology transfer, technical consulting and technical services of metallurgical equipment; it operates the export business of the technology researched and developed by as well as scientific and technological products manufactured by Beijing Institute of Metallurgical Equipment of the Ministry of Metallurgical Industry and directly affiliated enterprises of the institute; it operates the import business of technology, raw and auxiliary materials, mechanical equipment, instrumentation and spare parts required for scientific research and production of the institute above and its affiliated enterprises; it undertakes the operation of foreign joint ventures, cooperative production and "Three-plus-one" trading-mix business (「三來一補」業務) (i.e., three types of processing businesses and compensation trade) of the institute and its affiliated enterprises; it accepts commission to provide labor services; asset management; investment management; lease of office space; hotel management; property management. (The enterprise shall select business items and carry out operating activities at its own discretion in accordance with the law; For business items for which approvals are required under the laws, they can be carried out after obtaining approval from relevant authorities and shall be subject to the approved extent. No business activities which are prohibited and restricted by the industrial policies of the municipality shall be carried out.)

8. Information on Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd.

Company name: Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd.
Unified Social Credit Identifier: 91120118340973589Q
Legal address: Room 655 Binhai Huamao Center, Tianjin Pilot Free-Trade Zone (Central Business District)
Legal representative: Peng Jiahong
Registered capital: RMB5,000.00 million
Paid-in capital: RMB3,400.00 million
Type of company: limited liability company (foreign investment company as sole proprietor)
Date of establishment: 9 July 2015
Term of operation: 9 July 2015 to 8 July 2045

Main scope of operation: licensed items: investment management; operation of Class III medical devices; leasing of Class III medical devices. (For business items for which approvals are required under the laws, they can be carried out after obtaining approval from relevant authorities, and the actual business items as approved under the approval documents or license documents granted by the relevant departments shall prevail). General items: hospital management; sale of Class I medical devices; lease of Class II medical devices; sale of Class II medical devices; sale of mechanical and electrical equipment; repair of special-purpose equipment; investment activities with internal funds. (Except for projects subject to approval by the laws, business activities can be conducted independently with the business license in accordance with the laws). (No foreign investments shall be made in areas that are prohibited in the Negative List for Foreign Investment)

(II) Overview of the appraised entity

1. Information on Genertec Minmetals Hospital Management (Beijing) Company Limited

Company name: Genertec Minmetals Hospital Management (Beijing) Company Limited
Unified Social Credit Identifier: 91110102MA01J11G12
Legal address: Room710-711 7/F, No.6 Xizhimenwai Avenue, Xicheng District, Beijing City
Legal representative: Peng Jiahong
Registered capital: RMB10.00 million
Type of company: other limited liability company
Date of establishment: 25 March 2019
Term of operation: 25 March 2019 to no-fixed term

Main scope of operation: drug retail; hospital management (except for diagnosis activities requiring approval); health management (except for diagnosis activities requiring approval); economic and trading consultation; enterprise management consultancy; home-based elderly care services. (The enterprise shall select business items and carry out operating activities at its own discretion in accordance with the law; for drug retail and items for which approvals are required under the laws, they can be carried out after obtaining approval from relevant authorities and shall be subject to the approved extent. No business activities which are prohibited and restricted by the industrial policies of the municipality shall be carried out.)

2. Company shareholders and their respective shareholding

As of the valuation benchmark date, the name of shareholders of Genertec Minmetals Hospital Management (Beijing) Company Limited and their respective capital contribution and shareholding percentage are as follows:

No.	**Shareholder**	**Shareholding percentage** *(%)*	**Registered capital payable** *(RMB'0,000)*
1	Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd.	46%	460.00
2	Minmetals Asset Management Company Limited	39%	390.00
3	CITIC Capital Equity Investment (Tianjin) Corporation Limited	10%	100.00
4	Minmetals Innovation Investment Company Limited	5%	50.00
	Total	100%	1,000.00

Pursuant to the resolution of Genertec Minmetals Hospital Management (Beijing) Company Limited passed at the general meeting held on 24 January 2022 (Tong Kuang Gu Zi [2022] No.2):

1. it is agreed that a new general meeting shall be established, which shall be composed of Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd., Beijing Haide Ruixiang Assets Management Co., Ltd., CITIC Capital Equity Investment (Tianjin) Corporation Limited, Beijing Dongxing Metallurgical New-Tech & Development Corporation., Minmetals Innovation Investment Company Limited, China MCC 19 Group Co., Ltd., China MCC 5 Group Co., Ltd., Minmetals (Handan) Real Estate Management Company Limited, China MCC 17 Group Co., Ltd. and Minmetals Asset Management Company Limited.

2. it is agreed that the registered capital shall be increased to RMB1,393,484,200, and the respective capital contribution by the shareholders after the capital increase shall be as follows: Shareholder: Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd. with capital contribution of RMB641,002,800; Shareholder: Beijing Haide Ruixiang Assets Management Co., Ltd. with capital contribution of RMB352,490,300; Shareholder: CITIC Capital Equity Investment (Tianjin) Corporation Limited with capital contribution of RMB139,348,500; Shareholder: Beijing Dongxing Metallurgical New-Tech & Development Corporation. with capital contribution of RMB81,924,700; Shareholder: Minmetals Innovation Investment Company Limited with capital contribution of RMB69,674,100; Shareholder: China MCC 19 Group Co., Ltd. with capital contribution of RMB36,712,700; Shareholder: China MCC 5 Group Co., Ltd. with capital contribution of RMB32,669,700; Shareholder: Minmetals (Handan) Real Estate Management Company Limited with capital contribution of RMB19,555,600; Shareholder: China MCC 17 Group Co., Ltd. with capital contribution of RMB18,155,800; Shareholder: Minmetals Asset Management Company Limited with capital contribution of RMB1,950,000.

3. *Assets, financial position and operating results for the period and a complete year*

The consolidated financial position of the appraised entity is as follows:

Unit: RMB

Items	31 July 2021
Current assets	2,000,716,193.88
Non-current assets	1,137,984,140.67
Total assets	3,138,700,334.55
Current liabilities	898,555,081.92
Non-current liabilities	1,693,228.63
Total liabilities	900,248,310.55
Owners' equity	2,238,452,024.00

The unconsolidated financial position of the appraised entity for the period and a complete year is as follows:

Unit: RMB

Items	31 July 2021	1 January 2020
Current assets	1,292,912,372.65	535,740.07
Long-term equity investments	990,233,244.15	
Fixed assets	70,304,690.44	45,087.81
Intangible assets	66,706,935.00	
Total assets	2,420,157,242.24	580,827.88
Current liabilities	70,422,809.07	1,097,245.75
Non-current liabilities		
Total liabilities	70,422,809.07	1,097,245.75
Owners' equity	2,349,734,433.17	-516,417.87

The consolidated operating results of the appraised entity for the period and a complete year are as follows:

Unit: RMB

Items	**January to July 2021**	**2020**
I. Operating revenue		
Less: Operating costs		
Business taxes and surcharges	14,108.83	111.24
Selling expenses		
Administrative expenses	467,872.24	814,837.03
Financial expenses	1,901.78	-391,705.92
Impairment losses on assets	-118,186,874.16	
Gains on disposal of assets		
Add: other gains		
II. Operating profit	-118,670,757.01	-423,242.35
Add: Non-operating income		
Less: Non-operating expenses		
III. Total profit	-118,670,757.01	-423,242.35
Less: Income tax expenses		
IV. Net profit	-118,670,757.01	-423,242.35

The unconsolidated operating results of the appraised entity for the period and a complete year are as follows:

Unit: RMB

Items	**January to July 2021**	**2020**
I. Operating revenue		
Less: Operating costs		
Business taxes and surcharges	14,108.83	111.24
Selling expenses		
Administrative expenses	467,872.24	814,837.03
Financial expenses	1,901.78	-391,705.92
Impairment losses on assets	-6,904,465.00	
Add: Gain from investment		
II. Operating profit	-7,388,347.85	-423,242.35
Add: Non-operating income		
Less: Non-operating expenses		
III. Total profit	-7,388,347.85	-423,242.35
Less: income tax expense		
IV. Net profit	-7,388,347.85	-423,242.35

The accounting statements of the appraised entity as at the valuation benchmark date and for the year 2020 have been audited by ShineWing Certified Public Accountants (Special General Partnership) which has issued standard unqualified audit report No.XYZH/2022ZZAA20075.

5. Relationship between the clients and the appraised entity

China MCC 5 Group Co., Ltd., China MCC 17 Group Co., Ltd., China MCC 19 Group Co., Ltd., Minmetals (Handan) Real Estate Management Company Limited, Minmetals Asset Management Company Limited, Beijing Haide Ruixiang Assets Management Co., Ltd. and Beijing Dongxing Metallurgical New-Tech & Development Corporation. are shareholders of Genertec Minmetals Hospital Management (Beijing) Company Limited.

(III) Other asset valuation report users agreed in the asset valuation engagement contract

This asset valuation report is only for the use of the clients, other asset valuation report users agreed in the asset valuation engagement contract as well as the users of the asset valuation report permitted by national laws and regulations, and shall not be used or relied upon by any other third parties.

II. PURPOSE OF THE VALUATION

As China MCC 5 Group Co., Ltd., China MCC 17 Group Co., Ltd., China MCC 19 Group Co., Ltd., Minmetals (Handan) Real Estate Management Company Limited, Minmetals Asset Management Company Limited, Beijing Haide Ruixiang Assets Management Co., Ltd. and Beijing Dongxing Metallurgical New-Tech & Development Corporation. intend to transfer its equity interests in Genertec Minmetals Hospital Management (Beijing) Company Limited, it is necessary to appraise the market value of such equity interests in Genertec Minmetals Hospital Management (Beijing) Company Limited as at the valuation benchmark date and provide value reference as at the benchmark date to the aforesaid economic activities.

Minmetals Asset Management Company Limited issued the Minutes of the General Manager Office Meeting of Minmetals Asset Management Company Limited (Section 2, 2022) on 21 January 2022 on the aforesaid matter.

III. VALUATION TARGET AND SCOPE

(I) Valuation target

The valuation target is the value of all shareholders' equities in Genertec Minmetals Hospital Management (Beijing) Company Limited.

(II) Scope of valuation

The scope of valuation is all assets and liabilities of the appraised entity. As at the valuation benchmark date, the total book value of the assets covered by the scope of valuation which included current assets, fixed assets, intangible assets, etc., was RMB2,420,157,242.24, the total book value of the liabilities which only included current liabilities was RMB70,422,809.07, and the book value of the owners' equity was RMB2,349,734,433.17. Details on the scope of valuation shall be based on the financial statements issued by the appraised entity:

Balance sheet as at the valuation benchmark date

Unit: RMB

Items	**Book value** *(RMB)*
Current assets	1,292,912,372.65
Non-current assets	1,127,244,869.59
Of which: Long-term equity investment	990,233,244.15
Fixed assets	70,304,690.44
Construction in progress	
Intangible assets	66,706,935.00
Total assets	2,420,157,242.24
Current liabilities	70,422,809.07
Non-current liabilities	
Total liabilities	70,422,809.07
Owners' equity (net assets)	2,349,734,433.17

The valuation target and scope in the engagement are consistent with those involved in the economic activities. On the valuation benchmark date, the book value of the assets and liabilities covered by the scope of valuation was audited by ShineWing Certified Public Accountants (Special General Partnership) which has issued standard unqualified audit report No.XYZH/2022ZZAA20075.

The distribution and features of the physical assets covered by the scope of valuation are as follows:

The physical assets declared to be included in the scope of this valuation include buildings and structures and electronic equipment, and the types and features of such physical assets are as follows:

1. There are a total of 13 buildings and structures with a gross floor area of 47,312.61 square meters in aggregate, mainly comprising the inpatient department buildings of the general medicine division of Ma'anshan MCC 17 Hospital (馬鞍山十七冶醫院), the inpatient buildings of China MCC 19 Group Co., Ltd. Workers' Hospital (中國十九冶集團有限公司職工醫院) (the "MCC 19 Hospital", previously known as The 19th Metallurgical Construction Workers' Hospital (第十九冶金建設職工醫院)), etc., which are located at Ma'anshan MCC 17 Hospital and MCC 19 Hospital.

2. There are a total of six electronic equipment, mainly comprising Apple desktop computers, integrated printing machines, etc., which are located in the office buildings.

(III) Recorded or unrecorded intangible assets declared by the company

There are three parcels of land involved in this valuation which are used for the hospitals operated by China MCC 5 Group Co., Ltd., China MCC 22 Group Co., Ltd. and China MCC 19 Group Co., Ltd. The details are set out as follows:

No.	Land use right certificate No.	Name of land parcel	Location of land parcel	Date of acquisition	Nature of the land	Type of use right	Degree of development	Area of tenure (m^2)
1	Feng Run Qu Guo Yong (2011) No. A-161	MCC 22 Hospital	Block 7, Fengrun District, Tangshan	6 June 2005	Medical	Allocation	Ground leveling and access to water, electricity, telecommunication, road, heating and sewage	3,273.87
2	Pang Guo Yong (2007) No. 04699	MCC 19 Hospital	Dongfeng Yi Village, Nongnong Ping Subdistrict, East District, Panzhihua City	14 February 2007	Residential	Allocation	Ground leveling and access to water, electricity, telecommunication, road, heating and sewage	25,392.48
3	Chuan Guo Yong (2002) Zi Di No. 02770	MCC 5 Hospital	No. 53, North 3rd Section, 1st Ring Road, Chengdu City	9 April 2002	Medical	Allocation	Ground leveling and access to water, electricity, telecommunication, road, heating and sewage	6,674.30

(IV) Type and amount of off-balance assets declared by the company

Nil.

(V) Type, amount and book value of assets involved in the conclusion of reports issued by other institutions

On the valuation benchmark date, the book value of the assets and liabilities covered by the scope of valuation was audited by ShineWing Certified Public Accountants (Special General Partnership) which has issued standard unqualified audit report No.XYZH/2022ZZAA20075.

IV. TYPE OF VALUE

Based on the valuation purpose, the type of value of the valuation target is determined as the market value.

Market value refers to the estimated value of the valuation target between a willing buyer and a willing seller acting reasonably, neither being under any compulsion to buy or sell in a normal and fair transaction as at the valuation benchmark date.

V. VALUATION BENCHMARK DATE

(I) The valuation benchmark date of this report is 31 July 2021.

(II) The valuation benchmark date is determined by the client in the principle of the valuation benchmark date approximating the realisation date of the corresponding economic activities of the asset valuation as much as possible.

(III) During the asset valuation, definition of valuation scope, selection of valuation parameters and determination of appraised value are based on the company's internal financial statements, external economic environment and market conditions as at the valuation benchmark date. All valuing standards set out in the report are the effective pricing standards on the valuation benchmark date.

