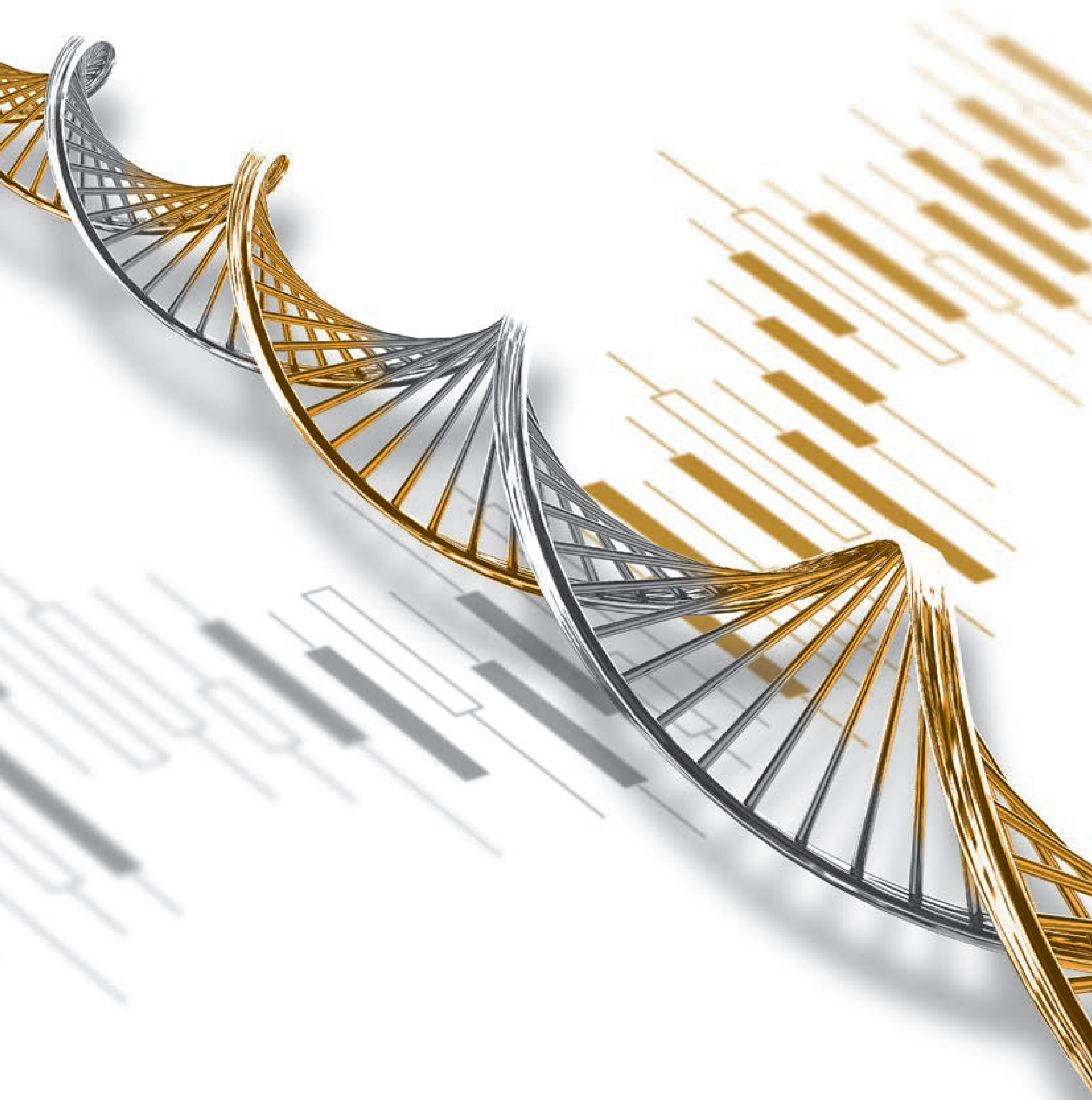
遠東宏信
FAR EAST HORIZON



2016 Interim Report

Incorporated in Hong Kong with limited liability Stock Code: 3360

“Financial” gene

Stabilize financial businesses and
Synergize industrial layout.

“Industrial” gene

Upgraded industrial strategies with financial stability

Corporate Information

Board of Directors

Chairman and Non-Executive Director
Mr. NING Gaoning *(Chairman)*

Executive Director
Mr. KONG Fanxing *(Vice Chairman, Chief Executive Officer)*
Mr. WANG Mingzhe *(Chief Financial Officer)*

Non-Executive Director
Mr. YANG Lin
Dr. CHEN Guogang
Mr. LIU Haifeng David
Mr. KUO Ming-Jian
Mr. John LAW

Independent Non-Executive Director
Mr. CAI Cunqiang
Mr. HAN Xiaojing
Mr. LIU Jialin
Mr. YIP Wai Ming

Composition of Committee

Audit and Risk Management Committee
Mr. YIP Wai Ming *(Chairman)*
Mr. HAN Xiaojing
Mr. John LAW

Remuneration and Nomination Committee
Mr. LIU Jialin *(Chairman)*
Mr. HAN Xiaojing
Mr. KUO Ming-Jian

Strategy and Investment Committee
Mr. LIU Haifeng David *(Chairman)*
Mr. KONG Fanxing
Mr. CAI Cunqiang

Company Secretary

Ms. MAK Sze Man

Authorised Representatives

Mr. KONG Fanxing
Ms. MAK Sze Man

Registered Office

Room 4701, Office Tower,
Convention Plaza,
1 Harbour Road,
Wanchai, Hong Kong

Principal Place of Business in the PRC

35th Floor, Jin Mao Tower,
88 Century Avenue, Pudong,
Shanghai, the People's Republic of China

Principal Place of Business in Hong Kong

Room 4706, Office Tower,
Convention Plaza,
1 Harbour Road,
Wanchai, Hong Kong

Share Registrar

Computershare Hong Kong Investor Services Limited

Principal Bankers

China Development Bank
Bank of China

Auditors

Ernst & Young

Legal Adviser

Baker & McKenzie

Company's Website

www.fehorizon.com

Stock Code

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited
Stock Code: 3360

Company Profile

Far East Horizon Limited ("the Company" or "Far East Horizon") and its subsidiaries ("The Group") is one of China's leading innovative financial companies focusing on the Chinese fundamental industries and leveraging the business model of integrating finance and industry to serve enterprises of greatest vitality with the support of the fast-growing and enormous economy in China. Based on its philosophy of "creating value and pursuing excellence", Far East Horizon endeavours to realize its vision of "Integrating global resources and promoting China's industries" by making innovations in products and services to provide our customers with tailor-made integrated operations services.

Over the past two decades, the Group has evolved from a single financial service company into an integrated service provider with a global vision centered on China so as to facilitate sustainable economic and social development. With the creative integration of industrial services and financial capital and with unique advantages in the organization of resources and value added services, we provide integrated finance, investment, trade, advisory and engineering services in healthcare, education, infrastructure construction, transportation, packaging, industrial machinery, electronic information, urban public utility as well as other sectors. The Group, headquartered in Hong Kong, has operations centers in Shanghai and Tianjin, and has offices in major cities throughout China such as Beijing, Shenyang, Ji'nan, Zhengzhou, Wuhan, Chengdu, Chongqing, Changsha, Shenzhen, Xi'an, Harbin, Xiamen, Kunming and Hefei, forming a client service network that covers the national market. The Group has been successfully operating its professional and dedicated business platforms in China and abroad in financial services, industrial investment, hospital investment and operations, equipment operation services, high-end education, trade brokerage, management consulting, engineering services, etc.

The Company was officially listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") on 30 March 2011.

Business Overview

	For the six months ended 30 June		For the year ended 31 December		
	2016	2015	**2015**	2014	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	**(Audited)**	(Audited)	(Audited)
OPERATING RESULTS					
TOTAL REVENUE	**7,280,667**	5,759,568	**11,795,983**	10,060,717	7,868,382
Finance leasing and factoring (interest income)	**3,967,770**	3,369,177	**6,849,330**	6,457,748	5,170,398
Advisory services (fee income)	**2,639,020**	1,937,978	**3,850,659**	2,709,366	2,245,431
Revenue from business operation	**790,587**	501,222	**1,206,807**	1,009,959	573,800
Business tax and surcharges	**(116,710)**	(48,809)	**(110,813)**	(116,356)	(121,247)
Cost of sales	**(2,566,867)**	(2,275,474)	**(4,771,610)**	(4,106,547)	(2,890,185)
Borrowing costs	**(1,940,820)**	(1,938,898)	**(3,963,282)**	(3,422,599)	(2,464,876)
Costs for industrial operation	**(626,047)**	(336,576)	**(808,328)**	(683,948)	(425,309)
Profit before tax	**2,085,122**	1,837,764	**3,579,725**	3,211,200	2,600,741
Profit for the year attributable to holders of ordinary shares of the Company	**1,439,491**	1,296,536	**2,503,109**	2,295,954	1,912,744
Basic earnings per share (RMB)	**0.37**	0.40	**0.70**	0.70	0.58
Diluted earnings per share (RMB)	**0.37**	0.40	**0.70**	0.70	0.58
PROFITABILITY INDICATORS					
Return on average assets[1]	**2.02%**	2.32%	**2.06%**	2.37%	2.61%
Return on average equity[2]	**13.37%**	15.95%	**13.35%**	15.19%	14.18%
Net interest margin[3]	**3.17%**	2.74%	**2.62%**	3.30%	3.91%
Net interest spread[4]	**1.81%**	1.44%	**1.22%**	2.01%	2.76%
Service fee income ratio (%)[5]	**35.61%**	32.15%	**36.04%**	38.06%	37.86%

Business Overview

	30 June 2016 RMB'000 (Unaudited)	30 June 2015 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)	31 December 2014 RMB'000 (Audited)	31 December 2013 RMB'000 (Audited)
Assets and liabilities					
Total assets	**150,329,147**	119,276,390	139,312,889	110,726,124	86,512,872
Net interest-earning assets	**133,483,992**	108,028,506	121,970,478	100,828,572	80,745,756
Total liabilities	**127,022,536**	101,410,619	116,351,469	93,276,231	72,348,002
Interest-bearing bank and other borrowings	**93,025,113**	75,751,591	83,428,801	71,777,837	56,554,478
Gearing ratio	**84.50%**	85.02%	83.52%	84.24%	83.63%
Total equity	**23,306,611**	17,865,771	22,961,420	17,449,893	14,164,870
Equity attributable to holders of ordinary shares of the Company	**21,679,467**	16,402,491	21,391,037	16,112,952	14,125,342
Net assets per share (RMB)	**5.49**	4.98	5.41	4.89	4.30
DURATION MATCHING OF ASSETS AND LIABILITIES					
Financial assets	**138,700,655**	111,959,798	128,291,002	104,545,229	83,085,680
Financial liabilities	**122,093,907**	98,957,774	112,958,002	90,313,636	70,255,960
Quality of interest-earning assets					
Non-performing asset ratio[6]	**1.01%**	0.94%	0.97%	0.91%	0.80%
Provision coverage ratio[7]	**220.29%**	216.03%	201.24%	218.66%	219.19%
Write-off of non-performing assets ratio[8]	**12.24%**	9.74%	27.39%	19.02%	2.47%
Overdue interest-earning assets (over 30 days) ratio[9]	**1.08%**	0.99%	1.08%	0.91%	0.45%

Business Overview

Notes:

(1) Return on average assets = profit for the year or the period/average balance of assets at the beginning and end of the period, presented on an annualized basis;

(2) Return on average equity = profit for the year or the period attributable to holders of ordinary shares of the Company/average balance of equity attributable to holders of ordinary shares of the Company at the beginning and end of the period, presented on an annualized basis;

(3) Net interest margin = net interest income/average balance of interest-earning assets, presented on an annualized basis;

(4) Net interest spread = average yield of interest-earning assets – average cost rate of interest-bearing liabilities, presented on an annualized basis;

(5) Cost to income ratio = (selling and distribution cost + administrative expenses – provision for loans and accounts receivable)/gross profit;

(6) Non-performing asset ratio = net non-performing assets/net interest-earning assets;

(7) Provision coverage ratio = provision for interest-earning assets/net non-performing assets;

(8) Write-off of non-performing assets ratio = bad debt of interest-earning assets written-off/non-performing assets at the end of the previous year;

(9) Overdue interest-earning assets (over 30 days) ratio = overdue interest-earning assets (over 30 days)/net interest-earning assets.

Management Discussion and Analysis

1. Economic Environment

1.1 Macro-economy Environment

During the first half of 2016, the long-term trend of "L-shaped" growth of China's economy continued with a further slowdown in growth. Gross domestic product (GDP) grew year on year by 6.7%, representing a decrease of 0.3 percentage point as compared to the corresponding period of last year, and reached its record low. The growth rate of fixed asset investment continued to slow down and grew year on year by 9%, representing a decrease of 2.4 percentage points as compared to the corresponding period of last year. The growth rate of investment is primarily driven by real estate investment and infrastructure investment. The growth rate of real estate investment and infrastructure investment is 6.2% and 20.3% respectively. The growth rate of the investment in the manufacture industry experienced a sharp decline. Enterprises showed less interest in taking the initiative to make investment. Demand for fixed asset investment from the public also decreased significantly. The growth rate of fixed asset investment fell to 2.8% from 11.4% for the corresponding period of last year, recording its lowest point since the financial crisis in 2008.

For the financial environment, the central bank continued its accommodative monetary policy during the first half of the year. The total financing amount across the country increased year on year by RMB961.8 billion to RMB9.75 trillion, among which RMB loans issued to the real economy significantly increased to RMB7.48 trillion, reaching its historical high year on year. Direct financing, especially corporate bonds, increased significantly and also reached its historical high year on year.

1.2 Industry Environment

With the continuous slowdown in the growth rate of China's economy and further deepening of industrial restructuring, the growth of the tertiary sector continued to outpace that of the secondary sector. In the first half of the year, the added value of the tertiary sector grew by 7.5%, which was 1.4 percentage points higher than that of the secondary sector. The tertiary sector accounted for 54.1% of GDP, which represented a higher proportion again with an increase of 1.8 percentage points as compared to the corresponding period of last year, and was 14.7 percentage points higher than the share of GDP attributed to the secondary sector.

In respect of various industries served by Far East Horizon, the development in their environment diversified significantly. Sectors including healthcare, education, urban public utilities and media, the stable industries under the new economic cycle, maintained rapid growth pace with greater demand for fixed asset investment. With a slowdown in the growth of industrial value in China's infrastructure construction industry, the infrastructure construction industry was facing in-depth structural adjustment. Promotion of new urbanization and upgrade of infrastructure marked the direction of future development. The operating sector, mainly the manufacturing industry, was facing difficulties such as production overcapacity and a shortage of orders in some enterprises. Some industries continued to experience fluctuation and adjustment. Affected by the weak global macroeconomic environment, the shipping market remained sluggish.

Management Discussion and Analysis

1.3 Leasing Industry

In the first half of 2016, benefiting from supportive policies and the promotion by local government, the financial leasing industry maintained a rapid development trend. Capital investments and talents from different sectors rushed into the industry. At present, there were a total of 5,708 companies engaging in three types of financial leasing (namely financial leasing, domestic leasing and foreign leasing), representing an increase of 1,200 enterprises or 26.6% as compared to the end of last year. In particular, during the first half of the year, four financial leasing companies obtained approval for establishment and five financial leasing companies commenced operation.

With the increase number of leasing companies, there was rapid increase in capital and capital volume of financial leasing industry. The total capital of the industry amounted to RMB1,972.1 billion, representing an increase of 97% as compared to the corresponding period of last year. The balance of financial leasing contracts amounted to RMB4,680.0 billion, representing an increase of 28% as compared to the corresponding period of last year.

1.4 Company's Solutions

Amidst continuous macroeconomic downturn, further deepening of industrial restructuring and the rapid growth in the leasing industry, Fast East Horizon strived to the commercial mode of integrating "finance and industry". It grasped the opportunities arising from economic and industry adjustments, and accelerated its industry and asset deployment for the next economic cycle, thus coping with the trend of economic and industrial adjustment.

With regard to the financial business, in response to the diversified industrial trends, Far East Horizon actively adjusted and optimized its industry and asset deployment. On one hand, it expanded the deployment in promising sectors with steady development, such as healthcare, education and urban public utilities. On the other hand, it actively explored new profitable fields under other new economic cycle such as tourism, sports, pharmaceutics and entertainment and media, thus promoting secure and steady business growth. While continuing to expand its business scale, Far East Horizon further enriched its financial product and service portfolio. Focusing on serving quality companies and institutions, Far East Horizon offered product portfolio on leasing, factoring, structural financing, etc., thus enhancing its competitiveness and expanding its customer base. In addition, Far East Horizon implemented strict control over the approval of high risk business fields, minimized risk exposures, and focused on gaining quality customers from different sectors. It also continued to optimize its asset management system and improved its asset management capability.

As for the industrial operation business, Far East Horizon facilitated its deployment on three major industries, namely healthcare, infrastructure construction and education, and continued to enhance the operating capability in different sectors. In the first half of 2016, Far East Healthcare entered into agreements to invest or gain control over five additional hospitals through investment, merger and acquisition, as well as reorganization. We invested or gained control over 13 hospitals in total. Focusing on discipline construction and quality of medical care, the Group will improve the operating capabilities and management efficiencies of the hospitals so as to develop them into a leading hospital operation and management group in China. At the same time, the Group has been prudently exploring opportunities to develop in high-end maternal and child healthcare and rehabilitation and geriatric industries, and has entered into agreements with nine hospitals so far. Centering on the infrastructure industry chain, Far East Construction facilitated the deployment of equipment operation and engineering service, and focused on enhancing its capability in respect of equipment services for engineering construction and leasing of high-end scaffolding, as well as increasing its market share. Taking kindergartens and international high schools as starting points, Far East Education entered into agreements in respect of 10 new high-end international kindergarten sites and invested in a new international high school during the first half of the year. At present, we successfully invested and gained control in 13 high-end kindergartens and 2 high-end international high schools.

Management Discussion and Analysis

2. Analysis of Profit and Loss

2.1 Analysis of Profit and Loss (Overview)

In the first half of 2016, the Group relied on China's actual economy and continued to implement its operational philosophy of integrating "finance and industry", which led to an overall healthy and steady growth in its results. The Group realized a profit before tax of RMB2,085,122,000, representing growth of 13.46% as compared to the corresponding period of the previous year. The profit attributable to holders of ordinary shares of the Company during the period was RMB1,439,491,000, representing growth of 11.03% as compared to the corresponding period of the previous year. The following table sets forth the figures for the six months ended 30 June 2016 and the comparative figures for the six months ended 30 June 2015.

	For the six months ended 30 June		
	2016	2015	
	RMB'000	RMB'000	Change %
	(Unaudited)	(Unaudited)	
Revenue	**7,280,667**	5,759,568	26.41%
Cost of sales	**(2,566,867)**	(2,275,474)	12.81%
Gross profit	**4,713,800**	3,484,094	35.29%
Other income and gains	**144,238**	199,656	-27.76%
Selling and distribution costs	**(974,218)**	(669,027)	45.62%
Administrative expenses	**(1,584,805)**	(851,274)	86.17%
Other expenses	**(130,158)**	(318,352)	-59.12%
Finance costs	**(84,723)**	(9,350)	806.13%
Profit or loss on investment in joint ventures	**826**	2,017	-59.05%
Profit or loss on investment in associates	**162**	–	N/A
Profit before tax	**2,085,122**	1,837,764	13.46%
Income tax expense	**(619,698)**	(504,549)	22.82%
Profit for the period	**1,465,424**	1,333,215	9.92%
Attributable to:			
Holders of ordinary shares of the Company	**1,439,491**	1,296,536	11.03%
Holders of senior perpetual securities	**37,212**	34,119	9.07%
Non-controlling interests	**(11,279)**	2,560	-540.59%

Management Discussion and Analysis

2.2 Revenue

In the first half of 2016, the Group realized revenue of RMB7,280,667,000, representing growth of 26.41% from RMB5,759,568,000 as compared to the corresponding period of the previous year. It also recorded steady growth of income in financial and advisory segment and industrial operation segment. In the first half of 2016, income (before business taxes and surcharges) of the financial and advisory segment was RMB6,606,790,000, accounting for 89.31% of the total income (before business taxes and surcharges), and representing growth of 24.49% as compared to the corresponding period of the previous year. Income derived from advisory services grew by 36.17% due to the Group's active efforts in providing comprehensive value-added services encompassing financial management, business operation, management advisory services and others. The Group also accelerated its pace in developing integrated industrial operation business with income derived from industrial operations grew by 57.73% as compared to the corresponding period of the previous year.

The table below sets forth the composition and the change of Group's revenue by business segments in the indicated periods.

	For the six months ended 30 June				
	2016		2015		
	RMB'000	**% of total**	RMB'000	% of total	Change %
	(Unaudited)		(Unaudited)		
Financial and advisory segment	**6,606,790**	**89.31%**	5,307,155	91.37%	24.49%
Financial services (interest income)	**3,967,770**	**53.63%**	3,369,177	58.00%	17.77%
Advisory services (fee income)	**2,639,020**	**35.68%**	1,937,978	33.37%	36.17%
Industrial operation segment	**790,587**	**10.69%**	501,222	8.63%	57.73%
Total	**7,397,377**	**100.00%**	5,808,377	100.00%	27.36%
Business taxes and surcharges	**(116,710)**		(48,809)		139.12%
Income (after Business taxes and surcharges)	**7,280,667**		5,759,568		26.41%

The Group also categorized income by industry, and the Group was mainly engaged in 9 industries covering healthcare, education, infrastructure construction, industrial machinery, packaging, transportation, electronic information, urban public utility and comprehensive development (formerly textiles) for the first half of 2016. Meanwhile, with the promulgation of national macro-control policies and the further promotion of the industrial operation of the Group, the overall income of healthcare, education and infrastructure construction segments increased by 31.04%, 58.68% and 12.49% respectively as compared to the corresponding period of the previous year. With the expansion of the industries covered, income of comprehensive development business segment increased by 80.37% as compared to the corresponding period of the previous year. In January 2016, the Group renamed its textiles segment as comprehensive development segment in order to establish the whole industry chain of basic materials, expand its business and improve its operating capacity in the industry.

Management Discussion and Analysis

The table below sets forth the composition and the change of the Group's income (before business taxes and surcharges) by industry in the indicated periods.

	For the six months ended 30 June				
	2016		2015		
	RMB'000 (Unaudited)	% of total	RMB'000 (Unaudited)	% of total	Change %
Healthcare	2,018,800	27.29%	1,540,551	26.52%	31.04%
Education	1,312,509	17.74%	827,139	14.24%	58.68%
Infrastructure construction	1,341,124	18.13%	1,192,193	20.53%	12.49%
Transportation	536,561	7.25%	458,077	7.89%	17.13%
Packaging	496,980	6.72%	451,859	7.78%	9.99%
Industrial machinery	641,392	8.67%	530,617	9.14%	20.88%
Comprehensive development (formerly textiles)	276,569	3.74%	153,333	2.64%	80.37%
Electronic information	452,648	6.12%	420,681	7.24%	7.60%
Urban public utility	316,690	4.28%	228,516	3.93%	38.59%
Others	4,104	0.06%	5,411	0.09%	-24.15%
Total	7,397,377	100.00%	5,808,377	100.00%	27.36%

Management Discussion and Analysis

2.2.1 Financial Services (Interest Income)

The interest income (before business taxes and surcharges) from the financial and advisory segment of the Group rose by 17.77% from RMB3,369,177,000 for the first half of 2015 to RMB3,967,770,000 for the first half of 2016, accounting for 53.63% of the Group's total revenue (before business taxes and surcharges).

The table below sets forth the average balance of interest-earning assets, interest income and average yield by industry during the indicated periods.

