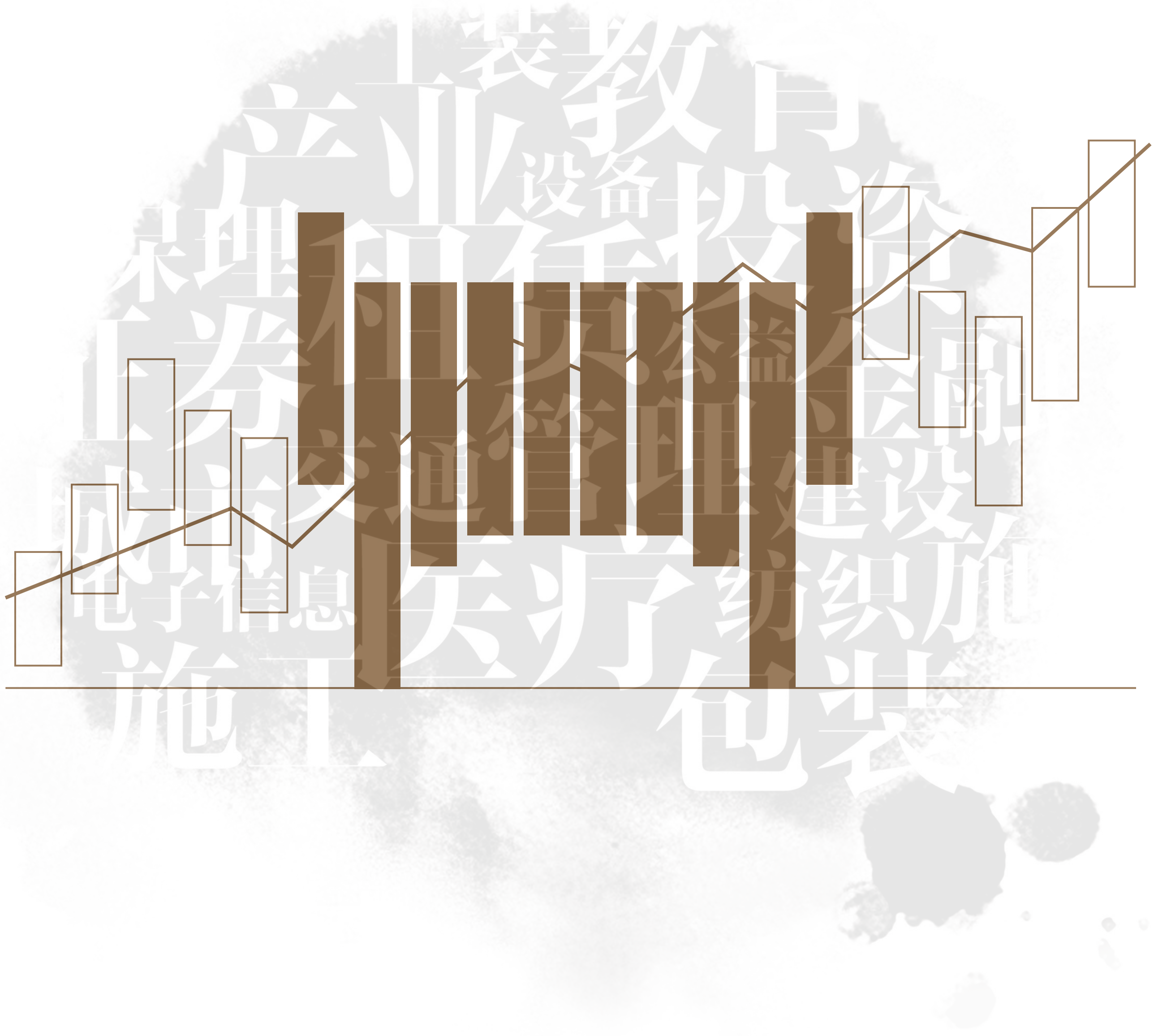
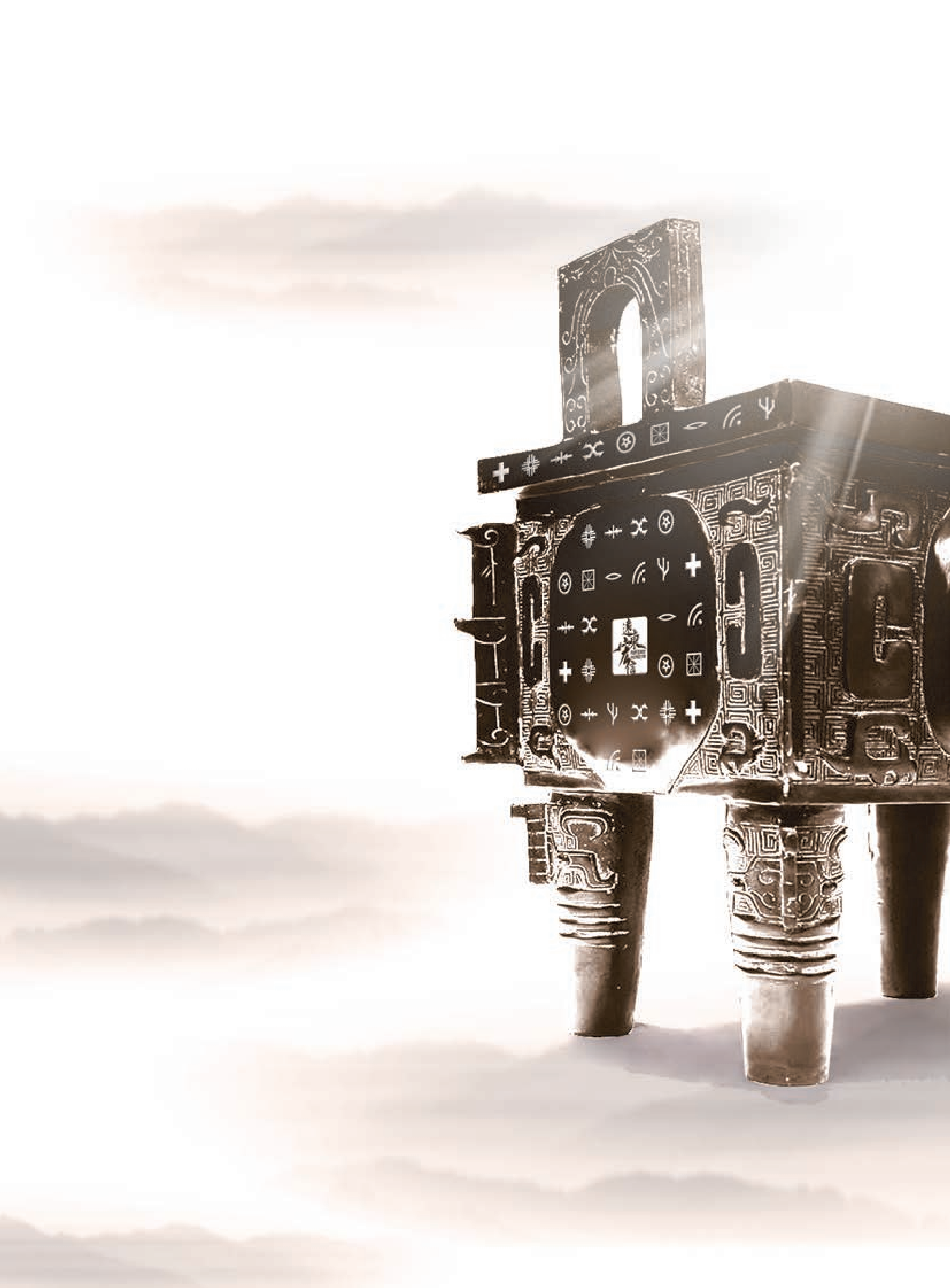
遠東宏信
FAR EAST HORIZON



2017 Interim Report

Incorporated in Hong Kong with limited liability Stock Code: 3360



BE PROSPEROUS IN ALL SEASONS
BE EXCEPTIONAL IN ALL PLACES
STRIVE TO SUCCEED
MAKE BUSINESS FLOURISH

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

Suite 6305, 63/F,
Central Plaza,
18 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

Suite 6305, 63/F,
Central Plaza,
18 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, Hefei and Nanning, 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		
	2017	2016	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
OPERATING RESULTS					
TOTAL REVENUE	**8,972,211**	7,280,667	13,928,369	11,795,983	10,060,717
Finance leasing and factoring (interest income)	**4,816,021**	3,967,770	8,139,285	6,849,330	6,457,748
Advisory services (fee income)	**2,872,184**	2,639,020	3,820,487	3,850,659	2,709,366
Revenue from business operation	**1,335,449**	790,587	2,113,804	1,206,807	1,009,959
Business tax and surcharges	**(51,443)**	(116,710)	(145,207)	(110,813)	(116,356)
Cost of sales	**(3,508,756)**	(2,566,867)	(5,735,538)	(4,771,610)	(4,106,547)
Borrowing Costs	**(2,530,199)**	(1,940,820)	(4,131,599)	(3,963,282)	(3,422,599)
Costs for industrial operation	**(978,557)**	(626,047)	(1,603,939)	(808,328)	(683,948)
Pre-Provision Operating Profit(1)	**3,297,269**	2,965,755	5,333,732	4,426,148	3,961,209
Profit before tax	**2,303,904**	2,085,122	4,072,470	3,579,725	3,211,200
Profit for the year attributable to holders of ordinary shares of the Company	**1,619,032**	1,439,491	2,882,208	2,503,109	2,295,954
Basic earnings per share (RMB)	**0.42**	0.37	0.74	0.70	0.70
Diluted earnings per share (RMB)	**0.42**	0.37	0.74	0.70	0.70
Profitability indicators					
Return on average assets(2)	**1.78%**	2.02%	1.92%	2.06%	2.37%
Return on average equity(3)	**13.93%**	13.37%	13.00%	13.35%	15.19%
Net interest margin(4)	**2.96%**	3.17%	3.04%	2.62%	3.30%
Net interest spread(5)	**1.94%**	1.81%	1.79%	1.22%	2.01%
Cost to income ratio(6)	**37.41%**	35.61%	35.06%	36.04%	38.06%

Business Overview

	30 June 2017 RMB'000 (Unaudited)	30 June 2016 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)	31 December 2015 RMB'000 (Audited)	31 December 2014 RMB'000 (Audited)
Assets and liabilities					
Total assets	**196,985,860**	150,329,147	166,560,921	139,312,889	110,726,124
Net interest-earning assets	**168,795,841**	133,483,992	139,798,341	121,970,478	100,828,572
Total liabilities	**170,564,624**	127,022,536	141,714,820	116,351,469	93,276,231
Interest-bearing bank and other borrowings	**130,499,810**	93,025,113	106,937,588	83,428,801	71,777,837
Gearing Ratio	**86.59%**	84.50%	85.08%	83.52%	84.24%
Total equity	**26,421,236**	23,306,611	24,846,101	22,961,420	17,449,893
Equity attributable to holders of ordinary shares of the Company	**23,514,984**	21,679,467	22,959,230	21,391,037	16,112,952
Net assets per share (RMB)	**5.95**	5.49	5.81	5.41	4.89
Duration matching of assets and Liabilities					
Financial assets	**180,058,843**	138,700,655	148,699,641	128,291,002	104,545,229
Financial liabilities	**164,260,138**	122,093,907	137,335,079	112,966,022	90,313,636
Quality of interest-earning assets					
Non-performing asset ratio[7]	**0.95%**	1.01%	0.99%	0.97%	0.91%
Provision coverage ratio[8]	**216.48%**	220.29%	212.13%	201.24%	218.66%
Write-off of non-performing assets ratio[9]	**5.21%**	12.24%	29.82%	27.39%	19.02%
Overdue interest-earning assets (over 30 days) ratio[10]	**0.84%**	1.08%	0.98%	1.08%	0.91%

Business Overview

Notes:

(1) Pre-Provision Operating Profit = Profit before tax + Provision for assets;

(2) 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;

(3) 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;

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

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

(6) Cost to income ratio = selling and administrative expense/gross profit;

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

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

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

(10) 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 2017, the Chinese macro-economy achieved stable but strong progress with gross domestic product (GDP) growing year on year by 6.9%. Looking at the top three demands, net export was the key factor for stable economic growth in the first half of the year. In the first half of the year, net export led to increase in GDP by 0.3 percentage point, representing an increase of 0.8 percentage point as compared to the whole previous year. The total national retail sales of social consumer goods increased by 10.4% year on year, representing an increase of 0.1 percentage point as compared to the corresponding period of last year. The fixed asset investment growth remained stable but in a slower rate and grew by 8.6% year on year.

For financial environment, the slightly tight liquidity and rising interest rates were resulted from the "stable and neutral" monetary policy and strict regulatory policy in the first half of the year. Meanwhile, the central bank repeatedly put emphasis on "enhancement of financial risk prevention and control". In the first half of the year, the total financing amount across the country increased year on year by RMB1.36 trillion to RMB11.17 trillion. RMB loans issued to the real economy increased year on year by RMB728.8 billion to RMB8.21 trillion. The M2 balance increased by 9.4% year on year to RMB163.13 trillion, reaching its historical low.

1.2 Industry Environment

With the steady slowdown in the growth rate of the Chinese economy and further deepening of industrial restructuring, the growth of the tertiary sector continued to outpace that of the secondary sector. Based on the preliminary accounting information, in the first half of the year, the production value of the tertiary sector grew by 7.6%, which was 1.3 percentage points higher than that of the secondary sector. In respect of accumulative year-on-year contribution rate to GDP, the contribution rates of the secondary and tertiary sectors were 36.5% and 60.2% respectively.

In respect of various industries sectors served by the Group, the differentiation trend in their industry environment continued. Sunrise industries with rigid demand and weak periodicity, including healthcare and education, maintained an overall rapid growth amid the aging population and the "Two-child Policy". Sectors including electronic information and urban public utilities enjoyed good market development under consumption upgrades and new urbanization. With the structural adjustment in the industry, the construction industry experienced a slowdown in the growth of industrial value, with significant differentiation between construction enterprises. However, as an important means of steady growth, the construction of infrastructure still maintained a certain market size. The operating sector with manufacturing industry as the core remained in the phases of constant adjustment and upgrade.

Management Discussion and Analysis

1.3 The Leasing Industry

In the first half of 2017, the financial leasing industry maintained a good stable development trend. The number of new financial leasing companies rapidly increased with increasing capital amount and business scale. The overall operation was stable and there were no signs of systemic and regional risk of the industry.

According to the statistics of China Leasing Union, in the first half of 2017, the total financial leasing companies in China (excluding single-project companies, branches, SPV companies and acquired overseas companies) amounted to approximately 8,218, representing an increase of 1,082 from 7,136 at the end of last year, reflecting a rapid growth rate. The overall registered capital of the industry amounted to approximately RMB2,934.1 billion, representing an increase of 14.8% as compared to RMB2,556.9 billion at the end of last year. The balance of financial leasing contracts in China amounted to approximately RMB5.6 trillion, representing an increase of 5.1% as compared to RMB5.33 trillion at the end of last year.

1.4 Company's Solutions

In line with the Chinese economy and the trend of structural adjustment of the industry, the Group still remained highly vigilant to the changes in the external environment. The Group followed the trend and made the best of the situation, adhered to the strategic upgrades, maintained operational innovation and fully promoted the implementation of "comprehensive and quasi-investment banking service" strategy in order to secure the safe, healthy and sustainable development of the Group.

(1) To stimulate regional vitality and enlarge customer coverage

The Group made use of features and advantages of "focusing on industry" and thoroughly covered the market as well as innovated products and services. Through 18 offices and 105 operating units, the Group formed its customer service network to "get close to the business" in China to intensively cultivate certain areas and deeply penetrate the market.

(2) To develop innovative potential and enhance business revenue

With the goal of service integration, the Group deeply understood customer needs, while continuing to strength linkage and interaction between liabilities and assets. Through innovative products such as structural financing, asset management service, consultation and other means of operating business similar to investment banking, the Group put efforts into forming differentiation features and further enhancing resources value-added capabilities and market competitiveness.

Management Discussion and Analysis

(3) To demonstrate synergy and enhance embedded value

The Group continued to demonstrate mutual synergy added differentiation advantages between the industry and financial businesses and sped up the promotion of the three major industries, namely healthcare, infrastructure construction and education. While promoting the growth of financial business, the industrial collaborative operation system gradually formed.

In the first half of 2017, the Group continued to invest in and acquire quality hospitals nationwide with an aggregate investment in or holding of 26 hospitals and over 10,000 hospital beds, preliminarily forming a national hospital operation network in regions including East China, Southern China, Northern China, Southwest and Northeast China. Meanwhile, the Group integrated its internal medical technology resources, strengthened coordination to form positive interaction between invested hospitals, so as to enhance the overall medical technology and operating efficiency.

In the first half of the year, the capabilities in the resources integration and the whole industrial chain layout of the construction industry of the Group preliminarily formed with synergy between its businesses. The macro information equipment platform, mainly engaged in equipment operation management and construction services, owned 6,296 aerial work vehicles, 260,000 tons of foundation pit supporting materials, 224 road construction equipment, power equipment of 37MW, taking a leading position in sub-segments of the above construction equipment. As one of the largest new mold support system suppliers, the macro capital equipment platform owned 250,000 aluminum alloy model, 280,000 tons of new scaffolding. Its production capacity and capabilities in operation maintenance gradually appeared in the fields where it operated, forming differentiated competitive advantages.

The education segment of the Group continued to promote K12 high-end quality education. In the first half of the year, with the opening of Chongqing kindergarten, there were 5 operating kindergartens and 13 sites contracted for construction of kindergartens, forming the operation landscape of proposing to cover 7 core cities in China. Education quality and operating efficiency of the invested two high schools continued to increase.

(4) To strengthen the financing advantages and ensure stable operation

Under the tight capital situation in the first half of the year, the Group anticipated early and responded quickly, strengthened the cooperation with financial institutions to actively expand financing channels. As the only financial leasing company in the territory to obtain independent ratings as investment grade from two international rating agencies, the Group continued to strengthen the issue of bonds, asset-backed securities and other financing products while expanding the non-banking market limit and restarting overseas financing market, to secure the necessary capital resources for operation of the Company.

(5) To continue to optimize management and ensure asset security

According to the market condition and risks, the Group reined in credit granting to high-risk industries and regional business with risky assets and rapid growth. Meanwhile, the Group further promoted the construction of regional asset management system to enhance asset disposal and management results. For risky assets in place, the Group sped up the progress and efficiency of asset disposal and the quality of non-performing assets remained stable with improvement.

Management Discussion and Analysis

2. Analysis of Profit and Loss

2.1 Analysis of Profit and Loss (Overview)

In the first half of 2017, the Group relied on China's real 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 RMB2,303,904,000, representing a growth of 10.49% 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 RMB1,619,032,000, representing a growth of 12.47% as compared to the corresponding period of the previous year. The following table sets forth the figures for the six months ended 30 June 2017 and the comparative figures for the six months ended 30 June 2016.

	For the six months ended 30 June		
	2017	2016	
	RMB'000	RMB'000	Change %
	(Unaudited)	(Unaudited)	
Revenue	**8,972,211**	7,280,667	23.23%
Cost of sales	**(3,508,756)**	(2,566,867)	36.69%
Gross profit	**5,463,455**	4,713,800	15.90%
Other income and gains	**200,806**	144,238	39.22%
Selling and administrative expenses	**(2,043,913)**	(1,678,390)	21.78%
Other expenses	**(218,488)**	(130,158)	67.86%
Finance costs	**(92,292)**	(84,723)	8.93%
Gains and loss on investment in Joint Ventures	**(1,518)**	826	-283.78%
Gains and loss on investment in associates	**(10,781)**	162	-6,754.94%
Pre-Provision Operating Profit	**3,297,269**	2,965,755	11.18%
Provision for assets	**(993,365)**	(880,633)	12.80%
Profit before tax	**2,303,904**	2,085,122	10.49%
Income tax expense	**(684,358)**	(619,698)	10.43%
Profit for the year	**1,619,546**	1,465,424	10.52%
Attributable to:			
Holders of ordinary shares of the Company	**1,619,032**	1,439,491	12.47%
Holders of perpetual securities	**39,856**	37,212	7.11%
Non-controlling interests	**(39,342)**	(11,279)	248.81%

Management Discussion and Analysis

2.2 Revenue

In the first half of 2017, the Group realized revenue of RMB8,972,211,000, representing a growth of 23.23% from RMB7,280,667,000 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 2017, income (before taxes and surcharges) of the financial and advisory segment was RMB7,688,205,000, accounting for 85.20% of the total income (before taxes and surcharges), and representing a growth of 16.37% as compared to the corresponding period of the previous year. Income derived from advisory services grew by 8.84% 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 68.92% 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				
	2017		2016		
	RMB'000 (Unaudited)	% of total	RMB'000 (Unaudited)	% of total	Change%
Financial and advisory segment	7,688,205	85.20%	6,606,790	89.31%	16.37%
Financial services (interest income)	4,816,021	53.37%	3,967,770	53.63%	21.38%
Advisory services (fee income)	2,872,184	31.83%	2,639,020	35.68%	8.84%
Industrial operation segment	1,335,449	14.80%	790,587	10.69%	68.92%
Total	9,023,654	100.00%	7,397,377	100.00%	21.98%
Taxes and surcharges	(51,443)		(116,710)		-55.92%
Income (after taxes and surcharges)	8,972,211		7,280,667		23.23%

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 for the first half of 2017. 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 29.84%, 21.77% and 21.10% 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 40.39% as compared to the corresponding period of the previous year.