VI. VALUATION BASIS

(I) Basis of economic activity

1. Minutes of General Manager Office Meeting of Minmetals Asset Management Company Limited (Section 2, 2022).

(II) Basis of laws and regulations

1. *Asset Appraisal Law of the People's Republic of China* (Passed at the 21st Session of the Twelfth Standing Committee of the National People's Congress on 2 July 2016);

2. *Company Law of the People's Republic of China* (Amended at the 6th Session of the Thirteenth Standing Committee of the National People's Congress on 26 October 2018);

3. *Measures for Financial Supervision and Administration of the Assets Appraisal Sector* (Order No. 97 of the Ministry of Finance in 2019);

4. *Urban Real Estate Administration Law of the People's Republic of China* (Amended at the 12th Session of the Thirteenth Standing Committee of the National People's Congress on 26 August 2019);

5. *Enterprise Income Tax Law of the People's Republic of China* (Amended at the 7th Session of the Thirteenth National People's Congress on 29 December 2018);

6. *Law of the People's Republic of China on the State-owned Assets of Enterprises* (Passed at the 5th Session of the Eleventh Standing Committee of the National People's Congress on 28 October 2008);

7. *Interim Regulation on the Supervision and Administration of State-owned Assets of Enterprises* (Order No. 709 of the State Council);

8. *Administrative Measures for the Appraisal of State-owned Assets* (Order No. 91 of the State Council);

9. *Notice on Issuing the Detailed Rules for the Implementation of the Administrative Measures for the Appraisal of State-owned Assets* (Guo Zi Ban Fa [1992] No. 36);

10. *Interim Administrative Measures for the Appraisal of State-owned Assets of Enterprises* (Order No. 12 of the State-owned Assets Supervision and Administration Commission of the State Council);

11. *Notice on Strengthening the Administration of the Appraisal of State-owned Assets of Enterprises* (Guo Zi Wei Chan Quan [2006] No. 274);

12. *Notice on Relevant Matters Concerning the Examination of Appraisal Reports on State-owned Assets of Enterprises* (Guo Zi Chan Quan [2009] No. 941);

13. *Guidelines for the Filing for Recordation of the Assessment Projects of State-owned Assets of Enterprises* (Guo Zi Fa Chan Quan [2013] No. 64);

14. *Measures for the Supervision and Administration of the Transactions of State-Owned Assets of Enterprises* (Order No. 32 of the State-owned Assets Supervision and Administration Commission of the State Council and the Ministry of Finance);

15. *Accounting Standards for Business Enterprises – Basic Standards* (Order No. 33 of Ministry of Finance), *the Decision of the Ministry of Finance Concerning Amendment to the Accounting Standards for Business Enterprises – Basic Standards* (Order No.76 of the Ministry of Finance);

16. *Detailed Rules for the Implementation of the Interim Regulations of the People's Republic of China on Value-added Taxes* (Order No. 65 of the Ministry of Finance and the State Tax Administration);

17. *Notice on Implementing the Pilot Program of Replacing Business Tax with Value-added Tax in an All-round Manner* (Cai Shui [2016] No. 36);

18. *Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates* (Cai Shui [2018] No. 32);

19. *Announcement on Policies in Relation to Further VAT Reform* of Ministry of Finance, General Administration of Taxation and General Administration of Customs (Announcement 2019 No. 39 of Ministry of Finance, General Administration of Taxation and General Administration of Customs);

20. *Land Administration Law of the People's Republic of China* (Passed at the 12th Session of the Thirteenth Standing Committee of the National People's Congress on 26 August 2019);

21. *Civil Code of the People's Republic of China* (Passed at the 3rd Session of the Thirteenth National People's Congress on 28 May 2020);

22. Other laws and regulations related to this asset valuation.

(III) Basis of valuation standards

1. *Basic Asset Valuation Standards* (Cai Zi [2017] No. 43);

2. *Professional Code of Ethics for Asset Valuation* (Zhong Ping Xie [2017] No. 30);

3. *Practice Guidelines for Asset Valuation – Asset Valuation Report* (Zhong Ping Xie [2018] No. 35);

4. *Practice Guidelines for Asset Valuation – Asset Valuation Procedures* (Zhong Ping Xie [2018] No. 36);

5. *Practice Guidelines for Asset Valuation – Asset Valuation Archives* (Zhong Ping Xie [2018] No. 37);

6. *Practice Guidelines for Asset Valuation – Enterprise Value* (Zhong Ping Xie [2018] No. 38);

7. *Practice Guidelines for Asset Valuation – Asset Valuation Engagement Contract* (Zhong Ping Xie [2017] No. 33);

8. *Practice Guidelines for Asset Valuation – Real Estate* (Zhong Ping Xie [2017] No. 38);

9. *Practice Guidelines for Asset Valuation – Machinery and Equipment* (Zhong Ping Xie [2017] No. 39);

10. *Guidance for the Appraisal Reports of State-owned Assets of Enterprises* (Zhong Ping Xie [2017] No. 42);

11. *Quality Control Guidance on the Business of Asset Valuation Agency* (Zhong Ping Xie [2017] No. 46);

12. *Guiding Opinions on Types of Value under Asset Valuation* (Zhong Ping Xie [2017] No. 47);

13. *Guiding Opinions on Legal Ownership of the Asset Valuation Target* (Zhong Ping Xie [2017] No. 48);

14. *Practice Guidelines for Asset Valuation – Asset Valuation Methodology* (Zhong Ping Xie [2019] No. 35).

(IV) Ownership basis

1. Housing ownership certificates, State-owned land use certificates, real estate right certificates;

2. Other relevant property right certificates.

(V) Pricing basis

1. The loan prime rate (LPR) quoted by the lending sector on the valuation benchmark date;

2. Financial statements and audit reports for previous years provided by the company;

3. Business plan for the coming year provided by the relevant departments of the company;

4. Other relevant valuation information and materials recorded and collected by valuers through on-site surveys;

5. *Sichuan Province Quota of Project Quantities Detailed Pricing List for Engineering Construction – Property Construction and Decoration Projects* (2020 version)

6. *Sichuan Province Quota of Project Quantities Detailed Pricing List for Engineering Construction – General Installation Projects* (2020 version);

7. *Sichuan Province Quota of Project Quantities Detailed Pricing List for Engineering Construction – Structure Projects, Explosive Projects, Construction Installation Project Fees and Appendix* (2020 version);

8. *Anhui Province Pricing Quota for Construction Projects* (2018 version);

9. *Anhui Province Pricing Quota for Decoration Projects* (2018 version);

10. *Anhui Province Pricing Quota for Installation Projects* (2018 version);

11. *Anhui Province Costing Quota for Construction Projects* (2018 version);

12. *Ma'anshan City Pricing Information for Construction Projects* (7th version of 2021);

13. *Publication of Results of Rating of Central Urban Area Lands and Benchmark Land Price Renewal of Chengdu City*;

14. *Notice on Publishing Results of Benchmark Land Price Renewal of Central Urban Area Lands of Tangshan City* (Tang Zheng Ban Zi [2019] No.27) issued by the People's Government Office of Tangshan Municipality;

15. *Notice on Publishing Results of the Implementation of Rating of Urban Lands and Benchmark Land Price Renewal of Panzhihua City* (Pan Fu Fa [2020] No.2) issued by the People's Government of Panzhihua Municipality.

16. Other materials related to this asset valuation.

(VI) Other reference basis

1. Asset lists, valuation declaration forms and revenue forecast statements provided by the appraised entity;

2. Standard unqualified audit report No.XYZH/2022ZZAA20075 issued by ShineWing Certified Public Accountants (Special General Partnership).

VII. VALUATION METHODOLOGY

(I) Introduction to valuation methodology

The income method refers to the method in which the expected return of the valuation target shall be capitalised or discounted so as to determine its value.

The market method refers to the method in which the valuation target shall be compared with comparable listed companies or comparable transaction cases so as to determine the value of the valuation target.

The asset-based method refers to the method in which, based on the balance sheet of the valuation target on the valuation benchmark date, the value of identifiable on- and off-balance sheet assets and liabilities shall be appraised so as to determine the value of the valuation target.

Pursuant to the Practice Guidelines for Asset Valuation – Enterprise Value (《資產評估執業準則－企業價值》), when performing valuation of enterprises, valuers should select the valuation methods by analysing the suitability of the three basic asset valuation methods (namely, the income method, the market method and the asset-based method) based on various factors (such as the purpose of the valuation, the valuation target, the type of value, information gathering). If different valuation methods are suitable for the valuation, valuers should adopt two or more valuation methods in their valuation.

The asset-based method and the income method were adopted in the valuation on the following grounds:

(II) The selection and adoption grounds of the valuation methods in this valuation

Due to the limited access to trading information on the property rights trading market in the PRC and the significant differences in the composition of principal activities of similar enterprises, it is extremely difficult to select market reference of the same type. As such, the market method was not adopted in this valuation.

The appraised entity in this report is valuated on a continuing operation basis. The application of economic and technical parameters in the asset-based method is based upon and supported by sufficient data and information. In consideration of the valuation target, type of value, valuation purpose and information gathered by the valuer in this asset valuation, it was determined that the asset-based method shall be adopted in the valuation.

The income method is based on the expected utility theory of economics. In other words, from the perspective of the investors, the enterprise value lies in the future income expected to be generated from the enterprise. Despite the absence of the direct use of comparables in the actual market for stating the prevailing fair market value of the valuation target, the income method assesses the value of an asset by its expected profitability, which is the essential basis for determining the prevailing fair market value of the asset. As such, it can completely reflect the overall value of an enterprise and its valuation conclusion is more reliable and convincing. From the perspective of applicable conditions of the income method, since the enterprise is profitable in its own right and the management of the appraised entity has provided the profit forecast for the future years, according to the historical operating data of the enterprise and the internal and external operating environment, the future profit level of the enterprise can be reasonably forecasted. In addition, the risk related to future income can be reasonably quantified. Therefore, the income method could be used for this valuation.

(III) The income method

According to the asset composition and the characteristics of the business of the appraised entity, as well as the due diligence of the valuation, the basic mindset of this valuation is to, based on the audited financial statements (on consolidated basis) of the appraised entity, firstly estimate the value of the operating assets of the enterprise by adopting discounted cash flow (DCF) method; and then add the value of other non-operating or surplus assets, liabilities and surplus assets as at the benchmark date, deduct interest-bearing debts, and arrive at the value of all shareholders' equities of the enterprise.

The appraised entity involves numerous controlled subsidiaries, engages in a relatively unitary business and can provide historical annual audited statements, and therefore, the income method (on consolidated basis) is adopted in this valuation.

The calculation model is as follows:

The basic model of this valuation is:

Value of all shareholders' equities = total enterprise value − value of interest-bearing debts

1) ***Total enterprise value = value of operating assets + value of surplus assets + value of non-operating assets - value of non-operating liabilities***

① Operating assets represent assets and liabilities related to the production and operation of the appraised entity and involved in forecasting its free cash flow after the valuation benchmark date. Value of operating assets is calculated as follows:

$$P = \sum_{i=1}^{N_t} A_i (1+R)^{-i} + \frac{A_{i0}}{R}(1+R)^{-N_t}$$

Where: P: Value of the enterprise's operating assets as at the valuation benchmark date;

Ai: Anticipated enterprise free cash flow for year i after the valuation benchmark date;

Ai0: Anticipated enterprise free cash flow for the final year of the forecast period;

R: Discount rate (herein referred to the weighted average cost of capital, or WACC);

N: Forecast period;

i: Year i of the forecast period.

Among which, the enterprise free cash flow is calculated as follows:

Enterprise free cash flow = net profit + depreciation and amortisation + interests on borrowings (after-tax) – capital expenditure – increase in working capital.

Among which, discount rate (weighted average cost of capital, or WACC) is calculated as follows:

$$WACC = K_e \times \frac{E}{E+D} + K_d \times (1-t) \times \frac{D}{E+D}$$

Where: ke: Cost of equity capital;

kd: Cost of interest-bearing debt capital;

E: Market value of equity;

D: Market value of interest-bearing debts;

t: Income tax rate.

Among which, the cost of equity capital is calculated using the capital asset pricing model (CAPM) as follows:

$$ke = Rf + MRP \times \beta + \Delta$$

Where: Rf: Risk-free interest rate;

β: Systematic risk coefficient of equity;

MRP: Market risk premium;

Δ: Enterprise-specific risk adjustment coefficient.

② Value of surplus assets

Surplus assets represent assets exceeding the production and operation requirements of the enterprise as at the valuation benchmark date and not involved in the enterprise free cash flow forecast after the valuation benchmark date. Surplus assets of the appraised entity are monetary funds.

③ Value of non-operating assets and liabilities

Non-operating assets and liabilities represent those not relating to production and operation of the appraised entity and not involved in the enterprise free cash flow forecast after the valuation benchmark date, including other receivables, goodwill, other payables and non-current liabilities, etc.

2) Value of interest-bearing debts

Interest-bearing debts represent the liabilities bearing interest payable by the appraised entity as at the valuation benchmark date.

(IV) Asset-based method

1. Current assets

(1) Monetary funds, including bank deposits, the appraised value of which is determined based on the verified book value through verification of bank statements and bank confirmation, etc.

(2) Other receivables, the appraised value of which is determined based on the verified book value upon due verification by the valuer on the receivables. If there were good reasons for the valuer to believe that all of the receivables could be recovered, the appraisal value would be the total amount of receivables; if part of the receivables were likely to be unrecoverable, and the unrecoverable amount was difficult to be determined, the valuer would estimate the amount of receivables that were likely to be unrecoverable with the aging analysis method together with the use of historical information and on-site investigation to familiarize the situation and the specific analysis of the amount, time and reasons of loans, recovery of the amounts, as well as the capital, credit and current situation of operating management of the debtor, and then calculate the appraisal value after deducting the above amount (as the risk loss); if there were conclusive evidence showing that certain receivables could not be recovered, the appraisal value would be zero; the allowance for bad debts was assessed to be zero.

2. Long-term equity investment

The valuer adopted the same valuation benchmark date to evaluate invested entities with normal operations and controlled by the appraised entity as a whole, the process of which is set out in the explanatory appendices herein, and then determined the appraised value of the long-term equity investment by multiplying the appraised value of the net assets after the overall valuation of the invested entities by the shareholding percentage. The formula is as follows:

Long-term equity investment appraisal value = appraised value of the invested entity's net assets × shareholding percentage.

3. Houses and buildings

Based on the characteristics, usage and information collected of the houses and buildings, the valuation of the houses and buildings of the valuation target was conducted under the replacement cost method and the income method.

1) Replacement cost method

Under the replacement cost method, the full replacement price of a house/building was based on the construction project and completion settlement information and calculated in accordance with the amount of construction work, the current fixed standard reference price, construction fees and loan interest rates; and the newness rate was determined comprehensively based on the useful life and on-site investigation of the building.

Appraised value = full replacement price x newness rate

The appraised value of other buildings was calculated by determining the unit replacement price based on on-site investigation and taking various valuation factors into account by means of analogy.

① Full replacement price

As houses and buildings of the Valuation Target were all owned by the hospitals, no value-added tax could be deducted. Therefore,

the full replacement price = construction and installation project cost (tax inclusive) + upfront and other expenses (tax inclusive) + capital cost

A. Determination of construction and installation project cost

The construction and installation project cost was calculated using the re-budgeting (estimate) method and analogy estimation method.

Firstly, houses and buildings covered by the scope of valuation are categorised by structure type, and representative structures with high value in the same type are selected as examples, whose major construction volume would be re-estimated according to respective construction contracts, construction drawings and the actual conditions of those structures; and then the relevant direct engineering costs as at the valuation benchmark date would be calculated based on the budget (estimate) quota for existing construction and installation projects as at the valuation benchmark date after adjustment according to the prevailing price adjustment coefficient of labour costs, material expenses and machinery expenses published by the local competent authorities, and the replacement construction and installation project cost will then be calculated based on the prevailing expense quota.

Secondly, the replacement construction and installation project cost of such structure is compared with that of other structures of the same structure type to determine the replacement construction and installation project cost of other structures of the same structure type, adjusted according to the factors affecting the construction and installation project cost due to the differences between such structure and others in terms of professional standards of structure, decoration and ancillary facilities.

Cost per square meter method is adopted to determine the construction and installation project cost of structures with low value and simple structure and of large quantity.

B. Determination of upfront and other expenses

Upfront and other expenses are comprised of two components, i.e. policy-based levies required by government authorities and administrative expenses incurred by the construction entities. Policy-based levies required by government authorities represent various fees charged by local governments for management of social infrastructures and are generally charged to the construction entities at a certain percentage of final construction cost and a specific rate for unit floor area.

C. Determination of capital cost

Capital cost refers to the financing cost of the funds occupied during the ordinary construction period of a building (i.e. the loan interest). According to the reasonable construction period of the appraised entity, the loan interest rate is determined with reference to the loan prime rate (LPR) announced by the People's Bank of China on the valuation benchmark date. Based on the total construction and installation costs, upfront and other expenses, the capital cost is calculated based on the average investment of funds. The calculation formula of the capital cost is as follow:

Capital cost = (construction and installation project costs (tax inclusive) + upfront and other expenses) × LPR on the valuation benchmark date × reasonable construction period/2

② Newness rate

The newness rate in this valuation is determined as a weighted average of the newness rate under the observation method and the theoretical newness rate. Where:

Newness rate = theoretical newness rate × 50%+ newness rate under the observation method × 50%, where:

Theoretical newness rate: calculated based on the economic service life and the serviced life of houses and buildings.

Theoretical newness rate = (1– serviced life/economic service life) × 100%

Newness rate under the observation method: Determined by the valuer through on-site investigation (including the foundation of the construction, loading structural parts (beam, panel, pillar), wall, floor, house exterior part, door and windows, wall coating, suspending ceiling, water intake and drainage, ventilation, electricity and lighting, etc.) and in accordance with *The Criteria of*

Damage Rating of Houses (《房屋完損等級評定標準》), *Reference for Determining the Age of Houses* (《鑒定房屋新舊程度參考依據》) and *Scoring Criteria and Correction Coefficients for Different Newness Rates of Houses* (《房屋不同成新率的評分標準及修正係數》) released by the former Urban and Rural Environmental Construction & Protection Department. Besides, the utilisation status, repair and maintenance situations of the buildings are also used to determine newness rates for the buildings under the observation method.

③ Determination of appraised value

Appraised value = full replacement price × newness rate

2) *Income method*

The income method refers to the valuation method that estimates the expected future income of the appraised property and discounts it to its present value with an appropriate discount rate to determine the price of the property to be appraised. The calculation formula is:

Appraised value of the appraised property =

$$V = \sum_{i=1}^{t} \frac{A_i}{(1+Y)^i} + \frac{A}{Y(1+Y)^t}\left[1 - \frac{1}{(1+Y)^{n-t}}\right]$$

Where: Ai refers to net gain from annual rent within the lease term;

A refers to net gain from annual rent after the lease term;

Y refers to the discount rate;

Discount rate = risk-free return rate + risk return rate

n refers to terms of which houses and buildings were expected to receive income in the future;

t refers to terms of which houses and buildings were expected to receive income within the leasing period.

The net gain from annual rent is calculated according to the following formula:

Net gain from annual rent = effective income from annual income – annual objective operating costs

Effective income from annual rent = potential gross revenue from annual rent × (1- vacancy rate)

Annual objective operating costs = property tax + land use tax + tax surcharge (generally refers to city construction tax, education surcharge, local education surcharge, etc.) + management fee + maintenance fee + insurance fee

4. Machinery and equipment

Pursuant to the purpose of this valuation, in accordance with the principle of continuous use, based on market prices, combined with the characteristics of the equipment included in the valuation scope and the information collected, the replacement cost method is mainly used for valuation.