	For the six months ended 30 June					
	2016			2015		
	Average balance of interest-earning assets[1]	Interest income[2]	Average yield[3]	Average balance of interest-earning assets[1]	Interest income[2]	Average yield[3]
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
Healthcare	30,885,894	1,017,927	6.59%	26,425,950	874,859	6.62%
Education	21,330,039	670,589	6.29%	15,678,807	506,537	6.46%
Infrastructure construction	19,058,551	618,925	6.49%	16,963,180	550,892	6.50%
Transportation	9,913,336	309,170	6.24%	9,698,708	294,609	6.08%
Packaging	12,304,406	368,770	5.99%	11,113,391	344,505	6.20%
Industrial machinery	13,454,251	377,125	5.61%	10,205,692	306,106	6.00%
Comprehensive development (formerly textiles)	5,415,933	153,737	5.68%	3,140,444	91,272	5.81%
Electronic information	8,155,993	253,025	6.20%	6,531,332	236,603	7.25%
Urban public utility	7,069,505	196,461	5.56%	4,586,263	159,682	6.96%
Others	139,327	2,041	2.93%	84,772	4,112	9.70%
Total	127,727,235	3,967,770	6.21%	104,428,539	3,369,177	6.45%

Notes:

(1) Calculated based on the average balance of interest-earning assets at the beginning and end of the indicated periods.

(2) Interest income of each industry represents the revenue before business taxes and surcharges.

(3) Average yield represents the quotient of interest income as divided by average balance of interest-earning assets, on annualized basis.

(4) Interest-earning assets include net financial leasing receivable, entrusted loans, mortgage loans, long-term receivables, factoring receivables and respective interest accrued but not received.

Management Discussion and Analysis

Analysis according to average balance of interest-earning assets

The average balance of interest-earning assets of the Group increased by 22.31% from RMB104,428,539,000 for the first half of 2015 to RMB127,727,235,000 for the first half of 2016. Besides the continuous encouragement from the three major segments, namely healthcare, education and infrastructure construction, there were substantial growth in industrial machinery, comprehensive development and urban public utility for the period, representing an increase of 44.65% as compared to the corresponding period of the previous year. The increase in the average balance of interest-earning assets reflected the business expansion of the Group and its in-depth exploration into each of the industries, as well as the benefits from the Group's greater efforts in marketing and promotion.

Analysis according to average yield

In the first half of 2016, the average yield of the Group was 6.21%, representing 0.24 percentage point lower than 6.45% as compared to the corresponding period of the previous year. This was mainly due to the fact that (i) in the second half of 2015, the People's Bank of China reduced the benchmark interest rate for two times, which resulted in the benchmark interest rate of Renminbi loans with respective terms of 1 to 5 years decreased by 50 basis points from 5.25% to 4.75%, thus the average asset yield of the Group decreased by approximately 0.30 percentage point. In order to cope with the effect caused by lower interest rate, the Group promoted the business contract with fixed interest rate to some extent to reduce the adverse effect arising from the reduction of benchmark interest rate; (ii) the Group maintained stable yet increasing investment in healthcare, infrastructure construction, education, electronic information application, public transportation, water supply and other highly secured civil industries. The percentage of the assets in civil industries to the total interest-earning assets increased from 65.63% as at the end of the previous year to 74.92% as at the end of the period. At the same time, the Group continuously increased the investments in high-end quality customers and improved the quality of comprehensive financial services, according to the statistics, customers who contributed revenue of more than RMB100 million accounted for 68.48% of the newly contracted customers in the first half of 2016, up by 11.21 percentage points from 57.27% in the first half of 2015.

The table below sets forth the breakdown of interest income by region in the indicated periods.

	For the six months ended 30 June			
	2016		2015	
	RMB'000 (Unaudited)	**% of total**	RMB'000 (Unaudited)	% of total
Northeast China	**349,369**	**8.81%**	260,085	7.72%
Northern China	**421,594**	**10.63%**	347,051	10.30%
Eastern China	**1,337,888**	**33.72%**	1,345,029	39.92%
Southern China	**380,851**	**9.60%**	336,198	9.98%
Central China	**586,003**	**14.77%**	505,593	15.01%
Northwest China	**197,389**	**4.97%**	92,559	2.75%
Southwest China	**694,676**	**17.50%**	482,662	14.32%
Total	**3,967,770**	**100.00%**	3,369,177	100.00%

Management Discussion and Analysis

2.2.2 Advisory Services (Fee Income)

In the first half of 2016, fee income (before business taxes and surcharges) from financial and advisory segment grew by 36.17% from RMB1,937,978,000 for the first half of 2015 to RMB2,639,020,000 for the first half of 2016, accounting for 35.68% of the total revenue (before business taxes and surcharges) of the Group and representing an increase as compared with 33.37% in the corresponding period of the previous year.

The table below sets forth the Group's service charge income (before business taxes and surcharges) by industry during the indicated periods.

	For the six months ended 30 June				
	2016		2015		
	RMB'000	**% of total**	RMB'000	% of total	Change %
	(Unaudited)		(Unaudited)		
Healthcare	**691,502**	**26.20%**	546,039	28.18%	26.64%
Education	**591,374**	**22.41%**	313,234	16.16%	88.80%
Infrastructure construction	**388,491**	**14.72%**	398,031	20.54%	-2.40%
Transportation	**139,422**	**5.28%**	82,460	4.25%	69.08%
Packaging	**128,210**	**4.86%**	95,194	4.91%	34.68%
Industrial machinery	**264,267**	**10.01%**	210,812	10.88%	25.36%
Comprehensive development (formerly textiles)	**122,833**	**4.65%**	62,061	3.20%	97.92%
Electronic information	**190,044**	**7.20%**	161,313	8.32%	17.81%
Urban public utility	**120,229**	**4.56%**	68,834	3.56%	74.67%
Others	**2,648**	**0.11%**	–	–	N/A
Total	**2,639,020**	**100.00%**	1,937,978	100.00%	36.17%

Healthcare, education and comprehensive development accounted for the greatest contribution to the aggregate growth of the Group's service charge income (before business taxes and surcharges). The increase in service charge income of such industries was mainly attributable to: (i) the expansion of scale and scope of services provided to the customers of the Group in view of the diversification of products and services offered in the Group's advisory services segment and expansion of the Group's businesses; and (ii) the Group focused on providing service to high quality customers in the industries given the interest rate cut. Infrastructure construction focused on the development of customer base in the infrastructure industries during the period. As the customer base shifted upwards, the service charge income decreased by 2.40% as compared to the corresponding period of the previous year.

Management Discussion and Analysis

The table below sets forth the breakdown of the Group's service charge income (before business taxes and surcharges) by region in the indicated periods.

	For the six months ended 30 June			
	2016		2015	
	RMB'000	% of total	RMB'000	% of total
	(Unaudited)		(Unaudited)	
Northeast China	187,731	7.11%	195,896	10.11%
Northern China	509,501	19.31%	183,930	9.49%
Eastern China	660,463	25.03%	658,834	34.00%
Southern China	187,474	7.10%	177,822	9.18%
Central China	303,340	11.49%	292,029	15.07%
Northwest China	157,370	5.96%	64,479	3.33%
Southwest China	633,141	24.00%	364,988	18.82%
Total	2,639,020	100.00%	1,937,978	100.00%

2.2.3 Revenue from industrial operation segment

Revenue from industrial operation segment of the Group, before business taxes and surcharges, increased by 57.73% from RMB501,222,000 for the first half of 2015 to RMB790,587,000 for the first half of 2016, accounting for 10.69% of the total revenue of the Group (before business taxes and surcharges).

The table below sets forth the Group's revenue from industrial operation segment (before business taxes and surcharges) by business segment during the indicated periods.

	For the six months ended 30 June				
	2016		2015		
	RMB'000	% of total	RMB'000	% of total	Change %
	(Unaudited)		(Unaudited)		
Revenue from industrial operation segment	790,587	100.00%	501,222	100.00%	57.73%
Including:					
Revenue from operating lease	284,209	35.95%	224,751	44.84%	26.46%
Revenue from hospital operation	235,578	29.80%	61,587	12.29%	282.51%
Revenue from trading	76,844	9.72%	71,150	14.20%	8.00%
Revenue from construction contracts	39,386	4.98%	45,749	9.13%	-13.91%
Revenue from education institution operation	50,546	6.39%	–	–	N/A

Management Discussion and Analysis

In the first half of 2016, the Group's equipment operation business development had established a complete preliminary marketing system and the assets scale has joined the front ranks in sub-markets such as engineering equipment and scaffolds. Revenue (before business taxes and surcharges) amounted to RMB284,209,000, accounting for 35.95% of the revenue from industrial operation segment for the year and representing an increase of 26.46% as compared to the same period last year.

Continuing to treat hospital investment and operation as its core businesses for the first half of 2016, the Group committed itself to accelerating deployment and gradually built a hospital group featuring advanced technologies and quality service with integrity and safety. During the first half of 2016, the Group entered into agreements to invest or gained control over five hospitals, namely Siyang Chinese Medicine Hospital (泗陽中醫), Nayong Xinli Hospital (納雍新立), Chongqing Yudong Hospital (重慶渝東), Deyang Fifth Hospital (德陽五院) and Fengyang Gulou Hospital (鳳陽鼓樓), through investment, merger and acquisition, as well as reorganization. We invested or gained control over 13 hospitals in total with over 5,000 beds available. According to the operation needs of the hospitals, nearly 3,500 beds were actually in use as at the end of June 2016. Revenue from hospital operation amounted to RMB235,578,000 for the first half of the year. Focusing on discipline construction and quality of medical care, the Group will improve the operating capabilities and management efficiencies of the hospitals as well as keep on expanding the scale of the medical group so as to develop into a leading hospital operation and management group in China.

The Group began its systematic deployment in the education industry in 2015. In 2016, the Group committed to the establishment of high-end kindergartens and expanded the layout of first-class international education at home and abroad. The Group entered into agreements in respect of 10 new high-end kindergarten sites in Shanghai and other four cities during the first half of the year. Together with the three kindergartens acquired in 2015, the Group had 13 kindergartens in total. The Group also acquired an international school in China. The investment project of a British international school was almost completed. As at 30 June 2016, the Group operated 3 high-end kindergartens and 2 international schools with more than 800 students, representing an increase of 41% as compared to last year. Revenue amounted to RMB50,546,000 for the first half of the year.

Management Discussion and Analysis

2.3 Cost of sales

Cost of sales of the Group for the first half of 2016 was RMB2,566,867,000, representing an increase of 12.81% from RMB2,275,474,000 in the corresponding period of the previous year. This was mainly due to an increase in the cost of the industrial operation segment as a result of its expansion in scale. Among them, the cost of the financial and advisory segment was RMB1,940,820,000, accounting for 75.61% of the total cost. The cost of the industrial operation segment was RMB626,047,000, accounting for 24.39% of the total cost.

The table below sets forth the composition and the change of the Group's cost of sales by business segments during the indicated periods.

	For the six months ended 30 June				
	2016		2015		
	RMB'000	**% of total**	RMB'000	% of total	Change %
	(Unaudited)		(Unaudited)		
Cost of the leasing, factoring and advisory segment	**1,940,820**	**75.61%**	1,938,898	85.21%	0.10%
Cost of the industrial operation segment	**626,047**	**24.39%**	336,576	14.79%	86.00%
Cost of sales	**2,566,867**	**100.00%**	2,275,474	100.00%	12.81%

2.3.1 Cost of the financial and advisory segment

The cost of sales of the financial and advisory segment of the Group comprised solely of the relevant interest expenses of the interest-bearing bank and other financing of the Group.

The following table sets forth the average balance of the interest-bearing liabilities of the Group, the interest expense of the Group and the average cost of the Group in the indicated period.

	For the six months ended 30 June					
	2016			2015		
	Average balance[1]	**Interest expense**	**Average cost rate[2]**	Average balance[1]	Interest expense	Average cost rate[2]
	RMB'000	**RMB'000**		RMB'000	RMB'000	
	(Unaudited)	**(Unaudited)**		(Unaudited)	(Unaudited)	
Interest-bearing liabilities	**88,183,248**	**1,940,820**	**4.40%**	77,348,901	1,938,898	5.01%

Notes:

(1) Calculated as the average balance of interest-bearing liabilities at the beginning and end of the period.

(2) Calculated by dividing Interest expense by the average balance of interest-bearing liabilities, on an annualized basis.

Management Discussion and Analysis

The cost of sales of financial and advisory segment increased from RMB1,938,898,000 for the first half of 2015 to RMB1,940,820,000 for the first half of 2016. The average cost rate of the Group was 4.40% for the first half of 2016, representing a decrease as compared to the first half of 2015. It is mainly due to the fact that: (i) with the advance of the Group's diversified financing strategy, the Group worked hard on the diversification of low-cost direct financing products including corporate bonds, short-term financial bonds and medium term notes, thereby reducing the financial cost of the Company; (ii) the proportion of sell-out ABS assets in the balance sheet increased for the first half of the year, and thus the financial expenses was effectively reduced; and (iii) the Group's liabilities balance at floating rates accounted for more than 50%. The effect of the interest rate cuts for five times by the central bank of China in 2015 began to be reflected in the reduction of financial expenses in 2016.

In the second half of 2016, the Group will continue to optimize its liability structure and effectively control its finance costs. Our major measures are as follows: (i) the Group will actively participate in off-balance sheet activities; (ii) the Group will continue to expand the proportion of domestic direct financing and plan to promote corporate bonds, short-term financial bonds and other low-cost direct financing products to reduce financial costs while enriching financing products; and (iii) in traditional bank financing, the Group will withdrawal more low-cost funds to replace part of high-cost financing.

2.3.2 Cost of the industrial operation segment

The cost of sales of industrial operation segment of the Group is primarily derived from the cost of operating lease, cost of hospital operation and cost of education institution operation etc.

The following table sets forth the cost of industrial operating segments of the Group by business type of the period indicated.

	For the six months ended 30 June				
	2016		2015		
	RMB'000	**% of total**	RMB'000	% of total	Change %
	(Unaudited)		(Unaudited)		
Cost of the industrial operation segment	**626,047**	**100.00%**	336,576	100%	86.00%
Of which:					
Cost of operating lease	**230,605**	**36.84%**	117,237	34.83%	96.70%
Cost of hospital operation	**165,620**	**26.45%**	43,365	12.88%	281.92%
Cost of trading	**64,755**	**10.34%**	68,079	20.23%	-4.88%
Cost of construction contracts	**25,761**	**4.11%**	29,476	8.76%	-12.60%
Cost of education institution operation	**30,467**	**4.87%**	–	–	N/A

Cost of operating lease of the Group increased by 96.70% to RMB230,605,000 in the first half of 2016 from RMB117,237,000 in the first half of 2015 mainly due to the addition in the leased assets resulting from the rapid growth of the operating leasing business of the Group.

Management Discussion and Analysis

In the first half of 2016, with the accelerate of mergers and acquisitions of hospitals and the addition in operating hospitals, cost of hospital operation increased by 281.92% to RMB165,620,000 in the first half of 2016 from RMB43,365,000 in the first half of 2015.

In the first half of 2016, with the commencement of operation of high-end kindergartens and first-class international schools, the Group needed to hire good domestic and foreign teachers, and thus most of the cost was labor cost while the remaining costs were housing rentals and amortization of renovation expenses etc.

2.4 Gross Profit

The gross profit of the Group for the first half of 2016 increased by RMB1,229,706,000 or 35.29% to RMB4,713,800,000 from RMB3,484,094,000 in the corresponding period of the previous year. For the first half of 2016 and 2015, the gross profit margin of the Group was 64.74% and 60.49%, respectively.

2.4.1 Gross profit of the Financial and Advisory Segment

The gross profit margin of the financial and advisory segment of the Group for the first half of 2016 was 70.62%, up from 63.47% in the same period last year. The gross profit margin of the financial and advisory segment was affected by the change of net interest income and net interest margin. The following table sets forth the interest income, interest expense, net interest income, net interest spread and net interest margin for the periods indicated.

	For the six months ended 30 June		
	2016	2015	
	RMB'000	RMB'000	Change %
	(Unaudited)	(Unaudited)	
Interest income[1]	**3,967,770**	3,369,177	17.77%
Interest expense[2]	**1,940,820**	1,938,898	0.10%
Net Interest income	**2,026,950**	1,430,279	41.72%
Net interest spread[3]	**1.81%**	1.44%	25.69%
Net interest margin[4]	**3.17%**	2.74%	15.69%

Notes:

(1) Interest income is the interest income of the financial and advisory segment of the Group.

(2) Interest expense is the borrowing cost of the financial and advisory segment of the Group.

(3) Calculated as the difference between the average yield and the average cost. The average yield is calculated by dividing interest income by the average total balance of interest-earning assets. The average cost rate is calculated by dividing interest expense by the average total balance of the interest-bearing liabilities.

(4) Calculated by dividing net interest income by the average total balance of interest-earning assets.

Management Discussion and Analysis

Net interest spread of the Group for the first half of 2016 increased by 0.37 percentage point to 1.81% as compared with 1.44% for the corresponding period of the previous year. The increase in net interest spread was primarily due to the decrease of 24 basis points in the average yield on interest-earning assets of the Group and the decrease of 61 basis points in respect of the average cost on interest-bearing liabilities of the Group. For the changes in respect of the average yield on interest-earning assets and average cost rate on interest bearing liabilities, please refer to the discussion and analysis in paragraphs 2.2.1 and 2.3.1 of this section. At the same time, the net interest income of the Group increased by 41.72% to RMB2,026,950,000 for the first half of 2016 from RMB1,430,279,000 for the first half of 2015, and the average balance of interest-earning assets of the Group increased by 22.31% as compared to the corresponding period of the previous year. Based on the above-mentioned reasons, the net interest margin of the Group increased by 0.43 percentage point to 3.17% as compared with 2.74% for the corresponding period of the previous year.

2.4.2 Gross Profit of the Industrial Operations Segment

The gross profit of the industrial operation segment remained steady at RMB164,540,000 during the first half of 2016 as compared with RMB164,646,000 for the first half of 2015. Among which, the gross profit of the operating leasing business and the hospital operation were RMB53,604,000 and RMB69,958,000 respectively, accounting for 32.58% and 42.52% of the total gross profit of the industrial operation segment.

During the first half of 2016, due to the acceleration in merger and acquisition of hospitals and the increase in number of hospitals in operation, the gross profit of the hospital operation increased by 283.92% from RMB18,222,000 for the first half of 2015 to RMB69,958,000 for the first half of 2016.

During the first half of 2016, the gross profit of the education institution operation was RMB20,079,000, with gross profit margin of approximately 40%. Recently, two kindergartens and one international school have fulfilled their enrolment quota and the remaining one kindergarten and one international school have not fulfilled their enrolment quota. Housing rental expenses and amortization of renovation expenses were fixed costs, and thus the gross profit is expected to further increase after all kindergartens and international schools fulfilled their enrolment quota.

The gross profit of operating leasing decreased by 50.14% from RMB107,514,000 for the first half of 2015 to RMB53,604,000 for the first half of 2016, mainly due to the prudent recognition of revenue of operating leasing by the Group as a result of slowdown in construction progress. The Group will further strengthen the asset allocation of the industry so as to accelerate the growth of gross profit.

Management Discussion and Analysis

	For the six months ended 30 June				
	2016		2015		
	RMB'000	**% of total**	RMB'000	% of total	Change %
	(Unaudited)		(Unaudited)		
Gross profit of the industrial operation segment	**164,540**	**100.00%**	164,646	100.00%	-0.06%
Of which:					
Gross profit of operating leasing	**53,604**	**32.58%**	107,514	65.30%	-50.14%
Gross profit of hospital operation	**69,958**	**42.52%**	18,222	11.07%	283.92%
Gross profit of trading	**12,089**	**7.35%**	3,071	1.87%	293.65%
Gross profit of construction contracts	**13,625**	**8.28%**	16,273	9.88%	-16.27%
Gross profit of education institution operation	**20,079**	**12.20%**	–	–	N/A

2.5 Other Income and Gains

The following table sets forth a breakdown of our other income and gains for the periods indicated:

	For the six months ended 30 June		
	2016	2015	
	RMB'000	RMB'000	Change %
	(Unaudited)	(Unaudited)	
Bank interest income	**24,343**	29,312	-16.95%
Gains from deductible inter-group loans[1]	**56,381**	63,179	-10.76%
Gains from structured financial products	**2,948**	1,755	67.98%
Government grants	**5,934**	20,548	-71.12%
Gains from the transfer of financial assets	**36,201**	35,816	1.07%
Foreign exchange gain	**–**	47,761	-100%
Other income	**18,431**	1,285	1,334.32%
Total	**144,238**	199,656	-27.76%

Note:

(1) Since the interest expenses that the Group's domestic subsidiaries paid for inter-group loans qualify for deductible taxes under value-added tax, these saved taxes constitute those companies' gains from deductible inter-group borrowings. Specifically, these unpaid taxes include the business tax and additional effects that have been accrued based on the interest expenses.

Management Discussion and Analysis

In the first half of 2016, the Group's other income and gains amounted to RMB144,238,000, representing a decrease of 27.76% from the corresponding period of the previous year, mainly attributable to the decreases in foreign exchange gains and government grants. The Group's other income increased by 1,334.32% as compared to the corresponding period of the previous year, mainly attributable to the increase of RMB11,740,000 in gains from subordinated tranches of asset-backed securities issued by the Group as compared to the corresponding period of the previous year.

2.6 Selling and Distribution Costs

Selling and distribution costs of the Group in the first half of 2016 amounted to RMB974,218,000, which increased by RM305,191,000 or 45.62% as compared to the corresponding period of the previous year. Among which, the remuneration and welfare costs of the Group's sales staff accounted for 83.66% of total selling and distribution costs, representing an increase of 4.99% as compared to the first half of 2015.

2.7 Administrative Expenses

Administrative expenses of the Group in the first half of 2016 were RMB1,584,805,000, representing an increase of RMB733,531,000 or 86.17% from the corresponding period of the previous year. The change in administrative expenses was mainly due to: (i) the increase in expenses relating to the impairment of loans and accounts receivable (impairment of loans and accounts receivable in the first half of 2016 amounted to RMB880,633,000, representing an increase of RMB480,314,000 or 119.98% from the corresponding period of the previous year); and (ii) the cost regarding the remuneration and welfare of staff relating to the administrative expenses increased by RMB238,135,000 or 83.63% from the corresponding period of the previous year, which was due to the effectively control of the costs by the Group in light of the increase in the headcount of fulltime staff. The total headcount of full-time staff of the Group increased from 5,266 in the first half 2015 to 7,036 in the first half of 2016.

Cost to income ratio of the Group in the first half of 2016 was 35.61%, which was higher as compared with 32.15% of the corresponding period of the previous year.

2.8 Other Expenses

Other expenses of the Group in the first half of 2016 amounted to RMB130,158,000, representing a decrease of RMB188,194,000 or 59.12% from the corresponding period of the previous year. Other expenses comprised foreign exchange loss of RMB30,250,000.

Management Discussion and Analysis

2.9 Income Tax Expense

Income tax expense of the Group in the first half of 2016 was RMB619,698,000, which increased by RMB115,149,000 or 22.82% from the corresponding period of the previous year. The increase was primarily due to an increase in the operating profit of the Group during the relevant period.

Effective tax rate of the Group in the first half of 2016 was 29.72%, which increased by 2.27 percentage points from 27.45% for the corresponding period of the previous year, mainly due to the withholding income tax of cross-border dividends and business. The following table sets forth a breakdown of particulars of the income tax rate:

	For the six months ended 30 June		
	2016	2015	
	RMB'000	RMB'000	Change %
	(Unaudited)	(Unaudited)	
Domestic statutory tax rate	**25.0%**	25.0%	
Cross-border dividends withholding income tax	**1.4%**	0.6%	0.8%
Cross-border business withholding income tax[1]	**2.4%**	1.7%	0.7%
Others	**0.9%**	0.2%	0.7%
Total	**29.7%**	27.5%	2.2%

Note:

(1) Cross-border business withholding tax was mainly the cross-border income tax withheld for the interest generated from intra-group borrowings and additional effects of foreign business on income tax.