Management Discussion and Analysis

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

	For the six months ended 30 June				
	2017		2016		
	RMB'000 (Unaudited)	% of total	RMB'000 (Unaudited)	% of total	Change %
Healthcare	2,621,200	29.05%	2,018,800	27.29%	29.84%
Education	1,598,228	17.71%	1,312,509	17.74%	21.77%
Infrastructure construction	1,624,167	18.00%	1,341,124	18.13%	21.10%
Transportation	612,449	6.79%	536,561	7.25%	14.14%
Packaging	548,244	6.08%	496,980	6.72%	10.32%
Industrial machinery	671,646	7.44%	641,392	8.67%	4.72%
Comprehensive development	388,286	4.30%	276,569	3.74%	40.39%
Electronic information	564,745	6.26%	452,648	6.12%	24.76%
Urban public utility	378,962	4.20%	316,690	4.28%	19.66%
Others	15,727	0.17%	4,104	0.06%	283.21%
Total	9,023,654	100.00%	7,397,377	100.00%	21.98%

Management Discussion and Analysis

2.2.1 Financial Services (Interest Income)

The interest income (before taxes and surcharges) from the financial and advisory segment of the Group rose by 21.38% from RMB3,967,770,000 for the first half of 2016 to RMB4,816,021,000 for the first half of 2017, accounting for 53.37% of the Group's total revenue (before 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					
	2017			2016		
	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	35,532,888	1,253,833	7.06%	30,885,894	1,017,927	6.59%
Education	27,920,217	932,146	6.68%	21,330,039	670,589	6.29%
Infrastructure construction	21,192,808	650,230	6.14%	19,058,551	618,925	6.49%
Transportation	12,783,840	363,915	5.69%	9,913,336	309,170	6.24%
Packaging	13,406,002	391,181	5.84%	12,304,406	368,770	5.99%
Industrial machinery	15,764,388	403,408	5.12%	13,454,251	377,125	5.61%
Comprehensive development	8,228,775	248,341	6.04%	5,415,933	153,737	5.68%
Electronic information	11,031,540	352,861	6.40%	8,155,993	253,025	6.20%
Urban public utility	8,266,097	219,204	5.30%	7,069,505	196,461	5.56%
Others	170,536	902	1.06%	139,327	2,041	2.93%
Total	154,297,091	4,816,021	6.24%	127,727,235	3,967,770	6.21%

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 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 20.80% from RMB127,727,235,000 for the first half of 2016 to RMB154,297,091,000 for the first half of 2017. Besides the continuous encouragement from the three major segments, namely healthcare, education and infrastructure construction, there were substantial growth in comprehensive development and electronic information for the period, representing an increase of 41.91% 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 2017, the average yield of the Group was 6.24%, representing 0.03 percentage point higher than 6.21% as compared to the corresponding period of the previous year. This was mainly due to the fact that (i) in 2015, the People's Bank of China reduced the benchmark interest rate for five times, which resulted in the benchmark interest rate of Renminbi loans with respective terms of 1 to 5 years decreased by 125 basis points from 6.00% to 4.75%, thus the continuing effect on interest-earning assets of the Group led to the decrease of 0.30 percentage point in the average asset yield of the Group; (ii) since 1 May 2016, the policy of "replacing business tax with value-added tax" has been implemented in the finance industry, resulting in the commodity turnover tax of leaseback projects decreasing from 17% to 6% and therefore increasing the Group's average yield of asset by approximately 0.33 percentage points; (iii) in the first half of 2017, the Group actively adjusted its pricing strategy according to the change in market environment. In the first half of the year, the percentage of the balance of additional interest-earning assets to the balance of interest-earning assets as at 30 June 2017 amounted to approximately 40%, and the pulling effect of the pricing of the additional interest-earning assets on average yield will gradually show in future. 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 71% of the newly contracted customers in the first half of 2017, up by 3 percentage points from 68% in the first half of 2016.

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

	For the six months ended 30 June			
	2017		2016	
	RMB'000 (Unaudited)	**% of total**	RMB'000 (Unaudited)	% of total
Northeast China	**490,824**	**10.19%**	349,369	8.81%
Northern China	**667,727**	**13.86%**	421,594	10.63%
Eastern China	**1,273,037**	**26.44%**	1,337,888	33.72%
Southern China	**429,981**	**8.93%**	380,851	9.60%
Central China	**657,506**	**13.65%**	586,003	14.77%
Northwest China	**337,992**	**7.02%**	197,389	4.97%
Southwest China	**958,954**	**19.91%**	694,676	17.50%
Total	**4,816,021**	**100.00%**	3,967,770	100.00%

Management Discussion and Analysis

2.2.2 Advisory Services (Fee Income)

In the first half of 2017, fee income (before taxes and surcharges) from financial and advisory segment grew by 8.84% from RMB2,639,020,000 for the first half of 2016 to RMB2,872,184,000 for the first half of 2017, accounting for 31.83% of the total revenue (before taxes and surcharges) of the Group.

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

	For the six months ended 30 June				
	2017		2016		
	RMB'000 (Unaudited)	% of total	RMB'000 (Unaudited)	% of total	Change %
Healthcare	704,675	24.53%	691,502	26.20%	1.90%
Education	594,783	20.71%	591,374	22.41%	0.58%
Infrastructure construction	436,473	15.20%	388,491	14.72%	12.35%
Transportation	186,013	6.48%	139,422	5.28%	33.42%
Packaging	157,063	5.47%	128,210	4.86%	22.50%
Industrial machinery	268,238	9.34%	264,267	10.01%	1.50%
Comprehensive development	139,945	4.87%	122,833	4.65%	13.93%
Electronic information	211,781	7.37%	190,044	7.20%	11.44%
Urban public utility	159,758	5.56%	120,229	4.56%	32.88%
Others	13,455	0.47%	2,648	0.11%	408.12%
Total	2,872,184	100.00%	2,639,020	100.00%	8.84%

Healthcare, education and infrastructure construction accounted for the greatest contribution to the aggregate growth of the Group's service charge income (before taxes and surcharges). The distribution of the industries of service charge income generally remained stable. Service charge income in the first half of 2017 increased by RMB1,690,717,000 year on year as compared to the second half of 2016, representing an increase of 143.10%. The Group continued to strengthen the access to business opportunities with more quality customers. High-end customers' requirements for the content of advisory services and means of services experienced certain changes. At the same time, the complexity of some advisory services were increasing, lengthening the cycle of certain advisory service and income recognition. The Group will gradually enhance its service capabilities, enrich the scope and means of service based on the changes of customers' requirements, and strive to remain steady and healthy growth of service income of the business.

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

	For the six months ended 30 June			
	2017		2016	
	RMB'000 (Unaudited)	% of total	RMB'000 (Unaudited)	% of total
Northeast China	323,720	11.27%	187,731	7.11%
Northern China	510,589	17.78%	509,501	19.31%
Eastern China	541,657	18.86%	660,463	25.03%
Southern China	212,033	7.38%	187,474	7.10%
Central China	471,572	16.42%	303,340	11.49%
Northwest China	205,880	7.17%	157,370	5.96%
Southwest China	606,733	21.12%	633,141	24.00%
Total	2,872,184	100.00%	2,639,020	100.00%

2.2.3 Revenue from Industrial Operation Segment

Revenue from industrial operation segment of the Group, before taxes and surcharges, increased by 68.92% from RMB790,587,000 for the first half of 2016 to RMB1,335,449,000 for the first half of 2017, accounting for 14.80% of the total revenue of the Group (before taxes and surcharges).

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

	For the six months ended 30 June				
	2017		2016		
	RMB'000 (Unaudited)	% of total	RMB'000 (Unaudited)	% of total	Change %
Revenue from industrial operation segment	1,335,449	100.00%	790,587	100.00%	68.92%
Including:					
Revenue from operating lease	443,893	33.24%	284,209	35.95%	56.19%
Revenue from hospital operation	590,678	44.23%	235,578	29.80%	150.74%
Revenue from trading	115,786	8.67%	76,844	9.72%	50.68%
Revenue from education institution operation	71,299	5.34%	50,546	6.39%	41.06%

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In the first half of 2017, the Group's equipment operation business development had established a relatively optimized complete preliminary marketing system and the assets scale has joined the front ranks in sub-markets such as engineering equipment and scaffolds. Revenue (before taxes and surcharges) amounted to RMB443,893,000, accounting for 33.24% of the revenue from industrial operation segment for the year and representing an increase of 56.19% as compared to the same period last year.

In the first half of 2017, the Group continued to speed up the investment in the hospital. During the first half of 2017, the Group entered into agreements to invest or gain control over four hospitals, namely Daishan Guanghua Hospital (岱山廣華), Wuchang Chinese Medicine Hospital (五常中醫), Zhaotong Renan Hospital (昭通仁安) and Qiaojia Renan Hospital (巧家仁安). We invested or gained control over 26 hospitals in total with over 10,000 beds available (the first half of 2016: over 5,000 beds). According to the operation needs of the hospitals, over 5,600 beds were actually in use as of the first half of 2017 (the first half of 2016: approximately 3,500 beds). In terms of operation capability, the operating revenue of the first half of 2017 from the above 26 hospitals (including the hospitals which the Group is interested in and the hospitals for which the Group has entered into contracts but has not yet delivered) amounted to approximately RMB925 million, with an operating gross profit of approximately RMB281 million, a gross margin of approximately 30% and a net profit of RMB58 million. The Group planned the future operation with the principle of "one network, one system and one hospital".

The Group committed to the establishment of high-end kindergartens and steadily promoted the layout of first-class international education at home and abroad in 2017. The Group also further enhanced the curriculum system, operation flow management and corporate culture integration of kindergartens and schools within the Group. As of the first half of 2017, the Group entered into agreements in respect of 13 new high-end kindergarten sites in Shanghai and some other cities and opened 1 kindergarten. As of the end of June 2017, together with 4 operating kindergartens and 2 schools from last year, the Group operated 5 high-end kindergartens (among which, 3 kindergartens had fulfilled their enrolment quota after optimization of curriculum and operation systems) and 2 high schools (among which, 1 had fulfilled its enrolment quota) with nearly 970 students, representing an increase of approximately 20.68% as compared to the first half of 2016. Revenue from education institutions amounted to RMB71,299,000 in the first half of 2017, representing an increase of 41.06% as compared to the first half of 2016.

The Group's trade income for the first half of 2017 was RMB115,786,000, representing an increase of 50.68% as compared to the corresponding period of the previous year. Trade income is mainly from the medical, construction-related equipment trade services.

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2.3 Cost of sales

Cost of sales of the Group for the first half of 2017 was RMB3,508,756,000, representing an increase of 36.69% from RMB2,566,867,000 in the corresponding period of the previous year. Among them, the cost of the financial and advisory segment was RMB2,530,199,000, accounting for 72.15% of the total cost and representing an increase of 30.37% from RMB1,940,820,000 in the corresponding period of the previous year, mainly due to the rapid growth of the financial leasing business of the Group. During the period, the proportion of investment in interest-earning assets through debt financing increased while the additional financing cost in the surrounding financing market rapidly increased. Interest expenditure of the financial and advisory segment recorded a rapid growth due to the increases in financing size and additional financing cost. The cost of the industrial operation segment was RMB978,557,000, accounting for 27.85% of the total cost and representing an increase of 56.31% from RMB626,047,000 in the corresponding period of the previous year. This was mainly due to the fact that the Group's industrial operations in respect of healthcare, education and operating lease were at their preliminary stage and their economies of scale were not sufficient. The rapid business expansion led to the significant growth in cost of sales for industrial operation. The Group will, through group management, gradually enhance operating efficiency of each industrial operation companies, to transform the cost of sales of industrial operation into its revenue in a highly-effective manner.

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				
	2017		2016		
	RMB'000 (Unaudited)	% of total	RMB'000 (Unaudited)	% of total	Change %
Cost of the finance and advisory segment	2,530,199	72.15%	1,940,820	75.61%	30.37%
Cost of the industrial operation segment	978,557	27.85%	626,047	24.39%	56.31%
Cost of sales	3,508,756	100.00%	2,566,867	100.00%	36.69%

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					
	2017			2016		
	Average balance[1] RMB'000 (Unaudited)	Interest expense RMB'000 (Unaudited)	Average cost rate[2]	Average balance[1] RMB'000 (Unaudited)	Interest expense RMB'000 (Unaudited)	Average cost rate[2]
Interest-bearing liabilities	117,745,355	2,530,199	4.30%	88,183,248	1,940,820	4.40%

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.

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The cost of sales of financial and advisory segment increased from RMB1,940,820,000 for the first half of 2016 to RMB2,530,199,000 for the first half of 2017. The average cost rate of the Group was 4.30% for the first half of 2017, representing a decrease as compared to the first half of 2016. It is mainly due to the fact that:

(i) in the first half of 2017, in the external market where the overall liquidity was tight with increasing financing cost, the Group deepened the core channels of banks, actively expanded bank resources, enlarged extraction of bilateral loans with the proportion of bilateral loans extraction increased from 40% to 58% year on year, resulting in the increase of 0.12% in the average cost rate in the first half of 2017; (ii) the Group adhered to the "diversified resources" financing strategy, increasing the proportion of direct financing by issuing corporate bonds, short-term financial bonds and medium term notes before 2017; meanwhile, using the window period, the Group extracted free trade zone (FTZ) loans, foreign direct loans and other products. The advantage of low cost of stock interest-bearing liabilities began to show in the first half of 2017, accounting for 79% of the average balance of stock interest-bearing liabilities. As the proportion of that part was larger, the average cost rate in the first half of 2017 decreased by 0.38%. (iii) since 1 May 2016, the policy of "replacing business tax with value-added tax" has been implemented in the finance industry, and the output value-added tax rate for financial institutions is 6%, which led to the decrease in amount of interest expense deductible for value-added tax, such effects resulted in an increase of approximately 0.16% of average cost rate. With decreasing balance of stock interest-bearing liabilities and increasing proportion of the additional interest-bearing liabilities in the year, the average cost rate at the end of the year was expected to increase but remained more competitive than the other industry players.

In the second half of 2017, under the guidance of "resources globalization" strategy, 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 continue to deepen the existing cooperation with banks and financial institutions to enlarge the credit size; (ii) the Group will actively monitor the direct financing market and continue to enrich direct financing products; (iii) the Group will pay attention to overseas markets to enlarge overseas financing as appropriate in order to expand resources channels.

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				
	2017		2016		
	RMB'000 (Unaudited)	**% of total**	RMB'000 (Unaudited)	% of total	Change %
Cost of the industrial operation segment	**978,557**	**100.00%**	626,047	100.00%	56.31%
Of which:					
Cost of operating lease	**281,752**	**28.79%**	230,605	36.84%	22.18%
Cost of hospital operation	**404,626**	**41.35%**	165,620	26.45%	144.31%
Cost of trading	**109,983**	**11.24%**	64,755	10.34%	69.84%
Cost of education institution operation	**45,953**	**4.70%**	30,467	4.87%	50.83%

Cost of operating lease of the Group increased by 22.18% to RMB281,752,000 in the first half of 2017 from RMB230,605,000 in the first half of 2016 mainly due to the addition in the leased assets resulting from the rapid growth of the operating leasing business of the Group.

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The cost of hospital operation of the Group increased to RMB404,626,000 in the first half of 2017 from RMB165,620,000 in the corresponding period in 2016, mainly due to the consolidation of the five hospitals through mergers and acquisitions in the second half of last year into the first half of this year as well as the internal infrastructure construction and upgrade of medical equipment for existing hospitals of the Group, leading to the significant increase in cost of hospital operation of the Group during the year. The Group's subordinate hospitals then adhered to the focus on development and construction of disciplines to enhance the core competitiveness of the hospitals and strengthen horizontal interaction and complementation between hospitals of the Group. Through enhancing operating efficiency and economies of scales, the Group will gradually lower operating cost rate and raise the management level.

In the first half of 2017, with the approaching completion of preparation of some new kindergartens, the labor costs of Chinese and foreign teachers and the housing leasing and decoration amortization were increased. The operating cost of educational institutions in the first half of 2017 was RMB45,953,000, representing an increase of 50.83% as compared to the first half of 2016.

In the first half of 2017, the Group's cost of trading business was RMB109,983,000, representing an increase of 69.84% as compared to the corresponding period of the previous year. The cost of trade is mainly for the medical, construction-related trade business equipment procurement and related tax costs.

2.4 Gross Profit

The gross profit of the Group for the first half of 2017 increased by RMB749,655,000 or 15.90% to RMB5,463,455,000 from RMB4,713,800,000 in the corresponding period of the previous year. For the first half of 2017 and 2016, the gross profit margin of the Group was 60.89% and 64.74%, 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 2017 was 67.09%, down from 70.62% 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		
	2017	2016	
	RMB'000	RMB'000	Change %
	(Unaudited)	(Unaudited)	
Interest income[1]	**4,816,021**	3,967,770	21.38%
Interest expense[2]	**2,530,199**	1,940,820	30.37%
Net Interest income	**2,285,822**	2,026,950	12.77%
Net interest spread[3]	**1.94%**	1.81%	0.13%
Net interest margin[4]	**2.96%**	3.17%	-0.21%

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.

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Net interest spread of the Group for the first half of 2017 increased by 0.13 percentage point to 1.94% as compared with 1.81% for the corresponding period of the previous year. The increase in net interest spread was primarily due to the increase of 3 basis points in the average yield on interest-earning assets of the Group and the decrease of 10 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 12.77% to RMB2,285,822,000 for the first half of 2017 from RMB2,026,950,000 for the first half of 2016. Net interest spread of the Group for the first half of 2017 recorded an increase as compared to the corresponding period of the previous year while the average cost on interest-bearing liabilities of the Group decreased during the period. However, the proportion of non-interest-bearing liabilities in the average balance of interest-earning assets decreased from 31.0% for the corresponding period of last year to 23.7% for this period, leading to the decrease of 0.31 percentage point in the net interest margin. Based on the above-mentioned reasons, the net interest margin of the Group decreased by 0.21 percentage point to 2.96% as compared with 3.17% for the corresponding period of the previous year.

2.4.2 Gross Profit of the Industrial Operation Segment

The gross profit of the industrial operation segment increased by 116.90% to RMB356,892,000 during the first half of 2017 from RMB164,540,000 for the first half of 2016. Among which, the gross profit of the operating leasing business and the hospital operation were RMB162,141,000 and RMB186,052,000 respectively, accounting for 45.43% and 52.13% of the total gross profit of the industrial operation segment.

Based on the rapid development of hospital operating income in the first half of 2017, through scientific management, hospitals under the Group made horizontal interactions and the Group optimized its medical quality and pricing structure, which resulted in an overall stable gross profit margin of 31.50% (the first half of 2016: 29.70%).

In the first half of 2017, the gross profit of the education institutions operation was RMB25,346,000, with gross profit margin of 35.55% (the first half of 2016: 39.72%). Recently, three kindergartens and one international school have fulfilled their enrolment quota and the remaining two kindergartens and one international school have not fulfilled their enrolment quota. The gross profit is expected to further increase after all kindergartens and international schools fulfilled their enrolment quota.

The gross profit of operating leasing increased by 202.48% from RMB53,604,000 for the first half of 2016 to RMB162,141,000 for the first half of 2017, mainly due to the fact that while increasing the size of operating lease equipment, the Group enhanced reasonable allocation of equipment according to the customer needs in the industry to raise the leasing efficiency of equipment.