Appraised value = full replacement price × newness rate

1) Determination of the full replacement price

Electronic equipment

The full replacement price of electronic equipment on the valuation benchmark date is determined based on local market information and recent market price information such as *Electronic Product Price Business* (《電子產品價格商情》). Generally, the manufacturers provide free transportation and installation, and the full replacement price is determined directly by the market purchase price (including VAT).

2) Determination of newness rate

Determination of the newness rate of electronic equipment

The newness rate of electronic equipment was determined under the service life method.

Newness rate = (1－serviced life/economic service life) * 100%

or newness rate = remaining service life/(serviced life + remaining service life) * 100%

3) Determination of appraised value

Appraised value = full replacement price × newness rate

4. *Intangible assets*

① Valuation method selection

According to the *Regulations for Valuation on Urban Land*, land valuation methods mainly include market comparison method, income return method, hypothetical development method, cost approximation method and benchmark land price coefficient correction method. For the selection of valuation methods, suitable valuation methods shall be selected based on the specific conditions of the parcel to be appraised, the nature of the land and the purpose of the valuation as well as the actual situation of the real estate market in the area where the parcel to be appraised is located.

After carefully analysing the information available and conducting field surveys, the appraisers found that the market method and the income method could not be used to calculate the value of the parcel as there were no recent cases of medical land transactions and leases in local area. The benchmark land price coefficient correction method is selected based on the characteristics of the parcel to be appraised and the actual utilisation and development status, and the consideration that the parcel to be appraised is located in the area covered by the benchmark land price of Chengdu City. In addition, the cost approximation method is adopted for valuation due to the available information of the land acquisition cost.

② Introduction of valuation methods

A Benchmark land price coefficient correction method

The benchmark land price coefficient correction method is a method that compares the regional and individual conditions of the target of valuation with the average conditions of the area in which the parcel is located, according to the substitution principle, and makes correction to the regional and individual factors in accordance with the revision system of benchmark land price, so as to arrive at the land price of the valuation target on the valuation benchmark date.

The basic formula is:

The parcel price under the development level set for benchmark land price = benchmark land price × K1 × K2 × K3 × (1+∑K) + K4

Where: K1 – Duration correction coefficient;

K2 – Correction coefficient for the land use period;

K3 – Correction coefficient for the plot ratio;

ΣK – Sum of correction coefficients for the regional and individual factors affecting land prices;

K4 – Correction of the development level.

B Cost approximation method

The cost approximation method is a valuation method that determines the land price based on the sum of all costs incurred in developing the land, plus a certain amount of interest, profit, taxes and fees payable and land appreciation gain. Its basic calculation formula is:

Land price = (land acquisition costs + related taxes + land development costs + investment interest + investment profit + land appreciation gain) x term correction coefficient

Where:

Land acquisition costs and tax: Pursuant to the *Law of the People's Republic of China on Land Management*, land acquisition costs include land compensation costs, settlement subsidies, and compensation costs for young plants and attached structures. Tax includes tax on farmland occupied, farmland cultivation costs, management costs for acquired land and land use fee for newly created construction land;

Land development costs: Land development costs are calculated based on various average objective costs for the same level of development in the area where the parcels to be appraised are located;

Interest: Interest payable for each period is estimated based on the normal development cycle for the same level of development of the parcel to be appraised, period of various costs incurred and the annualised interest rate of capital;

Profit: Investment profit of land investment is estimated by recognising normal return rate of various investments under development based on the development nature and the actual situation of land parcels;

Land appreciation gain: land appreciation gain refers to apart from recovery of cost price by the government when transferring land parcels, the land ownership of the country has to be realised economically, i.e. obtaining certain appreciation gain.

5. Liabilities

The valuation of an enterprise's liabilities is mainly through review and verification. The appraisers verify the relevant documents, contracts, account books and related vouchers, confirm their authenticity and then determine the appraised value based on the verified book value or based on the actual liabilities it should bear.

VIII. IMPLEMENTATION PROCESS OF VALUATION PROCEDURES

The valuer appraised the assets and liabilities of the valuation target. Details of the implementation process of major valuation procedures are as follows:

(I) Acceptance of engagement

We entered into an agreement with the client in respect of basic matters for valuation including the purpose of valuation, valuation target, the scope of valuation and the valuation benchmark date as well as the rights and obligations of each party, and determined the basic valuation matters such as the corresponding valuation plan, and the time and method of submission of valuation report through negotiations with the client.

(II) Preliminary preparation

In view of the basic valuation matters, we prepared a valuation plan, established a valuation team and arranged training for the relevant personnel of the project.

(III) On-site investigation

The valuer conducted necessary examination and verification of the assets and liabilities of the valuation target, and carried out necessary due diligence on the operation and management of the appraised entity.

1. Providing guidance to the appraised entity on completing forms and preparing information to be submitted to the appraisal institution

The valuer provided guidance to the finance and asset management personnel of the appraised entity on completing the asset appraisal forms for the assets included in the scope of valuation in a meticulous and accurate manner based on self-examination of assets and in accordance with the breakdown of assets for valuation, the requirements for completion and the list of information provided by us, and on collecting and preparing ownership certificates of assets and documents and information reflecting the performance, status and economic and technology indicators of the assets.

2. Preliminary review and perfection of the breakdown of assets for valuation completed by the appraised entity

The valuer understood the details of the assets included in the scope of valuation by accessing the relevant information, carefully reviewed the breakdown of various assets for valuation to check if there is any incomplete or wrong submission or any unclear asset, and examined, based on its experience and understanding if there is any missing item in the breakdown of asset for valuation, and provided feedback to the appraised entity for improvement of the breakdown of asset for valuation.

3. On-site survey

With the cooperation of the relevant personnel of the appraised entity, the valuer conducted on-site survey of the assets covered by the scope of valuation based on their types, quantity and distribution and in accordance with the relevant requirements of the asset valuation standards, and adopted different survey methods in view of different nature and features of the assets.

4. Supplement, amendment and perfection of the breakdown of assets for valuation

The valuer fully communicated with the relevant personnel of the appraised entity based on the results of on-site survey and further improved the breakdown of assets for valuation to ensure the consistency among the book value, the record and the reality.

5. Examination of ownership certificates and documents

The valuer examined the ownership certificates and documents of the assets covered by the scope of valuation, and requested the entity to verify or produce the relevant ownership certificates and documents for those with incomplete ownership information or unclear ownership.

(IV) Data collection

The valuer collected the data for valuation according to the specific conditions of the valuation project, including the information directly and independently obtained from market and other channels, the data obtained from the relevant parties including the client, and the data obtained from government departments, various professional institutions and other relevant departments. The valuer conducted necessary analysis, induction and sorting of the data collected for valuation to form the basis for valuation.

(V) Assessment of estimates

According to the specific conditions of various assets, the valuer selected the corresponding formulas and parameters to make analysis, calculation and assessment based on the valuation methods selected and formed the preliminary valuation conclusions. The project leader summarised the preliminary valuation conclusion of various assets, and compiled and prepared the preliminary asset valuation report.

(VI) Internal review

In accordance with the requirements of the administrative measures for our valuation process, the project leader submitted the completed preliminary asset valuation report for our internal review. Upon completion of internal review, the project leader communicated with the client or other relevant parties agreed by the client about the contents of the asset valuation report, and issued and submitted the asset valuation report after making reasonable amendments according to their feedbacks.

(VII) Archive of valuation files

According to the requirements of the asset valuation standards, the valuer organised the underlying documents, asset valuation report and other relevant materials to maintain an archive of asset valuation file.

IX VALUATION ASSUMPTIONS

The assumptions adopted in analysing and estimating in the asset valuation report are as follows:

(I) Basic assumptions

1. Open market assumption assumes that with respect to the asset traded or to be traded in the market, the transaction parties are equal and have opportunity and time to access enough market information so as to make a rational judgment on the function, intended purpose and transaction price of the assets;

2. Transaction assumption assumes that all the assets to be valued are already in the process of transaction, and the valuer carries out the valuation based on a simulated market which involves the transaction conditions of the assets to be valued. Transaction assumption is a fundamental prerequisite for asset valuation;

3. Assumption on continuing operation assumes that the appraised entity will not cease operation for any reason in the foreseeable future, but will continue to operate lawfully with its existing assets and resources.

(II) General assumptions

1. It is assumed that there will be no significant changes to the relevant prevailing laws, regulations and policies, or macro-economic situations in the PRC as well as the political, economic and social environment of regions where the parties to the transaction are located;

2. It is assumed that the company will operate on a continuing operation basis according to the actual conditions of the assets as at the valuation benchmark date;

3. It is assumed that there will be no significant changes to the interest rate, exchange rate, taxation base and tax rate, policy-imposed charges relating to the appraised entity subsequent to the valuation benchmark date;

4. It is assumed that the values of various parameters measured in the valuation are determined according to the current price system, without considering the influence of inflation factors after the valuation benchmark date;

5. It is assumed that there is no force majeure and unforeseeable factors which may have a material adverse impact on the appraised entity subsequent to the valuation benchmark date.

(III) Special assumptions

1. It is assumed that the accounting policies adopted by the appraised entity subsequent to the valuation benchmark date will be consistent in material aspects with those adopted in the preparation of this asset valuation report;

2. It is assumed that the business scope and method of operation of the appraised entity subsequent to the valuation benchmark date will be consistent with those in existence on the basis of the existing management model and level;

3. It is assumed that the cash inflow and cash outflow of the appraised entity after the valuation benchmark date are even;

4. It is assumed that the general information, ownership document, policy document and other relevant information in relation to the operation of the company provided by the client and title holders are authentic and effective;

5. It is assumed that the processes of acquiring, obtaining and constructing the assets of the valuation target are all in compliance with the provisions of relevant national laws and regulations;

6. It is assumed that the physical assets of the valuation target have no major technical failure that will affect their continuous use, and that there are no potential significant quality defects in their key parts and materials;

7. It is assumed that the relevant credential certificates required for the normal operation of the company can be renewed and obtained in a timely manner;

8. The future management team duly performs its duties and maintains the existing operation and management model on a continuing operation basis. The management of the company makes best estimate on the general economic conditions over the remaining service life of the assets based on reasonable and supportable assumptions and makes forecast on the future cash flow of the assets based on the latest financial budget or forecasted data approved by the management of the company;

9. It is assumed that the existing major business structure, revenue and cost composition as well as the sales strategy and cost control of future business of the valuation target will prevail in the future. Potential changes in operation capability, business scale, business structure and other aspects resulted from the changes in the management, operation strategy and additional investments as well as business environment in the future are not taken into consideration, notwithstanding the high probability of occurrence of such changes. In other words, the valuation is based upon the assumption that the operation capability, business scale and business model as at the valuation benchmark date maintain;

10. It is assumed that future cashflow is forecasted based on the existing conditions of the assets and excluding the expected future cashflow regarding events or asset improvement that may happen in the future or are not committed. It is also assumed that the equipment of the appraised entity has been running well since the commencement of operation and the entity will maintain its operation capability in the future assuming that it will not make additional investments to expand its operation and production capacity;

11. It is assumed that, during the future operating period, the various operation and management expenses of the appraised entity will have no significant changes from the present basis and will keep the changing trend in the recent years and change simultaneously along with the changes in its operation scale;

12. It is assumed that the physical assets of the valuation target have no major technical failure that will affect their continuous use, and that there are no potential significant quality defects in their key parts and materials.

The valuation conclusion set out in the asset valuation report is established as at the valuation benchmark date on the aforesaid assumptions. We and the signing valuers disclaim any responsibility for any different valuation conclusions arising from any significant changes in any assumptions.

X. VALUATION CONCLUSION

As of the valuation benchmark date (i.e. 31 July 2021), the valuation results of the value of all shareholders' equities in Genertec Minmetals Hospital Management (Beijing) Company Limited were as follows:

(I) Valuation results under the asset-based method

As at the valuation benchmark date, the book value and appraised value of the total assets of Genertec Minmetals Hospital Management (Beijing) Company Limited were RMB2,420.1572 million and RMB2,464.3054 million, respectively, representing an increase in value of RMB44.1482 million or 1.82%; the book value and appraised value of total liabilities were RMB70.4228 million and RMB70.4228 million, respectively, with no increase or decrease in value; the book value and appraised value of the net assets were RMB2,349.7344 million and RMB2,393.8826 million, respectively, representing an increase in value of RMB44.1482 million or 1.88%.

The valuation results under the asset-based method are detailed in the following summary of valuation results:

Summary of valuation results using the asset-based method

Valuation benchmark date: 31 July 2021

Unit: RMB0'000

Item		**Book value[(1)]** A	**Appraised value** B	**Increase or Decrease in value** C=B-A	**Change** *(%)* D=C/A×100
I. Current assets	1	129,291.24	129,291.24		
II. Non-current assets	2	112,724.48	117,139.30	4,414.82	3.92
Of which: Long-term equity investment	3	99,023.32	101,667.79	2,644.47	2.67
Fixed assets	4	7,030.47	7,716.38	685.91	9.76
Construction in progress	5				
Intangible assets	6	6,670.69	7,755.13	1,084.44	16.26
Total assets	7	242,015.72	246,430.54	4,414.82	1.82
III. Current liabilities	8	7,042.28	7,042.28		
IV. Non-current liabilities	9				
Total liabilities	10	7,042.28	7,042.28		
Net assets	11	234,973.44	239,388.26	4,414.82	1.88

Note:

(1) As stated in the section headed "2. Background" in the "Letter from the Board" of this circular, the then shareholders of Genertec Minmetals Hospital Management (Beijing) Company Limited conducted the Capital Increases on 31 May 2020 and 31 August 2020, respectively. As the assets contribution of certain Minmetals Shareholders, the Target Hospitals were injected into Genertec Minmetals Hospital

Management (Beijing) Company Limited. For the purpose of the Capital Increases, the Valuer was engaged as an independent expert to conduct valuation on the net assets under the Target Hospitals, the appraised value of which was used as the pricing basis of the Capital Increases.

The valuation was conducted on the assumption that the Target Hospitals had been injected into Genertec Minmetals Hospital Management (Beijing) Company Limited. Pursuant to the relevant accounting standards, the asset value of the relevant assets should be measured at their fair value when the Target Hospitals were injected into Genertec Minmetals Hospital Management (Beijing) Company Limited. Therefore, this amount of book value included not only the net asset value of the Target Hospitals at the relevant time, but also the amount of appraisal appreciation (approximately RMB360 million) of the Target Hospitals in the valuation conducted for the Capital Increases.

Under the asset-based method, the value of all shareholders' equities in Genertec Minmetals Hospital Management (Beijing) Company Limited was RMB2,393.8826 million.

(II) Valuation results under the income method

The book value of the net assets of Genertec Minmetals Hospital Management (Beijing) Company Limited as of the valuation benchmark date was RMB2,349.7344 million; and the value of all shareholders' equities after the valuation under the income method was RMB1,740.7995 million, representing a decrease in value of RMB608.9349 million or 25.92%.

(III) Analysis of valuation results

The value of all shareholders' equities after the valuation under the income method was RMB1,740.7995 million and the value of all shareholders' equities after the valuation under the asset-based method was RMB2,393.8826 million, with a difference of RMB653.0831 million or 27.28%. The income method focuses on the future earnings of an enterprise, which is based on the premise of the valuation assumptions, whereas the asset-based method focuses on the history and reality of the company. The difference in the nature of the focus of methods resulted in the difference in the valuation conclusions.

When the income method was used for the valuation, as the appraised entity was established in 2019 as a platform company to manage each of the subordinate hospitals and has no operating business income itself, while each of the subordinate long-invested hospitals is non-profit medical institution, and the state regulations for non-profit organisations stipulate that they are not profit-oriented organisations, and non-profit organisations are subjected to the laws and not allowed to allocate their reserves to their respective owners or shareholders, thus the valuation results under the income method were not adopted for this valuation.

As to the technical idea of the asset-based method, the valuation conclusion is based on the individual valuation of the assets and liabilities of an enterprise that objectively exist as at the valuation benchmark date, enabling users of the report to easily understand the value composition of the existing assets of the enterprise. Therefore, we believe that for the purpose of this valuation and considering the realities of the appraised entity, the valuation conclusion of the asset-based method is more reliable as compared with the income method.

In view of the above, we believe that the valuation results under the asset-based method are more reasonable and reflect the market value of the appraised entity with greater objectivity. Therefore, the valuation results under the asset-based method are adopted as the final valuation results in this report, i.e. the value of all shareholders' equities in Genertec Minmetals Hospital Management (Beijing) Company Limited was RMB2,393.8826 million.

(IV) Consideration for the liquidity of the value of all shareholders' equities

This valuation did not take into consideration the impact of special transactions such as control and equity liquidity on the equity value in determining the value of all shareholders' equities in Genertec Minmetals Hospital Management (Beijing) Company Limited.

XI. NOTES ON SPECIAL MATTERS

It was discovered in the course of valuation that the following matters may affect the valuation conclusion; however, they are beyond the evaluation and estimation of the valuers by virtue of their professional competence:

(I) The valuation conclusion of this valuation report has not taken into consideration of the potential expenses and taxes arising from the process of registration or change of titles of the appraised assets. It has not accounted for the impact of mortgages, guarantees, pending litigation, etc. on the valuation conclusion, as well as the possible changes of tax obligation arising from the increase or decrease of the appraised value.