2.10 Profit for the Period Attributable to Holders of Ordinary Shares of the Company

Based on the above discussion and analysis, profit for the period attributable to holders of ordinary shares of the Company was RMB1,439,491,000, which increased by RMB142,955,000 or 11.03% from the corresponding period of the previous year. Net profit margin of the Group in the first half of 2016 was 20.13%, which slightly decreased from 23.15% in the corresponding period of the previous year.

Management Discussion and Analysis

3. Analysis of Financial Position

3.1 Assets (Overview)

As at 30 June 2016, the total assets of the Group increased by RMB11,016,258,000 or 7.91% from the end of the previous year to RMB150,329,147,000. Loans and accounts receivable increased by RMB11,574,288,000 or 9.60% from the end of the previous year to RMB132,140,597,000.

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

	30 June 2016		31 December 2015		
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	Change %
Loans and accounts receivable	132,140,597	87.90%	120,566,309	86.54%	9.60%
Cash and cash equivalents	620,172	0.41%	2,500,665	1.79%	-75.20%
Restricted deposits	2,603,200	1.73%	2,640,891	1.90%	-1.43%
Prepayment and other accounts receivable	2,910,153	1.94%	3,636,873	2.61%	-19.98%
Deferred tax assets	1,644,008	1.09%	1,300,724	0.93%	26.39%
Property, plant and equipment	4,146,174	2.76%	3,357,879	2.41%	23.48%
Prepaid land lease payments	1,157,225	0.77%	1,150,026	0.83%	0.63%
Investment in joint ventures	1,473,299	0.98%	1,187,975	0.85%	24.02%
Investment in associates	17,362	0.01%	–	–	N/A
Available-for-sale financial assets	433,999	0.29%	427,142	0.31%	1.61%
Financial assets held for trading	359,624	0.24%	244,132	0.18%	47.31%
Derivative financial instruments	740,813	0.49%	1,117,234	0.80%	-33.69%
Inventories	147,512	0.10%	114,793	0.08%	28.50%
Construction contracts	64,335	0.04%	42,387	0.03%	51.78%
Goodwill	524,098	0.35%	359,452	0.26%	45.80%
Assets with continuing involvement	1,307,874	0.87%	569,062	0.41%	129.83%
Other assets	38,702	0.03%	97,345	0.07%	-60.24%
Total assets	150,329,147	100.00%	139,312,889	100.00%	7.91%

Management Discussion and Analysis

3.2 Loans and Accounts Receivable

The main components of assets of the Group were loans and accounts receivable, accounting for 87.90% of the total assets of the Group as of 30 June 2016. During the first half of 2016, the Group flexibly adjusted its development strategies for each industry based on the operating environment and the situation of the industry to develop relevant markets, and strengthened its risk control in a prudent manner. While safeguarding its assets, the Group implemented ongoing and stable expansion of the financial business so as to maintain a stable increase in both the number of customers served and the number of new contracts entered into by the Group and keep the stable growth of net interest-earning assets.

The following table sets forth the analysis of loans and accounts receivable as of the dates indicated.

	30 June 2016		31 December 2015		
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	Change %
Lease receivables	122,541,724		121,510,395		0.85%
Less: Unearned finance income	(11,824,332)		(11,176,329)		5.80%
Net lease receivables	110,717,392	81.92%	110,334,066	89.73%	0.35%
Other net interest-earning assets[1]	22,766,600	16.85%	11,636,412	9.46%	95.65%
Subtotal for interest-earning assets	133,483,992	98.77%	121,970,478	99.19%	9.44%
Others[2]	1,662,792	1.23%	994,872	0.81%	67.14%
Subtotal for loans and accounts receivable	135,146,784	100.00%	122,965,350	100.00%	9.91%
Less: Provisions	(3,006,187)		(2,399,041)		25.31%
Net loans and accounts receivable	132,140,597		120,566,309		9.60%

Notes:

(1) Other interest-earning assets include entrusted loans, mortgage loans, long term receivables and factoring receivables, as well as their respective interest accrued but not received.

(2) Others include notes receivables and accounts receivables.

3.2.1 Interest-earning Assets

Net interest-earning assets of the Group as of 30 June 2016 were RMB133,483,992,000, representing an increase of 9.44% as compared with RMB121,970,478,000 as of 31 December 2015. The increase was due to a steady increase in both the number of customers served and the number of new contracts entered into by the Group, as a result of the continuous expansion of financial business of the Group on a basis of the Group's effective risk control in the first half of 2016.

Management Discussion and Analysis

3.2.2 Net Interest-earning Assets by Industry

The following table sets forth net interest-earning assets[1] of the Group by industry as of the dates indicated.

	30 June 2016		31 December 2015		
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	Change %
Healthcare	32,917,449	24.66%	28,854,340	23.66%	14.08%
Education	22,828,994	17.10%	19,831,084	16.26%	15.12%
Infrastructure construction	18,546,938	13.89%	19,570,163	16.04%	-5.23%
Transportation	10,379,466	7.78%	9,447,205	7.74%	9.87%
Packaging	12,224,962	9.16%	12,383,851	10.15%	-1.28%
Industrial machinery	14,143,626	10.60%	12,764,877	10.47%	10.80%
Comprehensive development (formerly textiles)	6,031,523	4.52%	4,800,342	3.94%	25.65%
Electronic information	8,605,531	6.45%	7,706,454	6.32%	11.67%
Urban public utility	7,598,277	5.69%	6,540,732	5.36%	16.17%
Others	207,226	0.15%	71,430	0.06%	190.11%
Total	133,483,992	100.00%	121,970,478	100.00%	9.44%

Note: Net interest-earning assets for healthcare and education as of 30 June 2016 grew the most in amount among the target industries of the Group, namely by RMB4,063,109,000 and RMB2,997,910,000, respectively over those as at 31 December 2015. The increase was attributable to the business expansion and exploration in different industries, as well as contribution from enhanced promotion and marketing activities. Furthermore, the Group, in order to adapt to the market environment, made strategic moves to reduce allocation to certain sluggish industries, which led to lower growth rates for transportation and packaging.

Management Discussion and Analysis

3.2.3 Net Interest-earning Assets by Region

The table below sets forth net interest-earning assets[1] of the Group by region as of the dates indicated.

	30 June 2016		31 December 2015	
	RMB'000	% of total	RMB'000	% of total
	(Unaudited)		(Audited)	
Northeast China	10,931,113	8.19%	9,653,007	7.91%
Northern China	16,186,580	12.13%	11,534,818	9.46%
Eastern China	44,878,150	33.62%	44,395,257	36.40%
Southern China	12,544,445	9.40%	12,530,028	10.27%
Central China	18,937,120	14.19%	18,659,555	15.30%
Northwest China	6,652,690	4.98%	5,830,127	4.78%
Southwest China	23,353,894	17.49%	19,367,686	15.88%
Total	133,483,992	100.00%	121,970,478	100.00%

3.2.4 Aged Analysis of Net Interest-earning Assets

The following table sets forth an aged analysis of net interest-earning assets as of the dates indicated, categorized by the time elapsed since the effective date of the relevant leases, entrusted loans, mortgage loans, credit assignment a and factoring contracts.

	30 June 2016		31 December 2015		
	RMB'000	% of total	RMB'000	% of total	Change %
	(Unaudited)		(Audited)		
Net interest-earning assets					
Within 1 year	79,645,666	59.67%	67,753,107	55.55%	17.55%
1 to 2 years	29,491,994	22.09%	31,936,459	26.18%	-7.65%
2 to 3 years	16,548,864	12.40%	15,807,212	12.96%	4.69%
3 years and beyond	7,797,468	5.84%	6,473,700	5.31%	20.45%
Total	133,483,992	100.00%	121,970,478	100.00%	9.44%

Net interests-earning assets within one year represent net interest-earning assets the Group received, and are still valid as of the end of the year or the end of the period. As of 30 June 2016, net interest-earning assets within one year as set out in the table above represented 59.67% of net interest-earning assets of the Group.

Management Discussion and Analysis

3.2.5 Maturity Profile of Net Interest-earning Assets

The following table sets forth, as of the dates indicated, the maturity profile of the net interest-earning assets.

	30 June 2016		31 December 2015		
	RMB'000	**% of total**	RMB'000	% of total	Change %
	(Unaudited)		(Audited)		
Maturity date					
Within 1 year	**50,674,006**	**37.97%**	46,742,416	38.32%	8.41%
1 to 2 years	**37,835,408**	**28.34%**	35,302,937	28.94%	7.17%
2 to 3 years	**24,480,168**	**18.34%**	22,085,071	18.11%	10.84%
3 years and beyond	**20,494,410**	**15.35%**	17,840,054	14.63%	14.88%
Total	**133,483,992**	**100.00%**	121,970,478	100.00%	9.44%

Net interest-earning assets due within one year represent net interest-earning assets which the Group will receive within one year of the reporting date indicated. As of 30 June 2016, net interest-earning assets due within one year as set forth in the table above represented 37.97% of the Group's net interest-earning assets as of each of the respective dates, which was flat as compared to the end of the previous year. This indicated that the maturity of the Group's net financial leasing receivable was widely spread and could provide the Group with consistent and sustainable cash inflows that facilitated the matching of our liabilities.

3.2.6 Asset Quality of Net Interest-earning Assets

3.2.6.1 Five-category Net Interest-earning Assets Classification

The Group implements a five-category classification of interest-earning assets that accurately reveal the asset risk profile and confirm the quality of assets primarily by obtaining information on the qualification of stock and assets. On such basis, we have deployed management resources and efforts in a focused manner to effectively implement measures on category management, and have strengthened risk anticipation and the relevance of risk prevention to improve the ability to control asset risks.

Classification criteria

In determining the classification of our interest-earning assets portfolio, we apply a series of criteria that are derived from our own internal regulations regarding the management of lease assets. These criteria are designed to assess the likelihood of repayment by the borrower and the collect ability of principal and interest on our interest-earning assets. Our interest-earning assets classification criteria focus on a number of factors, if applicable; and our asset classifications include:

Pass. There is no reason to doubt that the loan principal and interest will not be paid by the debtor in full and/or on a timely basis. There is no reason whatsoever to suspect that the interest-earning assets will be impaired.

Management Discussion and Analysis

Special mention. Even though the debtor has been able to pay his payments in a timely manner, there are still factors that could adversely affect its ability to pay, which are related to changes in the economic, policy and industrial environment, the structure of the debtor's property rights and the debtor's management mechanisms, organizational framework and management personnel adjustments, operating capabilities, material investments and credit size and conditions, as well as the impact of changes in the value of core assets on the debtor's ability to repay; while taking into consideration the impact of subjective factors, including any change in the debtor's willingness to repay, on the quality of assets, such as if payments have been overdue for 30 days or more, then the interest-earning assets for this contract shall be classified as special mention or lower.

Substandard. The debtor's ability to pay is in question as it is unable to make its payments in full with its operating revenues, and we are likely to incur losses notwithstanding the enforcement of any guarantees underlying the contract. We take into account other factors, for example, if lease payments have been overdue for over three months, then the interest-earning assets for this contract shall be classified as substandard or lower.

Doubtful. The debtor's ability to pay is in question as it is unable to make payments in full and/or on a timely basis with its operating revenues and we are likely to incur significant losses notwithstanding the enforcement of any guarantees underlying the contract. We take into account other factors, for example, if payments have been overdue for over six months, the interest-earning assets for this contract shall be classified as doubtful or lower.

Loss. After taking all possible steps or going through all necessary legal procedures, payments remain overdue or only a very limited portion has been recovered. We take into account other factors, for example, if payments have been overdue for more than one year, the interest-earning assets for this contract shall be classified as a loss.

Asset management measures

In the first half of 2016, although the overall economic growth rate stayed in a reasonable range based on conditions of the external environment, international situations remained complicated and grim while the domestic economy was still changing gear and restructuring, facing enormous downward pressure as new uncertainties emerged undermining its weak footing. The operating environment faced by some of our customers did not turned around. There were challenges in the safety of present stock assets. The Group continued to optimize its asset allocation, strengthen its risk evaluation and asset process monitoring, and intensify risk asset disposal so as to keep the quality of our assets stable and under control on the whole during the reporting period.

Differentiated operation for reasonability and safety of optimized group asset allocation

In the first half of 2016, the Group continued with differentiated allotment of credit resources towards the four categories of investment, namely the encouraged, the maintained, the restricted and the reduced. In particular, allotments to low-risk sectors such as healthcare, education and public utility were amplified, and those to the restricted and the reduced category including vessels, paper-making and machinery manufacture were diminished. While cutting credit facilities to customers with deteriorating operation amid the economic downturn, the strategy to move group customers up was followed such that an more active approach was adopted towards state-owned groups and listed ones and credit lines for them rose to the drawing up near the safety margin.

Management Discussion and Analysis

Strict risk evaluation for effective execution of Group's adjustment policies

In the first half of 2016, the Group conducted a centralized evaluation on assets associated with industries closely related to the inventory reduction reform on the supply side and with customers with heavy liabilities such as those related to coal, textile and cement for the purpose of ascertaining total assets and ensuring their safety through specific and stringent control. Furthermore, in coping with impacts of uncertainties in external economic and financial environment, the Group adjusted its credit policies so that further control may be exercised over the approval process and mitigating measures. In order to ensure the effective execution of such policies, self-assessment and correction were required of every division and department so that the policies would be able to achieve goals established.

Strengthening asset process monitoring and improving efficiency of asset process monitoring

In the first half of 2016, the Group continued to vigorously advance the local construction of asset management, the expansion of taskforces for local asset management and the optimization of regional-level plans across the country, so that customer coverage was further extended and the efficiency and effectiveness of asset monitoring were improved.

In the first half of 2016, the Group continued to promote the construction of internet monitoring system and carry out the complete and uninterrupted information monitoring through introducing new network risk information monitoring tools to monitor real-time irregularities of customers and enhance efficiency.

In the first half of 2016, the Group kept improving on its management of leased items and collateral. It introduced an independent and complete targeting process for accepting, changing and evaluating leased items and collateral, thereby implemented systematic management thereof and boosted the efficiency of accepting projects and effectiveness of subsequent management.

Optimizing management mechanism on risk disposal to step up efforts to dispose of risk assets

In the first half of 2016, the Group continued to optimize the management mechanism on risk assets disposal and expand the disposal resources and methods, thereby effectively mitigated risks. With respect to management mechanisms, centralized support was provided for litigation handling to enhance efficiency. With respect to disposal resources, disposal channels such as the judiciary, law firms and equipment disposal companies were continuously expanded to elevate the network across the country.

Management Discussion and Analysis

The following table sets forth the five-category interest-earning assets classification as of the dates indicated.

	30 June 2016		31 December 2015		31 December 2014		31 December 2013	
	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total
	(Unaudited)		(Audited)		(Audited)		(Audited)	
Pass	116,001,625	86.90%	105,643,641	86.61%	86,066,609	85.36%	68,819,144	85.23%
Special mention	16,135,389	12.09%	15,143,803	12.42%	13,841,631	13.73%	11,280,176	13.97%
Substandard	712,704	0.53%	793,889	0.65%	597,030	0.59%	259,905	0.32%
Doubtful	634,274	0.48%	389,145	0.32%	323,302	0.32%	386,531	0.48%
Loss	–	–	–	–	–	–	–	–
Net interest-earning assets	133,483,992	100.00%	121,970,478	100.00%	100,828,572	100.00%	80,745,756	100.00%
Non-performing assets	1,346,978		1,183,034		920,332		646,436	
Non-performing asset ratio	1.01%		0.97%		0.91%		0.80%	

The Group has established prudent asset quality control and adhered to a stringent and conservative asset classification policy. As of 30 June 2016, the Group's assets under special mention accounted for 12.09% of its net interest-earning assets, representing a slight decrease as compared with that of 12.42% at the end of the previous year. In particular, assets under special mention in the transportation industry accounted for the largest portion at 24.97%, mainly attributable to the protracted over-capacity in the market and the resulting pressure on rates during the first half of 2016. The Group prudently kept the assets in this sector under ongoing supervision, as the Group paid close attention to the systematic risks of such industry. The assets under special mention in the healthcare industry accounted for the second largest portion at 17.33%, mainly attributable to the large investment of the infrastructure of the some healthcare segments with high debts, causing pressure of inelastic payment. The Group prudently kept this asset class under ongoing supervision. Assets under special mention in the machinery industry accounted for the third largest portion at 13.11%, mainly attributable to the over-capacity and low demand in certain segments of the machine manufacturing industry, causing a significant decline in profits, in view of the impact of the prolonged macro-economic downturn, and thus the Group prudently reclassified more assets in this sector as assets under special mention. The assets under special mention in the packaging industry accounted for the fourth largest portion at 12.20%, mainly attributable to the fact that the packaging industry has yet to see a decided turnaround and certain SME clients were met with severe setback due to their low industry risk resistance and fell into arrears with tight liquidity. Therefore, the Group prudently reclassified more assets in this sector as assets

In the interest of prudence, the Group also took into account any adverse effect of rent repayment schedules of clients in addition to payments overdue. For example, underlying assets of pioneering industries were kept under special mention during the relevant industries were under observation; those of high risk projects were kept under special mention for a certain period; those of industries with over-capacity subject to the macro-economy were under constant special mention; those of certain clients with concern-raising factors eliminated or better operations were kept under special mention during the observation period for their tight rent repayment schedules or any uncertainties likely to emerge. Based on the above bases for categorization, appropriately 90% assets under special mention were not overdue as at the end of the reporting period, of which 37.56% had been in this category for over a year.

Management Discussion and Analysis

The following table sets forth the analysis on the Group's assets under special mention by industry for the dates indicated.

	30 June 2016		31 December 2015		31 December 2014		31 December 2013	
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	RMB'000 (Audited)	% of total	RMB'000 (Audited)	% of total
Healthcare	2,795,547	17.33%	2,665,640	17.60%	2,163,851	15.63%	1,319,246	11.70%
Education	1,230,257	7.62%	1,228,615	8.11%	1,092,498	7.89%	893,569	7.91%
Infrastructure construction	1,255,319	7.78%	984,774	6.50%	1,208,022	8.73%	993,563	8.81%
Transportation	4,030,274	24.97%	3,803,153	25.11%	3,203,122	23.14%	3,005,841	26.65%
Packaging	1,968,521	12.20%	2,059,459	13.60%	2,002,526	14.47%	1,230,813	10.91%
Industrial machinery	2,114,867	13.11%	1,988,419	13.13%	1,676,805	12.11%	997,917	8.85%
Comprehensive development (formerly textiles)	560,777	3.48%	464,485	3.07%	220,133	1.59%	78,540	0.70%
Electronic information	1,116,290	6.92%	1,027,950	6.79%	1,043,528	7.54%	1,069,806	9.48%
Urban public utility	1,063,537	6.59%	915,313	6.05%	1,145,490	8.28%	1,690,881	14.99%
Others	–	–	5,995	0.04%	85,656	0.62%	–	–
Total	16,135,389	100.00%	15,143,803	100.00%	13,841,631	100.00%	11,280,176	100.00%

The following table sets forth the migration of the Group's assets under special mention for the dates indicated.

	30 June 2016	31 December 2015	31 December 2014	31 December 2013
	% of total (Unaudited)	% of total (Unaudited)	% of total (Unaudited)	% of total (Unaudited)
Pass	4.62%	6.60%	8.59%	15.55%
Special mention	66.79%	43.05%	51.83%	40.77%
Substandard	2.90%	2.18%	2.16%	0.22%
Doubtful	0.78%	1.42%	0.07%	0.39%
Loss and write-off	–	–	–	–
Recovery	24.91%	46.75%	37.35%	43.07%
Total	100.00%	100.00%	100.00%	100.00%

The Group's asset quality remained favourable. The non-performing asset ratio slightly increased from 0.97% from the end of the previous year to 1.01% as of 30 June 2016.

Management Discussion and Analysis

The non-performing asset ratio for the transportation industry to total non-performing assets was 36.48%, mainly because certain clients remained to operate at breakeven and consumed substantially their liquidity under the prolonged downturn in the shipping market. The Group prudently reclassified the assets of the segment into substandard and doubtful assets. The non-performing asset ratio for the packaging industry to total non-performing assets was 23.41%, primarily because the Group prudently reclassified the assets of the segment into substandard and doubtful assets in view of deteriorated creditworthiness of clients in the industry upon the outbreak of withdrawal of loan grants from banks and enforcement of mutual guarantees, in particular clients in the printing industry who were continually distressed by insufficient liquidity in segments experiencing lasting over-capacity, fierce competition and longer turnover of receivables. The non-performing assets of the industrial machinery accounted for 14.57% of the total non-performing assets. Due to the overall structural imbalances and low-end capacity of segments such as engineering machinery and machine tools, the revenue and profit of certain customers plummeted. The Group prudently reclassified more assets of the machinery industry into substandard and doubtful assets. The non-performing assets of the infrastructure construction industry accounted for 15.12% of the total non-performing assets, mainly because of the decrease in state fixed assets investment and over-capacity in related industries such as coal, steel and cement, resulting in deteriorated operations of certain customers in this category. Hence, the Group prudently reclassified more assets of the segment into substandard and doubtful assets.

The following table sets forth the analysis on the Group's non-performing assets by industry for the dates indicated.

	30 June 2016		31 December 2015		31 December 2014		31 December 2013	
	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total
	(Unaudited)		(Audited)		(Audited)		(Audited)	
Healthcare	7,980	0.59%	13,196	1.11%	8,116	0.88%	5,921	0.91%
Education	11,227	0.83%	1,607	0.14%	3,557	0.39%	8,071	1.25%
Infrastructure construction	203,654	15.12%	223,328	18.88%	101,783	11.06%	88,931	13.76%
Transportation	491,437	36.48%	422,961	35.75%	478,051	51.94%	212,565	32.88%
Packaging	315,366	23.41%	313,142	26.47%	184,098	20.00%	198,641	30.73%
Industrial machinery	196,313	14.57%	97,468	8.24%	120,802	13.13%	81,259	12.57%
Comprehensive development (formerly textiles)	42,761	3.17%	25,371	2.14%	9,048	0.98%	19,788	3.06%
Electronic information	7,805	0.58%	20,526	1.74%	14,877	1.62%	31,260	4.84%
Urban public utility	5,000	0.37%	–	–	–	–	–	–
Others	65,435	4.88%	65,435	5.53%	–	–	–	–
Total	1,346,978	100.00%	1,183,034	100.00%	920,332	100.00%	646,436	100.00%

Management Discussion and Analysis

The following table sets forth the analysis on the Group's substandard assets by industry for the dates indicated.

	30 June 2016		31 December 2015		31 December 2014		31 December 2013	
	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total
	(Unaudited)		(Audited)		(Audited)		(Audited)	
Healthcare	261	0.04%	7,724	0.97%	3,403	0.57%	–	–
Education	9,910	1.39%	–	–	1,779	0.30%	–	–
Infrastructure construction	75,821	10.64%	157,634	19.86%	56,582	9.48%	22,086	8.50%
Transportation	356,659	50.04%	281,559	35.46%	302,711	50.70%	108,819	41.87%
Packaging	192,767	27.05%	237,288	29.89%	119,926	20.09%	100,492	38.66%
Industrial machinery	41,515	5.82%	61,742	7.78%	104,415	17.49%	21,855	8.41%
Comprehensive development (formerly textiles)	35,550	4.99%	21,287	2.68%	4,909	0.82%	3,949	1.52%
Electronic information	221	0.03%	16,445	2.07%	3,305	0.55%	2,704	1.04%
Urban public utility	–	–	–	–	–	–	–	–
Others	–	–	10,210	1.29%	–	–	–	–
Total	712,704	100.00%	793,889	100.00%	597,030	100.00%	259,905	100.00%

The following table sets forth the analysis on the Group's doubtful assets by industry for the dates indicated.