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	For the six months ended 30 June				
	2017		2016		
	RMB'000	Gross profit margin %	RMB'000	Gross profit margin %	Change %
	(Unaudited)		(Unaudited)		
Gross profit of the industrial operation segment	356,892	26.72%	164,540	20.81%	116.90%
Of which:					
Gross profit of operating leasing	162,141	36.53%	53,604	18.86%	202.48%
Gross profit of hospital operation	186,052	31.50%	69,958	29.70%	165.95%
Gross profit of trading	5,803	5.01%	12,089	15.73%	-52.00%
Gross profit of education institution operation	25,346	35.55%	20,079	39.72%	26.23%

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		
	2017	2016	
	RMB'000	RMB'000	Change %
	(Unaudited)	(Unaudited)	
Bank interest income	11,302	24,343	-53.57%
Gains from deductible inter-group loans[(1)]	–	56,381	-100.00%
Gains from structured financial products	21,819	2,948	640.13%
Government grants	6,564	5,934	10.62%
Net income from the holdings of off-balance-sheet assets[(2)]	112,267	11,739	856.36%
Financial equity investment income[(3)]	26,118	–	N/A
Gains from the transfer of financial assets[(4)]	17,769	36,201	-50.92%
Other income	4,967	6,692	-25.78%
Total	200,806	144,238	39.22%

Note:

(1) The decrease in the gains from deductible inter-group loans is mainly affected by the policy of "replacing business tax with value-added tax" for turnover tax in China in 2016. The payable tax rate and the deductible tax rate remains flat for the business after the implementation of "replacing business tax with value-added tax".

(2) For the holding of off-balance-sheet assets of the Group, the net income of the year was recognized according to the expected yield and expected loss rate of such holding. For the changes in respect of the off-balance-sheet assets of the Group, please refer to the discussion and analysis in paragraph 3.3 of this section.

(3) The Group's financial equity investment income was mainly gains on transfer of the available-for-sale financial assets.

(4) The Group's gains from transfer of financial assets are the premium of interest-bearing assets gained from issuing asset-backed securities of the Group.

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2.6 Selling and Administrative Expenses

Selling and administrative expenses of the Group in the first half of 2017 were RMB2,043,913,000, representing an increase of RMB365,523,000 or 21.78% from the corresponding period of the previous year. The change in selling and administrative expenses was mainly due to the cost regarding the remuneration and welfare of staff relating to the administrative expenses increased by RMB269,730,000 or 20.01% from 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 7,036 in the first half of 2016 to 9,595 in the first half of 2017.

Cost to income ratio of the Group in the first half of 2017 was 37.41%, which was slightly higher as compared with 35.61% of the corresponding period of the previous year.

2.7 Other Expenses

Other expenses of the Group in the first half of 2017 amounted to RMB218,488,000, representing an increase of RMB88,330,000 or 67.86% from the corresponding period of the previous year. Other expenses comprised foreign exchange loss of RMB32,905,000, remaining at a stable level as compared to RMB30,250,000 in the corresponding period of the previous year.

2.8 Pre-Provision Operating Profit

Pre-provision operation profit of the Group in the first half of 2017 amounted to RMB3,297,269,000, representing an increase of RMB331,514,000 or 11.18% from the corresponding period of the previous year. The increase of 11.18% in pre-provision operating profit was mainly due to the increase of 23.23% in the Group's revenue, the increase of 36.69% in cost of sales as compared to the corresponding period of the previous year, leading to the increase of 15.90% in gross profit of the Group during the period as well as the increase of 21.78% in selling and administrative expenses. For the changes in respect of the revenue, cost of sales, gross profit and selling and administrative expenses, please refer to the discussion and analysis in paragraphs 2.2, 2.3, 2.4 and 2.6 of this section. In view of the above, in face of the changes in the external objective environment, the Group adopted a prudent and stable development strategies. The interest expenditures increased significantly due to the complicated and changing external financing market. At the same time, industrial operation was at the early stage of rapid growth and investment period, hence the growths in costs and selling and administrative expenses were rapid, resulting in the decrease in the growth in pre-provision operating profit as compared to the growth in revenue. It is expected that with gradual stabilization of the external market environment in future and the gradual increase in industrial operating business scale and internal operating efficiency, the pre-provision operating profit of the Group will show a stable and growing trend.

2.9 Provision for Assets

The following table sets forth a breakdown of our provision for assets for the periods indicated:

	For the six months ended 30 June				
	2017		2016		
	RMB'000 (Unaudited)	Proportion %	RMB'000 (Unaudited)	Proportion %	Change %
Provision for interest-earning assets	758,483	76.35%	860,660	97.73%	-11.87%
Provision for accounts receivable	53,561	5.39%	19,781	2.25%	170.77%
Provision for other receivables	24,895	2.51%	192	0.02%	12866.15%
Provision for inventories	8,023	0.81%	–	–	N/A
Provision for fixed assets	148,403	14.94%	–	–	N/A
Total	993,365	100.00%	880,633	100.00%	12.80%

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2.10 Income Tax Expense

Income tax expense of the Group in the first half of 2017 was RMB684,358,000, which increased by RMB64,660,000 or 10.43% 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 income tax rate of the Group in the first half of 2017 was 29.7%, which remained stable as compared to the corresponding period of the previous year. The following table sets forth a breakdown of particulars of the income tax rate:

	For the six months ended 30 June		
	2017	2016	
	(Unaudited)	(Unaudited)	Change%
Domestic statutory tax rate	**25.0%**	25.0%	
Cross-border business withholding income tax[(1)]	**1.2%**	3.8%	-2.6%
Others[(2)]	**3.5%**	0.9%	2.6%
Total	**29.7%**	29.7%	–

Notes:

(1) The decrease in cross-border business withholding income tax was due to, (i) the increase in domestic financing ratio in the first half of 2017 and the decrease in the size of cross-border financing transactions within the Group; (ii) the decrease of the withholding tax on the distributable profits of the Group's subsidiaries in Mainland China.

(2) The other increase was mainly due to the increase in overseas income tax.

2.11 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 RMB1,619,032,000, which increased by RMB179,541,000 or 12.47% from the corresponding period of the previous year.

2.12 Basic Earnings per Share

Basic earnings per share for the period amounted to RMB0.42, representing an increase of RMB0.05 or 13.51% from the corresponding period of the previous year. Profit for the period attributable to holders of ordinary shares of the Company for the period increased by 12.47% as compared to the corresponding period of the previous year. The Group acquired the shares of the Company for the Restricted Share Award Scheme, leading to the decrease in the weighted average number of outstanding ordinary shares of the Group during the period as compared to the corresponding period of the previous year.

3. Analysis of Financial Position

3.1 Assets (Overview)

As at 30 June 2017, the total assets of the Group increased by RMB30,424,939,000 or 18.27% from the end of the previous year to RMB196,985,860,000. Loans and accounts receivable increased by RMB28,821,382,000 or 20.76% from the end of the previous year to RMB167,622,759,000.

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

	30 June 2017		31 December 2016		
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	Change %
Loans and accounts receivable	167,622,759	85.09%	138,801,377	83.33%	20.76%
Cash and cash equivalents	2,790,075	1.42%	2,051,307	1.23%	36.01%
Restricted deposits	3,043,840	1.55%	2,461,364	1.48%	23.66%
Holding of asset-backed securities/notes	3,239,306	1.64%	2,350,662	1.41%	37.80%
Assets with continuing involvement	3,294,083	1.67%	2,398,981	1.44%	37.31%
Prepayment and other accounts receivable	2,571,821	1.31%	5,241,576	3.15%	-50.93%
Deferred tax assets	2,491,367	1.26%	1,907,364	1.15%	30.62%
Property, plant and equipment	5,413,399	2.75%	4,995,714	3.00%	8.36%
Prepaid land lease payments	1,234,987	0.63%	1,215,828	0.73%	1.58%
Investment in joint ventures	1,534,566	0.78%	1,404,870	0.84%	9.23%
Investment in associates	382,104	0.19%	263,700	0.16%	44.90%
Available-for-sale financial assets	214,794	0.11%	289,889	0.17%	-25.90%
Financial assets held for trading	1,144,111	0.58%	721,239	0.43%	58.63%
Derivative financial instruments	460,459	0.23%	1,382,876	0.83%	-66.70%
Inventories	326,009	0.17%	246,057	0.15%	32.49%
Construction contracts	53,073	0.03%	44,129	0.03%	20.27%
Goodwill	1,122,558	0.57%	748,821	0.45%	49.91%
Other assets	46,549	0.02%	35,167	0.02%	32.37%
Total assets	196,985,860	100.00%	166,560,921	100.00%	18.27%

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 85.08% of the total assets of the Group as of 30 June 2017. In the first half of 2017, the Group adjusted development strategies for each industry based on dynamic environment and industry situation to develop relevant markets and strengthened its risk control in a prudent manner to, while safeguarding its assets, implement ongoing and stable expansion of the financial business so as to maintain stable growth in both the number of customers served and the number of new contracts entered into by the Group and keep the net interest-earning assets increase steadily.

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

	30 June 2017		31 December 2016		
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	Change %
Interest-earning assets	168,795,841		139,798,341		20.74%
Less: interest-earning assets provisions	(3,463,496)		(2,946,686)		17.54%
Net interest-earning assets[1]	165,332,345	98.63%	136,851,655	98.60%	20.81%
Others[2]	2,290,414	1.37%	1,949,722	1.40%	17.47%
Net loans and accounts receivable	167,622,759		138,801,377		20.76%

Notes:

(1) Interest-earning assets include receivable finance lease, 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 2017 were RMB168,795,841,000, representing an increase of 20.74% as compared with RMB139,798,341,000 as of 31 December 2016. 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 and steady expansion of financial business of the Group on a basis of the Group's effective risk control in the first half of 2017.

Management Discussion and Analysis

3.2.2 Net Interest-earning Assets by Industry

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

	30 June 2017		31 December 2016		
	RMB'000	% of total	RMB'000	% of total	Change %
	(Unaudited)		(Audited)		
Healthcare	39,481,345	23.39%	31,584,432	22.59%	25.00%
Education	30,578,415	18.12%	25,262,019	18.07%	21.05%
Infrastructure construction	21,977,357	13.02%	20,408,257	14.60%	7.69%
Transportation	14,262,471	8.45%	11,305,210	8.09%	26.16%
Packaging	14,241,023	8.44%	12,570,982	8.99%	13.28%
Industrial Machinery	16,373,463	9.70%	15,155,313	10.84%	8.04%
Comprehensive development	10,130,937	6.00%	6,326,613	4.53%	60.13%
Electronic information	12,340,620	7.31%	9,722,460	6.95%	26.93%
Urban public utilities	9,251,090	5.48%	7,281,104	5.21%	27.06%
Others	159,120	0.09%	181,951	0.13%	-12.55%
Total	168,795,841	100.00%	139,798,341	100.00%	20.74%

Note:

(1) Net interest-earning assets for healthcare and education as of 30 June 2017 grew the most in amount among the target industries of the Group, namely by RMB7,896,913,000 and RMB5,316,396,000, respectively over those as at 31 December 2016. 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 infrastructure construction and industrial machinery.

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3.2.3 Net Interest-earning Assets by Region

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

	30 June 2017		31 December 2016	
	RMB'000	% of total	RMB'000	% of total
	(Unaudited)		(Audited)	
Northeast China	17,714,011	10.49%	11,844,952	8.50%
Northern China	24,138,121	14.30%	18,197,391	13.02%
Eastern China	42,006,350	24.89%	43,638,738	31.22%
Southern China	15,632,977	9.26%	13,537,396	9.68%
Central China	22,036,399	13.06%	19,000,338	13.59%
Northwest China	13,043,574	7.73%	8,875,007	6.35%
Southwest China	34,224,409	20.28%	24,664,519	17.64%
Total	168,795,841	100.00%	139,798,341	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 and factoring contracts.

	30 June 2017		31 December 2016		
	RMB'000	% of total	RMB'000	% of total	Change %
	(Unaudited)		(Audited)		
Net interest-earning assets					
With 1 year	99,456,732	58.92%	80,457,796	57.55%	23.61%
1 to 2 years	46,839,247	27.75%	36,838,840	26.35%	27.15%
2 to 3 years	13,110,472	7.77%	13,728,718	9.82%	-4.50%
3 years and beyond	9,389,390	5.56%	8,772,987	6.28%	7.03%
Total	168,795,841	100.00%	139,798,341	100.00%	20.74%

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 2017, net interest-earning assets within one year as set out in the table above represented 58.92% of net interest-earning assets of the Group, which remained stable as compared to the previous year.

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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 2017		31 December 2016		
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	Change %
Maturity date					
Within 1 year	62,838,852	37.23%	53,359,728	38.17%	17.76%
1 to 2 years	47,057,726	27.88%	39,550,951	28.29%	18.98%
2 to 3 years	32,233,454	19.10%	26,164,131	18.72%	23.20%
3 years and beyond	26,665,809	15.80%	20,723,531	14.82%	28.67%
Total	168,795,841	100.00%	139,798,341	100.00%	20.74%

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 2017, net interest-earning assets due within one year as set forth in the table above represented 37.23% 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.

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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 2017, the recovery of global economy created a favourable external environment. The PRC government emphasized on strengthening the supply side reform, facilitated the innovation-driven development and economic transformation and upgrade, and maintained stable operation of the national economy. With the transformation of management system, customer base moving upwards, optimization of asset allocation and risk control, diversified methods of asset process monitoring and the enhanced ability of disposal of non-performing asset, the Group's asset quality showed a stabilizing trend with improvement during the reporting period.

Strengthening the industry and customer management and optimizing the asset allocation and risk control

In the first half of 2017, the Group reviewed the criteria for classification of matured segments related to our business based on the historical non-performing rate in the industry and external practices, made reasonable adjustment to industry classification, and continuously increased the resource support to industries encouraged by the government. Effective industrial asset allocation was made in the first half of 2017 with investment in industries encouraged by the government accounting for over half of the new investment made in the first half of the year. For new industries, we made investment in industrial leaders or listed companies so as to reduce the uncontrollable risk in unknown areas.

For change in customer base, the Group also continuously optimized the risk management related to customers. On the basis of industry classification, we also strengthened the utilization of customer assessment to implement the combined management of "industry" and "customer". We strictly prohibited the introduction of low-end customers in industries with high risk and encouraged the introduction of customers with rating of BBB and above. We continued to implement the differentiation management for state-owned companies, listed companies and non-state-owned companies, specified the characteristics of industries with high risk and strengthened the identification and management control. The Group also further refined its management of credit facilities to prevent the grant of oversized credit facilities to quality customers.

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Refining the project operation and prioritization management and control and strengthening detailed implementation and the model of function prioritization

In the first half of 2017, based on the basic systems of credit management, the Group continued to facilitate all sectors to gradually implement the standards of income verification, debt identification, investment confirmation and formulation of risk management measures, further standardized the requirements for credit management practices and reduced the discretionary decision. The Group also formulated comprehensive rules of "sectional" supervision and inspection, strengthened the management members' responsibility for management and control, and continuously carried out sharing of risk cases to enhance the awareness and skills of staff responsible for risk control.

In the first half of 2017, the necessity of regional risk management and control was further evidenced. Through the pilot operation of two business regions, namely the "southern region" centered by Shenzhen and the "central region" centered by Zhengzhou, the risk management and control prioritization model advocated by the Group became more mature with necessary staff in place and was ready for further promotion of application. Currently, the establishment of the "northern region" and "western region" business operation centers and the gradual implementation of regional risk information collection and management and control significantly alleviated the issue of information mismatch due to far distance away from customers, thereby facilitating the successful identification of risk projects and prevention of introduction of risk assets during the first half of the year.

Enhancing the effectiveness of process monitoring system and strengthening the risk prevention and mitigation

In the first half of 2017, the Group continued to enhance the asset monitoring system. For asset management localization, reasonable regional allocation of talents was formed, and customer coverage and response to abnormalities experienced continuous enhancement. For network monitoring system, the Group continued to expand the scope of risk information monitoring, and implemented a comprehensive and ongoing information monitoring and warning feedback mechanism.

In the first half of 2017, based on the strict asset monitoring system, the Group enhanced its ability in risk identification and mitigation. Through the anticipation of risk exposure, the Company formulated targeted measures for risk prevention, seized the preemptive opportunity of risk mitigation, and took active approaches such as prelitigation preservation, debt restructuring and increase of measures against risk to mitigate potential risk in a timely and effective manner and prevent the decline of asset quality.

Optimizing management mechanism on risk mitigation to enhance the ability in risk asset disposal

In the first half of 2017, the Group continued to optimize the management system on risk disposition, and included the standardized litigation documents into the online contract database of the Company for unified management. The Group improved the system of external service procurement for disposal of non-performing assets and simplified relevant procedures. It also established a national judicial resource network to provide powerful support of resources and enhance the litigation efficiency.

In the first half of 2017, the Group continued to enhance its ability in disposal of non-performing assets, strengthened the working mechanism, specified the management responsibility and disposal objective, implemented the mechanism combining incentives and restraints, and sought breakthrough in innovation of disposal guidelines and methods, which achieved effective results in disposal of material non-performing assets.

Management Discussion and Analysis

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

	30 June 2017		31 December 2016		31 December 2015		31 December 2014	
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	RMB'000 (Audited)	% of total	RMB'000 (Audited)	% of total
Pass	151,671,911	89.86%	124,443,723	89.02%	105,643,641	86.61%	86,066,609	85.36%
Special mention	15,524,011	9.20%	13,965,494	9.99%	15,143,803	12.42%	13,841,631	13.73%
Substandard	1,098,125	0.64%	853,232	0.61%	793,889	0.65%	597,030	0.59%
Doubtful	501,794	0.30%	535,892	0.38%	389,145	0.32%	323,302	0.32%
Loss	–	–	–	–	–	–	–	–
Net interest-earning assets	168,795,841	100.00%	139,798,341	100.00%	121,970,478	100.00%	100,828,572	100.00%
Non-performing assets	1,599,919		1,389,124		1,183,034		920,332	
Non-performing asset ratio	0.95%		0.99%		0.97%		0.91%	

The Group has established prudent asset quality control and adhered to a stringent and conservative asset classification policy. As at 30 June 2017, the Group's assets under special mention accounted for 9.20% of its net interest-earning assets, representing a decrease by 0.79% from 9.99% at the end of 2016 mainly as the Group continued to implement the reform in its management system, and significantly optimized the structure of its customer base. In particular, assets under special mention in the transportation industry accounted for the largest portion of 19.70%. The shipping industry gradually showed sign of recovery. However, the problems of insufficient long-term demand and over-capacity could hardly get any significant alleviation. The Group prudently monitored assets in this sector and kept close attention to the systematic risks of such industry. The assets under special mention in the machinery industry accounted for the second largest portion at 16.28%. As the manufacturing industry remained to be in the process of capacity cut, the overall investment sentiment was relatively sluggish, the enterprises were still in operation difficulty and will remain to be under pressure before the pick-up in the industry. As such, the Group continued to take prudent approaches and reclassified more assets in this sector as assets under special mention. The assets under special mention in the healthcare industry accounted for the third largest portion at 15.13%, attributable to the large investment of the infrastructure of certain healthcare institutions and their related parties with high debts. The Group prudently kept this asset class under ongoing supervision. Assets under special mention in the packaging industry accounted for the fourth largest portion at 12.24%, mainly attributable to the fact that certain SME clients in packaging industry experienced decline in operation with tight liquidity and frequent overdue payment. The Group prudently reclassified more assets in this sector as assets under special mention.