(II) This valuation report is based on the information related to asset valuation provided by the client and relevant parties of the appraised entity. It is the responsibility of the client and the relevant parties to provide necessary information and ensure the truthfulness, legality and completeness of the information provided and guarantee the legality of operation. The responsibility of asset valuers is to analyse, estimate and express professional view on the value of the valuation target for the specific purpose as of the valuation base date. Asset valuers conduct necessary inspection and disclosure on such information and its sources, but not to provide any guarantee as to the truthfulness, legality and completeness of the above information. It is beyond the scope of practice for the asset valuers to ascertain or express opinions on such information and its sources.

(III) Prior to the valuation, ShineWing Certified Public Accountants (Special General Partnership) has conducted special audit on Genertec Minmetals Hospital Management (Beijing) Company Limited with 31 July 2021 as the benchmark date and issued No. XYZH/2022ZZAA20075 standard unqualified audit report. Genertec Minmetals Hospital Management (Beijing) Company Limited declared the audited and adjusted results. The valuation of all shareholders' equities in Genertec Minmetals Hospital Management (Beijing) Company Limited was conducted based on the audit of certified public accountants. We remind users of the report to pay attention to the above audit report when using this asset valuation report.

(IV) There are a total of 13 houses and buildings covered by the scope of valuation, which are comprised of physical assets contributed by the shareholders. As at the valuation benchmark date, except properties No. 5, 11 and 12 for which no title certificates are available, title certificates have been obtained for other ten houses and buildings, but the title owners as stated in such certificates have not been changed. The appraised entity has issued a statement and guaranteed that it has the ownership without dispute.

No.	Title certificate No.	Name of building	Title owners stated in the title certificate
1	Ma Fang Di Quan Yu Shan Qu Zi No. 2008001099	Inpatient department buildings of the general medicine division of Ma'anshan MCC 17 Hospital	China MCC 17 Group Co., Ltd.
2	Pan Fang Quan Zheng Dong Zi No. 00018309	Inpatient buildings of MCC 19 Hospital	China MCC 19 Group Co., Ltd.
3	Pan Fang Quan Zheng Dong Zi No. 00012232	No. 1 Complex Building	China MCC 19 Group Co., Ltd.
4	Pan Fang Quan Zheng Dong Zi No. 00012230	No. 2 Complex Building	China MCC 19 Group Co., Ltd.
5	Nil	Canteen	
6	Pan Fang Quan Zheng Dong Zi No. 000947	Jianxing Building	MCC 19 Hospital
7	Pan Fang Quan Zheng Dong Zi No. 00012231	Building of general medicine division	China MCC 19 Group Co., Ltd.
8	Pan Fang Quan Zheng Dong Zi No. 00012321	Outpatient Building	China MCC 19 Group Co., Ltd.
9	Pan Fang Quan Zheng Dong Zi No. 000955	Morgue	MCC 19 Hospital
10	Pan Fang Quan Zheng Dong Zi No. 000956	Sewage treatment station	MCC 19 Hospital
11	Nil	Shops	
12	Nil	Medical waste temporary storage room	
13	Fang Di Quan Zheng Ma Fang Zi No. 2010035725	Inpatient department buildings of the general surgery division of Ma'anshan MCC 17 Hospital	China MCC 17 Group Co., Ltd.

The appraised value of the lands on which No. 1 and No. 13 buildings are erected are stated under the land use rights of the intangible assets of Ma'anshan MCC 17 Hospital, a subsidiary of the appraised entity.

(V) There are three parcels of land to be appraised, and the title owners stated in the title certificates are China MCC 5 Group Co., Ltd., China MCC 22 Group Co., Ltd. and China MCC 19 Group Co., Ltd. As at the valuation benchmark date, the title owner stated in the respective title certificates of the lands to be appraised has not been changed. Genertec Minmetals Hospital Management (Beijing) Company Limited has issued a written statement stating that the ownership of the foresaid lands is vested in Genertec Minmetals Hospital Management (Beijing) Company Limited.

(VI) For the land use right of a parcel of land located at No. 53, North 3rd Section, 1st Ring Road, Chengdu City (land certificate: Chuan Guo Yong (2002) Zi Di No. 02770) covered by the scope of valuation, the valuation is carried out in accordance with the Notice of Chengdu Municipal Planning and Natural Resources Bureau on Publishing Results of Rating of Central Urban Area Lands and Benchmark Land Price Renewal of Chengdu City (Cheng Zi Ran Zi Fa [2021] No. 28) issued by Chengdu Municipal Planning and Natural Resources Bureau on 18 September 2021 (Results of rating of central urban area lands and benchmark land price renewal of Chengdu City is effective from 20 September 2021).

The users of the asset valuation report shall pay attention to the effects of the above particular matters on the valuation conclusion.

XII. NOTES ON THE LIMITATIONS ON USE OF THE ASSET VALUATION REPORT

(I) This asset valuation report shall be used for the purpose and uses of valuation set out in this asset valuation report only and by the users specified in this asset valuation report only. The extraction of, reference to or public disclosure of all or any part of this asset valuation report shall be subject to our review, unless otherwise provided in the laws or regulations or agreed between the relevant parties;

(II) If the client or any other user of the asset valuation report fails to use the report in accordance with the laws, administrative regulations and the scope of use set out in the report, we and our professional valuers disclaim any liability arising therefrom;

(III) No entity or individual other than the client, other users agreed in the asset valuation engagement contract and the users of the asset valuation report set out in the laws and administrative regulations, shall become a user of the asset valuation report;

(IV) The users of the asset valuation report shall have a correct understanding and use of the valuation conclusion, which does not represent the realisable price of the valuation target and shall not be deemed as a guarantee for the realisable price of the valuation target;

(V) This asset valuation report shall not be put into use unless and until it has been signed by the valuers conducting the valuation with our company chop and filed by the state-owned asset administration authorities;

(VI) The valuation conclusion in this asset valuation report is effective for the economic activity described in the asset valuation report only and the valuation conclusion shall be valid for one year from the valuation benchmark date.

XIII. DATE OF THE ASSET VALUATION REPORT

The date of this asset valuation report was 12 March 2022/25 June 2022.

The following is the text of a report received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF SHANGHAI MCC HOSPITAL, MA'ANSHAN MCC17 HOSPITAL, CHINA MCC5 GROUP HOSPITAL, CHINA MCC19 GROUP HOSPITAL, MCC22 HOSPITAL, MINMETAL HANXING GENERAL HOSPITAL, AND TAIYUAN NO.7 PEOPLE'S HOSPITAL TO THE DIRECTORS OF GENERTEC UNIVERSAL MEDICAL GROUP COMPANY LIMITED

INTRODUCTION

We report on the historical financial information of Shanghai MCC Hospital, Ma'anshan MCC17 Hospital, China MCC5 Group Hospital, China MCC19 Group Hospital, MCC22 Hospital, Minmetal Hanxing General Hospital, and Taiyuan No.7 People's Hospital (together, the "**Target Group**") set out on pages IV-4 to IV-48,which comprises the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and combined statements of cash flows of the Target Group for each of the years ended 31 December 2019, 2020 and 2021, and the eight months ended 31 August 2022 (the "**Relevant Periods**"), and the combined statements of financial position of the Target Group as at 31 December 2019, 2020 and 2021 and 31 August 2022 and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages IV-4 to IV-48 forms an integral part of this report, which has been prepared for inclusion in the circular of Genertec Universal Medical Group Company Limited (the "**Company**") dated 14 December 2022 (the "**Circular**") in connection with the Company's proposed acquisition of 54% equity interests in Genertec Minmetals Hospital Management (Beijing) Co., Ltd. (the "**Genertec Minmetals Co., Ltd.**").

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Target Group are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial

Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Target Group as at 31 December 2019, 2020 and 2021 and 31 August 2022 and of the financial performance and cash flows of the Target Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

REVIEW OF INTERIM COMPARATIVE FINANCIAL INFORMATION

We have reviewed the interim comparative financial information of the Target Group which comprises the combined statement of profit or loss and other comprehensive income, combined statement of changes in equity and combined statement of cash flows for the eight months ended 31 August 2021 and other explanatory information (the "**Interim Comparative Financial Information**"). The directors of the Target Group are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page IV-4 have been made.

DIVIDENDS

We refer to note 7 to the Historical Financial Information which states that no dividends have been paid by the Target Group in respect of the Relevant Periods.

Certified Public Accountants
Hong Kong
14 December 2022

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Target Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the years ended 31 December 2019, 2020 and 2021 and the eight months ended 31 August 2022

		Year ended 31 December			Eight months ended 31 August	
	Notes	**2019**	**2020**	**2021**	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
REVENUE	*4*	1,365,062	1,362,831	1,570,032	985,405	1,050,914
Cost of sales		(1,271,282)	(1,276,275)	(1,462,516)	(924,230)	(1,002,782)
Gross profit		93,780	86,556	107,516	61,175	48,132
Other income and gains	*5*	15,711	15,670	19,744	8,732	5,832
Administrative expenses		(100,910)	(111,921)	(97,315)	(60,351)	(68,931)
Impairment losses on financial assets, net	*6*	(7,672)	(4,069)	(3,875)	(2,317)	(1,165)
Other expenses		(2,886)	(3,325)	(1,932)	(483)	(2,058)
Finance costs		(1,262)	(1,679)	(2,520)	(1,840)	(2,813)
(LOSS)/PROFIT BEFORE TAX	*6*	(3,239)	(18,768)	21,618	4,916	(21,003)
Income tax expense		–	–	–	–	–
(LOSS)/PROFIT FOR THE YEAR/PERIOD		(3,239)	(18,768)	21,618	4,916	(21,003)
Profit/(Loss) attributable to:						
Owners of the parent		1,968	(17,060)	19,956	11,280	(22,038)
Non-controlling interests		(5,207)	(1,708)	1,662	(6,364)	1,035
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR/PERIOD		(3,239)	(18,768)	21,618	4,916	(21,003)
Total comprehensive (loss)/income attributable to:						
Owners of the parent		1,968	(17,060)	19,956	11,280	(22,038)
Non-controlling interests		(5,207)	(1,708)	1,662	(6,364)	1,035
		(3,239)	(18,768)	21,618	4,916	(21,003)

COMBINED STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019, 2020 and 2021 and 31 August 2022

	Notes	As at 31 December 2019 RMB'000	As at 31 December 2020 RMB'000	As at 31 December 2021 RMB'000	As at 31 August 2022 RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	8	755,101	758,876	802,847	844,733
Right-of-use assets	9(a)	37,275	31,726	32,849	29,616
Prepayments, other receivables and other assets	12	1,214	1,361	2,983	571
Other intangible assets		7,771	11,249	13,272	11,692
Total non-current assets		801,361	803,212	851,951	886,612
CURRENT ASSETS					
Inventories	10	27,989	34,865	30,480	54,795
Trade receivables	11	203,786	175,599	232,674	254,705
Prepayments, other receivables and other assets	12	49,055	42,202	44,705	14,314
Restricted deposits	13	17,125	17,350	23,050	25,450
Cash and cash equivalents	13	328,914	430,471	394,735	374,807
Total current assets		626,869	700,487	725,644	724,071
CURRENT LIABILITIES					
Trade and bills payables	14	373,058	429,079	421,684	502,745
Other payables and accruals	15	268,678	302,916	343,224	301,571
Interest-bearing bank and other borrowings	18	7,871	3,381	4,553	4,838
Total current liabilities		649,607	735,376	769,461	809,154
NET CURRENT LIABILITIES		(22,738)	(34,889)	(43,817)	(85,083)
TOTAL ASSETS LESS CURRENT LIABILITIES		778,623	768,323	808,134	801,529
NON-CURRENT LIABILITIES					
Interest-bearing bank and other borrowings	18	8,320	5,183	23,421	54,024
Other payables and accruals	15	–	130	85	65
Total non-current liabilities		8,320	5,313	23,506	54,089
Net assets		770,303	763,010	784,628	747,440
EQUITY					
Paid in capital	16	65,305	65,305	65,305	65,305
Reserves	17	689,802	684,217	704,173	682,135
Equity attributable to owners of the parent		755,107	749,522	769,478	747,440
Non-controlling interests		15,196	13,488	15,150	–
Total equity		770,303	763,010	784,628	747,440

COMBINED STATEMENTS OF CHANGES IN EQUITY

For the years ended 31 December 2019, 2020 and 2021 and the eight months ended 31 August 2022

	Equity attributable to the owners of the parent					
	Paid in capital	Capital reserve*	Retained earnings*	Total	Non-controlling Interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 16)	*(note 17)*				
As at 1 January 2019	65,305	98,998	572,783	737,086	20,169	757,255
Total comprehensive income/(loss) for the year	–	–	1,968	1,968	(5,207)	(3,239)
Capital injection	–	16,053	–	16,053	234	16,287
As at 31 December 2019 and 1 January 2020	65,305	115,051	574,751	755,107	15,196	770,303
Total comprehensive loss for the year	–	–	(17,060)	(17,060)	(1,708)	(18,768)
Capital injection	–	11,475	–	11,475	–	11,475
As at 31 December 2020 and 1 January 2021	65,305	126,526	557,691	749,522	13,488	763,010
Total comprehensive income for the year	–	–	19,956	19,956	1,662	21,618
As at 31 December 2021 and 1 January 2022	65,305	126,526	577,647	769,478	15,150	784,628
Total comprehensive (loss)/income for the period	–	–	(22,038)	(22,038)	1,035	(21,003)
Capital injection	–	–	–	–	2,197	2,197
Capital reduction	–	–	–	–	(18,382)	(18,382)
As at 31 August 2022	65,305	126,526	555,609	747,440	–	747,440

	Equity attributable to the owners of the parent					
	Paid in capital	Capital reserve	Retained earnings	Total	Non-controlling Interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2021	65,305	126,526	557,691	749,522	13,488	763,010
Total comprehensive income for the period	–	–	11,280	11,280	(6,364)	4,916
As at 31 August 2021 (unaudited)	65,305	126,526	568,971	760,802	7,124	767,926

* These reserve accounts comprised the combined reserves of RMB689,802,000, RMB684,217,000, RMB704,173,000 and RMB682,135,000, in the combined statements of financial position as at 31 December 2019, 2020 and 2021 and 31 August 2022, respectively.

COMBINED STATEMENTS OF CASH FLOWS

For the years ended 31 December 2019, 2020 and 2021 and the eight months ended 31 August 2022

	Notes	Year ended 31 December			Eight months ended 31 August	
		2019	2020	2021	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
OPERATING ACTIVITIES						
(Loss)/profit before tax		(3,239)	(18,768)	21,618	4,916	(21,003)
Adjustments for:						
Finance costs		1,262	1,679	2,520	1,840	2,813
Interest income	5	(3,900)	(4,080)	(4,636)	(2,355)	(2,117)
Impairment of trade receivables and prepayments, other receivables and other assets	6	7,672	4,069	3,875	2,317	1,165
Depreciation of property and equipment	6	68,318	74,541	79,826	57,183	57,663
Depreciation of right-of-use assets	6	5,469	5,682	4,444	2,823	3,552
Amortisation of intangible assets and other assets	6	2,119	3,627	5,473	4,165	4,465
Foreign exchange gains, net	5	(478)	(26)	–	–	–
Net losses/(gains) on disposal of property and equipment and other assets	6	6	(1)	4	(2)	–
Decrease/(increase) in inventories		9,157	(6,876)	4,385	(3,565)	(24,315)
(Increase)/decrease in trade receivables		(24,372)	26,350	(60,917)	(46,746)	(17,304)
Decrease/(increase) in prepayments, other receivables and other assets		33,262	(17,685)	(5,264)	10,371	5,342
Decrease in amounts due from related parties		3,312	9,447	2,647	2,734	19,237
Increase/(decrease) in trade and bills payables		75,959	56,584	(12,227)	(27,015)	73,530
(Decrease)/increase in other payables and accruals		(100,923)	19,605	(17,162)	(14,712)	(70,159)
Increase in amounts due to related parties		7,217	24,737	36,052	29,592	18,433
Net cash flows from operating activities before interest and tax		80,841	178,885	60,638	21,546	51,302
Interest received		3,900	4,080	4,636	2,355	2,117
Net cash flows from operating activities		84,741	182,965	65,274	23,901	53,419
INVESTING ACTIVITIES						
Purchases of items of property, plant and equipment, Intangible assets and other assets		(64,480)	(72,516)	(107,454)	(72,222)	(85,901)
Proceeds from disposal of items of property, plant and equipment and other assets		12	9	3	3	–
Net cash flows used in investing activities		(64,468)	(72,507)	(107,451)	(72,219)	(85,901)

continued/…

COMBINED STATEMENTS OF CASH FLOWS (continued)

For the years ended 31 December 2019, 2020 and 2021 and the eight months ended 31 August 2022

		Year ended 31 December			Eight months ended 31 August	
	Notes	**2019**	**2020**	**2021**	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
FINANCING ACTIVITIES						
Cash received from borrowings		–	10,000	17,750	17,750	–
Repayments of borrowings		(4,660)	(12,951)	(759)	(590)	–
Increase in amounts due to related parties		–	–	–	–	32,000
Principal portion of lease payments		(5,313)	(5,342)	(4,039)	(2,506)	(2,507)
Acquisition of non-controlling interests		–	–	–	–	(14,898)
Proceed from non-controlling interests		–	–	–	–	1,236
Interest paid		(143)	(383)	(811)	(248)	(877)
(Increase)/decrease in restricted deposits		55,330	(225)	(5,700)	(5,650)	(2,400)
Net cash flows from/(used in) financing activities		45,214	(8,901)	6,441	8,756	12,554
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		65,487	101,557	(35,736)	(39,562)	(19,928)
Cash and cash equivalents at beginning of the year/period		263,427	328,914	430,471	430,471	394,735
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	*13*	328,914	430,471	394,735	390,909	374,807
ANALYSIS OF CASH AND CASH EQUIVALENTS						
Cash and bank balances		346,039	447,821	417,785	413,909	400,257
Less: Restricted deposits		(17,125)	(17,350)	(23,050)	(23,000)	(25,450)
Cash and cash equivalents as stated in the statement of financial position		328,914	430,471	394,735	390,909	374,807
Cash and cash equivalents as stated in the statements of cash flows		328,914	430,471	394,735	390,909	374,807

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the years ended 31 December 2019, 2020 and 2021 and the eight months ended 31 August 2022

1. CORPORATE INFORMATION

Shanghai MCC Hospital is a not-for-profit Grade II general hospital located in Baoshan District, Shanghai, the PRC. The address of its registered office is No.456 Chunlei Road, Baoshan District, Shanghai, the PRC.