	30 June 2016		31 December 2015		31 December 2014		31 December 2013	
	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total%
	(Unaudited)		(Audited)		(Audited)		(Audited)	
Healthcare	7,718	1.22%	5,472	1.41%	4,713	1.46%	5,921	1.53%
Education	1,316	0.21%	1,607	0.41%	1,778	0.55%	8,071	2.09%
Infrastructure construction	127,834	20.15%	65,694	16.88%	45,201	13.98%	66,845	17.29%
Transportation	134,778	21.25%	141,402	36.34%	175,340	54.23%	103,746	26.84%
Packaging	122,600	19.33%	75,854	19.49%	64,172	19.85%	98,149	25.39%
Industrial machinery	154,799	24.41%	35,726	9.18%	16,387	5.07%	59,404	15.37%
Comprehensive development (formerly textiles)	7,211	1.14%	4,084	1.05%	4,139	1.28%	15,839	4.10%
Electronic information	7,584	1.20%	4,081	1.05%	11,572	3.58%	28,556	7.39%
Urban public utility	5,000	0.79%	–	–	–	–	–	–
Others	65,434	10.30%	55,225	14.19%	–	–	–	–
Total	634,274	100.00%	389,145	100.00%	323,302	100.00%	386,531	100.00%

Management Discussion and Analysis

The following table sets forth the analysis on the Group's loss assets by industry for the dates indicated.

	30 June 2016		31 December 2015		31 December 2014		31 December 2013	
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	RMB'000 (Audited)	% of total	RMB'000 (Audited)	% of total
Healthcare	–	–	–	–	–	–	–	–
Education	–	–	–	–	–	–	–	–
Infrastructure construction	–	–	–	–	–	–	–	–
Transportation	–	–	–	–	–	–	–	–
Packaging	–	–	–	–	–	–	–	–
Industrial machinery	–	–	–	–	–	–	–	–
Comprehensive development (formerly textiles)	–	–	–	–	–	–	–	–
Electronic information	–	–	–	–	–	–	–	–
Urban public utility	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–
Total	–	–	–	–	–	–	–	–

The following table sets forth the movement of non-performing assets of the Group for the dates indicated.

	30 June 2016 RMB'000	31 December 2015 RMB'000	31 December 2014 RMB'000
At the beginning of the year	1,183,034	920,332	646,436
Downgrades[(1)]	592,745	1,033,727	699,657
Upgrades	(61,128)	(37,013)	(32,440)
Recoveries	(222,837)	(481,950)	(270,397)
Write-off and Loss	(144,836)	(252,062)	(122,924)
At the end of the year	1,346,978	1,183,034	920,332
NPA ratio	1.01%	0.97%	0.91%

Note:

(1) Represents downgrades of interest-earning assets classified as normal or special mention at the end of prior year and interest-earning assets newly classified in the current period to non-performing categories.

Management Discussion and Analysis

3.2.6.2 Interest-earning Assets Provisions

The following table sets forth the analysis of the Group's provisions under the assessment methodology as of the dates indicated.

	30 June 2016		31 December 2015		31 December 2014		31 December 2013	
	RMB'000 (Unaudited)	%of total	RMB'000 (Audited)	% of total	RMB'000 (Audited)	% of total	RMB'000 (Audited)	% of total
Interest-earning Assets								
Individual assessment	527,497	17.78%	392,455	16.48%	407,940	20.27%	312,024	22.02%
Collective assessment	2,439,826	82.22%	1,988,296	83.52%	1,604,453	79.73%	1,104,872	77.98%
Total	2,967,323	100.00%	2,380,751	100.00%	2,012,393	100.00%	1,416,896	100.00%
Non-performing assets	1,346,978		1,183,034		920,332		646,436	
Provision coverage ratio	220.29%		201.24%		218.66%		219.19%	

3.2.6.3 Write-offs of Interest-earning Assets

The following table sets forth the write-offs of interest-earning assets as of the dates indicated.

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)	31 December 2014 RMB'000 (Audited)	31 December 2013 RMB'000 (Audited)
Write-off	144,836	252,062	122,924	10,389
Non-performing assets as at the end of the previous year	1,183,034	920,332	646,436	420,520
Write-off ratio(1)	12.24%	27.39%	19.02%	2.47%

Note:

(1) The write-off ratio is calculated as the percentage of bad debts of interest-earning assets write-offs over net of non-performing assets as of the beginning of the relevant year.

In the first half of 2016, the Group wrote off bad debts of RMB144,836,000 mainly for transportation, packaging and infrastructure construction, which accounted for RMB62,629,000, RMB40,246,000 and RMB25,430,000 respectively. This was mainly because of the disruption of capital chain due to the lasting loss of shippers under the prolonged downturn in the shipping market and of the low ship prices which did not cover risk exposure of projects. On the other hand, the as affected by the external economic environment, certain SME customers were hit by their weak resistance against industry risk and experienced setbacks in their operations, triggering frequent risks associated to interconnection and mutual insurance of companies and a slump in corporate assets. Despite its effort in collection through judicial means, exercisable assets were unable to cover risk exposure of projects.

Management Discussion and Analysis

3.2.6.4 Status of Interest-earning Assets (Over 30 Days)

The following table sets forth status of interest-earning assets (over 30 days) as of the dates indicated.

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)	31 December 2014 RMB'000 (Audited)	31 December 2013 RMB'000 (Audited)
Overdue ratio (over 30 days)	**1.08%**	1.08%	0.91%	0.45%

As a result of the Group's prudent risk control and asset management, the Group's lease overdue ratio (over 30 days) was 1.08% during the first half of 2016, which remained stable as compared with the end of 2015.

The following table sets forth status of interest-earning assets (overdue more than 30 days) by industry as of the dates indicated.

	30 June 2016		31 December 2015	
	RMB'000 (Unaudited)	**% of total**	RMB'000 (Audited)	% of total
Healthcare	**42,852**	**2.98%**	7,928	0.60%
Education	**13,771**	**0.96%**	4,623	0.35%
Infrastructure construction	**286,723**	**19.94%**	133,061	10.09%
Transportation	**569,062**	**39.58%**	649,426	49.25%
Packaging	**229,925**	**15.99%**	342,669	25.98%
Industrial machinery	**182,811**	**12.71%**	69,062	5.24%
Comprehensive development (formerly textiles)	**39,516**	**2.75%**	26,276	1.99%
Electronic information	**7,805**	**0.54%**	20,305	1.54%
Urban public utility	**–**	**–**	–	–
Others	**65,433**	**4.55%**	65,435	4.96%
Total	**1,437,898**	**100.00%**	1,318,785	100.00%

Management Discussion and Analysis

The following table sets forth the classification of interest-earning assets (overdue more than 30 days) as of the dates indicated.

	30 June 2016		31 December 2015	
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total
Special mention	653,679	45.46%	655,258	49.69%
Substandard	190,177	13.23%	369,224	28.00%
Doubtful	594,042	41.31%	294,303	22.31%
Loss	–	–	–	–
Total	1,437,898	100.00%	1,318,785	100.00%

The assets under special mention that were overdue more than 30 days mostly fell into the transportation and infrastructure construction industries, of which, the transportation industry accounted for 65.90% while the infrastructure construction industry accounted for 19.13%. In recent years, there were stagnant markets in the transportation industries. With the imbalanced supply and demand, shippers lacked bargaining power against goods owners and turnover period of accounts receivable was extended, leading to financial strains of certain of them. As for infrastructure construction, investment in fixed assets slowed down and certain construction companies experienced a decrease in business and financial strains at points of time. The Group continued to prudently pay attention to the above tense capital arrangements at points of time.

3.3 Assets other than loans and accounts receivable

On 30 June 2016, cash and cash equivalents of the Group amounted to RMB620,172,000. The Group started to reserve relatively sufficient cash to sustain the business development and ensure the capital liquidity safety of the Group. Restricted deposits of the Group amounted to RMB2,603,200,000, which mainly comprised restricted security deposits.

Property, plant and equipment of the Group amounted to RMB4,146,174,000, comprised mainly of equipment and instruments for operating leasing and plants and medical equipment of subsidiary hospitals.

Prepayments and other receivables of the Group amounted to RMB2,910,153,000, comprised mainly of prepayments for suppliers of machinery and equipment and the secondary share of securitized asset products of the Group being held.

Deferred tax assets of the Group amounted to RMB1,644,008,000, mainly recognized for tax loss.

Investment in associates of the Group amounted to RMB1,473,299,000, comprised mainly of equity investments in Guangzhou Kangda, Weihai Haida Hospital and Kunming Broadhealthcare.

Assets with continuing involvement of the Group amounted to RMB1,307,874,000, representing an increase of RMB738,812,000 or 129.83% from the end of last year and due to the expansion of its asset securitization during the period. Pursuant to specific requirements of accounting standards, the Group should continue to recognise assets and liabilities with continuing involvement in relation to such activities due to risk associated with subordinate and enhanced credit facilities held by the Group.

Prepaid lease payments and other receivables of the Group amounted to RMB1,157,225,000, comprised mainly of those for the land use right for the construction of its main office building acquired in 2013.

Management Discussion and Analysis

The balance of the Group's goodwill amounted to RMB524,098,000, which was mainly the goodwill recognized for the acquisition of six medical and five educational institutions.

3.4 Liabilities (Overview)

On 30 June 2016, total liabilities of the Group amounted to RMB127,022,536,000, representing an increase of RMB10,671,067,000 or 9.17% as compared to the end of last year. Interest-bearing bank and other borrowings were the main component of the Group's liabilities, accounting for 73.24% of the total, which represented an increase as compared with 71.70% as of the end of last year.

The following table sets forth the liability analysis as of the dates indicated.

	30 June 2016		31 December 2015		
	RMB'000	**% of total**	RMB'000	% of total	Change %
	(Unaudited)		(Audited)		
Interest-bearing bank and other borrowings	**93,025,113**	**73.24%**	83,428,801	71.70%	11.50%
Other payables and accruals	**27,385,948**	**21.55%**	22,693,575	19.51%	20.68%
Trade and bills payables	**4,033,482**	**3.18%**	8,337,635	7.17%	-51.62%
Tax Payable	**752,548**	**0.59%**	644,112	0.55%	16.83%
Derivative financial instruments	**161,021**	**0.13%**	288,114	0.25%	-44.11%
Deferred tax liabilities	**53,531**	**0.04%**	129,392	0.11%	-58.63%
Liabilities for continuing involvement	**1,307,874**	**1.03%**	569,062	0.49%	129.83%
Deferred income	**303,019**	**0.24%**	260,778	0.22%	16.20%
Total Liabilities	**127,022,536**	**100.00%**	116,351,469	100.00%	9.17%

3.5 Interest-bearing Bank and Other Borrowings

In the first half of 2016, as the complex financial environment at home and overseas faced the Group, the Group made good progress in both indirect financing and direct financing with an improved liability structure, thus obviously enjoying a finance cost advantage over the peers.

Within the marketplace of direct financing, the Group further enriched the bond portfolios at home in the first half of the year to form basically the continued issue trend. Corporate bonds, PPNs, ultrashort financing bills and short financing bills issued amounted to RMB7.0 billion, RMB4.0 billion, RMB2.0 billion and RMB2.0 billion respectively.

Within the marketplace of indirect financing, the Group achieved cross-platform facility on the basis of the current financing channel as required by its strategic development, and strengthened its co-operation relationship with key bank channels at the same time. In the marketplace, the credit facility with main cooperative banks was further expanded, and the strategic cooperation with them was also further strengthened. Reasonable layouts were set for products in syndicated loans, bilateral loans, factoring and other types.

Management Discussion and Analysis

In terms of off-balance-sheet financing, the Group achieved the breakthrough in quantity in 2016, which enabled us to be the most active financial leasing company with the issue of asset-backed securities products in China. Off-balance-sheet financing diversified funding sources, optimized liability structure and improved management on financial statements. Meanwhile, in the situation that the off-balance-sheet financing cost had been continuously reducing, thus vigorously promoting ABS, while the first asset-back notes (ABN) on trust was registered in the first half of the year at an issue size of RMB2.068 billion. Currently, the Group is fully equipped with the continuous and effective issue ability, enabling it to establish the market standard, solidify the project model and set up the image of a mature issuer in the capital market.

In conclusion, the Group had diverse financing methods with an improved liability structure, thus further reducing our reliability on a single product and a single market, and in turn achieving diversity of financing products, decentralization of financing regions and the long term finance. The Group was confident that with the global financing network as well as resource advantage, the Group can further improve its competitiveness in the liability landscape.

As of 30 June 2016, the total sum of the Group's interest-bearing bank and other borrowings amounted to RMB93,025,113,000, representing an increase of 11.50% as compared with RMB83,428,801,000 as of the end of last year, mainly due to the increase in the interest-bearing liability resulting from supporting the Group's expanding our business operations. The Group's borrowings were mainly denominated in RMB and USD.

The following table sets forth, as of the dates indicated, the distribution between current and non-current interest bearing bank and other borrowings.

	30 June 2016		31 December 2015		
	RMB'000	**% of total**	RMB'000	% of total	Change %
	(Unaudited)		(Audited)		
Current	**46,841,325**	**50.35%**	41,699,533	49.98%	12.33%
Non-current	**46,183,788**	**49.65%**	41,729,268	50.02%	10.67%
Total	**93,025,113**	**100.00%**	83,428,801	100.00%	11.50%

As of 30 June 2016, the Group's current interest-bearing bank and other borrowings (including short-term loans and portions that are due within one year in long-term loans) as a percentage of the Group's total interest-bearing bank and other borrowings was 50.35%, representing a slight increase as compared with 49.98% as of 31 December 2015, with the liability structure reasonable.

The following table sets forth, as at the dates indicated, the distribution between secured and unsecured interest bearing bank and other borrowings.

	30 June 2016		31 December 2015		
	RMB'000	**% of total**	RMB'000	% of total	Change %
	(Unaudited)		(Audited)		
Secured	**14,431,810**	**15.51%**	13,055,751	15.65%	10.54%
Unsecured	**78,593,303**	**84.49%**	70,373,050	84.35%	11.68%
Total	**93,025,113**	**100.00%**	83,428,801	100.00%	11.50%

Management Discussion and Analysis

The Group carefully managed its funding risk in the first half of 2016. As at 30 June 2016, the proportion of the Group's interest-bearing bank and other borrowings that were unsecured accounted for 84.49% of the Group's total interest-bearing bank and other borrowings, which is basically the same as that of the end of last year. In respect of the newly added finance, the Group will continue to optimize financing condition, thereby strengthening the financing capability of the Group.

The following table sets forth, as at the dates indicated, the interest-bearing bank and other borrowings based on the distribution between bank loans and other loans.

	30 June 2016		31 December 2015		
	RMB'000	**% of total**	RMB'000	% of total	Change %
	(Unaudited)		(Audited)		
Bank loans	**54,082,990**	**58.14%**	57,708,184	69.17%	-6.28%
Other loans	**38,942,123**	**41.86%**	25,720,617	30.83%	51.40%
Total	**93,025,113**	**100.00%**	83,428,801	100.00%	11.50%

The proportion of the Group's other loans as a percentage to the Group's total interest-bearing bank and other borrowings increased slightly as at 30 June 2016, as the Group constantly explored new channels and products on financing such as MTNs, short financing bills and PPNs in order to expand its business.

The following table sets forth, as at the dates indicated, the interest-bearing bank and other borrowings based on the distribution between China and overseas.

	30 June 2016		31 December 2015		
	RMB'000	**% of total**	RMB'000	% of total	Change %
	(Unaudited)		(Audited)		
China	**70,846,277**	**76.16%**	51,766,734	62.05%	36.86%
Overseas	**22,178,836**	**23.84%**	31,662,067	37.95%	-29.95%
Total	**93,025,113**	**100.00%**	83,428,801	100.00%	11.50%

As at 30 June 2016, the proportion of the Group's borrowings from overseas as a percentage to the Group's total interest-bearing banks and other borrowings was 23.84%, which decreased as compared with that at the end of last year as the Group proactively promoted direct financing such as PPNs and corporate bonds in China in view of uncertainties and high hedging costs in overseas markets.

Management Discussion and Analysis

The following table sets forth, as at the dates indicated, the interest-bearing bank and other borrowings based on the distribution of currencies.

	30 June 2016		31 December 2015		
	RMB'000	% of total	RMB'000	% of total	Change %
	(Unaudited)		(Audited)		
RMB	73,957,986	79.50%	56,311,765	67.50%	31.34%
US$	12,838,435	13.80%	21,163,378	25.37%	-39.34%
Borrowings in other currencies	6,228,692	6.70%	5,953,658	7.13%	4.62%
Total	93,025,113	100.00%	83,428,801	100.00%	11.50%

As at 30 June 2016, the Group's activities in RMB accounted for 79.50% of its total interest-bearing bank and other borrowings, representing an increase from the end of last year as the Group proactively promoted RMB financing by diversifying relevant products and expanding and solidifying RMB financing channels in view of uncertainties and high costs in overseas markets.

The following table sets forth, as at the dates indicated, the interest-bearing bank and other borrowings based on direct and indirect financing.

	30 June 2016		31 December 2015		
	RMB'000	% of total	RMB'000	% of total	Change %
	(Unaudited)		(Audited)		
Direct financing	36,037,757	38.74%	22,050,220	26.43%	63.43%
Indirect financing	56,987,356	61.26%	61,378,581	73.57%	-7.15%
Total	93,025,113	100.00%	83,428,801	100.00%	11.50%

As at 30 June 2016, Group's direct borrowings accounted for 38.74% of the total, representing an increase from the end of last year as the Group's active endeavours in developing domestic bond markets and enlarging its business through issuing MTNs, PPNs and others.

3.6 Non-interest bearing bank and other borrowings

As at 30 June 2016, other payables and accruals of the Group amounted to RMB27,385,948,000, which were mainly comprised of deposits for interest-bearing assets.

Trade and bill payables of the Group amounted to RMB4,033,482,000, which were mainly comprised of trade payables for equipment and bill payables for trading.

The amount and nature of liabilities in which the Group has continuing involvement were the same as those of assets with continuing involvement.

Management Discussion and Analysis

3.7 Shareholders' Equity

As at 30 June 2016, the total equity of the Group was RMB23,306,611,000, representing an increase of RMB345,191,000 or 1.50% from the end of last year, which was mainly due to the increase of profit for the period by RMB1,465,424,000, declaration of dividend for 2015 (excluding dividends for shares held under the Restricted Share Award Scheme) of RMB769,673,000.

The following table sets forth the analysis of equity as at the dates indicated.

	30 June 2016		31 December 2015		
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	Change %
Issued share capital	10,210,572	43.81%	10,210,572	44.47%	–
Reserve	11,468,895	49.21%	11,180,465	48.69%	2.58%
Equity attributable to ordinary shareholders of the Company	21,679,467	93.02%	21,391,037	93.16%	1.35%
Senior perpetual securities	1,227,612	5.27%	1,227,203	5.35%	0.03%
Non-controlling interests	399,532	1.71%	343,180	1.49%	16.42%
Total Equity	23,306,611	100.00%	22,961,420	100.00%	1.50%

4. Analysis on Cash Flows Statement

	For the six months ended 30 June		
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)	Change %
Net cash flow from operating activities	(9,826,399)	(1,512,349)	549.74%
Net cash flow from investing activities	(1,324,384)	(2,151,508)	-38.44%
Net cash flow from financing activities	9,181,097	3,423,735	168.16%
Effect of exchange rate changes on cash and cash equivalents	89,193	(24,606)	-462.48%
Net increase/(decrease) in cash and cash equivalents	(1,880,493)	(264,728)	610.35%

As at 30 June 2016, the Group had net cash outflow from operating activities in the amount of RMB9,826,399,000, representing a significantly increase from the corresponding period of last year, which was mainly due to the an additional outflow of approximately RMB5.0 billion resulting from increased loans and receivables under business expansion and a significant increase in payables of approximately RMB3.0 billion in the first half of 2016. Correspondingly, the Group increased its bank and other borrowings in financing activities. As a result, as at 30 June 2016, net cash inflow from financing activities was RMB9,181,097,000, representing an increase from the corresponding period of last year. Net cash outflow from investing activities was RMB1,324,384,000 as at 30 June 2016, which was primarily attributable to the impact of capital expenses such as external equity investments. The substantial amount for the corresponding period last year was mainly due to investment in Guangzhou Kangda. As at 30 June 2016, the Group's cash and cash equivalents amounted to RMB620,172,000, which are mainly denominated in RMB, US$ and Hong Kong dollars.

Management Discussion and Analysis

5. Capital Management

The primary objective of the Group's capital management activities is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. In the first half of 2016, no change was made to the objectives, policies or processes for managing capital.

5.1 Gearing Ratio

The Group monitors our capital by gearing ratio. The following table sets forth the gearing ratios as at the dates indicated:

	30 June 2016	31 December 2015
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Total assets (A)	**150,329,147**	139,312,889
Total liabilities (B)	**127,022,536**	116,351,469
Total equity	**23,306,611**	22,961,420
Gearing ratio (C=B/A)	**84.50%**	83.52%

In the first half of 2016, the Company made full use of capital leverage for our operations to keep the Group's gearing ratio relatively high while at the same time closely managed the Group's gearing ratio to avoid potential liquidity risk. As at 30 June 2016, our gearing ratio, which was maintained at a reasonable level, was 84.50%.

5.2 Ratio of Assets at Risk to Equity

In accordance with the requirements of the Measures on the Administration of Foreign Investment in the Leasing Industry, the risk assets of International Far Eastern Leasing Co., Ltd. and Far East Horizon (Tianjin) Financial Leasing Co., Ltd. should not exceed 10 times of its equity.

As at 30 June 2016, the ratios of risk assets to equity of International Far Eastern Leasing Co., Ltd. and Far East Horizon (Tianjin) Financial Leasing Co., Ltd. were 6.24 and 5.15 respectively, which was in compliance with the ratio of risk assets to equity requirements of the measures.

Management Discussion and Analysis

The following table sets forth the ratio of assets at risk to equity as of the dates indicated:

International Far Eastern Leasing Co., Ltd.

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Total assets	127,533,712	119,918,073
Less: Cash	1,818,190	2,721,314
Total risk assets	125,715,522	117,196,759
Equity	20,150,760	19,263,095
Ratio of assets at risk to equity	6.24	6.08

Far East Horizon (Tianjin) Financial Leasing Co., Ltd.

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Total assets	29,826,039	27,880,502
Less: Cash	650,060	1,078,277
Total risk assets	29,175,979	26,802,225
Equity	5,662,428	3,789,068
Ratio of assets at risk to equity	5.15	7.07

6. Capital Expenditure

The Group's capital expenditure was RMB1,342,348,000 in the first half of 2016, which was mainly used as the expenditures for additions of land property, plant and equipment, and external equity investments.

7. Risk Management

7.1 Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank and other borrowings and lease receivables, factoring receivables.

A principal part of the Group's management of interest rate risk is to monitor the sensitivity of projected net interest income under varying interest rate scenarios (simulation modelling). The Group aims to mitigate the impact of prospective interest rate movements which could reduce future net interest income, while balancing the cost of such risk measures to mitigate such risk. For leasing and factoring business, the Group vigorously encourages to promote fixed rate products. Through the efforts made in the first half year of 2016, the proportion of fixed rate products of the Group increased largely from 25.92% at the end of 2015 to 37.55% as at 30 June 2016, thus further narrowed down risk exposure.

Management Discussion and Analysis

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

The sensitivity of the profit before tax is the effect of the assumed changes in interest rates on profit before tax, based on the financial assets and financial liabilities held at the end of each reporting period subject to re-pricing within the coming year.

	Increase/(decrease) in profit before tax of the Group	
	30 June 2016	31 December 2015
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Change in basis points		
+ 100 basis points	**196,540**	277,617
- 100 basis points	**(196,540)**	(277,617)

7.2 **Currency Risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange relates primarily to the operating activities of the Group (when receipt or payment is settled using a currency that is different from the functional currency).