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 2017		31 December 2016		31 December 2015		31 December 2014	
	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total
	(Unaudited)		(Audited)		(Audited)		(Audited)	
Healthcare	2,348,671	15.13%	2,299,614	16.47%	2,665,640	17.60%	2,163,851	15.63%
Education	1,414,602	9.11%	816,376	5.85%	1,228,615	8.11%	1,092,498	7.89%
Infrastructure construction	1,406,592	9.06%	1,286,848	9.21%	984,774	6.50%	1,208,022	8.73%
Transportation	3,058,709	19.70%	3,193,299	22.87%	3,803,153	25.11%	3,203,122	23.14%
Packaging	1,900,192	12.24%	1,860,066	13.32%	2,059,459	13.60%	2,002,526	14.47%
Industrial Machinery	2,527,027	16.28%	2,178,558	15.60%	1,988,419	13.13%	1,676,805	12.11%
Comprehensive development	1,041,950	6.71%	929,650	6.66%	464,485	3.07%	220,133	1.59%
Electronic information	939,918	6.06%	657,479	4.71%	1,027,950	6.79%	1,043,528	7.54%
Urban public utilities	886,350	5.71%	743,604	5.31%	915,313	6.05%	1,145,490	8.28%
Others	–	–	–	–	5,995	0.04%	85,656	0.62%
Total	15,524,011	100.00%	13,965,494	100.00%	15,143,803	100.00%	13,841,631	100.00%

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

	30 June 2017	31 December 2016	31 December 2015	31 December 2014
	% of total	% of total	% of total	% of total
	(Unaudited)	(Audited)	(Audited)	(Audited)
Pass	10.68%	6.84%	6.60%	8.59%
Special attention	58.46%	40.15%	43.05%	51.83%
Substandard	3.65%	4.39%	2.18%	2.16%
Doubtful	0.08%	1.21%	1.42%	0.07%
Loss and write-off	–	–	–	–
Recovery	27.14%	47.41%	46.75%	37.35%
Total	100.00%	100.00%	100.00%	100.00%

The Group's asset quality remained favourable. The non-performing asset ratio decreased by 0.04% from 0.99% at the end of the previous year to 0.95% as of 30 June 2017.

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The non-performing asset ratio for the transportation industry to total non-performing assets was 47.93%, mainly because the single project amount of transportation vessel project was relatively large, and the prolonged downturn in shipping market led to the operation difficulty of certain vessel clients. Besides, the non-performing vessel asset takes a longer disposal period. 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 20.91%, which was due to the fact that mostly SME corporates were strained in production operation and involved in economic disputes and litigations with severe level of overdue payment. The Group prudently reclassified more assets of the segment into substandard and doubtful assets.

The non-performing assets of the machinery industry accounted for 11.28% of the total non-performing assets, mainly due to the severe over-capacity in certain industries and increase in price of raw material, which led to the decrease in profit margin of the customers overburdened with debts. The Group prudently reclassified the assets with the above problems in this segment into substandard and doubtful assets.

The non-performing assets of the infrastructure construction industry accounted for 8.3% of the total non-performing assets, mainly because of the decrease in state fixed assets investment, the slowdown in the growth of the construction industry for houses and highways, and deteriorated operation of certain customers. The Group prudently reclassified the assets with the above problems in this 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 2017		31 December 2016		31 December 2015		31 December 2014	
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	RMB'000 (Audited)	% of total	RMB'000 (Audited)	% of total
Healthcare	44,639	2.79%	25,244	1.82%	13,196	1.11%	8,116	0.88%
Education	15,413	0.96%	11,641	0.84%	1,607	0.14%	3,557	0.39%
Infrastructure construction	132,715	8.30%	175,729	12.65%	223,328	18.88%	101,783	11.06%
Transportation	766,908	47.93%	557,433	40.13%	422,961	35.75%	478,051	51.94%
Packaging	334,554	20.91%	313,235	22.55%	313,142	26.47%	184,098	20.00%
Industrial Machinery	180,453	11.28%	185,474	13.35%	97,468	8.24%	120,802	13.13%
Comprehensive development	41,289	2.58%	44,094	3.17%	25,371	2.14%	9,048	0.98%
Electronic information	7,800	0.49%	7,800	0.56%	20,526	1.74%	14,877	1.62%
Urban public utilities	12,673	0.79%	5,000	0.36%	–	–	–	–
Others	63,475	3.97%	63,474	4.57%	65,435	5.53%	–	–
Total	1,599,919	100.00%	1,389,124	100.00%	1,183,034	100.00%	920,332	100.00%

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

	30 June 2017		31 December 2016		31 December 2015		31 December 2014	
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	RMB'000 (Audited)	% of total	RMB'000 (Audited)	% of total
Healthcare	32,152	2.93%	17,986	2.10%	7,724	0.97%	3,403	0.57%
Education	4,683	0.43%	–	–	–	–	1,779	0.30%
Infrastructure construction	68,876	6.27%	94,396	11.06%	157,634	19.86%	56,582	9.48%
Transportation	680,311	61.95%	446,825	52.37%	281,559	35.46%	302,711	50.70%
Packaging	211,524	19.26%	217,532	25.50%	237,288	29.89%	119,926	20.09%
Industrial Machinery	74,526	6.79%	61,427	7.20%	61,742	7.78%	104,415	17.49%
Comprehensive development	13,380	1.22%	15,065	1.77%	21,287	2.68%	4,909	0.82%
Electronic information	–	–	–	–	16,445	2.07%	3,305	0.55%
Urban public utilities	12,673	1.15%	–	–	–	–	–	–
Others	–	–	–	–	10,210	1.29%	–	–
Total	1,098,125	100.00%	853,232	100.00%	793,889	100.00%	597,030	100.00%

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

	30 June 2017		31 December 2016		31 December 2015		31 December 2014	
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	RMB'000 (Audited)	% of total	RMB'000 (Audited)	% of total
Healthcare	12,487	2.49%	7,258	1.35%	5,472	1.41%	4,713	1.46%
Education	10,730	2.14%	11,641	2.17%	1,607	0.41%	1,778	0.55%
Infrastructure construction	63,840	12.72%	81,333	15.18%	65,694	16.88%	45,201	13.98%
Transportation	86,596	17.26%	110,607	20.64%	141,402	36.34%	175,340	54.23%
Packaging	123,030	24.52%	95,703	17.86%	75,854	19.49%	64,172	19.85%
Industrial Machinery	105,927	21.11%	124,047	23.15%	35,726	9.18%	16,387	5.07%
Comprehensive development	27,909	5.56%	29,029	5.42%	4,084	1.05%	4,139	1.28%
Electronic information	7,800	1.55%	7,800	1.46%	4,081	1.05%	11,572	3.58%
Urban public utilities	–	–	5,000	0.93%	–	–	–	–
Others	63,475	12.65%	63,474	11.84%	55,225	14.19%	–	–
Total	501,794	100.00%	535,892	100.00%	389,145	100.00%	323,302	100.00%

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

	30 June 2017		31 December 2016		31 December 2015		31 December 2014	
	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	–	–	–	–	–	–	–	–
Electronic information	–	–	–	–	–	–	–	–
Urban public utilities	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–
Total	–	–	–	–	–	–	–	–

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

	30 June 2017 RMB'000	31 December 2016 RMB'000	31 December 2015 RMB'000
At the beginning of the year	1,389,124	1,183,034	920,332
Downgrades[1]	584,791	989,462	1,033,727
Upgrades	(56)	(94,433)	(37,013)
Recoveries	(301,509)	(336,154)	(481,950)
Write-off and loss	(72,431)	(352,785)	(252,062)
At the end of the year	1,599,919	1,389,124	1,183,034
NPA ratio	0.95%	0.99%	0.97%

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 year to non-performing categories.

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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 2017		31 December 2016		31 December 2015		31 December 2014	
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	RMB'000 (Audited)	% of total	RMB'000 (Audited)	% of total
Interest-earning Assets Provisions:								
Individual assessment	688,914	19.89%	558,366	18.95%	392,455	16.48%	407,940	20.27%
Collective assessment	2,774,582	80.11%	2,388,320	81.05%	1,988,296	83.52%	1,604,453	79.73%
Total	3,463,496	100.00%	2,946,686	100.00%	2,380,751	100.00%	2,012,393	100.00%
Non-performing assets	1,599,919		1,389,124		1,183,034		920,332	
Provision coverage ratio	216.48%		212.13%		201.24%		218.66%	

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 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)	31 December 2015 RMB'000 (Audited)	31 December 2014 RMB'000 (Audited)
Write-off	72,431	352,785	252,062	122,924
Non-performing assets as at the end of the previous year	1,389,124	1,183,034	920,332	646,436
Write-off ratio(1)	5.21%	29.82%	27.39%	19.02%

Note:

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

In the first half of 2017, according to the requirements of the accounting standards, the Group wrote off bad debts of RMB72,431,000, mainly distributed in the packaging, industrial machinery, transportation and infrastructure construction industries, which respectively account for RMB23,029,000, RMB18,128,000, RMB13,921,000, and RMB12,198,000. Despite the Group's effort in collection through judicial means, actionable assets were unable to cover risk exposure of projects at the moment. Although the Group is required to write-off the bad debts of the relevant non-performing assets pursuant to the requirements of the accounting standards, the Group has not stopped the disposal of assets, and continued to collect the payment through disposal of equipment, demand for payment and exerting pressure on guarantors. From 2011 to the first half of 2017, the written-off bad debts amounted RMB810,590,000 and RMB26,312,000 has been recovered.

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 2017	31 December 2016	31 December 2015	31 December 2014
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Audited)	(Audited)	(Audited)
Overdue ratio (over 30 days)	**0.84%**	0.98%	1.08%	0.91%

As a result of the Group's prudent strategies of risk control and asset management, with the customer base moving upwards and the implementation of more effective process regulation and control, the general asset quality remains stable with improvement. The Group's lease overdue ratio (over 30 days) was 0.84% as at 30 June 2017, representing 0.14 percentage point lower than 0.98% as of the end of 2016.

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

	30 June 2017		31 December 2016	
	RMB'000	**% of total**	RMB'000	% of total
	(Unaudited)		(Audited)	
Healthcare	**11,953**	**0.85%**	198,831	14.55%
Education	**242,340**	**17.16%**	13,865	1.01%
Infrastructure construction	**131,137**	**9.29%**	259,141	18.96%
Transportation	**319,700**	**22.64%**	279,028	20.42%
Packaging	**313,748**	**22.22%**	223,406	16.35%
Industrial Machinery	**123,071**	**8.72%**	131,508	9.62%
Comprehensive development	**150,668**	**10.67%**	39,702	2.91%
Electronic information	**55,877**	**3.96%**	7,800	0.57%
Urban public utilities	**–**	**0.00%**	149,684	10.95%
Others	**63,475**	**4.50%**	63,474	4.66%
Total	**1,411,970**	**100.00%**	1,366,439	100.00%

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

	30 June 2017		31 December 2016	
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total
Pass	6,574	0.47%	–	–
Special mention	560,386	39.69%	586,898	42.95%
Substandard	362,903	25.70%	274,200	20.07%
Doubtful	482,108	34.14%	505,341	36.98%
Loss	–	–	–	–
Total	1,411,970	100.00%	1,366,439	100.00%

3.3 Asset-backed Securities/Notes-related Assets Items and etc.

The following table sets forth total interest-earning assets which were sold by means of asset-backed securities/notes and etc. since 2015 as of the dates indicated.

	30 June 2017		31 December 2016	
	RMB million (Unaudited)	% of total	RMB million (Unaudited)	% of total
Healthcare	11,070	20.18%	9,227	21.73%
Education	17,891	32.62%	12,790	30.12%
Infrastructure construction	12,307	22.44%	9,463	22.29%
Transportation	1,391	2.54%	741	1.75%
Packaging	672	1.23%	550	1.30%
Industrial machinery	2,313	4.22%	2,198	5.18%
Comprehensive development	921	1.68%	550	1.30%
Electronic information	5,617	10.24%	4,739	11.16%
Urban public utility	2,669	4.85%	2,196	5.17%
Others	–	–	–	–
Total	54,851	100.00%	42,454	100.00%

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The following table sets forth balance of interest-earning assets which were sold by means of asset-backed securities/notes and etc. as of the dates indicated.

	30 June 2017		31 December 2016		
	RMB million (Unaudited)	% of total	RMB million (Unaudited)	% of total	Change %
Healthcare	7,056	20.76%	6,732	22.98%	4.81%
Education	12,303	36.21%	9,254	31.60%	32.95%
Infrastructure construction	6,957	20.47%	5,672	19.36%	22.66%
Transportation	1,095	3.22%	1,051	3.59%	4.19%
Packaging	353	1.04%	298	1.02%	18.46%
Industrial machinery	943	2.78%	1,346	4.59%	-29.94%
Comprehensive development	460	1.35%	183	0.62%	151.37%
Electronic information	3,116	9.17%	3,124	10.66%	-0.26%
Urban public utility	1,698	5.00%	1,634	5.58%	3.92%
Others	–	–	–	–	N/A
Total	33,981	100.00%	29,294	100.00%	16.00%

On 30 June 2017, the balance of holding of asset-backed securities/notes-related assets items amounted to RMB3,239,306,000, representing an increase of 37.8% as compared with 31 December 2016. The Group had accumulated approximately RMB54,851 million in principal amount of interest-earning assets through asset-backed securities/notes in 2015, 2016 and the first half of 2017. The balance of the holding of off-balance-sheet assets of the Group at at 30 June 2017 amounted to approximately RMB33,981 million (31 December 2016: approximately RMB29,294 million) of which non-performing assets accounted for no more than 0.06%, assets which are overdue 30 days or more accounted for no more than 0.04%. As an off-balance sheet asset management service providers, the group implemented the same prudent asset management policy as the on-balance sheet asset and strengthened the monitoring process. The off-balance sheet assets were stable in the first half of 2017 with no significant anomalies of asset quality.

Assets with continuing involvement of the Group amounted to RMB3,294,083,000, representing an increase of RMB895,102,000 or 37.31% from the end of last year. Pursuant to specific requirements of accounting standards, for the asset-backed securities/notes business above 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.

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3.4 Other Assets

On 30 June 2017, cash and cash equivalents of the Group amounted to RMB2,790,075,000. 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 RMB3,043,840,000, which mainly comprised restricted bank deposits.

Prepayments and other receivables of the Group amounted to RMB2,571,821,000, comprised mainly of prepayments for suppliers of machinery and equipment and deductible value-added tax etc.

Deferred tax assets of the Group amounted to RMB2,491,367,000, mainly for the deferred income tax provided for the time difference between accounting and taxation.

Property, plant and equipment of the Group amounted to RMB5,413,399,000, mainly comprised of equipment and instruments for operating leasing and plants and medical equipment of subsidiary hospitals.

Prepaid lease payments and other receivables of the Group amounted to RMB1,234,987,000, mainly comprised of those for the land use right for the construction of its main office building acquired in 2013.

Investment in associates of the Group amounted to RMB1,534,566,000, mainly comprised of equity investments in Guangzhou Kangda, Weihai Haida Hospital, Kunming Broad healthcare and Fengyang Gulou Hospital.

The balance of tradable financial assets of the Group was RMB1,144,111, 000, mainly due to the financial equity investment invested by the Group.

The balance of derivative financial instruments of the Group is RMB460,459,000, mainly for the financial instruments such as exchange rate forwards and currency swaps of the Group. These instruments are mainly used to hedge the foreign exchange exposure of the Group.

The balance of the Group's goodwill amounted to RMB1,122,558, 000, which was mainly the goodwill recognized for the acquisition of thirteen medical and five educational institutions.

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3.5 Liabilities (Overview)

On 30 June 2017, total liabilities of the Group amounted to RMB170,564,624,000, representing an increase of RMB28,849,804,000 or 20.36% 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 76.51% of the total, representing an increase as compared to 75.46% of the end of last year.

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

	30 June 2017		31 December 2016		
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	Change %
Interest-bearing bank and other borrowings	130,499,810	76.51%	106,937,588	75.46%	22.03%
Other payables, accruals and liabilities	33,356,949	19.56%	28,177,195	19.88%	18.38%
Liabilities for continuing involvement	3,294,083	1.93%	2,398,981	1.69%	37.31%
Trade and bills payables	2,274,969	1.33%	2,887,321	2.04%	-21.21%
Tax Payable	753,651	0.44%	1,002,600	0.71%	-24.83%
Derivative financial instruments	165,439	0.10%	92,217	0.07%	79.40%
Deferred tax liabilities	45,185	0.03%	70,850	0.05%	-36.22%
Deferred revenue	174,538	0.10%	148,068	0.10%	17.88%
Total Liabilities	170,564,624	100.00%	141,714,820	100.00%	20.36%

3.6 Interest-bearing Bank and Other Borrowings

In the first half of 2017, major central banks in the world withdrew quantitative easing monetary policy, reduced the scale of the balance sheet and entered the interest rate hike cycle. On the other hand, domestically, with tightening of the medium and long-term monetary policy and the continued decline in the growth rate of money supply, financial supervision continued to upgrade. The financial market as a whole tended to be tight. The growth rate of financing slowed down and financing rate of straight indirect financing market rose rapidly.

As the complex financial environment at home and overseas faced by the Group, the Group adhered to the established strategy of "resources globalization "and "diversification of financing", and 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.

With respect to direct financing, the Group further enriched the bond portfolios, having formed the continued issuing trend. The Group was actively involved in the exchange market and inter-banks markets, issued various bond portfolios including corporate bonds and private placement notes. This initially formed the new situation of multi-product, alternate issue in multi-market.

Within the market 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. The Group formed a deep cooperative relationship with banks including the four big banks and certain policy banks. In terms of remote credit, the scale of credit in Tianjin platform increased rapidly, continuing to improve financing cost.

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In the first half of 2017, the issuing cost of asset securitization products was pushed up by the decline in the domestic bond market as a whole. However, based on the market image and efficient issuance capability, the Group continued to promote asset securitization business in unfavorable market environment, so as to enrich the capital source, optimize the debt structure and improve the management means. In the first half of this year, the Group's accumulated asset securitization business amounted to RMB12.4 billion, and the cost was the lowest in the same period. It was the financial leasing company with the most mature, active and largest scale of stock.

In addition, in the first half of 2017, Hongxin of the Group successfully issued over US300,000,000 non-redeemable perpetual securities in overseas pricing, obtained more than 18 times of over-subscribed at 4.35% of bond coupon rate, decreased by 40 basis points, compared with the initial pricing range. In July 2017, Far East International Leasing Co., Ltd. a subsidiary wholly owned by the Group, successfully issued RMB5,000,000,000 renewable Corporate Bonds in China, at 5.5% of coupon rate. The two issuances reflected the broad recognition of the Group by the capital market and optimized the financial structure of the Group, laying a solid foundation for the future expansion of overseas capital markets.

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 continuation of maintaining a competitive cost advantage. In the first half of the year, Fitch Ratings recognised the investment grade rating of the Group. The Group became the only financial leasing company in the territory which obtains independent rating of two international authorities. For future outlook, the Group was confident that with the global financing network as well as resource advantage, the Group can further improve its competitiveness in liability side.

As of 30 June 2017, the total sum of the Group's interest-bearing bank and other borrowings amounted to RMB130,499,810,000, representing an increase of 22.03% as compared with RMB106,937,588,000 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 2017		31 December 2016		
	RMB'000	**% of total**	RMB'000	% of total	Change %
	(Unaudited)		(Audited)		
Current	**59,761,153**	**45.79%**	53,545,549	50.07%	11.61%
Non-current	**70,738,657**	**54.21%**	53,392,039	49.93%	32.49%
Total	**130,499,810**	**100.00%**	106,937,588	100.00%	22.03%

As of 30 June 2017, 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 45.79%, representing a decrease of 4.28 percentage points as compared with 50.07% as of 31 December 2016, with a sound financing strategy and reasonable liability structure.

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

	30 June 2017		31 December 2016		
	RMB'000	**% of total**	RMB'000	% of total	Change %
	(Unaudited)		(Audited)		
Secured	**17,296,387**	**13.25%**	12,719,705	11.89%	35.98%
Unsecured	**113,203,423**	**86.75%**	94,217,883	88.11%	20.15%
Total	**130,499,810**	**100.00%**	106,937,588	100.00%	22.03%

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The Group carefully managed its funding risk in the first half of 2017. As at 30 June 2017, the proportion of the Group's interest-bearing bank and other borrowings that were unsecured accounted for 86.75% of the Group's total interest-bearing bank and other borrowings, which decreased slightly as compared with that of the end of last year, as the Group obtained more funds at lower cost in the first half of the year through pledge of assets.

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 2017		31 December 2016		
	RMB'000	**% of total**	RMB'000	% of total	Change %
	(Unaudited)		(Audited)		
Bank loans	**77,209,040**	**59.16%**	61,819,996	57.81%	24.89%
Other loans	**53,290,770**	**40.84%**	45,117,592	42.19%	18.12%
Total	**130,499,810**	**100.00%**	106,937,588	100.00%	22.03%

The proportion of the Group's loans as a percentage to the Group's total bank and other borrowings increased slightly as at 30 June 2017. The reason is due to the deterioration of the external direct financing environment in the first half year, high cost of financing and that advantages of cost of banks borrowing were shown, the Group increased the core channels of exploring banks and its strength of expanding the bank loan resources.