Ma'anshan MCC17 Hospital is a not-for-profit Grade III general hospital located in Ma'anshan City, Anhui Province, the PRC. The address of its registered office is No.828 Hunan West Road, Yushan District, Ma'anshan City, Anhui Province, the PRC.

China MCC5 Group Hospital is a not-for-profit Grade II general hospital located in Chengdu City, Sichuan Province, the PRC. The address of its registered office is No.53 1st Ring Road North 3 Section, Jinniu District, Chengdu City, Sichuan Province, the PRC.

China MCC19 Group Hospital is a not-for-profit Grade II general hospital located in Panzhihua City, Sichuan Province, the PRC. The address of its registered office is No.187 Nongnongping Middle Road, Eastern District, Panzhihua City, Sichuan Province, the PRC.

MCC22 Hospital is a not-for-profit Grade II general hospital located in Tangshan City, Hebei Province, the PRC. The address of its registered office is No.16 Xingfu Avenue, Fengrun District, Tangshan City, Hebei Province, the PRC.

Minmetal Hanxing General Hospital is a not-for-profit Grade II general hospital located in Handan City, Hebei Province, the PRC. The address of its registered office is No.389 Heping East Road, Handan City, Hebei Province.

Taiyuan No.7 People's Hospital is a not-for-profit Grade II general hospital located in Taiyuan City, Shanxi Province, the PRC. The address of its registered office is No.88 Jingangyan Road Xinghualing District, Taiyuan City, Shanxi Province, the PRC.

During the Relevant Periods, the principal activity of the above seven hospital was medical services.

On 1 March 2022 that Genertec Minmetals Co., Ltd. was the promoter of Ma'anshan MCC17 Hospital, China MCC5 Target Group Hospital, China MCC19 Target Group Hospital, MCC22 Hospital, Minmetal Hanxing General Hospital, and Taiyuan No.7 People's Hospital. Genertec Universal Medical Group Company Limited controls Genertec Minmetals Co., Ltd.

As of 28 February 2022, the ultimate holding company of the seven hospitals was China Minmetals Corporation, a company incorporated in the Beijing, the PRC. Its registered office is located in No.5 Sanlihe, Haidian District, Beijing, the PRC. As of 28 February 2022, the Target Group were under the common control of China Minmetals Corporation. For the proposed acquisition of 54% equity interests in Genertec Minmetals Co., Ltd., the Historical Financial Information has been prepared on a combined basis by applying the principles of merger accounting for the years ended 31 December 2019, 2020 and 2021 and the eight months ended 31 August 2022.

2.1 BASIS OF PRESENTATION

The seven hospitals now comprising the Target Group were under the common control of the controlling shareholders as of 28 February 2022. Meanwhile, for the purpose of this report, the financial information has been prepared on a combined basis by applying the principles of merger accounting.

The combined statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Target Group for the Relevant Periods and the eight months ended 31 August 2021 include the results and cash flows of all hospitals now comprising the Target Group from the earliest date presented or since the date when the hospitals first came under the common control of the Target Group, where this is a shorter period. The combined statements of financial position of the Target Group as at 31 December 2019, 2020 and 2021 and 31 August 2022 have been prepared to present the assets and liabilities of the hospitals and/or businesses using the existing book values from the controlling shareholders' perspective.

Equity interests in hospitals and/or businesses held by parties other than the controlling shareholders, and changes therein, are presented as non-controlling interests in equity in applying the principles of merger accounting.

All intra-group transactions and balances have been eliminated on combination.

2.2 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. All HKFRSs effective for the accounting period commencing from 1 January 2022, together with the relevant transitional provisions, have been early adopted by the Target Group in the preparation of the combined financial statements throughout the Relevant Periods and in the period covered by the Interim Comparative Financial Information.

The Historical Financial Information has been prepared under the historical cost convention. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Going-concern assumption

As of 31 December 2019, 31 December 2020, 31 December 2021 and 31 August 2022, the Target Group had net current liabilities amounting to RMB22,738,000, RMB34,889,000, RMB43,817,000 and RMB85,083,000. When preparing the financial statements, the Target Group's management concluded that the adoption of the going concern basis of accounting was appropriate after analysing the forecasted cash flows for the twelve months from the end of each reporting year/period which indicate that the Target Group will have sufficient liquidity during the next twelve months from cash inflows generated from operations and existing credit facilities. To mitigate any liquidity issues that might be faced by the Target Group, the Target Group may curtail and defer its expansion of business based on the availability of sufficient funds. Accordingly, the Target Group will have the financial resources to settle borrowings and liabilities in the next twelve months, as and when they fall due.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
HKFRS 17	*Insurance Contracts*[1]
Amendments to HKFRS 17	*Insurance Contracts*[1,4]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[1,3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to HKAS 8	*Definition of Accounting Estimates*[1]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

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

2 No mandatory effective date yet determined but available for adoption

3 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

4 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

The Target Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Target Group considers that, these new and revised HKFRSs are unlikely to have a significant impact on the Target Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Related parties

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

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

(i) has control or joint control over the Target Group;

(ii) has significant influence over the Target Group; or

(iii) is a member of the key management personnel of the Target Group or of a parent of the Target Group;

or

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

(i) the entity and the Target Group are members of the same Group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Target Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group; and the sponsoring employers of the post-employment benefit plan;

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

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

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

Property, plant and equipment and depreciation

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

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

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

Category	**Annual depreciation rate**
Transportation equipment	6.49%~20.00%
Office equipment	4.85%~19.40%
Electronic equipment	8.08%~33.33%
Medical equipment	7.01%~32.33%
Machinery	9.70%~32.33%
Buildings	1.90%~11.88%

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

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

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

Intangible assets (other than goodwill)

Intangible assets include software. Software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 2 to 10 years.

Impairment of non-financial assets

The Target Group assesses at the end of each reporting period whether there is an indication that an asset may be impaired. If such an indication exists, the Target Group makes an estimate of the asset's recoverable amount.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e., a cash-generating unit). In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised in the statements of profit or loss and other comprehensive income whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of the impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. The reversal of the impairment loss is credited to the statements of profit or loss and other comprehensive income in the year in which it arises.

Leases

Lessee

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. All leases with a term of more than 12 months are recognised as assets representing the right of use of the underlying asset and liabilities representing the obligation to make lease payments, unless the underlying asset is of low value. Both the assets and the liabilities are initially measured on a present value basis. Right-of-use assets are measured at cost or valuation less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the shorter of the useful lives of the assets and the lease terms. Lease liabilities are initially measured at the present value of lease payments to be made under the lease terms and subsequently adjusted by the effect of the interest on and the settlement of the lease liabilities, and the re-measurement arising from any reassessment of the lease liabilities or lease modifications.

The Target Group applies the short-term lease recognition exemption to its short-term leases of properties and equipments (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of properties and equipments that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Lessor

Where the Target Group is the lessor in an operating lease, assets leased by the Target Group are included in non-current assets, and rentals receivable are credited to the statements of profit or loss and other comprehensive income on the straight-line basis over the lease terms.

Financial assets

Trade receivables that do not contain a significant financing component or for which the Target Group has applied the practical expedient of not adjusting the effect of a significant financing component are measured at the transaction price determined under HKFRS 15. All the other financial assets are initially recognised at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss. Regular way purchases and sales of financial assets are recognised on the trade date, that is, the date when the Target Group commits to purchase or sell the assets.

(a) Classification and measurement

Debt instruments are measured at amortised cost using the effective interest rate method, subject to impairment if the assets are held for the collection of contractual cash flows where those contractual cash flows represent solely payments of principal and interest.

(b) Impairment

The Target Group applies the expected credit loss model on all the financial assets that are subject to impairment. For trade receivables without a significant financing component, the Target Group applies the simplified approach which requires impairment allowances to be measured at lifetime expected credit losses.

For other financial assets, impairment allowances are recognised under the general approach where expected credit losses are recognised in two stages. For credit exposures where there has not been a significant increase in credit risk since initial recognition, the Target Group is required to provide for credit losses that result from possible default events within the next 12 months. For those credit exposures where there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure irrespective of the timing of the default.

The Target Group considers a default has occurred when a financial asset is more than 90 days past due unless the Target Group has reasonable and supportable information to demonstrate that a more appropriate default criterion should be applied.

(c) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets have expired; or where the Target Group has transferred its contractual rights to receive the cash flows of the financial assets and has transferred substantially all the risks and rewards of ownership; or where control is not retained.

Financial liabilities

Financial liabilities include interest-bearing bank and other borrowings, trade and bills payables and other payables and accruals.

They are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, they are subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities are derecognised when they are extinguished, i.e., when the obligation is discharged or cancelled, or expires.

Inventories

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

Provisions

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

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

Government grants

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

Revenue recognition

Revenue from contracts with customers

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

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

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

(a) Sale of finished goods

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

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

(i) Rights of return

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

(ii) Volume rebates

Retrospective volume rebates may be provided to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the most likely amount method is used for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The requirements on constraining estimates of variable consideration are applied and a refund liability for the expected future rebates is recognised.

(b) Provision of services

Revenue from the provision of services is recognised over the scheduled period on a straight-line basis or at a point in time.

Operating lease income

Operating lease income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on index or a rate are recognised as income in the accounting period in which they are incurred.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Target Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Target Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Cash and cash equivalents

For the purpose of the combined statements of cash flows, cash and cash equivalents include cash on hand, demand deposits, and other short term highly liquid investments with original maturity of three months or less when acquired, less bank overdrafts.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Target Group's combined 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. 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.

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.

(a) Impairment of property, plant and equipment

Items of property, plant and equipment are tested for impairment if there is any indication that the carrying value of these assets may not be recoverable and the assets are subject to an impairment loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The value-in-use calculation requires the Target Group to estimate the future cash flows expected to arise from the relevant cash-generating unit and a suitable discount rate is used in order to calculate the present value.

(b) Impairment of trade receivables and other receivables

The impairment provisions for trade receivables and other receivables are based on assumptions about expected credit losses. The Target Group uses judgements in making these assumptions and selecting the inputs to the impairment calculation, based on the number of days that an individual receivable is outstanding as well as the Target Group's historical experience and forward-looking information at the end of each reporting period. Changes in these assumptions and estimates could materially affect the results of the assessment and it may be necessary to make an additional impairment charge to profit or loss. Further details of the trade receivables and other receivables are given in note 11 and note 12 to the financial statements, respectively.

4. REVENUE

	Year ended 31 December			Eight months ended 31 August	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Revenue from contracts with customers	1,363,238	1,360,840	1,569,115	984,840	1,050,219
Revenue from other sources	1,985	2,062	1,020	638	771
Taxes and surcharges	(161)	(71)	(103)	(73)	(76)
	1,365,062	1,362,831	1,570,032	985,405	1,050,914

Revenue from contracts with customers

(i) Disaggregated revenue information

	Year ended 31 December			Eight months ended 31 August	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Type of goods or service					
Sale of finished goods	2,938	3,271	2,835	1,983	2,866
Healthcare service income	1,360,300	1,357,569	1,566,280	982,857	1,047,353
Total revenue from contracts with customers	1,363,238	1,360,840	1,569,115	984,840	1,050,219
Geographical market					
Mainland China	1,363,238	1,360,840	1,569,115	984,840	1,050,219
Timing of revenue recognition					
Goods transferred at a point in time	2,938	3,271	2,835	1,983	2,866
Services transferred at a point in time	1,360,300	1,357,569	1,566,280	982,857	1,047,353
Total revenue from contracts with customers	1,363,238	1,360,840	1,569,115	984,840	1,050,219
Revenue from contracts with customers					
External customers	1,363,238	1,360,840	1,569,115	984,840	1,050,219

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

	Year ended 31 December			Eight months ended 31 August	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:					
Sale of finished goods	341	372	448	448	1,087
Healthcare service income	12,157	16,340	10,423	10,423	15,655
	12,498	16,712	10,871	10,871	16,742

Information about a major customer

There was no single customer from whom the revenue derived amounted to 10% or more of the total revenue of the Target Group during the year/period.

(ii) Performance obligations

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

Sale of finished goods

The performance obligation is satisfied upon delivery of the goods.

Healthcare service income

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

5. OTHER INCOME AND GAINS

	Year ended 31 December			Eight months ended 31 August	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Bank interest income	3,900	4,080	4,636	2,355	2,117
Government grants *(note 5a)*	8,009	10,427	11,856	3,878	3,378
Foreign exchange gains, net	478	26	–	–	–
Others	3,324	1,137	3,252	2,499	337
	15,711	15,670	19,744	8,732	5,832

5a. GOVERNMENT GRANTS

	Year ended 31 December			Eight months ended 31 August	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Government special subsidies	8,009	10,427	11,856	3,878	3,378

6. (LOSS)/PROFIT BEFORE TAX

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

	Year ended 31 December			Eight months ended 31 August	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Cost of medical services	792,122	850,469	886,045	556,440	630,693
Cost of others	195	602	616	605	590
Depreciation of property, plant and equipment	68,318	74,541	79,826	57,183	57,663
Depreciation of right-of-use assets	5,469	5,682	4,444	2,823	3,552
Amortisation of intangible assets and other assets	2,119	3,627	5,473	4,165	4,465
Lease payments not included in the measurement of lease liabilities	8,813	8,831	11,424	7,585	5,106
Disposal of property, plant and equipment and other assets	6	(1)	4	(2)	–
Staff costs:					
– Wages and salaries	320,888	311,904	368,162	239,289	270,814
– Pension scheme contributions (defined contribution schemes)	49,108	32,798	60,827	35,409	35,609
– Other employee benefits	74,506	78,872	101,993	66,965	90,821
	444,502	423,574	530,982	341,663	397,244
Impairment allowance for trade receivables and prepayments, other receivables and other assets, net	7,672	4,069	3,875	2,317	1,165

7. DIVIDENDS

No dividends have been paid or declared by the Target Group during or subsequent to the Relevant Periods.