The Group conducts its businesses mainly in RMB, with certain transactions denominated in US$, and to a lesser extent, other currencies. The Group's exposure mainly arises from its transactions in currencies other than RMB. Furthermore, the Company provides intra-group loans to members of the Group in US$, which may have different measurements under different accounting standards basing on different functional currencies and lead to additional translation differences in consolidated statements of profit and loss of the Group.

The table below demonstrates the effect of reasonable potential changes in exchanges rates of US$ and HK$ against RMB arising from actual exposure to foreign exchange risk (excluding senior perpetual securities) and accounting treatments of such intra-group loans, with all other variables held constant, on the Group's profit before tax (including exchange gain or loss on other comprehensive income to be reclassified to profit or loss in subsequent periods).

		Increase/(decrease) in profit before tax of the Group	
		30 June 2016	31 December 2015
Currency	Change in currency rate	**RMB'000**	RMB'000
		(Unaudited)	(Audited)
US$ and HK$ – actual exposure to foreign exchange risk (excluding senior perpetual securities)	-1%	**(3,023)**	17,410
US$ – accounting treatments of intra-group loans	-1%	**(10,964)**	(9,023)
		(13,987)	8,387

Management Discussion and Analysis

With respect to actual exposure to foreign exchange risk, the Group seeks to minimise its net foreign currency position and at the same time adopt financial instruments such as forward exchange rates and currency swaps for hedging purposes. According to relevant statistics, as of 30 June 2016, the Group's actual exposure to foreign exchange risk (including senior perpetual securities) approximately amounted to US$2,666 million, hedges against foreign exchange exposure amounted to US$2,499 million or 94% (percentage of the aforesaid two items). Thus, the Group's actual exposure to foreign exchange risk is limited.

The table below demonstrates the effect of reasonable potential changes in exchanges rates of US$ and HK$ against RMB arising from actual exposure to foreign exchange risk (including senior perpetual securities), with all other variables held constant, on the Group's equity interest.

Currency	Change in currency rate	Increase/(decrease) in equity interest of the Group 30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
US$ and HK$ – actual exposure to foreign exchange risk (excluding senior perpetual securities)	-1%	(3,023)	17,410
US$ – senior perpetual securities (when being redeemed)	-1%	13,262	12,987
		10,239	30,397

The effect above was based on the assumption that the Group's foreign exchange exposures as of the end of each reporting period are kept unchanged and the average percentage of foreign exchange exposure with hedges remained as above so as to calculate the effect of exchange rate change on profit before tax.

7.3 Liquidity Risk

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

The Group manages its liquidity risk through daily monitoring with the following objectives: maintaining the stability of the leasing business, projecting cash flows and evaluating the level of current assets, and maintaining an efficient internal fund transfer mechanism to ensure liquidity of the Group.

Management Discussion and Analysis

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

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	As of 30 June 2016 (Unaudited)					
Total financial assets	1,438,003	18,445,714	42,829,187	92,026,994	115,467	154,855,365
Total financial liabilities	121,786	13,418,059	44,533,202	66,887,623	689,269	125,649,939
Net liquidity gap	1,316,217	5,027,655	(1,704,015)	25,139,371	(573,802)	29,205,426
	As of 31 December 2015 (Audited)					
Total financial assets	2,449,884	16,602,376	40,378,365	83,112,148	173,954	142,716,727
Total financial liabilities	50,726	18,359,243	39,150,463	59,511,689	867,080	117,939,201
Net liquidity gap	2,399,158	(1,756,867)	1,227,902	23,600,459	(693,126)	24,777,526

8. Charge on Group Assets

The Group had lease receivables and entrusted loans in the amount of RMB14,138,344,000, cash in the amount of RMB148,802,000, property, plant and equipment of RMB557,974,000 and prepaid lease payments of RMB913,010,000 pledged to the bank as of 30 June 2016 in order to secure or pay the bank borrowings, and cash of RMB422,779,000 was pledged for bank acceptances, letter of credit and etc.

9. Material Investments, Acquisitions or Disposals

In the first half of 2016, the Group completed the acquisition of Siyang Chinese Medicine Hospital (泗陽縣中醫院) which then became under the control of the Group. Furthermore, the Group entered into contracts with Guiyang Nayong Hospital (貴陽納雍醫院), Chongqing Yudong Hospital (重慶渝東醫院), Deyang Fifth Hospital (德陽五院) and Fengyang Gulou Hospital (鳳陽鼓樓醫院) in the first half of the year. At present, the Group has control or holds equity interest in a total of 13 hospitals under contract. Emphasising on establishing departments and enhancing medical quality, the Group will the operational and management capabilities of the hospitals in pursuit of becoming a leading hospital operating and managing group in China.

In the first half of 2016, the Group entered into contracts for 10 premium kindergarten premises in Shanghai, Hangzhou, Xiamen, Wuhan and Chongqing, completed the acquisition of Qingdao Oxford Foreign Language School (青島牛津外語專修學校) and drew near to the completion of the investment in Warwick International College Limited. Together with those acquired in 2015, these 13 educational premises demonstrate profound strategic value for the Group's endeavour in developing premium kindergartens. The Group also made breakthroughs in overseas expansion of international schools.

Management Discussion and Analysis

10. Human Resources

As of 30 June 2016, the Group had 7,036 full-time employees, an increase of 952 full-time employees compared to 6,084 by the end of 2015.

The Group has established effective employee incentive schemes to correlate the remuneration of our employees with their overall performance and contribution to the Company rather than operating results, and have established a merit based remuneration awards system. Employees are promoted not only in terms of position and seniority, but also in terms of professional classification. Our senior employees are reviewed every quarter on the basis of, among other criteria, their performance as business leaders to achieve stipulated performance targets (such as budget targets) and their risk management capabilities on the operational matters under their charge.

With a view of promoting the Group to establish and complete the medium-long term stimulation and restriction system for fully arousing the enthusiasm of the management, attracting and retaining the excellent management talents, and effectively integrate the interests of shareholders, the Company and the management to guarantee the long, stable and healthy development, the board of the Company considered and passed the programme of setting up the equity incentive plan (including the restricted stock incentive plan and stock option plan) in 2014.

Employee benefits

In accordance with applicable PRC regulations, the Group has made contributions to social security insurance funds including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for our employees. The Group also provides supplemental commercial medical insurance, property insurance and safety insurance in addition to those required under the PRC regulations. As of 30 June 2016, the Group complied with all statutory social insurance and housing fund obligations applicable to the Group under the PRC laws in all material aspects.

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

11.1 Contingent Liabilities

The table below sets forth the total outstanding claims as of each of the dates indicated.

	30 June 2016 **RMB'000** **(Unaudited)**	31 December 2015 RMB'000 (Audited)
Legal proceedings:		
Claimed amounts	**1,751**	2, 103

Management Discussion and Analysis

11.2 Capital Commitments and Credit Commitments

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

	30 June 2016	31 December 2015
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Contracted, but not provided for:		
Capital expenditure for acquisition of property and equipment	652,614	370,454
Capital expenditure for equity investment	404,633	103,593
Irrevocable credit Commitments	5,096,764	4,840,547

The Group's irrevocable credit commitments represent leases that have been signed but the term of the lease has not started.

Capital expenditure for equity investment mainly represents investment in equity joint ventures Nayong Xinli Hospital (納雍新立醫院), Chongqing Yudong Hospital (重慶渝東醫院), Deyang Fifth Hospital (德陽五院) and Fengyang Gulou Hospital (鳳陽鼓樓醫院).

12. Future Outlook

Looking forward, China's economy is facing challenges with opportunities ahead. With China's economy entering the new normal, consumption will replace investment and export to become the major driver for economic growth. The tertiary industries, which primarily include the service industry, will become the core industry for future economic growth and structural adjustment. In particular, changes such as new urbanization, demographic changes and consumption upgrade will facilitate the stable development of industries including healthcare, education, new-typed construction, leisure travel, sports and culture media.

Against this backdrop, Far East Horizon will adhere to the innovative development mode of "organic and effective integration of finance and industry", and facilitate strategic upgrade. In respect of financial service, Far East Horizon will continue to explore and facilitate the deployment to industries of the new cycle. Meanwhile, through continuous financial product innovation, Far East Horizon fulfills customers' demand on diversified and personalized products, thus facilitating the stable growth of the traditional financial business.

In respect of industry operation, with the intensive experience and customers accumulated over the years, Far East Horizon will continue to enhance its asset deployment on industry operation business such as hospital investment, equipment operation and high-end education. It will further enhance its industry service and operating capability, explore and create innovative industry operating model, thus bringing higher value for our shareholders, business partners, all employees and the public.

Disclosure of Interest

Directors' and Chief Executives' Interests and/or Short Positions in the Shares, Underlying Shares and Debentures of the Company or any of its Associated Corporations

As at 30 June 2016, the interests or short positions of the directors and chief executives 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 Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), to be notified to the Company and the Stock Exchange, were detailed as follows:

Name of shareholder	Name of corporation	Capacity/nature of interest	Total number of ordinary shares[1]	Approximate percentage of interest in the Company
KONG Fanxing	The Company	Beneficial owner	17,035,684(L)[2]	0.43%
WANG Mingzhe	The Company	Beneficial owner	5,757,791(L)[3]	0.15%

Notes:

(1) The letter "L" denotes the person's long position in the shares of the Company.

(2) The interest includes 6,466,273 underlying shares in respect of the share options granted pursuant to the Company's 2014 Share Option Scheme, 9,699,411 underlying shares in respect of the awarded shares granted pursuant to the Company's Restricted Share Award Scheme. In addition to the share interest in respect of the share options and awarded shares granted, to the best of the Directors' knowledge, information and belief, having made all reasonable enquires, Kong Fanxing is interested in 870,000 ordinary shares of the Company as at 30 June 2016. Please refer to the Company's 2015 Annual Report for the details of both schemes and the announcements of the Company dated 11 July 2014, 3 July 2015 and 15 June 2016 respectively for the details of the grants of share options.

(3) The interest includes 2,108,716 underlying shares in respect of the share options granted pursuant to the Company's 2014 Share Option Scheme, 3,263,075 underlying shares in respect of the awarded shares granted pursuant to the Company's Restricted Share Award Scheme. In addition to the share interest in respect of the share options and awarded shares granted, to the best of the Directors' knowledge, information and belief, having made all reasonable enquires, Wang Mingzhe is interested in 386,000 ordinary shares of the Company as at 30 June 2016. Please refer to the Company's 2015 Annual Report for the details of both schemes and the announcements of the Company dated 11 July 2014, 3 July 2015 and 15 June 2016 respectively for the details of the grants of share options.

Save as disclosed above, as at 30 June 2016, none of the directors or the chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he/she is taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register kept by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Disclosure of Interest

Substantial Shareholders' Interests in the Shares

Based on the information available to the directors of the Company as at 30 June 2016 (including such information as was available on the website of the Stock Exchange) or so far as they are aware of, as at 30 June 2016, the entities who had interests or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company under section 336 of the SFO or had otherwise notified to the Company were as follows:

Name of shareholder	Capacity/nature of interest	Number of ordinary Shares[1]	Approximate percentage of interest
Sinochem Group[2]	Interest in a controlled corporation	919,914,400(L)	23.29%
Greatpart Limited[2]	Beneficial owner	919,914,400(L)	23.29%
East Leasing Holdings Limited (formerly known as KKR Future Holdings I Limited)	Beneficial owner	394,005,000(L)	9.97%
KKR Future Holdings Limited[3]	Interest in a controlled entity	394,005,000(L)	9.97%
KKR Asian Fund L.P.[3]	Interest in a controlled entity	394,005,000(L)	9.97%
KKR Associates Asia L.P.[3]	Interest in a controlled entity	394,005,000(L)	9.97%
KKR Asia Limited[3]	Interest in a controlled entity	394,005,000(L)	9.97%
KKR Fund Holdings L.P.[3]	Interest in a controlled entity	394,005,000(L)	9.97%
KKR Fund Holdings GP Limited[3]	Interest in a controlled entity	394,005,000(L)	9.97%
KKR Group Holdings L.P.[3]	Interest in a controlled entity	394,005,000(L)	9.97%
KKR Group Limited[3]	Interest in a controlled entity	394,005,000(L)	9.97%
KKR & Co. L.P.[3]	Interest in a controlled entity	394,005,000(L)	9.97%
KKR Management LLC[3]	Interest in a controlled entity	394,005,000(L)	9.97%
Mr. Henry Roberts Kravis and Mr. George R. Roberts[3]	Interest in a controlled entity	394,005,000(L)	9.97%
Prime Capital Management (Cayman) Limited	Investment manager	205,911,000(L)	5.21%
JPMorgan Chase & Co.	Beneficial owner	2,641,997(L)	0.06%
	Investment manager	15,000(L)	0.00%
	Custodian	411,225,745(P)	10.40%
Cathay Life Insurance Co., Ltd.	Beneficial owner	296,316,000(L)	7.50%
China Minseng Investment Corp., Ltd.	Beneficial Owner	528,600,000(L)	13.38%

Disclosure of Interest

Notes:

(1) The letter "L" denotes the person's long position in the Shares of the Company. The letter "P" denotes the person's Shares of the Company in lending pool.

(2) Sinochem Group is the beneficial owner of 100% of the issued share capital of Greatpart Limited and is deemed to be interested in the number of Shares of the Company held by Greatpart Limited.

(3) Each of KKR Future Holdings Limited (as the sole shareholder of East Leasing Holdings Limited (formerly known as KKR Future Holdings I Limited)), KKR Asian Fund L.P. (as the controlling shareholder of KKR Future Holdings Limited), KKR Associates Asia L.P. (as the general partner of KKR Asian Fund L.P.), KKR Asia Limited (as the general partner of KKR Associates Asia L.P.), KKR Fund Holdings L.P. (as the sole shareholder of KKR Asia Limited), KKR Fund Holdings GP Limited (as the general partner of KKR Fund Holdings L.P.), KKR Group Holdings L.P. (as a general partner of KKR Fund Holdings L.P. and the sole shareholder of KKR Fund Holdings GP Limited), KKR Group Limited (as the general partner of KKR Group Holdings L.P.), KKR & Co. L.P. (as the sole shareholder of KKR Group Limited), KKR Management LLC (as the general partner of KKR & Co. L.P.) and Mr. Henry Roberts Kravis and Mr. George R. Roberts (as the designated shareholders of KKR Management LLC) may be deemed to be interested in the Shares. Mr. Henry Roberts Kravis and Mr. George R. Roberts disclaim beneficial ownership of the Shares.

Save as disclosed above, the register required to be kept under section 336 of the SFO showed that the Company had not been notified by any person of any interest or short position in the Shares or underlying Shares of the Company.

Corporate Governance

Corporate Governance Code

The Company has applied the principles and code provisions as set out in the Corporate Governance Code (the "CG Code") as contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Company has complied with the code provisions of the CG Code throughout the period from 1 January 2016 to 30 June 2016, except for Code Provision E.1.2 as explained below.

Code Provision E.1.2 of the CG Code stipulates that, among others, the chairman of the Board shall attend the annual general meeting of the listed issuers and arrange for the chairmen of the audit, remuneration and nomination committees (as appropriate) or in the absence of the chairman of such committees, another member of the committee to be available to answer questions at the annual general meeting.

At the annual general meeting of the Company held on 2 June 2016 (the "2016 AGM"), Mr. Ning Gaoning (Chairman of the Board), Mr. Yip Wai Ming (Chairman of the Audit and Risk Management Committee), Mr. Liu Haifeng David (Chairman of the Strategy and Investment Committee) and Mr. Liu Jialin (Chairman of the Remuneration and Nomination Committee) were unable to turn up due to other important business engagements. In order to ensure smooth holding of the 2016 AGM, Mr. Kong Fanxing, the vice chairman, executive director, Chief Executive Officer and a member of the Strategy and Investment Committee of the Company chaired the 2016 AGM. Furthermore, Mr. Wang Mingzhe (executive director and Chief Financial Officer) has attended the 2016 AGM to answer questions where necessary.

Corporate Governance

Model Code For Securities Transactions

The Company has devised its own code of conduct regarding directors' dealings in the Company's securities (the "Code of Conduct") on terms no less exacting than the required standard set out in Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made to all the directors and the directors have confirmed that they have complied with the code of conduct throughout the six months ended 30 June 2016.

The Company has also established written guidelines no less exacting than the required standard set out in the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished inside information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

Independent Non-Executive Directors

Throughout the period from 1 January 2016 to 30 June 2016, the board of directors has at all times been in compliance with Rule 3.10(1) of the Listing Rules, which requires a company to maintain at least three independent non-executive directors in the board of directors; with Rule 3.10(2) of the Listing Rules, which requires one of those independent non-executive directors to be specialized in accounting or relevant financial management; and with Rule 3.10A of the Listing Rules, which requires independent non-executive directors representing one-third of the board of directors.

Audit And Risk Management Committee

The Company has established an audit and risk management committee (the "Audit and Risk Management Committee") in compliance with Rules 3.21 and 3.22 of the Listing Rules. The Audit and Risk Management Committee comprises three members, including Mr. Yip Wai Ming as Chairman, Mr. Han Xiaojing and Mr. John Law. This interim report has been reviewed by the Audit and Risk Management Committee.

The Audit and Risk Management Committee has reviewed with the management and the external auditors the condensed consolidated financial statements for the six months ended 30 June 2016 of the Group, including the accounting principles and practices adopted by the Group.

Other Information

Implementation of Distribution of 2015 Final Dividends

According to the method of distribution of dividends, which was considered and passed at the Annual General Meeting held on 2 June 2016, the Group has paid a dividend of HK$0.23 per share to shareholders whose names appear on the register of members of the Company on 13 June 2016, thereby resulting in a total dividend payment amount of HK$908,592,000.

Interim Dividends

The Board does not recommend the payment of an interim dividend in respect of the period ended 30 June 2016.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2016.

Changes in Directors' Biographical Details

Changes in directors' biographical details since the date of the 2015 annual report of the Company and up to the date of this report, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

Name of director	Details of changes
Kuo Ming-jian	No longer holds the position as an independent director of Cathay Financial Holding Co. Ltd with effect from 1 April 2016

Report on review of interim condensed consolidated financial statements

To the members of Far East Horizon Limited
(Incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the accompanying interim condensed consolidated financial statements set out on pages 60 to 109, which comprise the interim condensed consolidated statement of financial position of Far East Horizon Limited and its subsidiaries (the "Group") as at 30 June 2016, and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The directors are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF 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 of interim condensed consolidated financial statements 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.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young
Certified Public Accountants

22F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong
24 August 2016

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2016

		For the six months ended 30 June	
		2016	2015
		(Unaudited)	(Unaudited)
	Notes	**RMB'000**	RMB'000
REVENUE	*5*	**7,280,667**	5,759,568
Cost of sales		**(2,566,867)**	(2,275,474)
Gross profit		**4,713,800**	3,484,094
Other income and gains	*5*	**144,238**	199,656
Selling and distribution costs		**(974,218)**	(669,027)
Administrative expenses		**(1,584,805)**	(851,274)
Other expenses		**(130,158)**	(318,352)
Finance cost		**(84,723)**	(9,350)
Share of net profit of:			
An associate		**162**	–
Share of net profits of:			
Joint ventures		**826**	2,017
PROFIT BEFORE TAX	*6*	**2,085,122**	1,837,764
Income tax expense	*7*	**(619,698)**	(504,549)
PROFIT FOR THE PERIOD		**1,465,424**	1,333,215
Attributable to:			
Ordinary shareholders of the Company		**1,439,491**	1,296,536
Holders of perpetual securities	*22*	**37,212**	34,119
Non-controlling interests		**(11,279)**	2,560
		1,465,424	1,333,215
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*	**RMB cents**	RMB cents
Basic and diluted			
– For profit for the period		**36.88**	39.71

Details of the dividends payable and proposed for the period are disclosed in Note 8 to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2016

	For the six months ended 30 June 2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
PROFIT FOR THE PERIOD	**1,465,424**	1,333,215
OTHER COMPREHENSIVE INCOME		
Items to be reclassified to profit or loss in subsequent periods:		
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the period	**74,082**	(636,714)
Reclassification to the consolidated statement of profit or loss	**(623,558)**	136,356
Income tax effect	**90,663**	82,559
	(458,813)	(417,799)
Exchange differences on translation of foreign operations	**19,559**	316
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**(439,254)**	(417,483)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**(439,254)**	(417,483)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,026,170**	915,732
Attributable to:		
Ordinary shareholders of the Company	**1,000,237**	879,053
Holders of perpetual securities	**37,212**	34,119
Non-controlling interests	**(11,279)**	2,560
	1,026,170	915,732

Interim Condensed Consolidated Statement of Financial Position

At 30 June 2016

	Notes	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**4,146,174**	3,357,879
Prepaid land lease payments	*11*	**1,157,225**	1,150,026
Goodwill		**524,098**	359,452
Other assets		**1,346,576**	666,407
Investments in joint ventures	*14*	**1,473,299**	1,187,975
Investment in an associate		**17,362**	–
Available-for-sale investments		**433,999**	427,142
Equity investments at fair value through profit or loss		**359,624**	244,132
Derivative financial instruments	*13*	**342,172**	696,858
Loans and accounts receivable	*12*	**81,221,267**	73,856,030
Prepayments, deposits and other receivables		**1,344,794**	579,575
Deferred tax assets	*19*	**1,644,008**	1,300,724
Restricted deposits	*16*	**12,600**	96,137
Total non-current assets		**94,023,198**	83,922,337
CURRENT ASSETS			
Inventories		**147,512**	114,793
Construction contracts	*15*	**64,335**	42,387
Derivative financial instruments	*13*	**398,641**	420,376
Loans and accounts receivable	*12*	**50,919,330**	46,710,279
Prepayments, deposits and other receivables		**1,565,359**	3,057,298
Restricted deposits	*16*	**2,590,600**	2,544,754
Cash and cash equivalents	*16*	**620,172**	2,500,665
Total current assets		**56,305,949**	55,390,552
CURRENT LIABILITIES			
Trade and bills payables	*17*	**4,033,482**	8,337,635
Other payables and accruals		**8,791,224**	6,431,179
Interest-bearing bank and other borrowings	*18*	**46,841,325**	41,699,533
Taxes payable		**752,548**	644,112
Total current liabilities		**60,418,579**	57,112,459
NET CURRENT LIABILITIES		**(4,112,630)**	(1,721,907)

Interim Condensed Consolidated Statement of Financial Position

At 30 June 2016

	Notes	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		89,910,568	82,200,430
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	18	46,183,788	41,729,268
Derivative financial instruments	13	161,021	288,114
Deferred tax liabilities	19	53,531	129,392
Other payables and accruals		18,594,724	16,262,396
Deferred revenue		303,019	260,778
Other liabilities		1,307,874	569,062
Total non-current liabilities		66,603,957	59,239,010
Net assets		23,306,611	22,961,420
EQUITY			
Equity attributable to ordinary shareholders of the parent			
Share capital	20	10,210,572	10,210,572
Other reserves	21	11,468,895	11,180,465
		21,679,467	21,391,037
Holders of perpetual securities	22	1,227,612	1,227,203
Non-controlling interests		399,532	343,180
Total equity		23,306,611	22,961,420

Kong Fanxing
Director

Wang Mingzhe
Director

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

	Attributable to ordinary shareholders of the parent												
	Share capital RMB'000 *(Note 20)*	Capital reserve RMB'000 *(Note 21)*	Shares held for share award scheme RMB'000	Share-based compensation reserve RMB'000 *(Note 21)*	Special reserve RMB'000 *(Note 21)*	Reserve fund RMB'000 *(Note 21)*	Hedging reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Senior perpetual securities RMB'000 *(Note 22)*	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2016 (Audited)	10,210,572	2,114,978	(252,505)	76,965	1,215	121,913	321,485	607,670	8,188,744	21,391,037	1,227,203	343,180	22,961,420
Profit for the period	–	–	–	–	–	–	–	–	1,439,491	1,439,491	37,212	(11,279)	1,465,424
Other comprehensive income for the period													
Cash flow hedges, net of tax	–	–	–	–	–	–	(458,813)	–	–	(458,813)	–	–	(458,813)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	19,559	–	19,559	–	–	19,559
Total comprehensive income for the period	–	–	–	–	–	–	(458,813)	19,559	1,439,491	1,000,237	37,212	(11,279)	1,026,170
Final 2015 dividend declared (net of dividends received from shares held for share award scheme) *(Note 8)*	–	–	–	–	–	–	–	–	(769,673)	(769,673)	–	–	(769,673)
Distribution paid to holders of senior perpetual securities	–	–	–	–	–	–	–	–	–	–	(36,803)	–	(36,803)
Recognition of equity-settled share-based payments	–	–	–	56,539	–	–	–	–	–	56,539	–	–	56,539
Capital injection by non-controlling shareholders	–	26	–	–	–	–	–	–	–	26	–	10,974	11,000
Decrease in ownership interests in subsidiaries without loss of control	–	5,277	–	–	–	–	–	–	–	5,277	–	5,047	10,324
Purchase of non-controlling interests	–	(3,976)	–	–	–	–	–	–	–	(3,976)	–	(2,704)	(6,680)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	54,314	54,314
At 30 June 2016 (Unaudited)	10,210,572	2,116,305*	(252,505)*	133,504*	1,215*	121,913*	(137,328)*	627,229*	8,858,562*	21,679,467	1,227,612	399,532	23,306,611

* These reserve accounts comprise the consolidated reserves of RMB11,468,895,000 (31 December 2015: RMB11,180,465,000) in the consolidated statement of financial position.