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 2017		31 December 2016		
	RMB'000	**% of total**	RMB'000	% of total	Change %
	(Unaudited)		(Audited)		
China	**117,384,915**	**89.95%**	88,511,044	82.77%	32.62%
Overseas	**13,114,895**	**10.05%**	18,426,544	17.23%	-28.83%
Total	**130,499,810**	**100.00%**	106,937,588	100.00%	22.03%

As at 30 June 2017, the proportion of the Group's borrowings from China and other borrowings as a percentage to the Group's total borrowings was 89.95%, which increased as compared with that at the end of last year as the Group, taking into the consideration of the uncertainty in overseas market and the relevant hedging costs, proactively expanded various financing channels China in order to satisfy the funding needs.

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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 2017		31 December 2016		
	RMB'000	% of total	RMB'000	% of total	Change %
	(Unaudited)		(Audited)		
RMB	116,834,366	89.53%	88,265,386	82.54%	32.37%
US$	8,044,924	6.16%	12,069,354	11.29%	-33.34%
Borrowings in other currencies	5,620,520	4.31%	6,602,848	6.17%	-14.88%
Total	130,499,810	100.00%	106,937,588	100.00%	22.03%

As at 30 June 2017, the Group's activities in RMB accounted for 89.53% of its total interest-bearing bank and other borrowings, representing an increase from the end of last year as the Group proactively promoted, expanded and consolidated financing in RMB 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 2017		31 December 2016		
	RMB'000	% of total	RMB'000	% of total	Change %
	(Unaudited)		(Audited)		
Direct financing	51,313,552	39.32%	43,690,437	40.86%	17.45%
Indirect financing	79,186,258	60.68%	63,247,151	59.14%	25.20%
Total	130,499,810	100.00%	106,937,588	100.00%	22.03%

As at 30 June 2017, Group's direct borrowings accounted for 39.32% of the total, basically the same with the end of last year as the Group's deep participation and good cooperation records in both direct and indirect financing markets, and the balanced financing structure ensured the financial resources needed for the future development of the Company.

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3.7 Shareholders' Equity

As at 30 June 2017, the total equity of the Group was RMB26,421,236,000, representing an increase of RMB1,575,135,000 or 6.34% from the end of last year.

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

	30 June 2017		31 December 2016		
	RMB'000	**% of total**	RMB'000	% of total	Change %
	(Unaudited)		(Audited)		
Share capital	**10,213,688**	**38.66%**	10,213,017	41.11%	0.01%
Reserve	**13,301,296**	**50.34%**	12,746,213	51.29%	4.35%
Equity attributable to ordinary shareholders of the Company	**23,514,984**	**89.00%**	22,959,230	92.40%	2.42%
Perpetual securities (1)	**2,036,648**	**7.71%**	1,231,881	4.96%	65.33%
Non-controlling interests	**869,604**	**3.29%**	654,990	2.64%	32.77%
Total Equity	**26,421,236**	**100.00%**	24,846,101	100.00%	6.34%

Note: (1) On 23 June 2014, the Group issued US$200,000,000 senior perpetual capital securities ("Perpetual Securities") at an initial distribution rate of 5.55%. On 23 June 2017, the Group redeemed the Perpetual Securities in accordance with the principal of the Securities together with any accumulated allotment to the date of the redemption and applied to the Stock Exchange of Hong Kong Limited for the cancellation of the listing status of the securities.

On 14 June 2017, the Group issued US$300,000,000 perpetual securities at an initial distribution rate of 4.35%. The Perpetual Securities have no fixed maturity date and are callable at the Company's option in whole on 14 June 2022 ("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 be reset, on the First Call Date and every three years after the First Call Date, to the sum of the initial spread of 2.62%, the treasury rate and a step-up margin of 5.00% per annum.

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4. 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 2017, no change was made to the objectives, policies or processes for managing capital.

4.1 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 2017	31 December 2016
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Total assets (A)	**196,985,860**	166,560,921
Total liabilities (B)	**170,564,624**	141,714,820
Total equity	**26,421,236**	24,846,101
Gearing ratio (C=B/A)	**86.59%**	85.08%

In the first half of 2017, 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 2017, our gearing ratio was 86.59%.

In June and July 2017, the Group issued S$300,000,000 perpetual capital securities at an initial distribution rate of 4.35% and RMB$5,000,000,000 of Renewable Corporate Bonds (at an indicative coupon rate of 5.50%), The two issuances reflected the broad recognition of the capital market for the Group, which did only meet the needs of working capital and business development, but also had positive significance to the further expansion of the financing channels, enrichment of the financing means, reduction in the financing cost and optimization of the financial structure.

4.2 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., Far East Horizon (Tianjin) Financial Leasing Co., Ltd. and Far Eastern Horizon Financial Leasing Co., Ltd. (incorporated in the first half year of 2017) should not exceed 10 times of its equity

As at 30 June 2017, the ratios of risk assets to equity of International Far Eastern Leasing Co., Ltd., Far East Horizon (Tianjin) Financial Leasing Co., Ltd. and Far Eastern Horizon Financial Leasing Co., Ltd. were 7.33, 6.10 and 3.03 respectively, which was in compliance with the ratio of risk assets to equity requirements of the measures. The Group will ensure that the domestic finance leasing operations entity will continue to meet the above regulatory requirements through allocation of internal resource.

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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 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Total assets	156,998,697	136,526,718
Less: Cash	3,494,015	2,408,413
Total assets at risk	153,504,682	133,848,305
Equity	20,949,397	20,449,035
Ratio of assets at risk to equity	7.33	6.55

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

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Total assets	54,507,964	40,167,598
Less: Cash	1,620,944	1,510,316
Total risk assets	52,887,020	38,657,282
Equity	8,666,090	7,313,405
Ratio of assets at risk to equity	6.10	5.29

Far Eastern Horizon Financial Leasing Co., Ltd.

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Total assets	3,185,962	N/A
Less: Cash	40,107	N/A
Total assets at risk	3,145,855	N/A
Equity	1,036,631	N/A
Ratio of assets at risk to equity	3.03	N/A

Note: Far Eastern Horizon Financial Leasing Co., Ltd. was incorporated in 2017. Thus, there is no comparison data of the previous year.

5. Capital Expenditures

The Group's capital expenditure was RMB1,751,886,000 in first half of 2017, which was mainly used as the expenditures for additions of property, plant and equipment, and external equity investments.

6. Risk Management

6.1 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 continuously monitor 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. As of 30 June 2017, the proportion of fixed rate products of the Group amounted to 49.57% (31 December 2016: 51.59%).

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 2017	31 December 2016
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Change in basis points		
+ 100 basis points	**85,636**	65,369
- 100 basis points	**(85,636)**	(65,369)

Management Discussion and Analysis

6.2 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 treasury operations exposure mainly arises from its transactions in currencies other than RMB. In order to control currency fluctuation risk, the Group adopted prudent currency risk management which hedges risk exposures one by one under comprehensive risk exposure management. The Group proactively hedged against foreign exchange exposure based on the currency and terms through using the operation of financial instruments such as foreign exchange forwards and currency swaps. According to relevant statistics, as of 30 June 2017, the Group's actual exposure to foreign exchange risk (including perpetual securities) approximately amounted to US$1,962 million, hedges against foreign exchange exposure amounted to US$1,681 million or decreasing from 92% as at 31 December 2016 to 86% at as 30 June 2017 (percentage of the aforesaid two items). Thus, the Group's actual exposure to foreign exchange risk is limited, mainly due to the fact that the Group redeemed US$200,000,000 perpetual securities and newly issued US$300,000,000 perpetual securities during June 2017.

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 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 2017** **RMB'000** **(Unaudited)**	 31 December 2016 RMB'000 (Audited)
US$ and HK$ – effect on the profit before tax (excluding perpetual securities)	-1%	**(1,736)**	117
US$ – direct effect of perpetual securities on the equity	-1%	**20,323**	13,874
		18,587	13,991

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.

Management Discussion and Analysis

6.3 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.

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 2017 (Unaudited)					
Total financial assets	3,592,358	23,165,227	53,737,223	119,287,556	735,977	200,518,341
Total financial liabilities	89,564	22,677,124	52,033,637	95,755,603	466,722	171,022,650
Net liquidity gap	3,502,794	488,103	1,703,586	23,531,953	269,255	29,495,691
	As of 31 December 2016 (Audited)					
Total financial assets	2,722,640	19,490,692	44,910,081	96,673,418	714,573	164,511,404
Total financial liabilities	109,165	23,521,554	42,508,404	75,213,310	647,880	142,000,313
Net liquidity gap	2,613,475	(4,030,862)	2,401,677	21,460,108	66,693	22,511,091

7. Charge on Group Assets

The Group had lease receivables and entrusted loans in the amount of RMB14,916,598,000, cash in the amount of RMB175,882,000, property, plant and equipment of RMB786,655,000 and prepaid lease payments of RMB892,502,000 pledged to the bank as of 30 June 2017 in order to secure or pay the bank borrowings, and cash of RMB129,812,000 was pledged for bank acceptances, letter of credit and etc.

8. Material Investments, Acquisitions and Disposals

In the first half of 2017, the Group completed the investment in Fengyang Gulou Hospital (鳳陽鼓樓醫院), Siyang Xiehe Hospital (泗陽協和醫院), Zhengzhou Renji Hospital (鄭州仁濟醫院), Shenzhen Zhonghai Hospital Group (深圳中海醫院集團), Daishan Guanghua Hospital (岱山廣華醫院) and others in which the Group has control or holds equity interest. Meanwhile, the Group entered into agreement in respect of Daishan Guanghua Hospital (岱山廣華醫院), Wuchang Chinese Medicine Hospital (五常中醫院), Zhaotong Renan Hospital (昭通仁安醫院), Qiaojia Ren'an Hospital (巧家仁安等醫院) and others in the first half of 2017. The total number of hospitals in which the Group currently has control or holds equity interest under contract reaches 26. The Group will focus on the nature of medical care as the core and consider the construction of discipline development as the main line, increase the hospitals' core competitiveness, and strive to build the hospital group with the operational concept of "one network, one system, one hospital".

In the first half of 2017, the Group opened one new kindergarten in Chongqing. The Group currently operates five kindergartens and two schools, in which four kindergartens and two schools started to operate in previous years. In the first half of this year, the Group newly entered into agreement regarding three high-end kindergarten venues in Shanghai, Qingdao and Tianjin. The Group currently has signed agreement in respect of a total of 13 places to build kindergartens. The Group will continue to accelerate the layout of the education industry, enhance the service content, and gradually establish a high brand reputation, strong service capability and the most unique private education system.

Management Discussion and Analysis

9. Human Resources

As of 30 June 2017, the Group had 9,595 full-time employees, an increase of 1,411 full-time employees compared to 8,184 by the end of 2016.

The Group believes it has a high quality work force with specialized industry expertise. As at 30 June 2017, approximately 57.60% of the Group's employees had bachelor's degrees and above, and approximately 19.35% had master's degrees and above.

9.1 Incentive Schemes

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 integrating 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 plans (including the share option scheme (the "**2014 Share Option Scheme**") and restricted share award scheme (the "**2014 Restricted Share Award Scheme**")) in 2014. Please refer to the 2016 Annual Report for details of the schemes.

During the reporting period, options under the 2014 Share Option Scheme entitling the holders thereof to subscribe for an aggregate of 4,329,506 Shares were granted to two executive directors and the remaining options entitling the holders to subscribe for an aggregate of 28,594,494 Shares were granted to 294 grantees under the 2014 Share Option Scheme. A summary of the movements of the outstanding share options under the 2014 Share Option Scheme during the reporting period is as follows:

					Number of share options					
Grantee	Date of grant	Vesting period *(Note 1)*	Exercise period *(Note 2)*	Exercise price per share HK$ *(Note 3-6)*	Outstanding as at 1 January 2017	Granted	Exercised *(Note 7)*	Lapsed	Cancelled	Outstanding as at 30 June 2017
KONG Fanxing, CEO and executive director	11 July 2014	11 July 2016 – 11 July 2018	11 July 2016 – 11 July 2024	5.86	1,316,960	–	–	–	–	1,316,960
KONG Fanxing, CEO and executive director	3 July 2015	3 July 2017 – 3 July 2019	3 July 2017 – 3 July 2025	7.17	1,856,913	–	–	–	–	1,856,913
KONG Fanxing, CEO and executive director	15 June 2016	15 June 2018 – 15 June 2020	15 June 2018 – 15 June 2026	5.714	3,292,400	–	–	–	–	3,292,400
KONG Fanxing, CEO and executive director	20 June 2017	20 June 2019 – 20 June 2021	20 June 2019 – 20 June 2027	6.82	–	3,292,400	–	–	–	3,292,400

Management Discussion and Analysis

						Number of share options				
Grantee	Date of grant	Vesting period *(Note 1)*	Exercise period *(Note 2)*	Exercise price per share HK$ *(Note 3-6)*	Outstanding as at 1 January 2017	Granted	Exercised *(Note 7)*	Lapsed	Cancelled	Outstanding as at 30 June 2017
Mr. WANG Mingzhe, CFO and executive director	11 July 2014	11 July 2016 – 11 July 2018	11 July 2016 – 11 July 2024	5.86	460,936	–	–	–	–	460,936
Mr. WANG Mingzhe, CFO and executive director	3 July 2015	3 July 2017 – 3 July 2019	3 July 2017 – 3 July 2025	7.17	594,212	–	–	–	–	594,212
Mr. WANG Mingzhe, CFO and executive director	15 June 2016	15 June 2018 – 15 June 2020	15 June 2018 – 15 June 2026	5.714	1,053,568	–	–	–	–	1,053,568
Mr. WANG Mingzhe, CFO and executive director	20 June 2017	20 June 2019 – 20 June 2021	20 June 2019 – 20 June 2027	6.82	–	1,037,106	–	–	–	1,037,106
SUBTOTAL FOR DIRECTORS					8,574,989	4,329,506	–	–	–	12,904,495
Employees	11 July 2014	11 July 2016 – 11 July 2018	11 July 2016 – 11 July 2024	5.86	9,256,334	–	103,000	–	58,017	9,095,317
Employees	3 July 2015	3 July 2017 – 3 July 2019	3 July 2017 – 3 July 2025	7.17	14,451,334	–	–	–	186,496	14,264,838
Employees	15 June 2016	15 June 2018 – 15 June 2020	15 June 2018 – 15 June 2026	5.714	28,350,856	–	–	–	204,129	28,146,727
Employees	20 June 2017	20 June 2019 – 20 June 2021	20 June 2019 – 20 June 2027	6.82	–	28,594,494	–	–	–	28,594,494
TOTAL					60,633,513	32,924,000	103,000	–	448,642	93,005,871

Note 1: Subject to the rules of the 2014 Share Option Scheme, the options granted on 11 July 2014 will vest to the grantees at the second, third and fourth anniversary of the date of grant at an average amount.

Note 2: According to the 2014 Share Option Scheme, the options shall be exercised within the Option Period. "Option Period" shall mean, in respect of any particular option, a period (which may not be later than 10 years from the offer date of that option) to be determined and notified by the Board or the Administration Committee to the grantee thereof and, in the absence of such determination, from the offer date to the earlier of (i) the date on which such option lapses; and (ii) 10 years from the offer date of that option. There is no minimum period for which any vested option must be held before it can be exercised and no performance target which need to be achieved by a grantee before the vested options can be exercised.

Management Discussion and Analysis

Note 3: The exercise price is not less than the higher of (i) the closing price of HK$5.86 per share on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on 11 July 2014 (i.e. the grant date) and (ii) the average closing price of HK$5.81 per share on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding 11 July 2014. The Share does not carry nominal value.

Note 4: The exercise price is not less than the higher of (i) the closing price of HK$6.88 per share on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on 3 July 2015 (i.e. the grant date) and (ii) the average closing price of HK$7.17 per share on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding 3 July 2015. The Share does not carry nominal value.

Note 5: The exercise price is not less than the higher of (i) the closing price of HK$5.60 per share on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on 15 June 2016 (i.e. the grant date) and (ii) the average closing price of HK$5.714 per share on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding 15 June 2016. The Share does not carry nominal value.

Note 6: The exercise price is not less than the higher of (i) the closing price of HK$6.820 per share on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on 20 June 2017 (i.e. the grant date) and (ii) the average closing price of HK$6.714 per share on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding 20 June 2017. The Share does not carry nominal value. The closing price of shares immediately before the date on which the options were granted is HK$6.8 per share.

Note 7: The weighted average closing price of shares immediately before the dates on which the options were exercised by directors and employees is HK$7.142.

The aggregate fair value (measured as at the grant date) of the share options granted during the reporting period was RMB53,950,000 and the fair values were RMB1.60, RMB1.64 and RMB1.68 per option each for three tranches with two-year, three-year and four-year vesting periods, respectively. Costs of such share options were incorporated into employee benefit expense for relevant accounting periods after granting.

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

Expected dividend yield (%)	3.37
Expected volatility (%)	35.39
Risk-free interest rate (%)	1.29
Expected life	10.00
Share price at the date of grant (HK$ per share)	6.82
Expected exercise trigger multiple	2.00

Estimation of the value of the share options is subjective and uncertain as such values are subject to a number of assumptions and with regard to the limitation of the model. The expected volatility is based on the historical volatility reflecting the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. The expected exercise trigger multiple is also estimated and is not necessarily indicative of the exercise patterns that may occur. All significant features necessary to be considered for the measurement of fair values of the share options granted in the reporting period were incorporated into such measurement.

During the reporting period, the Company granted 49,386,000 Shares under the 2014 Restricted Share Award Scheme, and as of 30 June 2017, the Company granted an aggregate of 147,640,133 Shares under its award schemes. The 2014 Restricted Share Award Scheme does not constitute a share option scheme or an arrangement analogous to a share option scheme for the purpose of Chapter 17 of the Listing Rules.

9.2 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 2017, the Group complied with all statutory social insurance and housing fund obligations applicable to the Group under the PRC laws in all material aspects.

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

10.1 Contingent Liabilities

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

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Legal proceedings:		
Claimed amounts	4,855	4,257

10.2 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 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Contracted, but not provided for:		
Capital expenditure for acquisition of property and equipment	754,433	535,261
Capital expenditure for equity investment	399,049	386,500
Irrevocable credit Commitments	9,778,844	5,432,647

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 with Nayong Xinli Hospital (納雍新立醫院), Deyang Fifth Hospital (德陽第五醫院), Fengyang Gulou Hospital (鳳陽鼓樓醫院), Meizhou Tielu Bridge Hospital (梅州鐵爐橋醫院), Shenzhen Zhonghai Hospital Group (深圳中海醫院集團), Daishan Guanghua Hospital (岱山廣華醫院), Wuchang Chinese Medicine Hospital (五常中醫院), Zhaotong Renan Hospital (昭通仁安醫院) and Qiaojia Renan Hospital (巧家仁安醫院).

11. Future Outlook

For future outlook, with the slowdown in investment growth, China's macroeconomic overall may continue to keep the trend of fall among the steady, the industrial structure will continue to adjust and the trend will continue to divide. However, the real estate industry-related areas lay the foundation for the long-term economy. The Group will adhere to the line of taking root in industry, the development strategy of "finance + industry", play a focus on industry, explore the industry, grasp the advantages of industry customers, keep improving service capability and methods, in order to achieve the vision of the enterprise "convergence of global resources, helping industries in China".

For the direction of financial business, the Group will ensure business safety according to the characteristics of the new economic cycle, dynamic adjustment and industry configuration of optimization of assets; meanwhile, the Group will rely on and bring the Group's accumulation of innovation in capital-side and industry-side into play to meet the multi-dimensional financial needs of customers of the real economy. For the direction of industry operation, the Group will consider the three major industries, health care, construction and education as the focus. The Group will accelerate the progress of the investment in hospitals and their operation, equipment operation services, high-end education and other integrated operation layout on the basis of enriched experience and industry customers which are accumulated in many years. These are to deepen the construction of organic and collaborative management system and to strive to form a virtuous circle, promoting the overall healthy and stable development of business.