8. PROPERTY, PLANT AND EQUIPMENT

	Transportation equipment	Office equipment	Electronic equipment	Medical equipment	Machinery	Buildings	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019:								
Cost	10,396	18,729	15,150	393,442	20,495	725,744	23,250	1,207,206
Accumulated depreciation	(7,392)	(12,578)	(11,224)	(260,439)	(10,905)	(164,103)	–	(466,641)
Net carrying amount	3,004	6,151	3,926	133,003	9,590	561,641	23,250	740,565
At 1 January 2019, net of accumulated depreciation	3,004	6,151	3,926	133,003	9,590	561,641	23,250	740,565
Additions	585	2,241	1,083	55,318	1,993	16,232	6,106	83,558
Depreciation provided during the year	(707)	(2,037)	(1,701)	(38,662)	(1,955)	(23,256)	–	(68,318)
Transfers	–	–	–	–	121	11,441	(11,562)	–
Disposals	(5)	(28)	(2)	(644)	(25)	–	–	(704)
At 31 December 2019 and 1 January 2020, net of accumulated depreciation	2,877	6,327	3,306	149,015	9,724	566,058	17,794	755,101
At 31 December 2019 and 1 January 2020:								
Cost	10,827	20,414	16,196	433,834	21,787	749,858	17,794	1,270,710
Accumulated depreciation	(7,950)	(14,087)	(12,890)	(284,819)	(12,063)	(183,800)	–	(515,609)
Net carrying amount	2,877	6,327	3,306	149,015	9,724	566,058	17,794	755,101

	Transportation equipment	Office equipment	Electronic equipment	Medical equipment	Machinery	Buildings	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2020:								
Cost	10,827	20,414	16,196	433,834	21,787	749,858	17,794	1,270,710
Accumulated depreciation	(7,950)	(14,087)	(12,890)	(284,819)	(12,063)	(183,800)	–	(515,609)
Net carrying amount	2,877	6,327	3,306	149,015	9,724	566,058	17,794	755,101
At 1 January 2020, net of accumulated depreciation	2,877	6,327	3,306	149,015	9,724	566,058	17,794	755,101
Additions	1,020	1,744	990	57,705	2,697	8,228	6,208	78,592
Depreciation provided during the year	(654)	(2,249)	(1,553)	(41,377)	(2,194)	(26,514)	–	(74,541)
Transfers	–	–	–	–	230	1,990	(2,220)	–
Disposals	(20)	(2)	(22)	(225)	(7)	–	–	(276)
At 31 December 2020 and 1 January 2021, net of accumulated depreciation	3,223	5,820	2,721	165,118	10,450	549,762	21,782	758,876
At 31 December 2020 and 1 January 2021:								
Cost	11,439	22,017	16,835	487,064	24,447	760,076	21,782	1,343,660
Accumulated depreciation	(8,216)	(16,197)	(14,114)	(321,946)	(13,997)	(210,314)	–	(584,784)
Net carrying amount	3,223	5,820	2,721	165,118	10,450	549,762	21,782	758,876

	Transportation equipment	Office equipment	Electronic equipment	Medical equipment	Machinery	Buildings	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021:								
Cost	11,439	22,017	16,835	487,064	24,447	760,076	21,782	1,343,660
Accumulated depreciation	(8,216)	(16,197)	(14,114)	(321,946)	(13,997)	(210,314)	–	(584,784)
Net carrying amount	3,223	5,820	2,721	165,118	10,450	549,762	21,782	758,876
At 1 January 2021, net of accumulated depreciation	3,223	5,820	2,721	165,118	10,450	549,762	21,782	758,876
Additions	343	1,998	4,388	64,656	1,418	16,644	34,562	124,009
Depreciation provided during the year	(546)	(2,121)	(1,207)	(46,983)	(2,210)	(26,759)	–	(79,826)
Transfers	–	68	–	1,587	2,170	41,231	(45,056)	–
Disposals	(12)	4	(5)	(189)	(9)	(1)	–	(212)
At 31 December 2021 and 1 January 2022, net of accumulated depreciation	3,008	5,769	5,897	184,189	11,819	580,877	11,288	802,847
At 31 December 2021 and 1 January 2022:								
Cost	11,387	24,007	21,068	549,438	27,741	817,878	11,288	1,462,807
Accumulated depreciation	(8,379)	(18,238)	(15,171)	(365,249)	(15,922)	(237,001)	–	(659,960)
Net carrying amount	3,008	5,769	5,897	184,189	11,819	580,877	11,288	802,847

	Transportation equipment	Office equipment	Electronic equipment	Medical equipment	Machinery	Buildings	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022:								
Cost	11,387	24,007	21,068	549,438	27,741	817,878	11,288	1,462,807
Accumulated depreciation	(8,379)	(18,238)	(15,171)	(365,249)	(15,922)	(237,001)	–	(659,960)
Net carrying amount	3,008	5,769	5,897	184,189	11,819	580,877	11,288	802,847
At 1 January 2022, net of accumulated depreciation	3,008	5,769	5,897	184,189	11,819	580,877	11,288	802,847
Additions	–	1,089	1,980	29,987	275	11,937	55,278	100,546
Depreciation provided during the period	(312)	(1,105)	(1,164)	(32,036)	(2,046)	(21,000)	–	(57,663)
Transfers	–	80	–	6,445	–	4,116	(10,641)	–
Disposals	–	(26)	(91)	(1,075)	195	–	–	(997)
At 31 August 2022, net of accumulated depreciation	2,696	5,807	6,622	187,510	10,243	575,930	55,925	844,733
At 31 August 2022:								
Cost	11,387	24,566	21,443	556,599	27,513	833,931	55,925	1,531,364
Accumulated depreciation	(8,691)	(18,759)	(14,821)	(369,089)	(17,270)	(258,001)	–	(686,631)
Net carrying amount	2,696	5,807	6,622	187,510	10,243	575,930	55,925	844,733

As at 31 August 2022, certain of the Target Group's equipment with a net carrying amount of approximately RMB58,343,000 (31 December 2021: RMB18,741,000, 31 December 2020: Nil, 31 December 2019: Nil) was pledged to secure loans from a related party granted to the Target Group (note 18).

As at 31 December 2019, 2020 and 2021 and 31 August 2022, certificates of ownership in respect of buildings of the Target Group in Mainland China, mainly used for production and operation, with aggregate costs of RMB438,388,000, RMB441,322,000, RMB443,986,000 and RMB448,973,000, have not been obtained from the relevant government authorities. The directors represented that the Target Group was in the process of obtaining the relevant certificates, and this will not have any significant adverse impact on the Target Group's operations.

9. LEASES

The Target Group as a lessee

The Target Group has lease contracts for various items of properties and equipments used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years to indefinite useful life, and no ongoing payments will be made under the terms of these land leases. The leasehold land for certain hospitals, allocated from the government, is restricted to change its use nature.

(a) Right-of-use assets

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

	Right-of-use assets		
	Property and Equipment	**Leasehold land**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2019	25,290	17,254	42,544
Additions	200	–	200
Depreciation charge	(5,268)	(201)	(5,469)
As at 31 December 2019 and 1 January 2020	20,222	17,053	37,275
Additions	133	–	133
Depreciation charge	(5,481)	(201)	(5,682)
As at 31 December 2020 and 1 January 2021	14,874	16,852	31,726
Additions	5,567	–	5,567
Depreciation charge	(4,243)	(201)	(4,444)
As at 31 December 2021 and 1 January 2022	16,198	16,651	32,849
Additions	319	–	319
Depreciation charge	(3,444)	(108)	(3,552)
As at 31 August 2022	13,073	16,543	29,616

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements are as follows:

	As at 31 December			As at 31 August
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount at beginning of the year/period	17,583	13,214	8,564	10,508
New leases	200	133	5,567	319
Accretion of interest recognised during the year/period	744	559	416	295
Payments	(5,313)	(5,342)	(4,039)	(2,507)
Carrying amount at end of the year/period	13,214	8,564	10,508	8,615
Analysed into:				
Current portion	4,894	3,381	4,553	4,838
Non-current portion	8,320	5,183	5,955	3,777

	As at 31 December			As at 31 August
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analysed into:				
Within 1 year (inclusive)	4,894	3,381	4,553	4,838
1 year to 2 years (inclusive)	3,246	3,370	2,829	1,198
2 years to 5 years	5,074	1,813	3,126	2,579
	13,214	8,564	10,508	8,615

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

	As at 31 December			As at 31 August
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest on lease liabilities	744	559	416	295
Depreciation charge of right-of-use assets	5,469	5,682	4,444	3,552
Expense relating to short-term leases and leases of low-value assets	8,813	8,831	11,424	5,106
Total amount recognised in profit or loss	15,026	15,072	16,284	8,953

(d) The total cash outflows for leases are disclosed in note 19(c) to the financial statements.

The Target Group as a lessor – operating leases

The Group leases its buildings under operating lease arrangements. The terms of the leases generally provide for periodic rent adjustments according to the prevailing market conditions. Rental income recognised by the Target Group during the years ended 31 December 2019, 2020 and 2021 and the eight months ended 31 August 2022 amounted to RMB851,000, RMB968,000, RMB905,000 and RMB520,000, respectively.

10. INVENTORIES

	As at 31 December			As at 31 August
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Finished goods	27,989	34,865	30,480	54,795

11. TRADE RECEIVABLES

	As at 31 December			As at 31 August
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	203,407	173,224	232,214	248,825
Bills receivable	131	–	–	–
Amounts due from related parties *(note 11a)*	248	2,375	460	5,880
	203,786	175,599	232,674	254,705

11a. BALANCES WITH RELATED PARTIES

Particulars of amounts due from related parties are as follows:

	As at 31 December			As at 31 August
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
China MCC17 Group Co., Ltd.	168	1,821	3	4,073
Shanghai Xinding Construction Engineering Co., Ltd.	46	–	–	41
Shanghai MCC20 Construction Co., Ltd.	34	319	53	66
Shanghai Baoye Group Corp., Ltd.	–	216	3	–
Shanghai Baoding Environmental Protection Engineering Technology Service Co., Ltd.	–	19	31	–
China MCC20 Group Corp., Ltd.	–	–	370	74
MCC5 Group Shanghai Corp., Ltd.	–	–	–	1,623
MCC Baosteel Technology Service Co., Ltd.	–	–	–	2
Shanghai MCC Environmental Protection Operation Management Co., Ltd.	–	–	–	1
	248	2,375	460	5,880

The above related parties are subsidiaries of China Minmetals Group.

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

11b. An ageing analysis of the trade receivables, based on the age of the receivables since the recognition date of the trade receivables, as at the end of the year/period is as follows:

	As at 31 December			As at 31 August
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	201,181	178,749	227,950	255,005
More than 1 year	13,776	12,116	21,917	17,586
	214,957	190,865	249,867	272,591

11c. An ageing analysis of the bills receivable, based on the age of the receivables since the recognition date of the bills receivable, as at the end of the year/period is as follows:

	As at 31 December			As at 31 August
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	131	–	–	–

11d. Provision for trade receivables

The Target Group does not hold any collateral or other credit enhancements over the balances below. Movements in the loss allowance for trade receivables are as follows:

	As at 31 December			As at 31 August
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	3,841	11,302	15,266	17,193
Impairment losses, net	8,741	4,242	2,762	836
Amount written off as uncollectible	(1,280)	(278)	(835)	(143)
At the end of the year/period	11,302	15,266	17,193	17,886

The Target Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss model for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses have also incorporated forward-looking information. The loss allowance is determined as follows:

As at 31 December 2019	**Ageing**		
	Within 1 year	**Over 1 year**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Gross carrying amount	200,832	14,256	215,088
Expected credit loss	3,108	8,194	11,302
Average expected credit loss rate *(%)*	1.55	57.48	5.25

As at 31 December 2020	**Ageing**		
	Within 1 year	**Over 1 year**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Gross carrying amount	174,314	16,551	190,865
Expected credit loss	3,004	12,262	15,266
Average expected credit loss rate *(%)*	1.72	74.09	8.00

As at 31 December 2021	Ageing		
	Within 1 year	Over 1 year	Total
	RMB'000	*RMB'000*	*RMB'000*
Gross carrying amount	227,950	21,917	249,867
Expected credit loss	4,163	13,030	17,193
Average expected credit loss rate *(%)*	1.83	59.45	6.88

As at 31 December 2022	Ageing		
	Within 1 year	Over 1 year	Total
	RMB'000	*RMB'000*	*RMB'000*
Gross carrying amount	255,005	17,586	272,591
Expected credit loss	4,925	12,961	17,886
Average expected credit loss rate *(%)*	1.93	73.70	6.56

12. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	As at 31 December			As at 31 August
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current:				
Prepayments	3,244	8,282	8,508	1,266
Other receivables	6,768	6,450	9,458	10,964
Other current assets	–	1	2	4
Due from related parties *(note 12a)*	39,043	27,469	26,737	2,080
	49,055	42,202	44,705	14,314
Non-current:				
Prepayments for non-current assets	1,214	1,361	2,983	571
	50,269	43,563	47,688	14,885

12a. BALANCES WITH RELATED PARTIES

Particulars of amounts due from related parties are as follows:

	As at 31 December			As at 31 August
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
China MCC19 Group Co., Ltd.	35,639	26,165	25,353	–
China 22MCC Group Corporation Ltd.	3,404	1,304	1,304	–
China Metallurgical Ma'anshan Iron and Steel Design and Research General Institute Co., L	–	–	80	80
Genertec Universal International Financial Leasing (Tianjin) Co., Ltd.	–	–	–	2,000
	39,043	27,469	26,737	2,080

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

13. CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS

	As at 31 December			As at 31 August
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	346,039	447,821	417,785	400,257
Less: Restricted deposits:				
Pledged deposits and restricted bank deposits	17,125	17,350	23,050	25,450
	328,914	430,471	394,735	374,807

As at 31 December 2019, 2020 and 2021 and 31 August 2022, all the cash and bank balances of the Target Group were denominated in RMB. 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 Target Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

As at 31 December 2019, 2020 and 2021 and 31 August 2022, the cash and bank balances of the Target Group amounted to RMB17,125,000, RMB17,350,000, RMB23,050,000 and RMB25,450,000 were pledged and restricted for bills payable.

14. TRADE AND BILLS PAYABLES

	As at 31 December			As at 31 August
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	336,867	393,601	370,374	441,104
Bills payable	34,850	34,700	45,700	48,500
Due to related parties *(note 14b)*	1,341	778	5,610	13,141
	373,058	429,079	421,684	502,745

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

14a. An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	As at 31 December			As at 31 August
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	317,467	382,763	374,524	435,432
1 to 2 years	31,312	21,371	17,144	35,078
2 to 3 years	8,417	3,362	11,118	8,017
Over 3 years	15,862	21,583	18,898	24,218
	373,058	429,079	421,684	502,745

14b. BALANCES WITH RELATED PARTIES

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

	As at 31 December			As at 31 August
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables:				
China MCC20 Group Corp., Ltd.	900	442	–	–
China MCC17 Group Co., Ltd.	171	171	171	171
Tangshan Runda Property Service Co., Ltd.	270	165	13	13
Genertec Universal Medical Technology Services (Tianjin) Co., Ltd.	–	–	–	1,142
MCC5 Group Shanghai Corp., Ltd.	–	–	4,176	2,257
China Universal Leasing Co., Ltd.	–	–	1,250	1,250
China 22MCC Group Corporation Ltd.	–	–	–	8,308
	1,341	778	5,610	13,141

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

15. OTHER PAYABLES AND ACCRUALS

	As at 31 December			As at 31 August
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current:				
Deposit due within one year	1,021	2,163	1,588	649
Accrued salaries	19,153	30,382	30,128	29,242
Welfare payables	16,294	12,484	13,622	15,653
Contract liabilities *(note 15a)*	16,712	10,871	16,742	16,425
Due to related parties *(note 15b)*	26,538	51,838	83,058	93,960
Other taxes payable	466	1,619	1,985	784
Other payables	188,494	193,559	196,101	144,858
	268,678	302,916	343,224	301,571
Non-current:				
Deferred revenue	–	130	85	65
	268,678	303,046	343,309	301,636

15a. Details of contract liabilities are as follows:

	31 August 2022	31 December 2021	31 December 2020	31 December 2019	1 January 2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)
Sale of finished goods	1,227	1,087	448	372	341
Healthcare service	15,198	15,655	10,423	16,340	12,157
	16,425	16,742	10,871	16,712	12,498

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

15b. BALANCES WITH RELATED PARTIES

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

	As at 31 December			As at 31 August
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due to related parties:				
Minmetals Hanxing Mining Co., Ltd.	518	–	–	–
MCC Tiangong Group Corporation Limited	8,764	8,764	39,984	40,034
China Metallurgical Group Corporation	15,364	15,364	15,364	15,364
Minmetals Hanxing Mining (Anhui) Property Management Co., Ltd.	92	–	–	–
China MCC 19 Group Co., Ltd.	–	–	–	852
General Minmetals Hospital Management (Beijing) Co., Ltd.	–	27,710	27,710	37,710
Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd.	1,800	–	–	–
	26,538	51,838	83,058	93,960

The balances with related parties were unsecured and repayable based on the payment schedule agreed between the Target Group and the respective parties.

16. PAID-IN CAPITAL

Paid-in capital is the sum of paid-in capital of Shanghai MCC Hospital, Ma'anshan MCC17 Hospital, China MCC5 Group Hospital, China MCC19 Group Hospital, MCC22 Hospital, Minmetal Hanxing General Hospital, and Taiyuan No. 17 People's Hospital. The amounts of the Target Group's paid-in capital and the movements therein for the years ended 31 December 2019, 2020 and 2021 and the eight months ended 31 August 2022 are presented in the combined statements of changes in equity.

17. RESERVES

Capital reserves are the capital investments from shareholders. The amounts of the Target Group's reserves and the movements therein for the years ended 31 December 2019, 2020 and 2021 and the eight months ended 31 August 2022 are presented in the combined statements of changes in equity.

18. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at 31 December			As at 31 August
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current:				
Current portion of Long-term bank loan:				
– Unsecured	2,977	–	–	–
Lease liabilities				
– Unsecured	4,894	3,381	4,553	4,838
	7,871	3,381	4,553	4,838
Non-current:				
Lease liabilities				
– Unsecured	8,320	5,183	5,955	3,777
Due to a related party				
– Secured	–	–	17,466	50,247
	8,320	5,183	23,421	54,024
	16,191	8,564	27,974	58,862

	As at 31 December			As at 31 August
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount repayable:				
Within 1 year (inclusive)	7,871	3,381	4,553	4,838
1 year to 2 years (inclusive)	3,246	3,370	9,311	15,208
2 years to 5 years	5,074	1,813	14,110	38,816
Total	16,191	8,564	27,974	58,862

(a) The effective interest rate per annum of the bank loan was 2.75%.