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015

	Attributable to ordinary shareholders of the parent												
	Share capital RMB'000 *(Note 20)*	Capital reserve RMB'000 *(Note 21)*	Shares held for share award scheme RMB'000	Share-based compensation reserve RMB'000 *(Note 21)*	Special reserve RMB'000 *(Note 21)*	Reserve fund RMB'000 *(Note 21)*	Hedging reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Senior perpetual securities RMB'000 *(Note 22)*	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2015 (Audited)	6,683,751	2,096,823	(136,260)	17,994	1,065	121,913	411,106	638,299	6,278,261	16,112,952	1,258,170	78,771	17,449,893
Profit for the period	–	–	–	–	–	–	–	–	1,296,536	1,296,536	34,119	2,560	1,333,215
Other comprehensive income for the period													
Cash flow hedges, net of tax	–	–	–	–	–	–	(417,799)	–	–	(417,799)	–	–	(417,799)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	316	–	316	–	–	316
Total comprehensive income for the period	–	–	–	–	–	–	(417,799)	316	1,296,536	879,053	34,119	2,560	915,732
Purchase of shares under share award scheme	–	–	(12,847)	–	–	–	–	–	–	(12,847)	–	–	(12,847)
Final 2014 dividend declared (net of dividends received from shares held for share award scheme) *(Note 8)*	–	–	–	–	–	–	–	–	(592,476)	(592,476)	–	–	(592,476)
Distribution paid to holders of senior perpetual securities	–	–	–	–	–	–	–	–	–	–	(68,008)	–	(68,008)
Recognition of equity settled share-based payments	–	–	–	15,809	–	–	–	–	–	15,809	–	–	15,809
Capital injection by non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	114,485	114,485
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	43,183	43,183
At 30 June 2015 (Unaudited)	6,683,751	2,096,823	(149,107)	33,803	1,065	121,913	(6,693)	638,615	6,982,321	16,402,491	1,224,281	238,999	17,865,771

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

	Notes	For the six months ended 30 June 2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**2,085,122**	1,837,764
Adjustments for:			
Finance costs and bank charges		**2,025,543**	1,948,249
Interest income		**(24,343)**	(29,312)
Share of net profit of an associate		**(162)**	–
Share of net profits of joint ventures		**(826)**	(2,017)
Derivative financial instruments – transactions not qualifying as hedges:			
Unrealised fair value (gains)/loss, net		**(7,005)**	7,853
Realised fair value losses, net		**11,301**	2,500
Gain on structured financial products	*5*	**(2,948)**	(1,755)
Gain on disposal of property, plant and equipment, net		**(2,066)**	(44)
Depreciation		**165,143**	97,172
Provision for impairment of loans and accounts receivable	*12*	**880,441**	356,001
Provision for impairment of other assets		**192**	44,318
Amortisation of intangible assets and other assets	*6*	**26,080**	22,694
Equity settled share-based payments expenses		**56,539**	15,809
Foreign exchange loss/(gain), net		**30,250**	(47,761)
		5,243,261	4,251,471
Increase in derivative instruments – transaction qualifying as hedges		**–**	(19,823)
Increase in inventories		**(23,586)**	(48,372)
(Increase)/Decrease in construction contracts		**(21,948)**	349
Increase in loans and accounts receivable		**(12,375,486)**	(7,551,828)
Decrease in prepayments, deposits and other receivables		**735,665**	1,130,813
Increase in restricted cash related to asset-backed securitisations		**(1,007,199)**	–
Increase in other assets		**(687,453)**	(514,547)
(Decrease)/Increase in trade and bills payables		**(4,355,043)**	1,839,156
Increase in other payables and accrued liabilities		**4,397,092**	1,749,416
Increase in other liabilities		**781,053**	526,488
Net cash flows (used in)/from operating activities before tax and interest		**(7,313,644)**	1,363,123
Interest paid		**(1,694,531)**	(1,834,855)
Interest received		**24,343**	29,312
Income tax paid		**(842,567)**	(1,069,929)
Net cash flows used in operating activities		**(9,826,399)**	(1,512,349)

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

	Notes	For the six months ended 30 June 2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Gain on structured financial products	5	2,948	1,755
Realised gains/(losses) on derivative financial instruments not qualifying as hedges		1,363	(2,500)
Proceeds from disposal of property, plant and equipment		12,363	3,906
Purchase of items of property, plant and equipment, intangible assets and other long term assets		(837,262)	(889,152)
Acquisition of subsidiaries	3	(51,455)	(1,430)
Purchase of shareholding for joint ventures		(323,484)	(1,068,827)
Purchase of shareholding for an associate		(17,200)	–
Proceeds from disposal of a joint venture		1,290	–
Purchase of equity investments at fair value through profit or loss		(112,947)	(91,704)
Investment in available-for-sale investments		–	(103,556)
Net cash flows used in investing activities		(1,324,384)	(2,151,508)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital injection from non-controlling shareholders		11,000	5,405
Cash received from borrowings		50,480,174	36,709,065
Repayments of borrowings		(41,832,566)	(32,538,990)
Dividends paid		(769,673)	(592,476)
Decrease/(Increase) in pledged deposits		1,044,890	(78,414)
Distribution paid to holders of senior perpetual securities	22	(36,803)	(68,008)
Decrease in ownership interests in subsidiaries without loss of control		5,759	–
Realised fair value gains from derivative financial Instruments qualifying as hedges		284,996	–
Purchase of non-controlling interests		(6,680)	–
Purchase of shares under share award scheme		–	(12,847)
Net cash flows from financing activities		9,181,097	3,423,735
NET DECREASE IN CASH AND CASH EQUIVALENTS		(1,969,686)	(240,122)
Cash and cash equivalents at beginning of period		2,500,665	3,317,850
Effect of exchange rate changes on cash and cash equivalents		89,193	(24,606)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		620,172	3,053,122

Notes to Interim Condensed Consolidated Financial Statements

1. Corporate Information

Far East Horizon Limited (the "Company") is a limited liability company which was incorporated in Hong Kong on 15 May 2008. Pursuant to the special resolutions dated 15 October 2008 and 29 November 2010 respectively, the Company changed its name from Fully Ascent Limited to Far Eastern Hong Xin Co., Limited, and then Far East Horizon Limited. The registered office of the Company is Room 4701, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

The Company's shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 30 March 2011.

The Group is principally engaged in the provision of finance to its customers by a wide array of assets under finance lease arrangements, operating lease arrangements and entrusted loan arrangements, factoring, the provision of advisory services, equipment operation business, and other services as approved by the Ministry of Commerce (the "MOFCOM") of the People's Republic of China (the "PRC").

2. Basis of Preparation and Accounting Policies

2.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2016 are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting".

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's audited financial statements for the year ended 31 December 2015.

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

2.2 Significant accounting policies

Adoption of new and revised accounting standards and interpretations

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are the same as those used in the annual financial statements for the year ended 31 December 2015, except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which also include HKASs and interpretations that are adopted by the Group for the first time for the current period's financial statements:

HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	*Amendments to a number of HKFRSs*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*

Notes to Interim Condensed Consolidated Financial Statements

2. Basis of Preparation and Accounting Policies (continued)

2.2 Significant accounting policies (continued)

Adoption of new and revised accounting standards and interpretations (continued)

Adoption of these new HKFRS did not have any material effect on the financial position or performance of the Group, nor resulted in restatement of comparative figures.

The Group has not early adopted any other standard, interpretation or amendment that was issued but is not yet effective.

3. Business Combinations

Acquisition of Siyang Traditional Chinese Medicine Company Limited and Qingdao Confucius Education Investment Consulting Company, Limited

In March 2016, the Group acquired 50% of the voting shares of Siyang Traditional Chinese Medicine Company Limited ("Siyang Hospital"). The acquisition has been accounted for using the acquisition method. The interim condensed consolidated financial statements include the results of Siyang Hospital since the acquisition date.

In March 2016, the Group acquired 70% of the voting shares of Qingdao Confucius Education Investment Consulting Company, Limited ("Qingdao Confucius"). The acquisition has been accounted for using the acquisition method. The interim condensed consolidated financial statements include the results of Qingdao Confucius since the acquisition date.

Notes to Interim Condensed Consolidated Financial Statements

3. Business Combinations (continued)

Acquisition of Siyang Hospital

The fair values of the identifiable assets and liabilities of Siyang Hospital as at the date of acquisition were:

	Fair value recognised on acquisition (Unaudited) RMB'000
Assets	
Property, plant and equipment	128,102
Prepaid land lease payments	19,783
Cash	22,248
Trade receivables	30,308
Prepayments, deposits and other receivables	125,654
Inventories	8,220
Other assets	911
	335,226
Liabilities	
Trade payables	(50,884)
Other payables and accruals	(52,221)
Interest-bearing bank and other borrowings	(122,230)
Taxes payable	(686)
Deferred tax liabilities	(2,137)
	(228,158)
Total identifiable net assets at fair value	107,068
Non-controlling interests	(53,534)
Goodwill arising on acquisition	96,466
Purchase consideration transferred	150,000
Including: Consideration paid upon acquisition	20,000
Consideration paid as additional capital injection to the subsidiary	33,333
Consideration to be paid after acquisition	46,667
Consideration to be paid as additional capital injection to the subsidiary	50,000
Analysis of cash flows on acquisition:	
Net cash acquired with the subsidiary (included in cash flows from investing activities)	22,248
Cash paid	(20,000)
Net inflow of cash and cash equivalents included in cash flows from investing activities	2,248
Transaction costs of the acquisition included in cash flows from operating activities	(80)
	2,168

Since the acquisition, Siyang Hospital has contributed RMB43,297,000 to the Group's revenue and a net profit of RMB2,030,000 to the consolidated profit for the six-month period ended 30 June 2016.

Notes to Interim Condensed Consolidated Financial Statements

3. Business Combinations (continued)

Acquisition of Qingdao Confucius

The fair values of the identifiable assets and liabilities of Qingdao Confucius as at the date of acquisition were:

	Fair value recognised on acquisition (Unaudited) RMB'000
Assets	
Property, plant and equipment	4,171
Cash	2,297
Prepayments, deposits and other receivables	22,419
Inventories	913
	29,800
Liabilities	
Trade payables	(6)
Other payables and accruals	(27,194)
	(27,200)
Total identifiable net assets at fair value	2,600
Non-controlling interests	(780)
Goodwill arising on acquisition	68,180
Purchase consideration transferred	70,000
Including: Consideration paid upon acquisition	56,000
Consideration to be paid after acquisition	14,000
Analysis of cash flows on acquisition:	
Net cash acquired with the subsidiary (included in cash flows from investing activities)	2,297
Cash paid	(56,000)
Net outflow of cash and cash equivalents included in cash flows from investing activities	(53,703)
Transaction costs of the acquisition included in cash flows from operating activities	(35)
	(53,738)

Since the acquisition, Qingdao Confucius has contributed RMB13,117,000 to the Group's revenue and a net profit of RMB1,406,000 to the consolidated profit for the six-month period ended 30 June 2016.

If the acquisition had taken place at the beginning of the period, revenue of the Group would have been RMB7,390,624,000 and the net profit of the Group for the period would have been RMB1,432,475,000.

The goodwill recognised is primarily attributed to the expected synergies and other benefits from combining their assets and activities with those of the Group. The goodwill is not deductible for income tax purposes.

Notes to Interim Condensed Consolidated Financial Statements

3. Business Combinations (continued)

Acquisition of Qingdao Confucius (continued)

Transaction costs of RMB690,000 have been expensed and are included in administrative expenses in the statement of profit or loss.

The assessments of the fair values of the identifiable assets and liabilities of Siyang Hospital and Qingdao Confucius are still undergoing and the information of the fair values of the identifiable assets and liabilities is provisional. The finalised information will be disclosed in the consolidated financial statements of the Group for the year ended 31 December 2016.

The Group acquired Siping Cancer Institute & Hospital Co., Ltd., Binhai Xinrenci Hospital Co., Ltd., Shanghai Montessori Academy Co., Ltd. during the six months ended 30 June 2015.

4. Operating Segment Information

For management purposes, the Group is organised into two operating segments, namely the financial and advisory business and the industrial operation business, based on internal organisational structure, management requirement and internal reporting system:

- The financial and advisory business comprises (a) direct finance leasing; (b) sale-leaseback; (c) factoring; (d) entrusted loans; and (e) advisory services.

- The industrial operation business comprises primarily (a) import and export trade and domestic trade of medical equipment, as well as the provision of trade agency services primarily within the machinery industry; (b) the ship brokerage services; (c) medical engineering; (d) equipment operation; (e) hospital and healthcare management and (f) education consulting and management.

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

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

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

Notes to Interim Condensed Consolidated Financial Statements

4. Operating Segment Information (continued)

For the six months ended 30 June 2016 (Unaudited)	Financial and advisory RMB'000	Industrial operation RMB'000	Adjustments and eliminations RMB'000	Total RMB'000
Segment revenue:				
Sales to external customers	6,487,865	792,802	–	7,280,667
Intersegment sales	49,482	7,611	(57,093)	–
Cost of sales	(1,999,350)	(626,047)	58,530	(2,566,867)
Other income and gains	128,135	30,428	(14,325)	144,238
Selling and distribution costs and administrative expenses	(2,369,524)	(197,844)	8,345	(2,559,023)
Other expenses	(94,618)	(35,540)	–	(130,158)
Finance cost	–	(84,723)	–	(84,723)
Share of net profit of an associate	–	162	–	162
Share of net profits of joint ventures	(1,785)	2,611	–	826
Profit before tax	2,200,205	(110,540)	(4,543)	2,085,122
Income tax expense	(632,802)	13,104	–	(619,698)
Profit after tax	1,567,403	(97,436)	(4,543)	1,465,424
Segment assets	147,600,686	10,839,603	(8,111,142)	150,329,147
Segment liabilities	(127,049,437)	(7,631,351)	7,658,252	(127,022,536)
Other segment information:				
Impairment losses recognised in the statement of profit or loss	860,579	20,054	–	880,633
Depreciation and amortisation	27,768	163,455	–	191,223
Capital expenditure	330,393	1,011,955	–	1,342,348

Notes to Interim Condensed Consolidated Financial Statements

4. Operating Segment Information (continued)

For the six months ended 30 June 2015 (Unaudited)	Financial and advisory RMB'000	Industrial operation RMB'000	Adjustments and eliminations RMB'000	Total RMB'000
Segment revenue:				
Sales to external customers	5,261,113	498,455	–	5,759,568
Intersegment sales	49,659	1,645	(51,304)	–
Cost of sales	(1,938,898)	(336,636)	60	(2,275,474)
Other income and gains	197,485	5,098	(2,927)	199,656
Selling and distribution costs and administrative expenses	(1,411,035)	(110,851)	1,585	(1,520,301)
Other expenses	(314,967)	(3,385)	–	(318,352)
Finance cost	(3,770)	(58,166)	52,586	(9,350)
Share of net profits of joint ventures	–	2,017	–	2,017
Profit before tax	1,839,587	(1,823)	–	1,837,764
Income tax expense	(499,110)	(5,439)	–	(504,549)
Profit after tax	1,340,477	(7,262)	–	1,333,215
At 31 December 2015 (Audited)				
Segment assets	136,517,966	7,813,466	(5,018,543)	139,312,889
Segment liabilities	(115,772,841)	(5,156,501)	4,577,873	(116,351,469)
For the six months ended 30 June 2015 (Unaudited)				
Other segment information:				
Impairment losses recognised in the statement of profit or loss	396,643	3,676	–	400,319
Depreciation and amortisation	29,500	3,960	–	33,460
Capital expenditure	299,456	698,776	–	998,232

Notes to Interim Condensed Consolidated Financial Statements

4. Operating Segment Information (continued)

Geographical information

(a) Revenue from external customers

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Mainland China	**7,202,489**	5,712,932
Hong Kong	**60,164**	26,137
Other countries or regions	**18,014**	20,499
	7,280,667	5,759,568

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

(b) Non-current assets

	30 June	31 December
	2016	2015
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Mainland China	**7,970,137**	6,281,776
Hong Kong	**694,597**	439,963
	8,664,734	6,721,739

The non-current asset information above is based on the locations of assets and excludes financial instruments and deferred tax assets.

Information about a major customer

There was no single customer who contributed over 10% of the total revenue of the Group during the period.

Notes to Interim Condensed Consolidated Financial Statements

5. Revenue, Other Income and Gains

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, net of value-added tax, after allowances for returns and trade discounts; an appropriate proportion of contract revenue of construction contracts, and the value of services rendered and gross leasing income received, net of value-added tax or business tax, during the period.

An analysis of revenue, other income and gains is as follows:

		For the six months ended 30 June	
		2016	2015
		(Unaudited)	(Unaudited)
	Note	**RMB'000**	RMB'000
Revenue			
Finance lease and loan interest income		**3,857,516**	3,246,730
Service fee income		**2,639,020**	1,937,978
Factoring income		**110,254**	122,447
Sale of goods		**76,844**	71,150
Chartering and brokerage income		**88,461**	90,099
Construction contract revenue		**39,386**	45,749
Operating lease income		**284,209**	224,751
Healthcare service income		**235,578**	61,587
Education service income		**50,546**	–
Other income		**15,563**	7,886
Business tax and surcharges		**(116,710)**	(48,809)
		7,280,667	5,759,568
Other income and gains			
Bank interest income		**24,343**	29,312
Foreign exchange gains, net			
Cash flow hedges (transfer from equity to foreign exchange losses)		**–**	(136,356)
Others		**–**	184,117
Gain on disposal of property, plant and equipment		**3,103**	136
Gain on structured financial products		**2,948**	1,755
Government grants	*5a*	**5,934**	20,548
Gain on transfers of loans and receivables		**36,201**	35,816
Tax benefits from intra-group borrowings		**56,381**	63,179
Others		**15,328**	1,149
		144,238	199,656

5a. Government Grants

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Government special subsidy	**5,934**	20,548
	5,934	20,548

Notes to Interim Condensed Consolidated Financial Statements

6. Profit Before Tax

The Group's profit before tax is arrived at after charging:

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cost of borrowings included in cost of sales	**1,940,820**	1,938,898
Cost of inventories sold	**64,755**	68,079
Cost of construction contracts	**25,761**	29,476
Cost of operating lease	**230,605**	117,237
Cost of chartering	**104,740**	75,032
Cost of healthcare service	**165,620**	43,365
Cost of education service	**30,467**	–
Cost of others	**4,099**	3,387
Depreciation	**11,999**	10,766
Amortisation of intangible assets and other assets:		
Current year expenditure	**26,465**	23,383
Less: Government grants released	**(689)**	(689)
	25,776	22,694
Rental expenses	**51,051**	58,294
Auditors' remuneration		
– audit services	**–**	–
– other services	**1,740**	750
Employee benefit expense (Including directors' remuneration)		
– Wages and salaries		
– Current year expenditure	**1,155,452**	651,527
– Less: Government grants released	**(15,000)**	–
	1,140,452	651,527
– Equity-settled share-based payment expense	**56,539**	15,809
– Pension scheme contributions	**40,439**	39,492
– Other employee benefits	**110,291**	104,232
Impairment of loans and accounts receivable	**880,441**	400,319
Impairment of other receivables	**192**	–
Entertainment fee	**24,407**	25,686
Business travelling expenses	**75,655**	74,487
Consultancy fees	**37,003**	31,244
Office expenses	**13,525**	16,186
Advertising and promotion expenses	**4,163**	3,131
Transportation expenses	**3,531**	4,617
Communication expenses	**9,053**	7,461
Other miscellaneous expenses:		
Current year expenditure	**66,366**	43,806
Less: Government grants released	**(3,765)**	(5,620)
	62,601	38,186

Notes to Interim Condensed Consolidated Financial Statements

6. Profit Before Tax (continued)

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

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Litigation expense	**10,165**	15,419
Losses on disposal of property, plant and equipment	**1,037**	92
Donation	**160**	2,000
Bank commission expense	**61,190**	48,476
Derivative instruments – transaction not qualifying as hedges	**4,296**	5,412
Derivative instruments – fair value loss on call option	**–**	4,941
Foreign exchange losses, net		
Cash flow hedges (transfer from equity to foreign exchange losses):	**(602,501)**	–
Others	**632,751**	–
Losses on transfers of loans and receivables	**31,501**	257,299
Finance costs	**84,723**	9,350
Other expenditure	**1,724**	133

7. Income Tax

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current – Hong Kong		
Charge for the period	**98,824**	96,793
Current – Mainland China		
Charge for the period	**850,881**	532,877
Deferred tax (Note 19)	**(330,007)**	(125,121)
Total tax charge for the period	**619,698**	504,549

Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2015: 16.5%) on the estimated assessable profits arising in Hong Kong for the period.

Corporate Income Tax ("CIT")

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

On 18 November 2012, Domin Medical Engineering was recognised as a high-technology enterprise by Shanghai Science and Technology Commission. Since then, Domin Medical Engineering has enjoyed a preferential tax rate of 15%.

On 30 October 2015, Shanghai Horizon Equipment & Engineering Co., Ltd. was recognised as a high-technology enterprise by Shanghai Science and Technology Commission. Since then, Shanghai Horizon Equipment & Engineering Co., Ltd. has enjoyed a preferential tax rate of 15%.

Notes to Interim Condensed Consolidated Financial Statements

7. Income Tax (continued)

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

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Profit before tax	**2,085,122**	1,837,764
Tax at the statutory income tax rates	**521,582**	446,141
Lower tax rate for enacted by local authority	**894**	(241)
Expenses not deductible for tax	**28,839**	20,774
Income not subject to tax	**(16,249)**	(14,797)
Adjustment on current income tax in respect of prior years	**1,704**	(1,230)
Utilisation of previously unrecognised tax losses	**(849)**	(6,077)
Unrecognised tax losses	**4,184**	3,919
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**27,615**	11,209
Effect of withholding tax on interest on intra-group balances	**51,978**	44,851
Income tax expense reported in the interim condensed consolidated statement of profit or loss	**619,698**	504,549

The share of taxes attributable to an associate and joint ventures amounting to approximately RMB54,000 (six months ended 30 June 2015: Nil) and RMB275,000 (six months ended 30 June 2015: RMB672,000) is included in "share of net profits of an associate and joint ventures" on the face of the interim condensed consolidated statement of profit or loss.