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 2017, 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 (Chapter 571 of the Laws of Hong Kong) (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	25,266,684 (L)[2]	0.64%
		Interest in a controlled corporation	265,552,000 (L)[3]	6.72%
WANG Mingzhe	The Company	Beneficial owner	8,350,556 (L)[4]	0.21%

Notes:

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

(2) The interest includes 9,758,673 underlying shares in respect of the share options granted pursuant to the Company's 2014 Share Option Scheme and 14,638,011 underlying shares in respect of the awarded shares granted pursuant to the Company's 2014 Restricted Share Award Scheme. In addition to the share interest in respect of the share options, awarded shares granted and interest in a controlled corporation (see note (3) below), to the best of the directors' knowledge, information and belief, having made all reasonable enquires, Mr. Kong Fanxing is interested in 870,000 ordinary shares of the Company as at 30 June 2017. Please refer to the Company's 2016 Annual Report for the details of both schemes and the announcements of the Company dated 11 July 2014, 3 July 2015, 15 June 2016 and 20 June 2017 respectively for the details of the grants of share options.

(3) The interest is Mr. Kong Fanxing's indirect beneficial interest in 265,552,000 shares held through his 70% shareholding in Aim Future Limited.

(4) The interest includes 3,145,822 underlying shares in respect of the share options granted pursuant to the Company's 2014 Share Option Scheme and 4,818,734 underlying shares in respect of the awarded shares granted pursuant to the Company's 2014 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, Mr. Wang Mingzhe is interested in 386,000 ordinary shares of the Company as at 30 June 2017. Please refer to the Company's 2016 Annual Report for the details of both schemes and the announcements of the Company dated 11 July 2014, 3 July 2015, 15 June 2016 and 20 June 2017 respectively for the details of the grants of share options.

Save as disclosed above, as at 30 June 2017, 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 2017 (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 2017, the entities or individuals 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	919,914,440 (L)	23.28%
Greatpart Limited[2]	Beneficial owner	919,914,440 (L)	23.28%
Prime Capital Management (Cayman) Limited	Investment manager	205,911,000 (L)	5.21%
JPMorgan Chase & Co.	Beneficial owner	2,641,997 (L)	0.07%
	Investment manager	15,000 (L)	0.00%
	Custodian	411,225,745 (P)	10.41%
Cathay Life Insurance Co., Ltd.	Beneficial owner	296,316,000 (L)	7.50%
China Minsheng Investment Corp., Ltd.	Interest in a controlled corporation	528,600,000 (L)	13.38%
Kong Fanxing	Beneficial owner	25,266,684 (L)	0.64%
	Interest in a controlled corporation	265,552,000 (L)[3]	6.72%
Aim Future Limited	Beneficial owner	265,552,000 (L)[3]	6.72%
FMR LLC	Interest in a controlled corporation	197,921,396 (L)[4]	5.01%

Notes:

(1) The letter "L" denotes the person's long position in the shares of the Company. The letter "S" denotes the person's short 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) Kong Fanxing holds 70% of the issued share capital of Aim Future Limited and is therefore deemed to be interested in the shares held by Aim Future Limited.

(4) Please refer to Form 2 - Corporate Substantial Shareholder Notice dated 19 May 2017 for further details of the shareholding structure.

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 2017 to 30 June 2017, 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 7 June 2017 (the "2017 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 be present due to other important business engagements. In order to ensure smooth holding of the 2017 AGM, Mr. Wang Mingzhe, the executive director and Chief Financial Officer of the Company chaired the 2017 AGM and answered questions.

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 2017.

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 with the Employees Written Guidelines by the employees was noted by the Company.

Independent Non-Executive Directors

Throughout the period from 1 January 2017 to 30 June 2017, 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 at least 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 2017 of the Group, including the accounting principles and practices adopted by the Group.

Other Information

Implementation of Distribution of 2016 Final Dividends

According to the method of distribution of dividends, which was considered and passed at the 2017 AGM, 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 16 June 2017, thereby resulting in a total dividend payment amount of HK$908,703,967.91.

Interim Dividends

The Board does not recommend the payment of an interim dividend in respect of the period ended 30 June 2017.

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

The Company redeemed all of US$200,000,000 senior perpetual securities (Stock Code: 5764) at their principal amounts together with any accrued distributions (including any overdue distributions and any additional distribution amounts) as of the redemption period on 23 June 2017. Please refer to the Notices of the Company dated 8 May 2017 and 27 June 2017 published at the website of the Stock Exchange.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any shares of the Company for the six months ended 30 June 2017.

Changes in Directors' Biographical Details

Changes in directors' biographical details during the reporting period, 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
Chen Guogang	Appointed as an executive director of China Minsheng Financial Holding Corporation Limited and resigned as the chairman of CMI Capital Co., Ltd. with effect from 11 January 2017
	Appointed as an executive director of Link Holdings Limited, a company listed on the Stock Exchange of Hong Kong Limited (stock code: 8237) with effect from 7 May 2017
Kuo Ming-Jian	Appointed as a director of Cathay Financial Holding Co. Ltd, a company listed on the Stock Exchange of Taiwan (stock code: 2882) with effect from 16 June 2017
	Appointed as the chairman of Cathay United Bank with effect from 29 June 2017
Liu Haifeng David	Appointed as the chairman of DCP Ltd. with effect from January 2017

Report on Review of Interim Condensed Consolidated Financial Statements

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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 64 to 125, which comprise the interim condensed consolidated statement of financial position of Far East Horizon Limited and its subsidiaries (the "Group") as at 30 June 2017, 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

Hong Kong
23 August 2017

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2017

	Notes	For the six months ended 30 June 2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
REVENUE	5	8,972,211	7,280,667
Cost of sales		(3,508,756)	(2,566,867)
Gross profit		5,463,455	4,713,800
Other income and gains	5	200,806	144,238
Selling and distribution costs		(960,771)	(974,218)
Administrative expenses		(2,076,507)	(1,584,805)
Other expenses		(218,488)	(130,158)
Finance cost		(92,292)	(84,723)
Share of net (losses)/profits of:			
Associates		(10,781)	162
Share of net (losses)/profits of:			
Joint ventures		(1,518)	826
PROFIT BEFORE TAX	6	2,303,904	2,085,122
Income tax expense	7	(684,358)	(619,698)
PROFIT FOR THE PERIOD		1,619,546	1,465,424
Attributable to:			
Ordinary shareholders of the Company		1,619,032	1,439,491
Holders of perpetual securities	22	39,856	37,212
Non-controlling interests		(39,342)	(11,279)
		1,619,546	1,465,424
EARNINGS PER SHARE ATTRIBUTABLE TO			
ORDINARY EQUITY HOLDERS OF THE PARENT	9	RMB	RMB
Basic and diluted			
– For profit for the period		0.42	0.37

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 2017

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
PROFIT FOR THE PERIOD	**1,619,546**	1,465,424
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax:		
Available-for-sale investments:		
Changes in fair value	**(13,573)**	–
Reclassification adjustments for gains included in the consolidated statement of profit or loss		
– gains on disposal	**(26,118)**	–
	(39,691)	–
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the period	**(404,649)**	74,082
Reclassification to the consolidated statement of profit or loss	**109,774**	(623,558)
Income tax effect	**48,557**	90,663
	(246,318)	(458,813)
Exchange differences on translation of foreign operations	**7,712**	19,559
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**(278,297)**	(439,254)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**(278,297)**	(439,254)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,341,249**	1,026,170
Attributable to:		
Ordinary shareholders of the Company	**1,340,735**	1,000,237
Holders of perpetual securities	**39,856**	37,212
Non-controlling interests	**(39,342)**	(11,279)
	1,341,249	1,026,170

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2017

	Notes	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	5,413,399	4,995,714
Prepaid land lease payments	*11*	1,234,987	1,215,828
Goodwill		1,122,558	748,821
Other assets		3,119,336	2,434,148
Investments in joint ventures	*14*	1,534,566	1,404,870
Investments in associates		382,104	263,700
Available-for-sale investments		214,794	289,889
Equity investments at fair value through profit or loss		1,144,111	721,239
Derivative financial instruments	*13*	31,018	478,789
Loans and accounts receivables	*12*	104,369,662	84,721,981
Prepayments, deposits and other receivables		3,400,679	2,431,140
Deferred tax assets	*19*	2,491,367	1,907,364
Restricted deposits	*16*	103,593	12,600
Total non-current assets		124,562,174	101,626,083
CURRENT ASSETS			
Inventories		326,009	246,057
Construction contracts	*15*	53,073	44,129
Derivative financial instruments	*13*	429,441	904,087
Loans and accounts receivables	*12*	63,253,097	54,079,396
Prepayments, deposits and other receivables		2,631,744	5,161,098
Restricted deposits	*16*	2,940,247	2,448,764
Cash and cash equivalents	*16*	2,790,075	2,051,307
Total current assets		72,423,686	64,934,838
CURRENT LIABILITIES			
Trade and bills payables	*17*	2,274,969	2,887,266
Other payables and accruals		10,928,267	8,378,115
Derivative financial instruments	*13*	124,237	61,059
Interest-bearing bank and other borrowings	*18*	59,761,153	53,545,549
Taxes payable		753,651	1,002,600
Total current liabilities		73,842,277	65,874,589
NET CURRENT LIABILITIES		(1,418,591)	(939,751)

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2017

	Notes	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		123,143,583	100,686,332
NON-CURRENT LIABILITIES			
Trade and bills payables	17	–	55
Interest-bearing bank and other borrowings	18	70,738,657	53,392,039
Derivative financial instruments	13	41,202	31,158
Deferred tax liabilities	19	45,185	70,850
Other payables and accruals		22,236,783	19,729,080
Deferred revenue		174,538	148,068
Other liabilities		3,485,982	2,468,981
Total non-current liabilities		96,722,347	75,840,231
Net assets		26,421,236	24,846,101
EQUITY			
Equity attributable to ordinary shareholders of the parent			
Share capital	20	10,213,688	10,213,017
Other reserves	21	13,301,296	12,746,213
		23,514,984	22,959,230
Holders of perpetual securities	22	2,036,648	1,231,881
Non-controlling interests		869,604	654,990
Total equity		26,421,236	24,846,101

Kong Fanxing	Wang Mingzhe
Director	*Director*

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

	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	Available-for-sale investment revaluation reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Perpetual securities RMB'000 *(Note 22)*	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017 (Audited)	10,213,017	2,114,102	(852,459)	218,130	656	121,913	149,987	83,860	616,783	10,293,241	22,959,230	1,231,881	654,990	24,846,101
Profit for the period	-	-	-	-	-	-	-	-	-	1,619,032	1,619,032	39,856	(39,342)	1,619,546
Other comprehensive income	-	-	-	-	-	-	(246,318)	(39,691)	7,712	-	(278,297)	-	-	(278,297)
Total comprehensive income	-	-	-	-	-	-	(246,318)	(39,691)	7,712	1,619,032	1,340,735	39,856	(39,342)	1,341,249
Final 2016 dividend declared (net of dividends received from shares held for share award scheme) *(Note 8)*	-	-	-	-	-	-	-	-	-	(762,997)	(762,997)	-	-	(762,997)
Distribution paid to holders of perpetual securities	-	-	-	-	-	-	-	-	-	-	-	(37,847)	-	(37,847)
Shares vested under restricted share award scheme	-	-	102,270	(73,982)	-	-	-	-	-	(28,288)	-	-	-	-
Transfer of share option reserve upon exercise of share options	671	-	-	(136)	-	-	-	-	-	-	535	-	-	535
Recognition of equity-settled share-based payments	-	-	-	118,804	-	-	-	-	-	-	118,804	-	-	118,804
Capital injection by non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	59,031	59,031
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(1,886)	(1,886)
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	(5,740)	(5,740)
Purchase of non-controlling interests	-	(7,424)	-	-	-	-	-	-	-	-	(7,424)	-	(7,277)	(14,701)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	209,828	209,828
Issue of perpetual capital securities *(Note 22)*	-	-	-	-	-	-	-	-	-	-	-	2,032,719	-	2,032,719
Redemption of senior perpetual securities	-	-	-	-	-	-	-	-	-	(133,899)	(133,899)	(1,229,961)	-	(1,363,860)
At 30 June 2017 (Unaudited)	10,213,688	2,106,678*	(750,189)*	262,816*	656*	121,913*	(96,331)*	44,169*	624,495*	10,987,089*	23,514,984	2,036,648	869,604	26,421,236

* These reserve accounts comprise the consolidated reserves of RMB13,301,296,000 (31 December 2016: RMB12,746,213,000) in the consolidated statement of financial position.

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	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	–	–	–	–	–	–	(458,813)	19,559	–	(439,254)	–	–	(439,254)
Total comprehensive income	–	–	–	–	–	–	(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 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

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

	Notes	For the six months ended 30 June 2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		2,303,904	2,085,122
Adjustments for:			
Finance costs		2,622,491	2,025,543
Interest income	5	(11,302)	(24,343)
Share of net losses/(profits) of associates		10,781	(162)
Share of net losses/(profits) of joint ventures		1,518	(826)
Derivative financial instruments – transactions not qualifying as hedges:			
Unrealised fair value losses/(gains), net		24,988	(7,005)
Realised fair value losses, net		109,930	11,301
Gains on structured financial products	5	(21,819)	(2,948)
Gains on disposal of available-for-sale investments	5	(26,118)	–
Losses/(gains) on disposal of property, plant and equipment, net		13,693	(2,066)
Gains on disposal of subsidiaries	5	(2,106)	–
Depreciation		230,678	165,143
Provision for impairment of loans and accounts receivable	12	812,044	880,441
Provision for impairment of other assets		32,918	192
Provision for impairment of property, plant and equipment	6	148,403	–
Amortisation of intangible assets and other assets		21,084	26,080
Equity settled share-based payments expenses	6	118,804	56,539
Foreign exchange loss, net		32,905	30,250
		6,422,796	5,243,261
Increase in inventories		(78,434)	(23,586)
Increase in construction contracts		(8,944)	(21,948)
Increase in loans and accounts receivable		(29,668,482)	(12,375,486)
Decrease in prepayments, deposits and other receivables		1,717,936	735,665
Increase in restricted cash related to asset-backed securitisations and collective fund trusts		(608,401)	(1,007,199)
Increase in other assets		(803,356)	(687,453)
Decrease in trade and bills payables		(630,394)	(4,355,043)
Increase in other payables and accrued liabilities		5,594,340	4,397,092
Increase in other liabilities		917,544	781,053
Net cash flows used in operating activities before tax and interest		(17,145,395)	(7,313,644)
Interest paid		(2,566,486)	(1,694,531)
Interest received		11,302	24,343
Income tax paid		(1,496,579)	(842,567)
Net cash flows used in operating activities		(21,197,158)	(9,826,399)

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

		For the six months ended 30 June	
		2017	2016
		(Unaudited)	(Unaudited)
	Notes	**RMB'000**	RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Gain on structured financial products	*5*	**21,819**	2,948
Realised gains on derivative financial instruments not qualifying as hedges		**19,324**	1,363
Proceeds from disposal of property, plant and equipment		**117,590**	12,363
Purchase of items of property, plant and equipment, intangible assets and other long term assets		**(880,680)**	(837,262)
Acquisition of subsidiaries	*3*	**(185,339)**	(51,455)
Proceeds from disposal of subsidiaries		**(888)**	–
Purchase of shareholding for joint ventures		**(132,995)**	(323,484)
Purchase of shareholding for associates		**(130,000)**	(17,200)
Dividend received from joint ventures		**1,761**	–
Dividend received from associates		**815**	–
Proceeds from disposal of a joint venture		**–**	1,290
Disposal of available-for-sale investments		**59,516**	–
Purchase of equity investments at fair value through profit or loss		**(422,872)**	(112,947)
Net cash flows used in investing activities		**(1,531,949)**	(1,324,384)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received from exercise of share options		**535**	–
Capital injection from non-controlling shareholders		**59,031**	11,000
Purchase of non-controlling shareholders		**(10,225)**	(6,680)
Cash received from borrowings		**78,210,159**	50,480,174
Repayments of borrowings		**(55,101,345)**	(41,832,566)
Dividends paid		**(762,997)**	(769,673)
Decrease in pledged deposits		**25,925**	1,044,890
Distribution paid to holders of perpetual securities	*22*	**(37,847)**	(36,803)
Issue of perpetual capital securities		**2,032,719**	–
Dividends paid to non-controlling shareholders		**(5,740)**	–
Redemption of perpetual securities		**(1,363,860)**	–
Decrease in ownership interests in subsidiaries without loss of control		**–**	5,759
Realised fair value gains from derivative financial Instruments in hedges for borrowings		**467,765**	284,996
Net cash flows from financing activities		**23,514,120**	9,181,097
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**785,013**	(1,969,686)
Cash and cash equivalents at beginning of the period		**2,051,307**	2,500,665
Effect of exchange rate changes on cash and cash equivalents		**(46,245)**	89,193
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	*16*	**2,790,075**	620,172

Notes to the Unaudited 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 6305, Central Plaza, 18 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 2017 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 2016.

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 amendments

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are the same as those used in the Group's financial statements for the year ended 31 December 2016, except in relation to the following amendments which are adopted by the Group for the first time for the current period's financial statements:

Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKAS 7	Disclosure Initiative
Annual Improvements 2014-2016 Cycle	Amendments to a number of HKFRSs

2. Basis of Preparation and Accounting Policies (continued)

2.2 Significant accounting policies (continued)

Adoption of amendments (continued)

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

The Group has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective.

Issued but not yet effective HKFRSs

Further information about those HKFRSs issued but not yet effective for the six months ended 30 June 2017 that may significantly affect the consolidated financial statements of the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects that the adoption of HKFRS 9 may have an impact on the classification, measurement and impairment of the Group's financial assets. The Group expects to adopt HKFRS 9 on 1 January 2018 and is currently assessing the impact of HKFRS 9 upon adoption.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

2. Basis of Preparation and Accounting Policies (continued)

2.2 Significant accounting policies (continued)

Issued but not yet effective HKFRSs (continued)

HKFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt HKFRS 16 on 1 January 2019 and is currently assessing the impact of HKFRS 16 upon adoption.

3. Business Combinations

In January 2017, the Group acquired 51% of the voting shares of Zhengzhou Renji Hospital Company Limited ("Zhengzhou Renji Hospital").

In February 2017, the Group acquired 69.82% of the voting shares of Shenzhen Xinzhonghai Healthcare Investment Company Limited ("Shenzhen Xinzhonghai") and 70% of the voting shares of Siyang Xiehe Hospital Company Limited ("Siyang Xiehe Hospital").

In March 2017, the Group acquired 52.43% of the voting shares of Daishan Guanghua Orthopedic Hospital Company Limited ("Daishan Guanghua Hospital").

In May 2017, the Group acquired 60% of the voting shares of Jinhua Rehabilitation Hospital Company Limited ("Jinhua Hospital").

All of these acquisitions have been accounted for using the acquisition method. The interim condensed consolidated financial statements include the results of these acquired subsidiaries since their respective acquisition dates.

3. Business Combinations (continued)

Acquisition of Zhengzhou Renji Hospital

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

	Fair value recognised on acquisition (Unaudited) RMB'000
Assets	
Property, plant and equipment	6,815
Cash	10,199
Trade receivables	837
Prepayments, deposits and other receivables	131,576
Inventories	1,152
Other assets	85,665
	236,244
Liabilities	
Trade payables	(1,398)
Other payables and accruals	(4,304)
Taxes payable	(379)
Deferred tax liabilities	(452)
	(6,533)
Total identifiable net assets at fair value	229,711
Non-controlling interests	(112,558)
Goodwill arising on acquisition	101,417
Purchase consideration transferred	218,570
Including: Consideration paid upon acquisition	–
Consideration paid as additional capital injection to the subsidiary	196,713
Consideration to be paid as additional capital injection to the subsidiary	21,857
Analysis of cash flows on acquisition:	
Net cash acquired with the subsidiary (included in cash flows from investing activities)	10,199
Cash paid	–
Net inflow of cash and cash equivalents (included in cash flows from investing activities)	10,199
Transaction costs of the acquisition (included in cash flows from operating activities)	(750)
	9,449

Since the acquisition, Zhengzhou Renji Hospital has contributed RMB38,613,000 to the Group's revenue and a net profit of RMB5,955,000 to the consolidated profit for the six-month period ended 30 June 2017.