(b) The average effective interest rates per annum of lease liabilities were 4.75%.

(c) As at 31 August 2022, the principal amount of Target Group's borrowings from a related party was RMB50,247,000 from Genertec Universal International Financial Leasing (Tianjin) Co., Ltd., and the effective interest rates per annum were 4.35% to 7.48%. (31 December 2021: RMB17,466,000 at 7.48%).

(d) As at 31 August 2022, the Target Group's bank and other borrowings secured by property, plant and equipment were RMB50,247,000 (31 December 2021: RMB17,466,000).

19. NOTES TO THE COMBINED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the year ended 31 December 2019, 31 December 2020, 31 December 2021 and 31 August 2022, the Target Group had non-cash additions to right-of-use assets and lease liabilities of RMB200,000 and RMB200,000, RMB133,000 and RMB133,000, RMB5,567,000 and RMB5,567,000 and RMB319,000 and RMB319,000 respectively, in respect of lease arrangements for property.

(b) Changes in liabilities arising from financing activities

	Due to related party *RMB'000*	Bank loan *RMB'000*	Lease liabilities *RMB'000*	Total *RMB'000*
At 1 January 2019	–	8,115	17,583	25,698
New leases/new borrowings	–	–	200	200
Foreign exchange movement	–	(478)	–	(478)
Accretion of interest recognised during the year	–	–	744	744
Repayment of borrowings	–	(4,660)	(5,313)	(9,973)
At 31 December 2019 and 1 January 2020	–	2,977	13,214	16,191
New leases/new borrowings	–	10,000	133	10,133
Foreign exchange movement	–	(26)	–	(26)
Accretion of interest recognised during the year	–	–	559	559
Repayment of borrowings	–	(12,951)	(5,342)	(18,293)
At 31 December 2020 and 1 January 2021	–	–	8,564	8,564
New leases/new borrowings	17,750	–	5,567	23,317
Accretion of interest recognised during the year	1,286	–	416	1,702
Interest paid	(811)	–	–	(811)
Repayment of borrowings	(759)	–	(4,039)	(4,798)
At 31 December 2021 and 1 January 2022	17,466	–	10,508	27,974
New leases/new borrowings	32,000	–	319	32,319
Interest paid	(877)	–	–	(877)
Repayment of borrowings	–	–	(2,507)	(2,507)
Accretion of interest recognised during the year/period	1,658	–	295	1,953
At 31 August 2022	50,247	–	8,615	58,862

(c) Total cash outflows for leases

The total cash outflows for leases included in the statements of cash flows are as follows:

	As at 31 December			As at 31 August
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within operating activities	8,813	8,831	11,424	5,106
Within financing activities	5,313	5,342	4,039	2,507
	14,126	14,173	15,463	7,613

20. PLEDGE OF ASSETS

Details of the Target Group's assets pledged for bills payable, other loans and borrowings from a related party of the Target Group are included in notes 8, 13 and 18 to the financial statements.

21. COMMITMENTS

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

Capital commitments

	As at 31 December			As at 31 August
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided for	18,769	14,323	18,421	21,557

22. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances in notes 11, 12, 14, 15 and 18 to the financial statements, the Target Group had the following material transactions with related parties during the years ended 31 December 2019, 2020 and 2021 and the eight months ended 31 August 2022.

As of 28 February 2022, the Target Group were under the common control of China Minmetals Corporation. The companies under China Minmetals Corporation which had transactions with the Target Group during the years ended 31 December 2019, 2020 and 2021 and the eight months ended 31 August 2022 are subsidiaries of China Minmetals Corporation.

The Historical Financial Information has been prepared for Genertec Universal Medical Group Company Limited's proposed acquisition of 54% equity interests of Genertec Minmetals Co., Ltd.The companies under Genertec Universal Medical Group Company Limited which had transactions with the Target Group during the years ended 31 December 2019, 2020 and 2021 and the eight months ended 31 August 2022 are subsidiaries of Genertec Universal Medical Group Company Limited.

(a) Transactions with China Minmetals Corporation and companies under China Minmetals Corporation

(i) Purchases of goods and service from related parties:

	Year ended 31 December			Eight months ended 31 August	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Beijing Dongxing Meeallurgical NEW-TECH & Development Corp.	2,956	2,956	1,756	1,171	1,171
China Mcc5 Group Corp., Ltd.	20,746	1,268	–	–	–
HUATIAN Nanjing Engineering & Technology Corporation, MCC	–	–	100	100	–
	23,702	4,224	1,856	1,271	1,171

The purchases from the related parties were made on terms mutually agreed between the Target Group and the respective parties.

(ii) Rental as a lessee:

	Year ended 31 December			Eight months ended 31 August	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Rental payments to:					
Sichuan 19th Metallurgical Group Property Service Co., Ltd.	75	–	–	–	–
China MCC19 Group Co., Ltd.	–	364	728	485	485
Beijing Hyde Ruixiang Asset Management Co., Ltd.	3,541	4,701	3,512	2,341	2,341
China MCC20 Group Corp., Ltd.	627	627	627	418	418
MCC Baosteel Technology Service Co., Ltd.	–	–	230	154	119
China Metallurgical Ma'anshan Iron and Steel Design and Research General Institute Co., L	–	–	320	–	400
	4,243	5,692	5,417	3,398	3,763

The rentals are charged based on terms mutually agreed between the Target Group and the respective parties.

(iii) Provide service for related parties:

	Year ended 31 December			Eight months ended 31 August	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
China Mcc5 Group Corp., Ltd.	1,367	147	450	450	–
China MCC17 Group Co., Ltd.	1,341	304	420	28	338
Shanghai Baoye Group Corp., Ltd.	1,534	866	1,346	334	111
MCC Baosteel Technology Service Co., Ltd.	2,400	2,565	2,190	–	35
MCC Northeast Construction and Development Co., Ltd.	24	–	–	–	–
Central Research Institute of Building and Construction Co., Ltd, MCC Group	26	45	37	–	–
China MCC International Economic and Trade Co., Ltd.	33	42	55	–	–
MCC5 Group Shanghai Corp., Ltd.	1,166	446	1,338	1,236	3,581
Shanghai MCC Jinluo Real Estate Co., Ltd.	–	1	8	8	11
China Jingye Engineering Technology Co., Ltd.	81	65	63	–	–
China MCC20 Group Corp., Ltd.	697	980	1,191	790	989
Shanghai MCC20 Construction Co., Ltd	437	455	820	213	579
Shanghai Boli Construction Engineering Service Co., Ltd.	48	45	48	–	–
Shanghai Baoye Engineering Technology Co., Ltd.	289	–	41	–	–
Shanghai Baohong Industry and Trade Industrial Co., Ltd.	16	15	80	13	28
Shanghai Baoye Industry Engineering Co., Ltd.	1,222	360	1,013	–	–
Shanghai MCC Jinyu Real Estate Co., Ltd.	–	–	3	3	8
Shanghai Baoding Environmental Protection Engineering Technology Service Co., Ltd.	18	19	31	–	–
Shanghai Xinding Construction Engineering Co., Ltd.	46	–	5	5	41
Minmetals Logistics (Shanghai) Co., Ltd.	15	6	–	–	21
Anhui Kaifa Mining Co., Ltd.	1,222	–	984	93	46
Minmetals Mining (Anhui) Development Co., Ltd.	63	–	–	–	–
Anhui Wuxin Mining Development Co., Ltd.	21	–	–	–	–
Minmetals Mining Holdings Limited	96	–	–	–	–
Minmetals Hanxing Mining Co., Ltd.	105	–	–	–	–

continued/…

	Year ended 31 December			Eight months ended 31 August	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Handan Zhongye Construction Company	103	–	–	–	–
China MCC19 Group Co., Ltd.	–	–	41	–	347
Mcc Real Estate Group Co., Ltd.	12	233	284	–	100
Sichuan 19th Metallurgical Group Property Service Co., Ltd.	161	40	127	85	78
19th Metallurgical Chengdu Construction Co., Ltd.	51	–	–	–	–
MCC Tiangong Group Corporation Limited	91	19	706	33	2
Shanxi Zhongye Property Real Estate Development Co., Ltd.	9	–	55	27	27
China 22MCC Group Corporation Ltd.	1,660	689	4,228	1,075	15
Tangshan Ershi Erye Design Co., Ltd.	–	–	53	–	–
Wuye Group Decoration Engineering Co., Ltd.	–	–	25	25	2
China 13 Metallurgy Construction Co., Ltd.	–	–	111	–	–
MCC Heavy Industry (Tangshan) Co., Ltd.	5	18	–	–	–
Shanghai Xingxin Technology Development Co., Ltd.	–	40	5	5	–
Shanghai Baoye Engineering Management Co., Ltd.	–	–	18	18	–
Ningbo No.20 Metallurgy Construction Co., Ltd.	–	–	73	36	3
Shanghai Baoye No.1 Gas Station Co., Ltd.	–	–	13	–	–
Equipment Engineering of Shanghai NO 5 Steel CO., Ltd. china	–	–	142	–	–
MCC Chengdu Survey and Research Institute Co., Ltd.	43	–	–	–	–
Chengdu MCC Tianyuan World Real Estate Co., Ltd.	–	–	–	–	1
Shanghai Baoye Building Decoration Co., Ltd.	–	–	76	4	–
Shanghai Baoye Metallurgical Engineering Co., Ltd.	–	–	163	–	–
Shanghai Baojiuhe Refractory Co., Ltd.	–	–	22	–	–
Shanghai Baoye Steel Comprehensive Development Industry Co., Ltd.	–	–	41	–	–
Shanghai MCC Environmental Protection Operation Management Co., Ltd.	–	–	–	–	1
	14,402	7,400	16,306	4,481	6,364

(b) Transactions with Genertec Universal Medical Group Company Limited and companies under Genertec Universal Medical Group Company Limited

(i) Interest expenses:

	Year ended 31 December			Eight months ended 31 August	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Genertec Universal International Financial Leasing (Tianjin) Co., Ltd.	–	–	811	248	877

The interest expenses were charged at rates ranging from 4.35% to 7.48% per annum.

23. FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December			As at 31 August
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at amortised cost:				
Trade receivables	203,786	175,599	232,674	254,705
Financial assets included in prepayments, other receivables and other assets	44,537	32,711	35,006	42,107
Restricted deposits	17,125	17,350	23,050	25,450
Cash and cash equivalents	328,914	430,471	394,735	374,807
	594,362	656,131	685,465	697,069
Financial liabilities at amortised cost:				
Trade and bills payables	373,058	429,079	421,684	502,745
Financial liabilities included in other payables and accruals	81,222	134,420	100,832	92,480
Interest-bearing bank and other borrowings	16,191	8,564	27,974	58,862
	470,471	572,063	550,490	654,087

24. FAIR VALUE HIERARCHY OF FINANCIAL ASSETS AND LIABILITIES

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

Cash and cash equivalents, restricted deposits, trade receivables, current portion of financial assets included in prepayments, other receivables and other assets, trade and bills payables and current portion of financial liabilities included in other payables and accruals

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

Interest-bearing bank and other borrowings

For interest-bearing bank and other borrowings with long-term remaining maturities, the applied interest rates approximate to prevailing market interest rates and their carrying values approximate to their fair value.

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Group's principal financial instruments comprise cash and cash equivalents, restricted deposits, trade receivables, financial assets included in prepayments, other receivables and other assets, trade and bills payables, financial liabilities included in other payables and accruals and interest-bearing bank and other borrowings.

The main risks arising from the Target Group's financial instruments are interest rate risk and liquidity risk. The directors review and agree policies for managing each of these risks.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Target Group's exposure to the risk of changes in market interest rates relates primarily to the Target Group's cash and cash equivalents and interest-bearing bank and other borrowings. The Target Group aims to mitigate such risks by reducing future variability in cash flows or fair value, while balancing the cost of such risk mitigation measure.

The table below demonstrates the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, to the Target Group's (loss)/profit before tax.

The sensitivity of the (loss)/profit before tax is the effect of the assumed changes in interest rates on (loss)/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 (loss)/profit before tax			
				As at
	As at 31 December			**31 August**
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Change in basis points				
+100 basis points	2,987	3,881	3,598	3,308
-100 basis points	(2,987)	(3,881)	(3,598)	(3,308)

The interest rate sensitivity set out in the table above is for illustration only and is based on simplified scenarios. The figures represent the effect of the pro forma movements in (loss)/profit before tax based on the projected yield curve scenarios and the Target Group's current interest rate risk profile. This effect, however, does not incorporate actions that would be taken by management to mitigate the impact of interest rate risk. The projections above also assume that interest rates of financial instruments with different maturities move by the same amount and, therefore, do not reflect the potential impact on (loss)/profit before tax in the case where some rates change while others remain unchanged.

Foreign currency risk

The Target Group has no significant foreign currency risk because its business is principally conducted in RMB and most of the transactions are denominated in the Target Group's functional currency.

Credit risk

All the Target Group's cash and cash equivalents are held in major financial institutions located in mainland China, which management believes are of high credit quality. The Target Group has policies in place to evaluate credit risk when accepting new business and to limit its credit exposure to individual customers.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Target Group's credit policy, which is mainly based on the customers' creditworthiness unless other information is available without undue cost or effort, and year-end staging classification as at the end of each reporting period. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2019

	Stage I (12-month ECLs)	**Stage II (Lifetime ECLs)**	**Stage III (Lifetime ECLs - impaired)**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	203,786	203,786
Financial assets included in prepayments, other receivables and other assets – Normal**	44,537	–	–	–	44,537
Restricted deposits	17,125	–	–	–	17,125
Cash and cash equivalents	328,914	–	–	–	328,914
	390,576	–	–	203,786	594,362

As at 31 December 2020

	Stage I (12-month ECLs)	**Stage II (Lifetime ECLs)**	**Stage III (Lifetime ECLs - impaired)**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	175,599	175,599
Financial assets included in prepayments, other receivables and other assets – Normal**	32,711	–	–	–	32,711
Restricted deposits	17,350	–	–	–	17,350
Cash and cash equivalents	430,471	–	–	–	430,471
	480,532	–	–	175,599	656,131

As at 31 December 2021

	Stage I (12-month ECLs) *RMB'000*	Stage II (Lifetime ECLs) *RMB'000*	Stage III (Lifetime ECLs - impaired) *RMB'000*	Simplified approach *RMB'000*	Total *RMB'000*
Trade receivables*	–	–	–	232,674	232,674
Financial assets included in prepayments, other receivables and other assets – Normal**	35,006	–	–	–	35,006
Restricted deposits	23,050	–	–	–	23,050
Cash and cash equivalents	394,735	–	–	–	394,735
	452,791	–	–	232,674	685,465

As at 31 August 2022

	Stage I (12-month ECLs) *RMB'000*	Stage II (Lifetime ECLs) *RMB'000*	Stage III (Lifetime ECLs - impaired) *RMB'000*	Simplified approach *RMB'000*	Total *RMB'000*
Trade receivables*	–	–	–	254,705	254,705
Financial assets included in prepayments, other receivables and other assets – Normal**	42,107	–	–	–	42,107
Restricted deposits	25,450	–	–	–	25,450
Cash and cash equivalents	374,807	–	–	–	374,807
	442,364	–	–	254,705	697,069

* For trade receivables to which the Target Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 11 to the combined financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

Liquidity risk

The Target Group monitors its exposure to liquidity risk by monitoring the current ratio, which is calculated by comparing the current assets with the current liabilities.

The Target Group aims to maintain sufficient cash and credit lines to meet its liquidity requirements. The Target Group finances its working capital requirements through a combination of funds generated from operations.

The tables below summarise the maturity profile of the Target Group's financial liabilities at the end of each reporting period based on contractual undiscounted payments:

	As at 31 December 2019					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
FINANCIAL LIABILITIES:						
Trade and bills payables	–	19,800	353,258	–	–	373,058
Financial liabilities included in other payables and accruals	–	–	81,222	–	–	81,222
Interest-bearing bank and other borrowings	–	1,888	6,617	8,850	–	17,355
Total financial liabilities	–	21,688	441,097	8,850	–	471,635

	As at 31 December 2020					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
FINANCIAL LIABILITIES:						
Trade and bills payables	–	114,314	314,765	–	–	429,079
Financial liabilities included in other payables and accruals	–	–	134,420	–	–	134,420
Interest-bearing bank and other borrowings	–	421	3,301	5,388	–	9,110
Total financial liabilities	–	114,735	452,486	5,388	–	572,609

	As at 31 December 2021					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
FINANCIAL LIABILITIES:						
Trade and bills payables	–	206,671	215,013	–	–	421,684
Financial liabilities included in other payables and accruals	–	–	100,832	–	–	100,832
Interest-bearing bank and other borrowings	–	2,236	7,035	19,507	–	28,778
Total financial liabilities	–	208,907	322,880	19,507	–	551,294

	As at 31 August 2022					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
FINANCIAL LIABILITIES:						
Trade and bills payables	–	–	502,745	–	–	502,745
Financial liabilities included in other payables and accruals	–	–	92,480	–	–	92,480
Interest-bearing bank and other borrowings	–	4,331	8,947	50,789	–	64,067
Total financial liabilities	–	4,331	604,172	50,789	–	659,292

Capital management

The primary objective of the Target Group's capital management is to ensure that it maintains a strong credit profile and healthy capital ratios in order to support its business and maximise shareholders' value.