8. Dividends

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Dividends	**769,673**	592,476

Pursuant to a resolution passed at the general meeting on 2 June 2016, the Company declared a final dividend of HK$0.23 per share in respect of year ended 31 December 2015 to its shareholders whose names appear on the register of members of the Company on 13 June 2016. Based on the total number of outstanding ordinary shares of 3,903,149,860 (excluding the 47,250,140 shares held for share award scheme) as at 13 June 2016, cash dividends declared of approximately HK$897,724,000 (equivalent to RMB769,673,000) were recognised in the financial statements.

The board of directors do not recommend the payment of an interim dividend to shareholders in respect of the period for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

Notes to Interim Condensed Consolidated Financial Statements

9. Earnings Per Share

The calculation of basic earnings per share for the six months ended 30 June 2016 is based on the consolidated net profit for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the period.

The calculation of basic earnings per share is based on:

Earnings

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**1,439,491**	1,296,536

Shares

	Number of shares For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation	**3,903,149,860**	3,265,082,265

During the six months ended 30 June 2016, the Share Option Scheme and the Restricted Share Award Scheme had no dilutive effect on earnings per share. The Group had no other potentially dilutive ordinary shares in issue. There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

10. Property, Plant and Equipment

During the six months ended 30 June 2016, the Group acquired items of property, plant and equipment at a total cost of RMB996,860,000 (six months ended 30 June 2015: RMB901,278,000), including those through acquisition of subsidiaries.

Property, plant and equipment with a net book value of RMB31,336,000 were disposed of by the Group during the six months ended 30 June 2016 (six months ended 30 June 2015: RMB6,779,000), resulting in a net gain on disposal of RMB2,066,000 (six months ended 30 June 2015: a net gain of RMB44,000).

As at 30 June 2016, property, plant and equipment with a net carrying amount of RMB557,974,000 (31 December 2015: Nil) were pledged to secure general banking facilities granted to the Group (see note 18(c)).

11. Prepaid Land Lease Payments

As at 30 June 2016, the Group has obtained the land use right certificates for all parcels of land with an aggregate net book value of RMB1,157,225,000 (31 December 2015: RMB1,150,026,000), of which, the Group has not obtained the land ownership certificate for one parcel (31 December 2015: one) of land with a net book value of RMB2,454,000 (31 December 2015: RMB2,479,000). The Group was in the process of applying for the land ownership certificate for the above parcel of land as at 30 June 2016.

As at 30 June 2016, the Group's leasehold land of approximately RMB913,010,000 (31 December 2015: Nil) was pledged to secure general banking facilities granted to the Group (see note 18(c)).

Notes to Interim Condensed Consolidated Financial Statements

12. Loans and Accounts Receivable

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Loans and accounts receivable due within 1 year	50,919,330	46,710,279
Loans and accounts receivable due after 1 year	81,221,267	73,856,030
	132,140,597	120,566,309

12a. Loans and accounts receivables by nature

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Lease receivables *(Note 12b)*	122,541,724	121,510,395
Less: Unearned finance income	(11,824,332)	(11,176,329)
Net lease receivables *(Note 12b)*	110,717,392	110,334,066
Lease interest receivables*	607,516	499,516
Notes receivable	750,140	273,136
Accounts receivable *(Note 12d)*	912,652	721,736
Factoring receivable *(Note 12f)*	2,577,497	2,865,765
Entrusted loans *(Note 12h)**	18,985,057	7,764,446
Long-term receivables*	245,294	82,014
Secured loans	351,236	424,671
Subtotal of loans and accounts receivable	135,146,784	122,965,350
Less: Provision for lease receivables *(Note 12c)*	(2,595,461)	(2,196,194)
Provision for accounts receivable *(Note 12e)*	(38,864)	(18,290)
Provision for factoring receivable *(Note 12g)*	(47,749)	(48,526)
Provision for entrusted loans *(Note 12h)*	(311,081)	(126,726)
Provision for long-term receivables *(Note 12i)*	–	(17)
Provision for secured loans *(Note 12j)*	(13,032)	(9,288)
	132,140,597	120,566,309

* These balances included balances with related parties which are disclosed in Note 12k.

12b (1). An aging analysis of lease receivables, determined based on the age of the receivable since the effective date of the relevant lease contract, as at the end of the reporting period is as follows:

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Lease receivables:		
Within 1 year	66,288,564	64,529,387
1 to 2 years	30,536,746	33,383,755
2 to 3 years	17,446,000	16,727,905
3 to 5 years	8,270,414	6,869,348
Total	122,541,724	121,510,395

Notes to Interim Condensed Consolidated Financial Statements

12. Loans and Accounts Receivable (continued)

12b (1). An aging analysis of lease receivables, determined based on the age of the receivable since the effective date of the relevant lease contract, as at the end of the reporting period is as follows: (continued)

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Net lease receivables:		
Within 1 year	**58,800,749**	57,461,542
1 to 2 years	**27,857,019**	30,760,089
2 to 3 years	**16,284,807**	15,668,454
3 to 5 years	**7,774,817**	6,443,981
Total	**110,717,392**	110,334,066

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

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Lease receivables:		
Due within 1 year	**48,737,847**	48,144,680
Due in 1 to 2 years	**35,060,654**	35,367,796
Due in 2 to 3 years	**21,759,624**	21,503,262
Due in 3 to 5 years	**16,983,599**	16,494,657
Total	**122,541,724**	121,510,395

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Net lease receivables:		
Due within 1 year	**42,889,776**	42,517,720
Due in 1 to 2 years	**31,653,428**	32,149,451
Due in 2 to 3 years	**20,031,873**	19,930,297
Due in 3 to 5 years	**16,142,315**	15,736,598
Total	**110,717,392**	110,334,066

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

Notes to Interim Condensed Consolidated Financial Statements

12. Loans and Accounts Receivable (continued)

12c. Change in provision for lease receivables

	Individually assessed		Collectively assessed		Total	
	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000	**30 June 2016 (Unaudited) RMB'000**	31 December 2015 (Audited) RMB'000	**30 June 2016 (Unaudited) RMB'000**	31 December 2015 (Audited) RMB'000
At beginning of period/year	**262,681**	320,104	**1,933,513**	1,643,339	**2,196,194**	1,963,443
Charge for the period/year	**254,734**	194,362	**397,379**	472,823	**652,113**	667,185
Disposal	**–**	–	**(128,245)**	(189,331)	**(128,245)**	(189,331)
Write-off	**(127,836)**	(252,062)	**–**	–	**(127,836)**	(252,062)
Exchange differences	**222**	277	**3,013**	6,682	**3,235**	6,959
At end of period/year	**389,801**	262,681	**2,205,660**	1,933,513	**2,595,461**	2,196,194

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Lease receivables:		
Individually assessed *(Note (i))*	**1,320,364**	1,165,083
Collectively assessed	**121,221,360**	120,345,312
Total	**122,541,724**	121,510,395

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Net lease receivables:		
Individually assessed *(Note (i))*	**1,241,493**	1,094,651
Collectively assessed	**109,475,899**	109,239,415
Total	**110,717,392**	110,334,066

Note (i) Individually assessed lease receivables include those classified as substandard, doubtful and loss by the Group.

Note (ii) As at 30 June 2016, the Group's lease receivables and entrusted loans pledged or charged as security for the Group's bank and other borrowings amounted to RMB14,138,344,000 (31 December 2015: RMB13,793,514,000) (see Note 18(a)).

Notes to Interim Condensed Consolidated Financial Statements

12. Loans and Accounts Receivable (continued)

12d. An aging analysis of accounts receivable as at the end of the reporting period is as follows:

Accounts receivable are non-interest-bearing and are generally on 90-day terms, while the credit terms of major customers can be extended to 180 days.

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Within 1 year	733,203	640,135
More than 1 year	179,449	81,601
Total	912,652	721,736

12e. Change in provision for accounts receivable

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
At beginning of period/year	18,290	11,213
Charge for the period/year	19,781	8,169
Acquisition of a subsidiary	1,598	4,583
Write-off	(858)	(5,936)
Exchange differences	53	261
At end of period/year	38,864	18,290

12f. An aging analysis of factoring receivables as at the end of the reporting period is as follows:

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Within 1 year	1,442,853	1,990,549
More than 1 year	1,134,644	875,216
	2,577,497	2,865,765

Notes to Interim Condensed Consolidated Financial Statements

12. Loans and Accounts Receivable (continued)

12g. Change in provision for the factoring receivable

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
At beginning of period/year	48,526	40,654
Charge for the period/year	16,223	18,442
Disposal	–	(10,570)
Write-off	(17,000)	–
At end of period/year	47,749	48,526

12h (1). An aging analysis of entrusted loans, determined based on the age of the receivables since the effective dates of the relevant loan contracts, as at the end of the reporting period, is as follows:

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Entrusted loans:		
Within 1 year	18,609,209	7,625,066
1 to 2 years	336,519	109,661
2 to 3 years	16,693	–
3 to 5 years	22,636	29,719
Total	18,985,057	7,764,446

(2). The table below illustrates the amounts of entrusted loans the Group expects to receive in the following three consecutive accounting years:

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Entrusted loans:		
Due within 1 year	5,606,279	2,078,171
Due in 1 to 2 years	5,095,679	2,050,040
Due in 2 to 3 years	4,065,393	1,629,375
Due in 3 to 5 years	4,217,706	2,006,860
Total	18,985,057	7,764,446

Notes to Interim Condensed Consolidated Financial Statements

12. Loans and Accounts Receivable (continued)

12h (3). Change in provision for entrusted loans

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
At beginning of period/year	126,726	2,236
Charge for the period/year	188,794	124,490
Disposal	(4,439)	–
At end of period/year	311,081	126,726

12i. Change in provision for long term receivables

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
At beginning of period/year	17	26
Reversal for the period/year	(17)	(9)
At end of period/year	–	17

12j. Change in provision for mortgage loans

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
At beginning of period/year	9,288	6,034
Charge for the period/year	3,547	2,826
Exchange difference	197	428
At end of period/year	13,032	9,288

Notes to Interim Condensed Consolidated Financial Statements

12. Loans and Accounts Receivable (continued)

12k. Balances with related parties

		30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Joint Ventures:			
– Guangzhou Kangda Industrial Technology Co., Ltd.			
Long-term receivables	*(i)*	75,000	75,000
Interest receivables		5,827	3,533
– Weihai Haida hospital Co., Ltd.			
Long-term receivables	*(i)*	30,000	30,000
Interest receivables		504	1,519
– Kunming Broadhealthcare Investment Co., Ltd.			
Entrusted loan	*(i)*	50,000	50,000
Interest receivables		86	86
		161,417	160,138

(i) The long-term receivables and entrusted loans were interest-bearing at annual interest rates ranging 5.655% to 6.25%.

13. Derivative Financial Instruments

	30 June 2016 (Unaudited) RMB'000		31 December 2015 (Audited) RMB'000	
	Assets	Liabilities	Assets	Liabilities
Cross-currency interest rate swap contracts	545,211	(16,636)	844,702	(4,989)
Forward currency contracts	195,602	(144,385)	272,532	(283,125)
	740,813	(161,021)	1,117,234	(288,114)
Portion classified as non-current				
Cross-currency interest rate swap contracts	337,746	(16,636)	491,078	(4,989)
Forward currency contracts	4,426	(144,385)	205,780	(283,125)
	342,172	(161,021)	696,858	(288,114)
Current portion	398,641	–	420,376	–
	740,813	(161,021)	1,117,234	(288,114)

Notes to Interim Condensed Consolidated Financial Statements

13. Derivative Financial Instruments (continued)

Cross-currency interest rate swap contracts and forward currency contracts – cash flow hedges

During the six months ended 30 June 2016, the Group designated 26 (six months ended 30 June 2015: 35) cross-currency interest rate swaps contracts and 25 (six months ended 30 June 2015: 31) forward currency contracts as hedges in respect of future repayments of borrowings which will be settled in United States dollar, Singapore dollar, Japanese yen, Australian dollar or Hong Kong dollar, and some of which bear floating interest rates.

The terms of the cross-currency interest rate swap contracts and forward currency contracts substantially match the terms of the borrowing contracts. The cash flow hedges relating to expected future repayments were assessed to be highly effective and a net loss of RMB458,813,000 was included in the hedging reserve as follows:

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Total fair value gains/(losses) included in the hedging reserve	**74,082**	(636,714)
Deferred tax impact on fair value (gains)/losses	**(12,224)**	105,058
Reclassified from other comprehensive income and (credited)/recognised in the statement of profit or loss	**(623,558)**	136,356
Deferred tax on reclassifications to profit or loss	**102,887**	(22,499)
Net losses included in hedging reserve	**(458,813)**	(417,799)

(a) As at 30 June 2016, the Group has entered into 1 (31 December 2015: 1) cross-currency interest rate swap to manage its exchange rate exposures and interest rate exposures which did not meet the criteria for hedge accounting. Changes in the fair value of non-hedging financial derivatives amounting to a gain of RMB7,005,000 (six months ended 30 June 2015: a loss of RMB2,912,000) which were credited to the income statement during the period.

(b) Cross-currency interest rate swaps, with a total net fair value of RMB509,875,000 (31 December 2015: a total net fair value of RMB828,017,000) as of 30 June 2016, were designated as hedging instruments in cash flow hedges of cash flow interest rate risks and currency risks arising from floating rate loans (with remaining maturity from 1 years to 2 years) denominated in US Dollar and other foreign currencies. Forward currency contracts, with a total net fair value of RMB51,217,000 (31 December 2015: a total negative net fair value of RMB10,593,000) as of 30 June 2016, were designated as hedging instruments in cash flow hedges of currency risks arising from loans (with remaining maturity from 1 year to 4 years) denominated in US Dollar and other foreign currencies.

14. Investments in Joint Ventures

	30 June 2016 RMB'000	31 December 2015 RMB'000
Share of net assets	**1,393,347**	1,108,023
Excess of consideration over share of net assets acquired	**79,952**	79,952
	1,473,299	1,187,975

Notes to Interim Condensed Consolidated Financial Statements

14. Investments in Joint Ventures (continued)

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

Name	Particulars of issued shares held	Place of registration and business	Percentage of Ownership interest	Percentage of Profit sharing	Principal activities
Shanghai Dongling Investment, LLP (上海東翎投資合夥企業(有限合夥))	RMB55,717,310	PRC/ Mainland China	49.2	49.2	Investment holding
Shanghai Dongsong Investment, LLP (上海東松投資合夥企業(有限合夥))	RMB40,100,000	PRC/ Mainland China	66.50	#	Investment holding
Weihai Haida Hospital Co., Ltd. (威海海大醫院有限公司)	Registered capital of RMB4,000,000	PRC/ Mainland China	50	50	Medical service
Kunming Broadhealthcare Investment Co., Ltd. (昆明博健醫療投資有限公司)	Registered capital of RMB14,333,328	PRC/ Mainland China	33.3837	33.3837	Healthcare investment and management
Guangzhou Kangda Industrial Technology Co., Ltd. 廣州康大工業科技產業有限公司 ("Kangda")	Registered capital of HKD200,000,000	PRC/ Mainland China	60	60	Development and construction
Skycity (Shanghai) Business Co., Ltd. (天空之城(上海)實業有限公司)	Registered capital of RMB1,000,000	PRC/ Mainland China	50	50	Sales of electronic products
Kunming Boyue Maternal and Infant Care Co., Ltd. (昆明博悅母嬰護理有限責任公司)	Registered capital of RMB5,555,600	PRC/ Mainland China	28.36	28.36	Medical service
Grand Flight Holdings Co., Ltd. (遠翼控股有限公司)	Authorised capital of USD50,000	British Virgin Islands	70	70	Investment holding
Grand Flight Hooyoung Investment Management Co., Ltd. (遠翼宏楊投資管理有限公司)	Authorised capital of USD50,000	Cayman Islands	70	70	Investment holding
Grand Flight Hooyoung Investment L.P. (遠翼宏楊投資有限合夥)	USD53,321,241.36	Cayman Islands	55	55	Investment holding

\# The voting powers are equally shared by three joint venture partners (a subsidiary of the Group and two third party investors). All decisions about the activities that wound significantly affect its returns require unaminous consent of all joint venture partners.

Notes to Interim Condensed Consolidated Financial Statements

14. Investments in Joint Ventures (continued)

The Group's loan and account receivable balances due from the joint ventures are disclosed in Note 12 to the financial statements.

Kangda, which is considered a material joint venture of the Group, is mainly engaged in development and construction business in Mainland China and is accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Kangda adjusted for any differences in accounting policies and reconciled to the fair value of the net assets in the financial statements.

	30 June 2016 RMB'000	31 December 2015 RMB'000
Cash and cash equivalents	102,336	112,427
Other current assets	1,629,196	1,618,325
Current assets	1,731,532	1,730,752
Non-current assets	3,550	3,906
Trade and other payables	(149,477)	(151,112)
Current liabilities	(149,477)	(151,112)
Net assets	1,585,605	1,583,546

Reconciliation to the Group's interest in the joint venture:

Proportion of the Group's ownership	60%	60%
Carrying amount of the investment	951,363	950,128

	For the six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Administrative expenses	(4,034)	(3,423)
Interest income	1,126	18
Loss and total comprehensive income for the period	(2,908)	(3,405)

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

	For the six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Share of the joint ventures' profit for the period	2,571	4,060

	30 June 2016 RMB'000	31 December 2015 RMB'000
Aggregate carrying amount of the Group's investments in the joint ventures	521,936	237,847

Notes to Interim Condensed Consolidated Financial Statements

15. Construction Contracts

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Gross amount due from contract customers	64,335	42,387
Contract costs incurred plus recognised profits to date	274,917	227,542
Less: Progress billings	(210,582)	(185,155)
	64,335	42,387

16. Cash and Cash Equivalents and Restricted Deposits

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Cash and bank balances	3,041,929	4,257,953
Time deposits	181,443	883,603
	3,223,372	5,141,556
Less:		
Pledged deposits	546,581	1,591,471
Restricted bank deposits related to asset-backed securitisations	2,056,619	1,049,420
Cash and cash equivalents	620,172	2,500,665

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi("RMB") amounted to RMB2,500,086,000 (31 December 2015: RMB4,506,478,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement. Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

As at 30 June 2016, cash of RMB148,802,000 (31 December 2015: RMB331,907,000) was pledged for bank and other borrowings (see Note 18(b)).

As at 30 June 2016, cash of RMB422,779,000 (31 December 2015: RMB1,259,564,000) was pledged for bank acceptances and letters of credit.

As at 30 June 2016, cash of RMB250,149,000 (31 December 2015: RMB500,351,000) was deposited with Sinochem Finance Co., Ltd., a subsidiary of the ultimate holding company of a shareholder with significant influence.

Notes to Interim Condensed Consolidated Financial Statements

17. Trade and Bills Payables

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Bills payable	2,915,648	7,086,325
Trade payables	1,117,834	1,251,310
	4,033,482	8,337,635

An aged analysis of the trade and bills payables as at the end of the reporting period is as follows:

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Within 1 year	3,836,453	8,169,543
1 to 2 year	123,359	92,102
2 to 3 year	53,092	52,157
3 years and beyond	20,578	23,833
	4,033,482	8,337,635

The trade payables are non-interest-bearing and are repayable within the normal operating cycle or on demand.

Notes to Interim Condensed Consolidated Financial Statements

18. Interest-Bearing Bank and Other Borrowings

	30 June 2016 (Unaudited)			31 December 2015 (Audited)		
	Effective annual interest rate (%)	Maturity	RMB'000	Effective annual interest rate (%)	Maturity	RMB'000
Current						
Current portion of long term bank loans – secured	2.78~6.46	2017	6,962,914	2.78~6.46	2016	8,127,439
Bank loans – unsecured	1.57~6.55	2017	11,847,557	1.57~6.55	2016	10,735,668
Current portion of long term bank loans – unsecured	1.39~6.15	2017	14,036,543	1.39~7.04	2016	15,623,723
Other loans – secured	4.99~6.40	2017	1,530,000	4.75~5.08	2016	440,000
Other loans – unsecured	4.75~6.46	2017	400,000	4.75~8.50	2016	2,030,000
Bonds – unsecured	2.79~6.95	2016	12,064,311	3.40~6.95	2016	4,742,703
			46,841,325			41,699,533
Non-current						
Bank loans – secured	2.78~5.07	2017~2023	5,161,176	2.78~6.46	2017~2023	4,288,312
Bank loans – unsecured	2.08~7.04	2017~2021	16,074,801	2.08~7.04	2017~2021	18,933,042
Other loans – secured	5.08~7.00	2017~2018	777,719	4.75~5.08	2017~2018	200,000
Other loans – unsecured	4.75	2017~2018	196,646	4.75~7.00	2017~2018	1,000,397
Bonds – unsecured	3.00~6.13	2017~2022	23,973,446	3.80~6.13	2017~2022	17,307,517
			46,183,788			41,729,268
			93,025,113			83,428,801

Notes to Interim Condensed Consolidated Financial Statements

18. Interest-Bearing Bank and Other Borrowings (continued)

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	32,847,014	34,486,830
In the second year	16,129,530	16,780,262
In the third to fifth years, inclusive	4,948,154	6,192,611
Beyond five years	158,293	248,481
	54,082,991	57,708,184
Other borrowings repayable:		
Within one year	13,994,311	7,212,703
In the second year	6,985,524	8,036,476
In the third to fifth years, inclusive	17,589,537	9,996,455
Beyond five years	372,750	474,983
	38,942,122	25,720,617
	93,025,113	83,428,801

(a) As at 30 June 2016, the Group's bank and other borrowings secured by the pledge of or the transfer of certain of the Group's lease receivables and entrusted loans amounted to RMB13,369,796,000 (31 December 2015: RMB12,461,793,000). As at 30 June 2016, the Group's lease receivables and entrusted loans pledged or charged as security for the Group's bank and other borrowings amounted to RMB14,138,344,000 (31 December 2015: RMB13,793,514,000).

(b) As at 30 June 2016, the Group's bank and other borrowings, pledged by cash, amounted to RMB814,350,000 (31 December 2015: RMB2,776,663,000).

(c) As at 30 June 2016, the Group's bank and other borrowings, pledged by the Group's leasehold land, and property, plant and equipment, amounted to RMB247,663,000 (31 December 2015: Nil). The Group had not provided any guarantees for other entities (31 December 2015: Nil).