3. Business Combinations (continued)

Acquisition of Shenzhen Xinzhonghai

The fair values of the identifiable assets and liabilities of Shenzhen Xinzhonghai as at the date of acquisition were:

	Fair value recognised on acquisition (Unaudited) RMB'000
Assets	
Property, plant and equipment	19,211
Cash	17,286
Trade receivables	7,073
Prepayments, deposits and other receivables	115,983
Inventories	8,065
Other assets	21,953
	189,571
Liabilities	
Trade payables	(10,285)
Other payables and accruals	(26,969)
Interest-bearing bank and other borrowings	(50,660)
Taxes payable	(308)
Deferred tax liabilities	(894)
Other liabilities	(1,847)
	(90,963)
Total identifiable net assets at fair value	98,608
Non-controlling interests	(29,761)
Goodwill arising on acquisition	251,153
Purchase consideration transferred	320,000
Including: Consideration paid upon acquisition	50,000
Consideration paid after acquisition	130,000
Consideration paid as additional capital injection to the subsidiary	100,000
Consideration to be paid after acquisition	40,000
Analysis of cash flows on acquisition:	
Net cash acquired with the subsidiary (included in cash flows from investing activities)	17,286
Cash paid	(180,000)
Net outflow of cash and cash equivalents (included in cash flows from investing activities)	(162,714)
Transaction costs of the acquisition (included in cash flows from operating activities)	(290)
	(163,004)

Since the acquisition, Shenzhen Xinzhonghai has contributed RMB71,816,000 to the Group's revenue and a net profit of RMB12,023,000 to the consolidated profit for the six-month period ended 30 June 2017.

3. Business Combinations (continued)

Acquisition of Siyang Xiehe Hospital

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

	Fair value recognised on acquisition (Unaudited) RMB'000
Assets	
Property, plant and equipment	47,771
Cash	457
Trade receivables	1,680
Prepayments, deposits and other receivables	24,198
Inventories	1,189
Other assets	1,180
	76,475
Liabilities	
Trade payables	(6,244)
Other payables and accruals	(29,150)
Interest-bearing bank and other borrowings	(4,705)
Other liabilities	(1,376)
	(41,475)
Total identifiable net assets at fair value	35,000
Non-controlling interests	(10,500)
Goodwill arising on acquisition	10,500
Purchase consideration transferred	35,000
Including: Consideration paid as additional capital injection to the subsidiary	28,000
Consideration to be paid as additional capital injection to the subsidiary	7,000
Analysis of cash flows on acquisition:	
Net cash acquired with the subsidiary (included in cash flows from investing activities)	457
Cash paid	–
Net inflow of cash and cash equivalents (included in cash flows from investing activities)	457
Transaction costs of the acquisition (included in cash flows from operating activities)	(77)
	380

Since the acquisition, Siyang Xiehe Hospital has contributed RMB6,803,000 to the Group's revenue and a net profit of RMB768,000 to the consolidated profit for the six-month period ended 30 June 2017.

3. Business Combinations (continued)

Acquisition of Daishan Guanghua Hospital

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

	Fair value recognised on acquisition (Unaudited) RMB'000
Assets	
Property, plant and equipment	85,934
Cash	3,946
Prepayments, deposits and other receivables	31,158
	121,038
Liabilities	
Other payables and accruals	(113)
Taxes payable	(6)
Deferred tax liabilities	(545)
	(664)
Total identifiable net assets at fair value	120,374
Non-controlling interests	(57,262)
Goodwill arising on acquisition	10,288
Purchase consideration transferred	73,400
Including: Consideration paid upon acquisition	17,616
Consideration paid after acquisition	20,133
Consideration paid as additional capital injection to the subsidiary	31,457
Consideration to be paid after acquisition	4,194
Analysis of cash flows on acquisition:	
Net cash acquired with the subsidiary (included in cash flows from investing activities)	3,946
Cash paid	(37,749)
Net outflow of cash and cash equivalents (included in cash flows from investing activities)	(33,803)
Transaction costs of the acquisition (included in cash flows from operating activities)	(16)
	(33,819)

Since the acquisition, Daishan Guanghua Hospital has not contributed to the Group's revenue and has caused a net loss of RMB596,000 to the consolidated profit for the six-month period ended 30 June 2017.

3. Business Combinations (continued)

Acquisition of Jinhua Hospital

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

	Fair value recognised on acquisition (Unaudited) RMB'000
Assets	
Property, plant and equipment	986
Cash	522
Prepayments, deposits and other receivables	423
Other assets	7
	1,938
Liabilities	
Trade payables	(670)
Other payables and accruals	(1,803)
Taxes payable	(97)
	(2,570)
Total identifiable net assets at fair value	(632)
Non-controlling interests	253
Goodwill arising on acquisition	379
Purchase consideration transferred	–
Including: Consideration paid upon acquisition	–
Analysis of cash flows on acquisition:	
Net cash acquired with the subsidiary (included in cash flows from investing activities)	522
Cash paid	–
Net inflow of cash and cash equivalents (included in cash flows from investing activities)	522
Transaction costs of the acquisition (included in cash flows from operating activities)	–
	522

Since the acquisition, Jinhua Hospital has not contributed to the Group's revenue and has caused a net loss of RMB15,000 to the consolidated profit for the six-month period ended 30 June 2017.

3. Business Combinations (continued)

If the acquisition had taken place at the beginning of the period, revenue of the Group would have been RMB9,007,276,000 and the net profit of the Group for the period would have been RMB1,612,855,000.

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.

Transaction costs of RMB2,103,000 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 Zhengzhou Renji Hospital, Shenzhen Xinzhonghai, Siyang Xiehe Hospital, Daishan Guanghua Hospital and Jinhua Hospital 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 2017.

The Group acquired Siyang Traditional Chinese Medicine Company Limited and Qingdao Confucius Education Investment Consulting Company, Limited during the six months ended 30 June 2016.

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's requirement and internal reporting system:

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

- 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.

4. Operating Segment Information (continued)

As at and for the six months ended 30 June 2017 (Unaudited)	Financial and advisory RMB'000	Industrial operation RMB'000	Adjustments and eliminations RMB'000	Total RMB'000
Segment revenue:				
Sales to external customers	7,679,096	1,293,115	–	8,972,211
Intersegment sales	87,253	2,642	(89,895)	–
Cost of sales	(2,711,410)	(896,850)	99,504	(3,508,756)
Other income and gains	210,480	15,353	(25,027)	200,806
Selling and distribution costs and administrative expenses	(2,644,170)	(395,824)	2,716	(3,037,278)
Other expenses	(41,221)	(177,267)	–	(218,488)
Finance costs	–	(92,292)	–	(92,292)
Share of net losses of associates	(10,781)	–	–	(10,781)
Share of net losses of joint ventures	(7,910)	6,392	–	(1,518)
Profit before tax	2,561,337	(244,731)	(12,702)	2,303,904
Income tax expense	(674,267)	(10,091)	–	(684,358)
Profit after tax	1,887,070	(254,822)	(12,702)	1,619,546
Segment assets	195,128,555	12,189,602	(10,332,297)	196,985,860
Segment liabilities	(168,455,611)	(11,717,430)	9,608,417	(170,564,624)
Other segment information:				
Impairment losses recognised in the statement of profit or loss	903,927	89,438	–	993,365
Depreciation and amortisation	22,244	229,518	–	251,762
Capital expenditure	225,635	1,526,251	–	1,751,886

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 costs	–	(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
As at 31 December 2016 (Audited)				
Segment assets	163,614,496	12,953,138	(10,006,713)	166,560,921
Segment liabilities	(141,615,753)	(9,664,602)	9,565,535	(141,714,820)
For the six months ended 30 June 2016 (Unaudited)				
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

4. Operating Segment Information (continued)

Geographical information

(a) Revenue from external customers

	For the six months ended 30 June 2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
Mainland China	8,906,843	7,202,489
Hong Kong	60,827	60,164
Other countries or regions	4,541	18,014
	8,972,211	7,280,667

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

(b) Non-current assets

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Mainland China	12,447,004	10,505,918
Hong Kong	359,946	557,163
	12,806,950	11,063,081

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 to the Group during the period.

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, during the period.

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

		For the six months ended 30 June	
		2017	2016
		(Unaudited)	(Unaudited)
	Note	**RMB'000**	RMB'000
Revenue			
Finance lease and loan interest income		**4,673,275**	3,857,516
Service fee income		**2,872,184**	2,639,020
Factoring income		**142,746**	110,254
Sale of goods		**115,786**	76,844
Chartering and brokerage income		**62,364**	88,461
Construction contract revenue		**36,522**	39,386
Operating lease income		**443,893**	284,209
Healthcare service income		**590,678**	235,578
Education service income		**71,299**	50,546
Other income		**14,907**	15,563
Tax and surcharges		**(51,443)**	(116,710)
		8,972,211	7,280,667
Other income and gains			
Bank interest income		**11,302**	24,343
Gain on structured financial products		**21,819**	2,948
Gains on disposal of available-for-sale investments		**26,118**	–
Gain on disposal of property, plant and equipment		**1,526**	3,103
Government grants	*5a*	**6,564**	5,934
Gain on transfers of loans and receivables		**17,769**	36,201
Gains on disposal of subsidiaries		**2,106**	–
Interest income from subordinated tranches of asset-backed securities		**112,267**	11,739
Tax benefits from intra-group borrowings		**–**	56,381
Others		**1,335**	3,589
		200,806	144,238

5. Revenue, Other Income and Gains (continued)

5a. Government Grants

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Government special subsidy	**6,564**	5,934
	6,564	5,934

6. Profit Before Tax

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

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cost of borrowings included in cost of sales	**2,530,199**	1,940,820
Cost of inventories sold	**109,983**	64,755
Cost of construction contracts	**29,306**	25,761
Cost of operating lease	**281,752**	230,605
Cost of chartering	**95,773**	104,740
Cost of healthcare service	**404,626**	165,620
Cost of education service	**45,953**	30,467
Cost of others	**11,164**	4,099
Depreciation	**21,387**	11,999
Amortisation of intangible assets and other assets:		
Current year expenditure	**19,580**	26,465
Less: Government grants released	**(689)**	(689)
	18,891	25,776
Rental expenses	**83,553**	51,051
Auditors' remuneration – other services	**4,650**	1,740
Employee benefit expense (Including directors' remuneration)		
– Wages and salaries		
– Current year expenditure	**1,358,693**	1,155,452
– Less: Government grants released	**(18,600)**	(15,000)
	1,340,093	1,140,452
– Equity-settled share-based payment expense	**118,804**	56,539
– Pension scheme contributions	**46,610**	40,439
– Other employee benefits	**111,944**	110,291
	277,358	207,269

6. Profit Before Tax (continued)

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

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Impairment of loans and accounts receivable *(Note 12)*	**812,044**	880,441
Impairment of other receivables	**24,895**	192
Impairment of inventories	**8,023**	–
Impairment of property, plant and equipment	**148,403**	–
Entertainment fee	**36,515**	24,407
Business travelling expenses	**97,158**	75,655
Consultancy fees	**43,998**	37,003
Office expenses	**21,831**	13,525
Advertising and promotion expenses	**8,603**	4,163
Transportation expenses	**5,543**	3,531
Communication expenses	**10,758**	9,053
Other miscellaneous expenses:		
Current year expenditure	**68,238**	66,366
Less: Government grants released	**(3,580)**	(3,765)
	64,658	62,601
Litigation expense	**8,917**	10,165
Losses on disposal of property, plant and equipment	**15,219**	1,037
Donation	**646**	160
Bank commission expense	**23,257**	61,190
Realised losses from derivative instruments		
– transactions not qualifying as hedges	**109,930**	4,296
Fair value losses from derivative instruments		
– transactions not qualifying as hedges	**24,988**	–
Foreign exchange losses/(gains), net		
Cash flow hedges (transfer from equity to foreign exchange):	**109,774**	(602,501)
Others	**(76,869)**	632,751
Losses on transfers of loans and receivables	**9,594**	31,501
Finance costs	**92,292**	84,723
Other expenditure	**1,949**	1,724

7. Income Tax

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current – Hong Kong		
Charge for the period	**32,641**	98,824
Current – Mainland China		
Charge for the period	**1,216,296**	850,881
Deferred tax *(Note 19)*	**(564,579)**	(330,007)
Total tax charge for the period	**684,358**	619,698

Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2016: 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 the 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 the Shanghai Science and Technology Commission. Since then, Shanghai Horizon Equipment & Engineering Co., Ltd. has enjoyed a preferential tax rate of 15%.

7. Income Tax (continued)

Corporate Income Tax ("CIT") (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	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Profit before tax	**2,303,904**	2,085,122
Tax at the statutory income tax rates	**607,452**	521,582
Effect of lower tax rate enacted by local authority	**(2,737)**	894
Expenses not deductible for tax	**11,701**	28,839
Income not subject to tax	**(22,004)**	(16,249)
Adjustment on current income tax in respect of prior years	**51**	1,704
Utilisation of previously unrecognised tax losses	**–**	(849)
Unrecognised tax losses	**67,267**	4,184
Effect of recognition of deductible temporary differences that were not recognized in prior years	**(4,859)**	–
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**–**	27,615
Effect of withholding tax on interest on intra-group balances	**27,487**	51,978
Income tax expense reported in the interim condensed consolidated statement of profit or loss	**684,358**	619,698

The share of taxes attributable to associates and joint ventures amounting to approximately RMB3,594,000 (six months ended 30 June 2016: RMB54,000) and RMB506,000 (six months ended 30 June 2016: RMB275,000) is included in "Share of net losses of associates" and "Share of net losses of joint ventures" on the face of the interim condensed consolidated statement of profit or loss.

8. Dividends

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Dividends	**762,997**	769,673

Pursuant to a resolution passed at the general meeting on 7 June 2017, the Company declared a final dividend of HK$0.23 per share in respect of the year ended 31 December 2016 to its shareholders whose names appear on the register of members of the Company on 16 June 2017. Based on the total number of outstanding ordinary shares of 3,810,737,899 (excluding the 140,148,918 shares held for the share award scheme), cash dividends declared of approximately HK$876,470,000 (equivalent to RMB762,997,000) were recognised in the financial statements.

8. Dividends (continued)

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 2017 (six months ended 30 June 2016: Nil).

9. Earnings Per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of basic earnings per share for the six months ended 30 June 2017 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 the diluted earnings per share amounts is based on the consolidated net profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group has one category of dilutive potential ordinary shares: share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options.

The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

The calculation of basic and diluted earnings per share is based on:

Earnings

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	**1,619,032**	1,439,491

Shares

	Number of shares For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares outstanding during the period, used in the basic earnings per share calculation	**3,812,012,389**	3,903,149,860
Effect of dilution – weighted average number of ordinary shares:		
Share options	**616,695**	–
Weighted average number of ordinary shares in issue during the period, used in the diluted earnings per share calculation	**3,812,629,084**	3,903,149,860

9. Earnings Per Share Attributable to Ordinary Equity Holders of the Parent (continued)

During the six months ended 30 June 2017, the unvested share options under the Share Option Scheme and the unvested restricted shares under the Restricted Share Award Scheme have 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 approval of these financial statements.

10. Property, Plant and Equipment

During the six months ended 30 June 2017, the Group acquired items of property, plant and equipment at a total cost of RMB951,402,000 (six months ended 30 June 2016: RMB996,860,000), including those through acquisition of subsidiaries.

Property, plant and equipment with a net book value of RMB131,283,000 were disposed of by the Group during the six months ended 30 June 2017 (six months ended 30 June 2016: RMB31,336,000), resulting in a net loss on disposal of RMB13,693,000 (six months ended 30 June 2016: a net gain of RMB2,066,000).

As at 30 June 2017, the Group has not obtained the property ownership certificates for five buildings (31 December 2016: one) with a net book value of RMB305,356,000 (31 December 2016: RMB9,254,000).

The Group was in the process of applying for the property ownership certificates for the above building as at 30 June 2017.

As at 30 June 2017, property, plant and equipment with a net carrying amount of RMB786,655,000 (31 December 2016: RMB748,439,000) were pledged to secure general banking facilities granted to the Group (see note 18(c)).

11. Prepaid Land Lease Payments

As at 30 June 2017, the Group has obtained the land use right certificates for the parcels of land with an aggregate net book value of RMB1,212,112,000 (31 December 2016: RMB1,193,115,000), and the Group has not obtained the land ownership certificate for one parcel (31 December 2016: one) of land with a net book value of RMB22,875,000 (31 December 2016: RMB22,713,000). The Group was in the process of applying for the land ownership certificate for the above parcel of land as at 30 June 2017.

As at 30 June 2017, the Group's leasehold land of approximately RMB892,502,000 (31 December 2016: RMB902,756,000) was pledged to secure general banking facilities granted to the Group (see note 18(c)).

12. Loans and Accounts Receivables

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Loans and accounts receivables due within 1 year	63,253,097	54,079,396
Loans and accounts receivables due after 1 year	104,369,662	84,721,981
	167,622,759	138,801,377

12a. Loans and accounts receivables by nature

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Lease receivables *(Note 12b)**	160,680,768	129,219,522
Less: Unearned finance income	(16,671,644)	(12,353,786)
Net lease receivables *(Note 12b)*	144,009,124	116,865,736
Interest receivables*	847,539	614,129
Notes receivable	1,003,439	757,552
Accounts receivable *(Note 12d)**	1,409,555	1,274,555
Factoring receivable *(Note 12f)*	4,376,192	3,883,666
Entrusted loans *(Note 12h)**	18,774,423	17,751,946
Long-term receivables*	649,089	363,394
Secured loans	139,474	319,470
Subtotal of loans and accounts receivables	171,208,835	141,830,448
Less: Provision for lease receivables *(Note 12c)*	(3,052,515)	(2,527,157)
Provision for accounts receivable *(Note 12e)*	(122,580)	(82,385)
Provision for factoring receivable *(Note 12g)*	(86,198)	(81,282)
Provision for entrusted loans *(Note 12h)*	(310,222)	(326,359)
Provision for long-term receivables *(Note 12i)*	–	–
Provision for secured loans *(Note 12j)*	(14,561)	(11,888)
	167,622,759	138,801,377

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

12. Loans and Accounts Receivables (continued)

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

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Lease receivables:		
Within 1 year	99,423,015	71,561,617
1 to 2 years	37,800,487	34,267,676
2 to 3 years	13,536,434	14,137,570
3 to 5 years	9,920,832	9,252,659
Total	160,680,768	129,219,522

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Net lease receivables:		
Within 1 year	87,912,964	63,929,750
1 to 2 years	34,277,334	31,049,667
2 to 3 years	12,521,680	13,176,400
3 to 5 years	9,297,146	8,709,919
Total	144,009,124	116,865,736

12b (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 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Lease receivables:		
Due within 1 year	60,013,700	51,465,438
Due in 1 to 2 years	45,049,412	36,723,765
Due in 2 to 3 years	30,521,328	23,387,457
Due in 3 to 5 years	24,622,273	17,642,862
Due after 5 years	474,055	–
Total	160,680,768	129,219,522

12. Loans and Accounts Receivables (continued)

12b (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: (continued)

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Net lease receivables:		
Due within 1 year	52,210,049	45,418,293
Due in 1 to 2 years	40,217,918	33,109,052
Due in 2 to 3 years	27,910,746	21,547,706
Due in 3 to 5 years	23,269,705	16,790,685
Due after 5 years	400,706	–
Total	144,009,124	116,865,736

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.

12c. Change in provision for lease receivables

	Individually assessed		Collectively assessed		Total	
	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
At beginning of period/year	397,960	262,681	2,129,197	1,933,513	2,527,157	2,196,194
Charge for the period/year	189,969	446,288	575,978	485,462	765,947	931,750
Recoveries of lease receivables previously written off	13,242	–	–	–	13,242	–
Disposal	–	–	(178,276)	(277,331)	(178,276)	(277,331)
Write-off	(71,661)	(312,913)	–	(22,872)	(71,661)	(335,785)
Exchange differences	(1,753)	1,904	(2,141)	10,425	(3,894)	12,329
At end of period/year	527,757	397,960	2,524,758	2,129,197	3,052,515	2,527,157

12. Loans and Accounts Receivables (continued)

12c. Change in provision for lease receivables (continued)

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Lease receivables:		
Individually assessed *(Note (i))*	1,583,649	1,343,183
Collectively assessed	159,097,119	127,876,339
Total	160,680,768	129,219,522

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Net lease receivables:		
Individually assessed *(Note (i))*	1,460,769	1,253,853
Collectively assessed	142,548,355	115,611,883
Total	144,009,124	116,865,736

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

Note (ii) As at 30 June 2017, the Group's lease receivables pledged or charged as security for the Group's bank and other borrowings amounted to RMB14,916,598,000 (31 December 2016: RMB12,886,076,000) (see Note 18(a)).

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 60-day terms, while the credit terms for major customers can be extended to 180 days.