The Target Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Target Group may issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year/period.

The Target Group monitors capital using the debt/asset ratio, which is total liabilities divided by total assets. The debt/asset ratios as at the end of each of the Relevant Periods were as follows:

	As at 31 December			As at 31 August
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	1,428,230	1,503,699	1,577,595	1,610,683
Total liabilities	657,927	740,689	792,967	863,243
Debt/asset ratio	46%	49%	50%	54%

26. EVENTS AFTER THE RELEVANT PERIODS

There are no significant events subsequent to 31 August 2022.

27. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 14 December 2022.

A. BASIS OF PREPARATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The major transaction is in relation to the proposed the acquisition of the remaining 54% equity interest in Genertec Minmetals Hospital Management (Beijing) Co., Ltd. Upon completion of this transaction, Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd., a wholly-owned subsidiary of Genertec Universal Medical Group Company Limited (the "**Company**"), is expected to own as to 100% equity interest of Genertec Minmetals Hospital Management (Beijing) Co., Ltd. and Genertec Minmetals Hospital Management (Beijing) Co., Ltd. will be indirect wholly owned subsidiary of the Company. The unaudited pro forma consolidated statement of assets and liabilities, which consists of the pro forma consolidated statement of financial position of the Company and its subsidiaries (hereinafter collectively referred to as the "**Group**") and the Target Group (collectively referred to as the "**Enlarged Group**") (the "**Unaudited Pro Forma Financial Information**"), has been prepared in accordance with Rule 4.29 of the Main Board Listing Rules for the purpose of illustrating the effect on the assets and liabilities of the Enlarged Group as if the acquisition of the remaining 54% equity interest in Genertec Minmetals Hospital Management (Beijing) Co., Ltd. (the "**Acquisition**") was completed as at 30 June 2022.

The Unaudited Pro Forma Financial Information of the Enlarged Group as at 30 June 2022 has been prepared based on the information as set out in:

(a) the interim condensed consolidated statement of financial position of the Group as at 30 June 2022, which has been extracted from the published interim report of the Company;

(b) the audited statement of financial position of the Shanghai MCC Hospital as at 31 August 2022, which was included in the accountants' report of the Target Group as set out in Appendix IV to this Circular; and

(c) after taking into account of the unaudited pro forma adjustments, which are directly attributable to the Acquisition, and factually supportable, as described in the notes thereto to demonstrate how the Acquisition might have affected the historical financial information in respect of the Group as if the Acquisition had been completed on 30 June 2022.

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared by the directors of the Company based on a number of assumptions, estimates, uncertainties and currently available information for illustrative purposed only. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not give a true picture of the financial position of the Enlarged Group as at 30 June 2022 or any future date. The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with other financial information included elsewhere in this Circular.

B. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

	The Group As at 30 June 2022	Shanghai MCC Hospital As at 31 August 2022	Unaudited Pro Forma Adjustments		Unaudited Pro Forma of the Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	
NON-CURRENT ASSETS					
Property, plant and equipment	3,049,771	416,123	146,959	–	3,612,853
Right-of-use assets	946,174	8,466	44,219	–	998,859
Loans and accounts receivables	42,976,536	–	–	–	42,976,536
Prepayments, other receivables and other assets	517,102	601	–	–	517,703
Goodwill	102,253	–	–	–	102,253
Deferred tax assets	664,494	–	–	–	664,494
Financial assets at fair value through profit or loss	249,035	–	–	–	249,035
Derivative financial instruments	102,882	–	–	–	102,882
Investment in a joint venture	478,676	–	–	–	478,676
Investment in an associate	4,096	–	–	–	4,096
Other intangible assets	70,722	2,701	2,780	–	76,203
Total non-current assets	49,161,741	427,891	193,958	–	49,783,590
CURRENT ASSETS					
Inventories	311,173	20,943	–	–	332,116
Loans and accounts receivables	22,466,994	56,992	–	–	22,523,986
Prepayments, other receivables and other assets	493,860	3,107	–	–	496,967
Derivative financial instruments	103,062	–	–	–	103,062
Restricted deposits	939,228	–	–	–	939,228
Cash and cash equivalents	3,679,646	291,587	–	(1,096,233)	2,875,000
Total current assets	27,993,963	372,629	–	(1,096,233)	27,270,359
CURRENT LIABILITIES					
Trade and bills payables	2,050,641	126,999	–	–	2,177,640
Other payables and accruals	2,703,234	145,000	–	–	2,848,234
Interest-bearing bank and other borrowings	16,941,696	3,485	–	–	16,945,181
Derivative financial instruments	66,715	–	–	–	66,715
Tax payable	94,591	–	–	–	94,591
Total current liabilities	21,856,877	275,484	–	–	22,132,361
NET CURRENT ASSETS	6,137,086	97,145	–	(1,096,233)	5,137,998
TOTAL ASSETS LESS CURRENT LIABILITIES	55,298,827	525,036	193,958	(1,096,233)	54,921,588
NON-CURRENT LIABILITIES					
Convertible bonds – host debts	937,957	–	–	–	937,957
Interest-bearing bank and other borrowings	31,611,810	226	–	–	31,612,036
Other payables and accruals	4,069,297	–	–	–	4,069,297
Other non-current liabilities	268,618	–	–	–	268,618
Derivative financial instruments	138,331	–	–	–	138,331
Total non-current liabilities	37,026,013	226	–	–	37,026,239
Total Equity	18,272,814	524,810	193,958	(1,096,233)	17,895,349

Notes to Unaudited Pro Forma Financial Information of the Enlarged Group:

1. The balances were extracted from the interim condensed consolidated statement of financial position of the Group as at 30 June 2022 as set out in the Group's published interim report.

   On 1 March 2022, Genertec Minmetals Hospital Management (Beijing) Co., Ltd. is the promoter of six hospital (Ma'anshan MCC17 Hospital, China MCC5 Group Hospital, China MCC19 Group Hospital, MCC22 Hospital, Minmetal Hanxing General Hospital and Taiyuan No.7 People's Hospital). The interim condensed consolidated statement of the Group included the results of acquired six hospitals since the acquisition date.

2. The balances were included in the audited statement of financial position as at 31 August 2022 as set out in the accountants' report of the Target Group in Appendix IV to this Circular.

3. The details of the fair value adjustment of identifiable net assets in relation to Shanghai MCC Hospital at 31 August 2022 are set out below:

	RMB'000
Consideration paid by the Group as additional capital injection	831,516
Identifiable net assets at fair value of the Shanghai MCC Hospital as of 31 August 2022	718,768
Total Identifiable net assets at fair value	1,550,284
Non-controlling interests	(704,981)
Goodwill	(13,787)

   For the purpose of the Unaudited Pro forma Financial Information, non-controlling interest is determined based on fair values of the Shanghai MCC Hospital's identifiable net assets.

4. The adjustment represents the consideration paid in connection with the acquisition of the remaining 54% equity interest in Genertec Minmetals Hospital Management (Beijing) Co., Ltd., as if the acquisition has been completed on 30 June 2022.

The total consideration of the acquisition is RMB1,096,233,000. Upon the completion of the acquisition, the Group is expected to own as to 100% equity interest of Genertec Minmetals Hospital Management (Beijing) Co., Ltd. And Genertec Minmetals Hospital Management (Beijing) Co., Ltd. will be indirect wholly owned subsidiary.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of the Directors and the chief executive of the Company

As at the Latest Practicable Date, the interests and/or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which will fall to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which are recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long positions in the Shares

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

Long positions in the underlying shares of the Company-physically settled unlisted equity derivatives

Name	**Nature of interest**	**Position**	**Number of underlying Shares in respect of the share options granted**	**Approximate percentage of interest held in the Company**
Peng Jiahong[(2)]	Interest of controlled corporation	Executive Director	1,322,000	0.07%
Yu Gang[(3)]	Beneficial owner	Executive Director	1,322,000	0.07%

Notes:

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

(2) Ms. Peng Jiahong was granted an option to subscribe for 1,322,000 Shares under the Share Option Scheme.

(3) Mr. Yu Gang was granted an option to subscribe for 1,322,000 Shares under the Share Option Scheme.

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

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective close associates were considered to have interest in any business which competes or may compete with the business of the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules as if each of them was a controlling Shareholder.

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by, or leased to any member of the Group, or were proposed to be acquired or disposed of by, or leased to any member of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Group were prepared.

None of the Directors is materially interested in any contract or arrangement subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group taken as a whole.

(b) Substantial Shareholders' and other Shareholders' interests

As at the Latest Practicable Date, and to the best knowledge of the Directors, the following entities/persons (except for the Directors and the chief executive of the Company) have interests or short positions in the Shares or underlying shares of the Company which are required to be disclosed to the Company under the provisions of Divisions 2 and 3 in Part XV of SFO:

Name of Shareholders	**Nature of interest**	**Number of Shares interested**	**Approximate percentage of interest held in the Company**
GT-HK *(Note 1)*	Beneficial owner	669,705,895	35.41%
GT-PRC *(Note 1)*	Interest of controlled corporation	733,184,200	38.76%
CITIC CPL *(Note 2)*	Interest of controlled corporation	185,560,509	9.81%
Zhang Yichen *(Note 2)*	Interest of controlled corporation	185,560,509	9.81%
CITIC Capital *(Notes 2 and 3)*	Interest of controlled corporation	244,967,509	12.95%
Chu Mang Yee *(Note 4)*	Interest of controlled corporation	246,957,581	13.06%
Sounda Properties *(Note 4)*	Beneficial owner	4,806,000	0.25%
	Interest of controlled corporation	222,101,581	11.74%
Meta Group Limited *(Note 4)*	Interest of controlled corporation	169,785,181	8.98%
Sounda Hopson Technology Investment Limited *(Note 4)*	Interest of controlled corporation	169,785,181	8.98%
Sounda Hopson Technology Holdings Limited *(Note 4)*	Interest of controlled corporation	169,785,181	8.98%

Notes:

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

(2) CCP Leasing II Limited, a wholly owned subsidiary of CITIC Capital China Partners IV, L.P., is interested in 185,560,509 Shares, which arises from the entering into a subscription agreement in relation to subscription of convertible bonds in the amount of USD150 million with the Group on 29 December 2020. The general partner of CITIC Capital China Partners IV, L.P. is CCP IV GP Ltd.. CCP IV GP Ltd. is a wholly owned subsidiary of CCP Ltd., which is wholly owned by CITIC CPL. CITIC CPL is held as to 51% and 49% by CITIC Capital and CP Management Holdings Limited (of which

Mr. Zhang Yichen holds more than one-third voting power), respectively. By virtue of the SFO, CITIC CPL, CITIC Capital, CP Management Holdings Limited and Mr. Zhang Yichen are deemed to be interested in the 185,560,509 Shares directly held by CCP Leasing II Limited.

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

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

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

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

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

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

As at the Latest Practicable Date, so far as is known to the Directors, the following Director is a director or employee of the substantial Shareholders set out above:

Name of Director	Name of substantial Shareholders	Positions held
Mr. Chan Kai Kong	CITIC Capital	Chief financial officer and a senior managing director

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors, no other Director was a director or employee of a company which had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

The Company has entered into service contracts with all of its Directors. None of the Directors has entered into any service contracts with the Company which cannot be terminated by the Company within one year without payment of compensation (other than statutory compensation).

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, to the best of the Directors' knowledge, there has been no material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Group were prepared.

5. QUALIFICATION OF EXPERT

The following are the qualifications of the experts which are contained in this circular:

Name	Qualification
Beijing Guo Rong Xing Hua Assets Appraisal Co., Ltd (北京國融興華資產評估有限責任公司)	An independent professional valuer in the PRC
Ernst & Young	Certified Public Accountants

6. CONSENT OF EXPERTS

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or opinion (as the case may be) and reference to its letter and name in the form and context in which they appear.

7. INTERESTS OF EXPERTS

As at the Latest Practicable Date, each of the above experts had no shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group and had no direct or indirect interest in any assets which had been acquired or disposed of by, or leased to any member of the Group, or were proposed to be acquired or disposed of by, or leased to any member of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Group were prepared.

8. MATERIAL LITIGATION

As at the Latest Practicable Date, none of the Company and its subsidiaries was engaged in any material litigation or arbitration and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company and its subsidiaries.

9. MATERIAL CONTRACTS

Save as the Equity Transfer Agreement I and the Equity Transfer Agreement II, no material contract (not being a contract entered into in the ordinary course of business) has been entered into by any member of the Group within the two years immediately preceding the date of this circular and up to the Latest Practicable Date.

10. MISCELLANEOUS

(a) The secretary to the Company is Ms. Ng Wai Kam, who is a Chartered Secretary and an Associate of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom.

(b) The registered office of the Company is situated at Room 702, Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong.

(c) The head office and principal place of business in China of the Company is situated at 4th, 5th and 13th Floor, Hademen Plaza, 8-1 Chongwenmenwai Street, Dongcheng District, Beijing, China.

(d) The share registrar of the Company is Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(e) This circular has been prepared in both English and Chinese. In the case of inconsistency, the English text of this circular will prevail over the Chinese text.

11. DOCUMENTS ON DISPLAY

Copies of the following documents will be on display for inspection on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.umcare.cn for 14 days from the date of this circular:

(a) the Equity Transfer Agreement I;

(b) the Equity Transfer Agreement II;

(c) the letter from the Board, the full text of which is set out in the section headed "Letter from the Board" of this circular;

(d) the written consent referred to in the paragraph headed "Consent of Experts" in this Appendix;

(e) the Valuation Reports, the summary of which are set out in Appendix III of this circular;

(f) the Accountant's Report on the financial information of the Target Group, the text of which is set out in Appendix IV of this circular;

(g) the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix V of this circular; and

(h) this circular.

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)

Notice is hereby given that an extraordinary general meeting (the "**EGM**") of Genertec Universal Medical Group Company Limited (the "**Company**") will be held at Conference Room, 5/F, West Wing of Hademen Plaza, 8-1 Chongwenmenwai Street, Dongcheng District, Beijing, China on Friday, 30 December 2022 at 10:00 a.m. for the purpose of considering and, if thought fit, approving following resolution set out below.

Unless otherwise indicated, capitalised terms used herein shall have the same meanings as those defined in the circular of the Company dated 14 December 2022.

ORDINARY RESOLUTIONS

1. To approve the Equity Transfer Agreement I and the Equity Transfer Agreement II and the Acquisition contemplated thereunder; and

2. To authorize the Board to do all such further acts and things and to sign and execute all such documents and to take all such steps which in its opinion may be necessary, appropriate, desirable or expedient to implement and/or give effects to the transactions contemplated thereunder.

For and on behalf of the Board
Genertec Universal Medical Group Company Limited
通用環球醫療集團有限公司
Peng Jiahong
Chairwoman of the Board

Beijing, PRC, 14 December 2022

Notes:

1. All resolutions at the meeting will be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands pursuant to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.

2. Any member of the Company entitled to attend and vote at the above meeting is entitled to appoint another person as his proxy to attend, speak and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf. A proxy need not be a member of the Company. If more than one proxy is appointed, the number of shares in respect of which each such proxy so appointed must be specified in the relevant form of proxy. On a poll, every member who is present in person or by proxy shall have one vote for every fully paid-up share held by him.

   On a show of hands, every member who is present in person or by proxy shall have one vote. If a member appoints more than one proxy, the proxies so appointed are not entitled to vote on the resolution on a show of hands.

3. In order to be valid, the form of proxy and any authority under which it is executed or a copy of the authority certified notarially, must be deposited at the Company's share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours (excluding any part of a day that is a public holiday) before the time appointed for the above meeting or the adjourned meeting (as the case may be). Accordingly, the form of proxy must be delivered to the Company's share registrar not later than 10:00 a.m. on Wednesday, 28 December 2022 (Hong Kong time).

4. Deposit of the form of proxy shall not preclude a member from attending and voting at the meeting or at any adjournment of it and, in such event, the form of proxy shall be deemed to be revoked.

5. For determining the entitlement to attend and vote at the above meeting, the Register of Members of the Company will be closed from Thursday, 29 December 2022 to Friday, 30 December 2022, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged 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 for registration not later than 4:30 p.m. on Wednesday, 28 December 2022.

6. Taking into account the recent development of the epidemic caused by novel coronavirus pneumonia (COVID-19), the Company will implement the following prevention and control measures at the EGM against the epidemic to protect the shareholders from the risk of infection:

   (i) compulsory temperature checks

   (ii) submission of a health declaration form

   (iii) wearing of surgical face mask

   (iv) no provision of refreshment and souvenir

   Any attendee, who (a) refuses to comply with the precautionary measures; (b) is subject to the government's quarantine requirements or has close contact with any person under quarantine; (c) is subject to the government's prescribed testing requirement or direction and has not tested negative; or (d) feels unwell or has any symptoms of COVID-19, may be denied entry into or be required to leave the EGM venue at the absolute discretion of the Company as permitted by law.

   The Company reminds all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. As an alternative, by using forms of proxy with voting instructions inserted, Shareholders may appoint any person or the chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM instead of attending the EGM in person.

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