Notes to Interim Condensed Consolidated Financial Statements

19. Deferred Tax

The movements in deferred tax liabilities and assets of the Group during the period are as follows:

Deferred tax assets

	Government special subsidy RMB'000	Cash flow hedge RMB'000	Share based payments RMB'000	Allowances for impairment losses RMB'000	Salary and welfare payable RMB'000	Losses available for offsetting against future taxable profits RMB'000	Others RMB'000	Total RMB'000
Gross deferred tax assets at 1 January 2016 (Audited)	128,204	–	17,442	635,281	506,019	8,468	5,310	1,300,724
Credited/(Charged) to the statement of profit or loss during the period	(6,563)	–	14,135	146,250	135,307	26,495	(88)	315,536
Credited to reserve	–	27,137	–	–	–	–	–	27,137
Exchange differences	–	–	–	553	–	58	–	611
Gross deferred tax assets at 30 June 2016 (Unaudited)	121,641	27,137	31,577	782,084	641,326	35,021	5,222	1,644,008

	Government special subsidy RMB'000	Share-based payments RMB'000	Allowances for impairment losses RMB'000	Salary and welfare payable RMB'000	Losses available for offsetting against future taxable profits RMB'000	Others RMB'000	Total RMB'000
Gross deferred tax assets at 1 January 2015 (Audited)	73,430	2,699	497,148	351,921	3,170	350	928,718
Credited to the statement of profit or loss during the year	54,774	14,743	140,291	154,109	7,008	4,960	375,885
Exchange differences	–	–	(2,158)	(11)	(1,710)	–	(3,879)
Gross deferred tax assets at 31 December 2015 (Audited)	128,204	17,442	635,281	506,019	8,468	5,310	1,300,724

Notes to Interim Condensed Consolidated Financial Statements

19. Deferred Tax (continued)

Deferred tax liabilities

	Asset revaluation RMB'000	Cash flow hedge RMB'000	Withholding income tax RMB'000	Total RMB'000
Gross deferred tax liabilities at 1 January 2016 (Audited)	14,582	63,526	51,284	129,392
Credited to the statement of profit or loss during the period	(189)	–	(14,283)	(14,472)
Arising from acquisition of subsidiaries	2,137	–	–	2,137
Credited to reserve	–	(63,526)	–	(63,526)
Gross deferred tax liabilities at 30 June 2016 (Unaudited)	16,530	–	37,001	53,531

	Asset revaluation RMB'000	Cash flow hedge RMB'000	Fair value adjustments arising from a call option RMB'000	Lease deposits RMB'000	Withholding income tax RMB'000	Total RMB'000
Gross deferred tax liabilities at 1 January 2015 (Audited)	9,315	81,236	3,002	21,385	47,005	161,943
(Credited)/charged to the statement of profit or loss during the year	(668)	–	(3,002)	(21,385)	4,279	(20,776)
Arising from acquisition of subsidiaries	5,935	–	–	–	–	5,935
Credited to reserve	–	(17,710)	–	–	–	(17,710)
Gross deferred tax liabilities at 31 December 2015 (Audited)	14,582	63,526	–	–	51,284	129,392

For the purpose of the presentation of the consolidated statements of financial position, certain deferred tax assets and liabilities have been offset. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Net deferred tax assets recognised in the consolidated statements of financial position	1,616,871	1,300,724
Net deferred tax liabilities recognised in the consolidated statements of financial position	26,394	129,392

As at 30 June 2016, the Group had tax losses arising in Hong Kong of RMB61,719,000 (31 December 2015: RMB48,807,000) that is available indefinitely for offsetting against future taxable profits of the companies in which the losses arose and tax losses arising in Mainland China of RMB105,147,000 (31 December 2015: RMB11,771,000) that will expire in one to five years for offsetting against future taxable profits, for which, the Group has recognised deferred tax assets in respect of the tax losses. Aside from this, as at 30 June 2016, the Group did not recognise deferred tax assets arising in the Mainland China and Hong Kong in respect of unutilised tax losses and deductible temporary differences of RMB64,941,000 (31 December 2015: RMB56,702,000) and RMB11,488,000 (31 December 2015: RMB1,691,000), respectively, due to uncertainty in their recoverability.

Notes to Interim Condensed Consolidated Financial Statements

19. Deferred Tax (continued)

Pursuant to the resolution of the Company, part of the profits of PRC subsidiaries generated from 2012 onwards will be retained by PRC subsidiaries for use in future operations or investments. In the opinion of the directors, it is probable that the temporary differences relating to the profits that are not expected to be distributed will not reverse in the foreseeable future. As at 30 June 2016, the aggregate amount of unrecognised deferred tax liabilities (i.e. withholding taxes relating to such temporary differences) was approximately RMB336,371,000 (31 December 2015: RMB285,115,000).

20. Share Capital

	Number of shares	Amounts HK$
Issued and fully paid ordinary shares:		
At 31 December 2015 (HK$0.01 each) (Audited)	3,950,400,000	13,003,080,000
At 30 June 2016 (Unaudited) (Note(i))	**3,950,400,000**	**13,003,080,000**

(i) The Company purchased its own shares through a trust under a share award scheme, which were presented as shares held for share award scheme.

A summary of the transactions during the period in the Companies issued capital is as follows:

	Number of shares in issue	Share capital HK$'000	Equivalent share capital RMB'000
At 31 December 2015 (Audited)	3,950,400,000	13,003,080	10,210,572
As at 30 June 2016 (Unaudited)	**3,950,400,000**	**13,003,080**	**10,210,572**

21. Reserves

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

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

Pursuant to the relevant PRC rules and regulations, those PRC subsidiaries which are domestic enterprises in the PRC are required to transfer no less than 10% of their profits after taxation, as determined under PRC Company Law, to the statutory reserve fund until the balance reaches 50% of the registered capital. The transfer to this statutory reserve fund must be made before the distribution of dividend to shareholders.

Special reserve mainly represents funds set aside for the purpose of certain safety production activities. Pursuant to certain regulations issued by the State Administration of Work Safety of the PRC and other relevant regulatory bodies, the subsidiaries Shanghai Horizon Construction Engineering Equipment Co., Ltd. and Tianjin Horizon Equipment & Engineering Co., Ltd. set aside funds mainly for construction service activities at prescribed rates. These funds can be used for maintenance and/or improvements of safety of these activities, and are not available for distribution to shareholders.

Notes to Interim Condensed Consolidated Financial Statements

21. Reserves (continued)

Share-based compensation reserve of the Group comprises the recognition of the equity-settled share-based payment under the Share options and the Restricted shares which are yet to be exercised. The amount will either be transferred to the share capital account when the related share options or awards are exercised, or be transferred to retained profits should the related options or awards expire or be forfeited.

22. Perpetual Securities

On 23 June 2014, the Company issued US$200,000,000 senior perpetual capital securities ("Perpetual Securities") at an initial distribution rate of 5.55%. Perpetual Securities are unsecured.

The direct transaction costs attributable to the Perpetual Securities amounted to RMB8,426,000.

Distributions of the Perpetual Securities may be paid semi-annually in arrears on 23 June and 23 December in each year with the exception of the first distribution payment date which is 23 January 2015 ("Distribution Payment Date") and may be deferred at the discretion of the Company unless a compulsory distribution payment event (including distributions to ordinary shareholders of the Company) has occurred. Following a deferral, arrears of distributions are cumulative.

The Perpetual Securities have no fixed maturity date and are callable at the Company's option in whole on 23 June 2017 ("First Call Date") or any Distribution Payment Date falling after the First Call Date at their principal amounts together with any accrued, unpaid or deferred distributions. The applicable distribution rate will reset, on First Call Date and every three years after the First Call Date, to the sum of the initial spread of 4.606%, the Treasury Rate and a step-up margin of 5.00% per annum.

In the opinion of the directors, the Group is able to control the delivery of cash or other financial assets to the holders of Perpetual Securities other than an unforeseen liquidation of the Company.

For the six months ended 30 June 2016, the profit attributable to the holders of Perpetual Securities, based on the applicable distribution rate, was RMB37,212,000(six months ended 30 June 2015: RMB34,119,000) and the distribution made by the Group to the holders of Perpetual Securities was RMB36,803,000(six months ended 30 June 2015: RMB68,008,000).

23. Contingent Liabilities

At the end of the reporting period, contingent liabilities that not provided for in the financial statements were as follows:

	30 June 2016 RMB'000	31 December 2015 RMB'000
Claimed amounts	**1,751**	2,103

Notes to Interim Condensed Consolidated Financial Statements

24. Pledge of Assets

Details of the Group's bank loans which are secured by the assets of the Group are included in Notes 10, 12, 16 and 18 to the financial statements.

25. Operating Lease Arrangements

(a) As lessor

The Group leases its equipment, tools and moulds under operating lease arrangements. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 30 June 2016, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Within one year	**653,279**	292,762
In the second to fifth years, inclusive	**131,191**	227,648
	784,470	520,410

(b) As lessee

The Group leases certain properties as its office premises under operating lease arrangements. Leases for properties are negotiated for terms substantially ranging from one to more than five years.

At 30 June 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Within one year	**124,796**	119,395
In the second to fifth years, inclusive	**89,624**	135,611
More than five years	**17,872**	20,362
	232,292	275,368

Notes to Interim Condensed Consolidated Financial Statements

26. Commitments

(a) In addition to the operating lease commitments detailed in Note 25(b) above, the Group had the following capital commitments at the end of the reporting period:

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Contracted, but not provided for:		
Capital expenditure for acquisition of property and equipment	**652,614**	370,454
Purchase of shareholding	**404,633**	103,593
	1,057,247	474,047

(b) **Credit commitments**

The Group's irrevocable credit commitments at the end of the reporting period are as follows:

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Irrevocable credit commitments	**5,096,764**	4,840,547

At any given time, the Group has outstanding commitments to extend credit, which are included in irrevocable credit commitments. These commitments are in the form of approved lease contracts, which had yet to be provided as at the end of each reporting period.

Notes to Interim Condensed Consolidated Financial Statements

27. Related Party Transactions

Relationship between the Group and its related parties:

Ultimate holding company of a shareholder with significant influence
Sinochem Group

A shareholder with significant influence
Greatpart Limited

Subsidiaries of the ultimate holding company of a shareholder with significant influence
Sinochem Hong Kong (Group) Company Limited ("Sinochem Hong Kong")
Sinochem Finance Co., Ltd.
China Jin Mao Group Co., Ltd.
Beijing Chemsunny Property Co., Ltd.
Jin Mao (Shanghai) Property Management Service Co., Ltd.
Sinochem Jinmao Property Management (Beijing) Co., Ltd.
Sinochem Corporation
Sinochem International (Overseas) Pte. Ltd.
Sinochem International Tendering Co.,Ltd. ("Sinochem Tendering")

Joint ventures
Weihai Haida hospital Co., Ltd.
Guangzhou Kangda Industrial Technology Co., Ltd.
Kunming Broadhealthcare Investment Co., Ltd.

Notes to Interim Condensed Consolidated Financial Statements

27. Related Party Transactions (continued)

a. **In addition to the balances in Notes 12, 16 and 18 to the financial statements, at the end of the reporting period, the Group had the following balances with its related parties:**

(i) *Deposits and other receivables*

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Due from related parties		
China Jin Mao Group Co., Ltd.	16,337	16,337
Beijing Chemsunny Property Co., Ltd.	2,493	2,668
Sinochem Hong Kong	602	602
Jin Mao (Shanghai) Property Management Service Co., Ltd.	2	7
Sinochem Jinmao Property Management (Beijing) Co., Ltd.	175	175
	19,609	19,789

Amounts due from related parties balance of the Group were unsecured and non-interest-bearing.

(ii) *Other payables and accruals*

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Due to a related party		
Sinochem Finance Co., Ltd.	814	6,719
	814	6,719

Amount due to a related party was unsecured and non-interest-bearing.

b. **The Group had the following material transactions with related parties during the period:**

(i) *Interest income from cash in bank*

	For the six months ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Sinochem Finance Co., Ltd.	1,437	2,646

The interest income was charged at rates ranging from 0.35% to 1.15% per annum.

Notes to Interim Condensed Consolidated Financial Statements

27. Related Party Transactions (continued)

b. The Group had the following material transactions with related parties during the period: (continued)

(ii) Service fee income

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Sinochem International (Overseas) Pte. Ltd.	**2,525**	9,420

These services were provided based on prices mutually agreed between the parties.

(iii) Interest expenses on borrowings

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Sinochem Finance Co., Ltd.	**5,539**	3,604

The interest expenses were charged at rates ranging from 4.28% to 6.65% per annum.

(iv) Rental expenses

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
China Jin Mao Group Co., Ltd.	**25,304**	25,161
Beijing Chemsunny Property Co., Ltd.	**2,045**	6,135
Sinochem Jinmao Property Management (Beijing) Co., Ltd.	**148**	162
Jin Mao (Shanghai) Property Management Services Co., Ltd.	**572**	1,100
Sinochem Hong Kong	**1,316**	1,206
	29,385	33,764

These transactions for rental expenses were based on prices mutually agreed between the parties.

(v) Commission fee expense

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Sinochem Finance Co., Ltd.	**2,345**	3,563

Notes to Interim Condensed Consolidated Financial Statements

27. Related Party Transactions (continued)

b. The Group had the following material transactions with related parties during the period: (continued)

(vi) Information and technology services:

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Sinochem Corporation	**–**	165

(vii) Lease interest income

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Weihai Haida hospital Co., Ltd.	**2,250**	1,214
Guangzhou Kangda Industrial Technology Co., Ltd.	**841**	606
Kunming Broadhealthcare Investment Co., Ltd.	**1,562**	–
	4,653	1,820

(viii) Tendering service fee

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Sinochem International Tendering Co., Ltd.	**310**	251

(ix) Non-cancellable operating leases

At each reporting period, the Group and the Company had total future minimum lease payments under non-cancellable operating leases as follows:

	30 June	31 December
	2016	2015
	(Unaudited)	(Audited)
	RMB'000	RMB'000
China Jin Mao Group Co., Ltd.	**75,721**	101,244
Beijing Chemsunny Property Co., Ltd.	**10,966**	15,353
Sinochem Hong Kong	**1,307**	2,562
	87,994	119,159

Notes to Interim Condensed Consolidated Financial Statements

27. Related Party Transactions (continued)

b. The Group had the following material transactions with related parties during the period: (continued)

(x) Finance lease with CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.("CSR Sifang") and Sinochem Tendering

On 10 June 2015, the Group entered into (i) the Lease Contract with CSR Sifang and (ii) the Supplementary Agreement with CSR Sifang and Sinochem Tendering. Pursuant to the Supplementary Agreement, upon the completion of the performance by CSR Sifang of all its duties under the Lease Contract, including but not limited to payment of total amount of rental and all other taxes, interest and damages incurred (if any), Sinochem Tendering shall repurchase the equipment in an amount of RMB11,738,000 and the Group will transfer the title of the equipment to Sinochem Tendering after the payment of the repurchase price by Sinochem Tendering. The repurchase price was determined based on the residual value of the leasing asset as at the repurchase date.

In the opinion of the directors, the transactions listed above between the Group and the aforementioned related parties were conducted in the ordinary and usual course of business and on terms and conditions similar to those entered into with unrelated parties.

c. Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Employee benefits	**26,322**	14,551

Notes to Interim Condensed Consolidated Financial Statements

28. Fair Value Hierarchy

Financial instruments not measured at fair value

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

Fair value estimates are made at a specific point in time based on relevant market information and information about various financial instruments. The following methods and assumptions have been used to estimate the fair value of each class of financial instrument as far as practicable.

Cash and cash balances, current portion of financial assets included in deposits and other receivables, trade and bills payables, short-term borrowings and current portion of financial liabilities included in other payables and accruals

Substantially all of the financial assets and liabilities mature within one year from the end of reporting period and their carrying value approximates the fair value.

Loans and accounts receivables, interest-bearing bank and other borrowing except for bonds issue and short-term borrowings and restricted deposit

Substantially all of loans and accounts receivables, restricted deposit and interest-bearing bank and other borrowings except for bonds issued and short-term borrowings are on floating rate terms, bearing interest at prevailing market interest rates and their carrying value approximates fair value.

Available-for-sale investments

Available-for-sale investments are measured at cost less any impairment other than fair value, since they do not have a quoted market price in an active market and their fair value cannot be measured reliably. The reason why the fair value cannot be measured reliably is because that the variability in the range of reasonable fair value estimates is significant for that investment or the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value.

Bonds issued

The fair values of the bonds issued are calculated based on a discounted cash flow model using a current yield curve appropriate for the remaining term to maturity.

The table below summarises the carrying amounts and fair values of bonds issued which included in interest-bearing bank and other borrowings not presented at fair value on the statement of financial position.

Notes to Interim Condensed Consolidated Financial Statements

28. Fair Value Hierarchy (continued)

Financial instruments not measured at fair value (continued)

	Carrying amounts		Fair values	
	30 June 2016 RMB'000	31 December 2015 RMB'000	**30 June 2016 RMB'000**	31 December 2015 RMB'000
Financial liabilities				
Bonds issued	**36,037,757**	22,050,220	**36,852,371**	22,409,695

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

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

Financial instruments measured at fair value

Non-deliverable cross-currency swaps

Non-deliverable cross-currency swaps are measured using valuation techniques similar to the present value calculations of the forward pricing and swap models, which incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

Equity investments at fair value through profit or loss

The valuations of the equity investments at fair value through profit or loss were based on information known to the Group and market conditions existing at the end of the reporting period. The fair values were determined by using appropriate valuation techniques. Valuation techniques include: using recent arm's length market transactions; referring to the current market value of another instrument that is substantially the same and net assets making as much use of available and supportable market data as possible.

Notes to Interim Condensed Consolidated Financial Statements

28. Fair Value Hierarchy (continued)

Fair value hierarchy:

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

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

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

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

Assets and Liabilities measured at fair value:

As at 30 June 2016

	Level 1 Quoted prices in active markets RMB'000	**Level 2 Significant observable inputs RMB'000**	**Level 3 Significant unobservable inputs RMB'000**	**Total RMB'000**
Cross-currency interest rate swaps – assets	**–**	**545,211**	**–**	**545,211**
Cross-currency interest rate swaps – liabilities	**–**	**(16,636)**	**–**	**(16,636)**
Forward currency contracts – assets	**–**	**195,602**	**–**	**195,602**
Forward currency contracts – liabilities	**–**	**(144,385)**	**–**	**(144,385)**
Equity investments at fair value through profit or loss	**–**	**359,624**	**–**	**359,624**

As at 31 December 2015

	Level 1 Quoted prices in active markets RMB'000	Level 2 Significant observable inputs RMB'000	Level 3 Significant unobservable inputs RMB'000	Total RMB'000
Cross-currency interest rate swaps – assets	–	844,702	–	844,702
Cross-currency interest rate swaps – liabilities	–	(4,989)	–	(4,989)
Forward currency contracts – assets	–	272,532	–	272,532
Forward currency contracts – liabilities	–	(283,125)	–	(283,125)
Equity investments at fair value through profit or loss	–	244,132	–	244,132

Notes to Interim Condensed Consolidated Financial Statements

28. Fair Value Hierarchy (continued)

Fair value hierarchy: (continued)

Assets and Liabilities measured at fair value (continued)

During the six months ended 30 June 2016, there were no transfers at fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (six months ended 30 June 2015: Nil).

Liabilities for which fair values are disclosed:

As at 30 June 2016

	Level 1 Quoted prices in active markets RMB'000	Level 2 Significant observable inputs RMB'000	Level 3 Significant unobservable inputs RMB'000	Total RMB'000
Bonds issued	–	36,852,371	–	36,852,371

As at 31 December 2015

	Level 1 Quoted prices in active markets RMB'000	Level 2 Significant observable inputs RMB'000	Level 3 Significant unobservable inputs RMB'000	Total RMB'000
Bonds issued	–	22,409,695	–	22,409,695

29. Events After the Reporting Period

There were no material subsequent events undertaken by the Group after 30 June 2016.

30. Approval of the Interim Condensed Consolidated Financial Statements

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 24 August 2016.

Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the past few financial years, as extracted from the published audited financial information and financial statements is set out below.

Results

	For the six months ended 30 June		For the year ended 31 December		
	2016	2015	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Revenue	**7,280,667**	5,759,568	11,795,983	10,060,717	7,868,382
Cost of Sales	**(2,566,867)**	(2,275,474)	(4,771,610)	(4,106,547)	(2,890,185)
Gross profit	**4,713,800**	3,484,094	7,024,373	5,954,170	4,978,197
Other income and gains	**144,238**	199,656	510,032	523,689	318,178
Selling and distribution costs	**(974,218)**	(669,027)	(1,452,611)	(1,356,023)	(1,124,955)
Administrative expenses	**(1,584,805)**	(851,274)	(1,925,049)	(1,659,885)	(1,294,330)
Other expenses	**(130,158)**	(318,352)	(454,489)	(249,400)	(282,972)
Finance costs	**(84,723)**	(9,350)	(122,221)	(14,667)	(1,270)
Profit or loss on investment in joint ventures	**826**	2,017	(310)	(195)	–
Profit or loss on investment in associates	**162**	–	–	13,511	7,893
Profit before tax	**2,085,122**	1,837,764	3,579,725	3,211,200	2,600,741
Income tax expense	**(619,698)**	(504,549)	(999,734)	(869,026)	(684,668)
Profits for the year	**1,465,424**	1,333,215	2,579,991	2,342,174	1,916,073
Attributable to:					
Holders of ordinary shares of the Company	**1,439,491**	1,296,536	2,503,109	2,295,954	1,912,744
Holders of senior perpetual securities	**37,212**	34,119	73,080	36,036	–
Non-controlling interests	**(11,279)**	2,560	3,802	10,184	3,329
	1,465,424	1,333,215	2,579,991	2,342,174	1,916,073

Financial Summary

The following table sets forth the results of the Group converted into US$ at the respective average exchange rate as at the end of each period[1] as of the dates indicated.

	For the six months ended 30 June		For the year ended 31 December		
	2016	2015	2015	2014	2013
	US$'000	US$'000	US$'000	US$'000	US$'000
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Revenue	**1,109,452**	941,675	1,870,508	1,647,151	1,270,898
Cost of Sales	**(391,148)**	(372,034)	(756,642)	(672,328)	(466,822)
Gross profit	**718,304**	569,641	1,113,866	974,823	804,076
Other income and gains	**21,979**	32,643	80,877	85,739	51,392
Selling and distribution costs	**(148,455)**	(109,384)	(230,343)	(222,010)	(181,702)
Administrative expenses	**(241,498)**	(139,181)	(305,258)	(271,758)	(209,060)
Other expenses	**(19,833)**	(52,050)	(72,069)	(40,832)	(45,705)
Finance costs	**(12,910)**	(1,529)	(19,381)	(2,401)	(205)
Profit or loss on investment in joint ventures	**126**	330	(49)	(32)	–
Profit or loss on investment in associates	**25**	–	–	2,212	1,275
Profit before tax	**317,738**	300,470	567,643	525,741	420,071
Income tax expense	**(94,432)**	(82,493)	(158,530)	(142,278)	(110,587)
Profits for the year	**223,306**	217,977	409,113	383,463	309,484
Attributable to:					
Holders of ordinary shares of the Company	**219,355**	211,980	396,922	375,896	308,946
Holders of senior perpetual securities	**5,670**	5,578	11,588	5,900	–
Non-controlling interests	**(1,719)**	419	603	1,677	538
	223,306	217,977	409,113	383,463	309,484

Financial Summary

Assets, Liabilities and Non-controlling Interests

	For the six months ended 30 June		For the year ended 31 December		
	2016	2015	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Total assets	**150,329,147**	119,276,390	139,312,889	110,726,124	86,512,872
Total liabilities	**(127,022,536)**	(101,410,619)	(116,351,469)	(93,276,231)	(72,348,002)
Senior perpetual securities	**(1,227,612)**	(1,224,281)	(1,227,203)	(1,258,170)	–
Non-controlling interests	**(399,532)**	(238,999)	(343,180)	(78,771)	(39,528)
	21,679,467	16,402,491	21,391,037	16,112,952	14,125,342

The following table sets forth the assets, liabilities and non-controlling interests of the Group converted into US$ at the respective average rate as at the end of each period[(1)] as of the dates indicated.

	For the six months ended 30 June		For the year ended 31 December		
	2016	2015	2015	2014	2013
	US$'000	US$'000	US$'000	US$'000	US$'000
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Total assets	**22,669,976**	19,510,009	21,453,876	18,095,461	14,189,649
Total liabilities	**(19,155,287)**	(16,587,709)	(17,917,868)	(15,243,705)	(11,866,359)
Senior perpetual securities	**(185,127)**	(200,255)	(188,987)	(205,617)	–
Non-controlling interests	**(60,249)**	(39,093)	(52,849)	(12,873)	(6,483)
	3,269,313	2,682,952	3,294,172	2,633,266	2,316,807

Note:

(1) Exchange rate

	Exchange rate as at the end of the period	Average exchange rate
31 December 2011	**6.3009**	**6.4618**
31 December 2012	6.2855	6.2932
31 December 2013	**6.0969**	**6.1912**
31 December 2014	6.1190	6.1080
31 December 2015	**6.4936**	**6.3063**
30 June 2013	6.1787	6.2321
30 June 2014	**6.1528**	**6.1249**
30 June 2015	6.1136	6.1163
30 June 2016	**6.6312**	**6.5624**

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