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Within 1 year	1,181,798	1,057,077
More than 1 year	227,757	217,478
Total	1,409,555	1,274,555

12. Loans and Accounts Receivables (continued)

12e. Change in provision for accounts receivable

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
At beginning of period/year	82,385	18,290
Charge for the period/year	53,561	51,583
Acquisition of a subsidiary	2,993	18,031
Write-off	(15,962)	(5,626)
Exchange differences	(397)	107
At end of period/year	122,580	82,385

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

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Within 1 year	3,278,863	2,720,475
More than 1 year	1,097,329	1,163,191
	4,376,192	3,883,666

12g. Change in provision for the factoring receivable

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
At beginning of period/year	81,282	48,526
Charge for the period/year	5,686	49,756
Write-off	(770)	(17,000)
At end of period/year	86,198	81,282

12. Loans and Accounts Receivables (continued)

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 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Entrusted loans:		
Within 1 year	6,892,225	12,950,500
1 to 2 years	11,632,189	4,725,530
2 to 3 years	241,759	64,416
3 to 5 years	8,250	11,500
Total	18,774,423	17,751,946

12h (2). The table below illustrates the amounts of entrusted loans the Group expects to receive in the following three consecutive accounting years:

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Entrusted loans:		
Due within 1 year	6,696,238	4,834,857
Due in 1 to 2 years	5,504,919	5,173,124
Due in 2 to 3 years	3,805,479	4,081,715
Due in 3 to 5 years	2,505,865	3,662,250
Due after 5 years	261,922	–
Total	18,774,423	17,751,946

12. Loans and Accounts Receivables (continued)

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

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
At beginning of period/year	326,359	126,726
(Reversal)/charge for the period/year	(16,137)	223,487
Disposal	–	(23,854)
At end of period/year	310,222	326,359

12i. Change in provision for long term receivables

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
At beginning of period/year	–	17
Reversal for the period/year	–	(17)
At end of period/year	–	–

12j. Change in provision for secured loans

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
At beginning of period/year	11,888	9,288
Charge for the period/year	2,987	1,969
Exchange difference	(314)	631
At end of period/year	14,561	11,888

12. Loans and Accounts Receivables (continued)

12k. Balances with related parties

		30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Joint ventures:			
– Guangzhou Kangda Industrial Technology Co., Ltd.			
Entrusted loan	*(i)*	150,000	150,000
Long-term receivables	*(ii)*	75,000	75,000
Interest receivables		21,594	8,786
– Weihai Haida hospital Co., Ltd.			
Long-term receivables	*(ii)*	30,000	30,000
Lease receivables	*(iii)*	10,000	10,000
Interest receivables		1,296	525
– Kunming Broadhealthcare Investment Co., Ltd.			
Entrusted loan	*(i)*	50,000	50,000
Interest receivables		87	95
– Fengyang Gulou hospital Co., Ltd.			
Accounts receivables		15,630	–
		353,607	324,406

(i) Balances of entrusted loans were interest-bearing at annual interest rates ranging from 6.245% to 15% (31 December 2016: from 6.245% to 15%).

(ii) Balances of long-term receivables were interest-bearing at annual interest rates ranging from 5.655% to 6.05% (31 December 2016: from 5.655% to 6.05%).

(iii) Balances of lease receivables were interest-bearing at annual interest rates 12.77% (31 December 2016: 12.77%).

13. Derivative Financial Instruments

	30 June 2017 (Unaudited) RMB'000		31 December 2016 (Audited) RMB'000	
	Assets	Liabilities	Assets	Liabilities
Cross-currency interest rate swap contracts	426,171	(7,860)	1,034,720	–
Forward currency contracts	3,270	(156,648)	348,156	(90,150)
Interest rate swaps	31,018	(931)	–	(2,067)
	460,459	(165,439)	1,382,876	(92,217)

13. Derivative Financial Instruments (continued)

	30 June 2017 (Unaudited) RMB'000		31 December 2016 (Audited) RMB'000	
	Assets	**Liabilities**	Assets	Liabilities
Portion classified as non-current				
Cross-currency interest rate swap contracts	**–**	**–**	458,150	–
Forward currency contracts	**–**	**(40,271)**	20,639	(29,091)
Interest rate swaps	**31,018**	**(931)**	–	(2,067)
	31,018	**(41,202)**	478,789	(31,158)
Current portion	**429,441**	**(124,237)**	904,087	(61,059)
	460,459	**(165,439)**	1,382,876	(92,217)

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

During the six months ended 30 June 2017, the Group designated 21 (six months ended 30 June 2016: 26) cross-currency interest rate swap contracts and 20 (six months ended 30 June 2016: 25) 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 Group designated 3 (six months ended 30 June 2016: Nil) interest rate swap contracts as hedges of future cash flows arising from finance lease receivables 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, and the terms of the interest rate swap contracts substantially match the terms of the finance lease contracts. The cash flow hedges relating to expected future payments or receivables were assessed to be highly effective and a net loss of RMB246,318,000 (six months ended 30 June 2016: RMB458,813,000) was included in the hedging reserve as follows:

	For the six months ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
Total fair value (losses)/gains included in the hedging reserve	**(404,649)**	74,082
Deferred tax impact on fair value losses/(gains)	**66,671**	(12,224)
Reclassified from other comprehensive income and recognised/(credited) in the statement of profit or loss	**109,774**	(623,558)
Deferred tax on reclassifications to profit or loss	**(18,114)**	102,887
Net losses included in hedging reserve	**(246,318)**	(458,813)

13. Derivative Financial Instruments (continued)

Cross-currency interest rate swap contracts, forward currency contracts and interest rate swap contracts – cash flow hedges (continued)

Cross-currency interest rate swaps, with a total net fair value of RMB418,311,000 (31 December 2016: a total net fair value of RMB1,009,732,000) as of 30 June 2017, 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 3 months to 1 year) denominated in US Dollar and other foreign currencies. Forward currency contracts, with a total negative net fair value of RMB153,378,000 (31 December 2016: a total net fair value of RMB258,006,000) as of 30 June 2017, were designated as hedging instruments in cash flow hedges of currency risks arising from loans (with remaining maturity from 3 months to 3 years) denominated in US Dollar and other foreign currencies. RMB-denominated interest rate swaps, with a total negative net fair value of RMB931,000 (31 December 2016: a total negative net fair value of RMB2,067,000) as of 30 June 2017, were designated as hedging instruments in cash flow hedges of interest rate risks arising from floating rate lease receivables (with remaining maturity from 2 years to 3 years) denominated in RMB.

Fair value hedge

At 30 June 2017, the Group had an interest rate swap agreement in place with a notional amount of RMB1,000,000,000 whereby it receives interest at a fixed rate of 4.85% per annum and pays interest at a variable rate equal to the benchmark interest rate of Renminbi loans of the People's Bank of China with terms of 1 to 5 years on the notional amount. The swap is used to hedge the exposure to changes in the fair value of its 4.85% long-term bond. The critical terms of the interest rate swap substantially match those of the bond. This hedge was assessed to be effective.

As of 30 June 2017, the fair value of the aforementioned RMB-denominated interest rate swap designated as the hedging instrument amounted to RMB31,018,000 (31 December 2016: Nil) and the aforementioned RMB-denominated interest rate swap has a remaining maturity of 2 years.

14. Investments in Joint Ventures

	30 June 2017	31 December 2016
	RMB'000	RMB'000
Share of net assets	**1,454,614**	1,324,918
Excess of consideration over share of net assets acquired	**79,952**	79,952
	1,534,566	1,404,870

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 (上海東翎投資合伙企業(有限合伙))	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 RMB5,000,000	PRC/ Mainland China	50	50	Medical service
Weihai Haida Nursing Hospital Co., Ltd. (威海海大護理院有限公司)	Registered capital of RMB1,000,000	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 RMB5,230,000	PRC/ Mainland China	49.7	49.7	Sale 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

14. Investments in Joint Ventures (continued)

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

Name	Particulars of issued shares held	Place of registration and business	Percentage of Ownership interest	Percentage of Profit sharing	Principal activities
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. (遠翼宏揚投資管理有限公司)	Authorised capital of USD50,000	Cayman Islands	70	70	Investment holding
Grand Flight Hooyoung Investment L.P. (遠翼宏揚投資有限合夥)	USD72,321,241.36	Cayman Islands	55	55	Investment holding
Teamway Shipping Limited (匯聯船務有限公司)	HK$10,000	Hong Kong	50	50	Shipping service
Gold Chance Shipping Limited (金運船務有限公司)	HK$10,000	Hong Kong	50	50	Shipping service
Fengyang Gulou Hospital Co., Ltd. (鳳陽縣鼓樓醫院有限公司)	Registered capital of RMB100,000,000	PRC/ Mainland China	35	35	Medical service
Suzhou Gaoxin Rehabilitation Hospital Co., Ltd. (蘇州高新康復醫院有限公司)	Registered capital of RMB50,000,000	PRC/ Mainland China	61*	61	Medical service

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 unanimous consent of all joint venture partners.

* The decisions about the activities that most significantly affect the returns of the investee would be subject to the consent of the shareholders representing more than 2/3 of the total number of shareholders to vote, under which the 61% ownership interest does not grant the Group the unilateral ability to direct relevant activities.

14. Investments in Joint Ventures (continued)

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

Kangda, which is considered a material joint venture of the Group, is mainly engaged in the 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 2017 RMB'000	31 December 2016 RMB'000
Cash and cash equivalents	294,846	72,021
Other current assets	2,065,070	1,903,672
Current assets	2,359,916	1,975,693
Non-current assets	3,921	4,066
Financial liabilities, excluding trade and other payables	(250,000)	(250,000)
Trade and other payables	(190,417)	(155,079)
Taxes payable	13,416	–
Current liabilities	(427,001)	(405,079)
Non-current liabilities	(365,000)	–
Net assets	1,571,836	1,574,680

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

Proportion of the Group's ownership	60%	60%
Carrying amount of the investment	943,102	944,808

	For the six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Administrative expenses	(4,079)	(4,034)
Other expenses	1,236	1,126
Loss and total comprehensive income for the period	(2,843)	(2,908)

14. Investments in Joint Ventures (continued)

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	
	2017	2016
	RMB'000	RMB'000
Share of the joint ventures' profit for the period	**188**	2,571

	30 June 2017	31 December 2016
	RMB'000	RMB'000
Aggregate carrying amount of the Group's investments in the joint ventures	**591,464**	460,062

15. Construction Contracts

	30 June 2017	31 December 2016
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Gross amount due from contract customers	**53,073**	44,129
Contract costs incurred plus recognised profits to date	**263,912**	240,890
Less: Progress billings	**(210,839)**	(196,761)
	53,073	44,129

16. Cash and Cash Equivalents and Restricted Deposits

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Cash and bank balances	5,804,996	4,426,996
Time deposits	28,919	85,675
	5,833,915	4,512,671
Less:		
Pledged deposits	305,694	331,619
Restricted bank deposits related to asset-backed securitisations	2,662,760	2,129,745
Restricted bank deposits related to collective fund trusts	75,386	–
Cash and cash equivalents	2,790,075	2,051,307

At 30 June 2017, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to RMB5,594,239,000 (31 December 2016: RMB4,095,014,000). 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 2017, cash of RMB175,882,000 (31 December 2016: RMB99,542,000) was pledged for bank and other borrowings (see Note 18(b)).

As at 30 June 2017, cash of RMB114,893,000 (31 December 2016: RMB232,077,000) was pledged for bank acceptances and letters of credit.

As at 30 June 2017, cash of RMB14,919,000 (31 December 2016: Nil) was pledged for collective fund trusts.

As at 30 June 2017, cash of RMB246,572,000 (31 December 2016: RMB245,558,000) was deposited with Sinochem Finance Co., Ltd., a subsidiary of the ultimate holding company of a shareholder with significant influence.

17. Trade and Bills Payables

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Current:		
Bills payable	1,105,833	1,748,770
Trade payables	1,169,136	1,138,496
	2,274,969	2,887,266
Non-current:		
Trade payables	–	55
	2,274,969	2,887,321

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

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Within 1 year	2,095,790	2,682,301
1 to 2 year	82,287	115,622
2 to 3 year	43,343	44,090
3 years and beyond	53,549	45,308
	2,274,969	2,887,321

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

18. Interest-Bearing Bank and Other Borrowings

	30 June 2017 (Unaudited)			31 December 2016 (Audited)		
	Effective annual interest rate (%)	Maturity	RMB'000	Effective annual interest rate (%)	Maturity	RMB'000
Current:						
Current portion of long term bank loans – secured	2.78~5.94	2017~2018	7,218,220	2.78~5.94	2017	6,054,392
Bank loans – secured	2.50	2018	135,488	–	–	–
Bank loans – unsecured	1.90~6.35	2017~2018	20,279,010	1.85~4.75	2017	14,017,000
Current portion of long term bank loans – unsecured	2.08~5.70	2017~2018	20,571,427	2.08~6.15	2017	19,032,705
Other loans – secured	5.08~6.00	2017~2018	1,100,000	4.00~5.08	2017	370,000
Other loans – unsecured	4.75	2017	165,000	4.75	2017	315,103
Bonds – unsecured	3.80~5.75	2017~2018	10,292,008	2.79~5.75	2017	13,756,349
			59,761,153			53,545,549
Non-current:						
Bank loans – secured	2.78~5.94	2018~2026	8,163,441	2.78~5.94	2018~2023	5,591,411
Bank loans – unsecured	3.33~6.15	2018~2030	20,841,454	2.50~4.28	2018~2026	17,124,488
Other loans – secured	7.00	2018	679,238	5.08~7.00	2018	703,902
Other loans – unsecured	5.64~7.09	2018~2020	32,980	5.64~7.09	2018	38,150
Bonds – unsecured	3.00~6.13	2018~2022	41,021,544	3.00~6.13	2018~2022	29,934,088
			70,738,657			53,392,039
			130,499,810			106,937,588

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

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	**48,204,145**	39,104,097
In the second year	**20,555,132**	15,033,642
In the third to fifth years, inclusive	**8,340,080**	7,579,826
Beyond five years	**109,683**	102,431
	77,209,040	61,819,996
Other borrowings repayable:		
Within one year	**11,557,008**	14,441,452
In the second year	**13,693,128**	984,467
In the third to fifth years, inclusive	**27,882,662**	29,356,493
Beyond five years	**157,972**	335,180
	53,290,770	45,117,592
	130,499,810	106,937,588

(a) As at 30 June 2017, the Group's bank and other borrowings secured by the pledge of or the transfer of certain of the Group's lease receivables amounted to RMB14,757,116,000 (31 December 2016: RMB12,059,285,000).

(b) As at 30 June 2017, the Group's bank and other borrowings, pledged by cash, amounted to RMB2,135,488,000 (31 December 2016: RMB312,165,000).

(c) As at 30 June 2017, the Group's bank and other borrowings, pledged by the Group's leasehold land, and property, plant and equipment, amounted to RMB403,783,000 (31 December 2016: RMB348,225,000). The Group had not provided any guarantees for other entities (31 December 2016: Nil).

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	Fee income received in advance RMB'000	Others RMB'000	Total RMB'000
Gross deferred tax assets at 1 January 2017 (Audited)	307,914	517	63,521	843,642	652,098	51,269	–	(11,597)	1,907,364
(Charged)/credited to the statement of profit or loss during the period	(524)	–	27,002	172,344	128,978	37,425	220,898	(19,155)	566,968
Credited to reserve	–	18,613	–	–	–	–	–	–	18,613
Exchange differences	–	–	–	(1,452)	–	(126)	–	–	(1,578)
Gross deferred tax assets at 30 June 2017 (Unaudited)	307,390	19,130	90,523	1,014,534	781,076	88,568	220,898	(30,752)	2,491,367

	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	Fee income received in advance 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 year	179,710	–	46,079	205,468	146,079	40,806	–	(16,907)	601,235
Credited to reserve	–	517	–	–	–	–	–	–	517
Exchange differences	–	–	–	2,893	–	1,995	–	–	4,888
Gross deferred tax assets at 31 December 2016 (Audited)	307,914	517	63,521	843,642	652,098	51,269	–	(11,597)	1,907,364

19. Deferred Tax (continued)

Deferred tax liabilities

	Asset revaluation RMB'000	Cash flow hedge RMB'000	Fair value adjustments arising from equity investments at fair value through profit or loss RMB'000	Withholding income tax RMB'000	Others RMB'000	Total RMB'000
Gross deferred tax liabilities at 1 January 2017 (Audited)	20,629	29,944	10,702	9,385	190	70,850
(Credited)/charged to the statement of profit or loss during the period	(3,765)	–	–	–	6,154	2,389
Arising from acquisition of subsidiaries	1,890	–	–	–	–	1,890
Credited to reserve	–	(29,944)	–	–	–	(29,944)
Gross deferred tax liabilities at 30 June 2017 (Unaudited)	18,754	–	10,702	9,385	6,344	45,185

	Asset revaluation RMB'000	Cash flow hedge RMB'000	Fair value adjustments arising from equity investments at fair value through profit or loss RMB'000	Withholding income tax RMB'000	Others RMB'000	Total RMB'000
Gross deferred tax liabilities at 1 January 2016 (Audited)	14,582	63,526	–	51,284	–	129,392
(Credited)/charged to the statement of profit or loss during the year	(794)	–	10,702	(41,899)	190	(31,801)
Arising from acquisition of subsidiaries	6,841	–	–	–	–	6,841
Credited to reserve	–	(33,582)	–	–	–	(33,582)
Gross deferred tax liabilities at 31 December 2016 (Audited)	20,629	29,944	10,702	9,385	190	70,850

19. Deferred Tax (continued)

For the purpose of the presentation of the consolidated statement 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 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Net deferred tax assets recognised in the consolidated statement of financial position	**2,491,367**	1,907,364
Net deferred tax liabilities recognised in the consolidated statement of financial position	**45,185**	70,850

As at 30 June 2017, the Group had tax losses arising in Hong Kong of RMB268,402,000 (31 December 2016: RMB106,794,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose and tax losses arising in Mainland China of RMB177,127,000 (31 December 2016: RMB114,770,000) 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 2017, the Group did not recognise deferred tax assets arising in Mainland China and Hong Kong in respect of unutilised tax losses and deductible temporary differences of RMB206,814,000 (31 December 2016: RMB41,471,000) and RMB157,435,000 (31 December 2016: RMB276,000), respectively, due to uncertainty in their recoverability.

Pursuant to the resolution of the Company, part of the profits of the PRC subsidiaries generated from 2012 onwards will be retained by the 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 2017, the aggregate amount of unrecognised deferred tax liabilities (i.e. withholding taxes relating to such temporary differences) was approximately RMB459,221,000 (31 December 2016: RMB387,363,000).

20. Share Capital

	Number of shares	**Amounts HK$**
Issued and fully paid ordinary shares:		
At 31 December 2016 (HK$0.01 each) (Audited)	3,950,783,817	13,005,970,000
At 30 June 2017 (Unaudited) *(Note (i))*	**3,950,886,817**	**13,006,746,000**

Note:

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

20. Share Capital (continued)

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

	Number of shares in issue	Share capital	Equivalent share capital
		HK$'000	RMB'000
At 1 January 2017 and 31 December 2016	3,950,783,817	13,005,970	10,213,017
Share options exercised *(note(ii))*	103,000	776	671
As at 30 June 2017 (Unaudited)	**3,950,886,817**	**13,006,746**	**10,213,688**

Note:

(ii) The subscription rights attaching to 103,000 share options were exercised at the subscription price of HK$5.86 per share, resulting in the issue of 103,000 shares for a total cash consideration, before expenses, of HK$604,000. An amount of HK$172,000 was transferred from the share option reserve to share capital upon the exercise of the share options.

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 subsidiary Shanghai Horizon Construction Engineering Equipment 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.

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 14 June 2017, the Company issued US$300,000,000 perpetual capital securities ("Perpetual Securities") at an initial distribution rate of 4.35% under the US$4,000,000,000 medium term note and perpetual securities programme updated on 1 June 2017 by the Company. The Perpetual Securities are unsecured.

Distributions of the Perpetual Securities may be paid semi-annually in arrears on 14 June and 14 December of each year ("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 14 June 2022 ("First Call Date") or on any Distribution Payment Date falling after the First Call Date at their principal amounts together with any distribution accrued to the date fixed for redemption (including any arrears of distribution and any additional distribution amounts). The applicable distribution rate will reset, in respect of the period (A) from, and including, the First Call Date to, but excluding, the immediately following reset date ("Reset Date") and (B) from, and including, each Reset Date falling after the First Call Date to, but excluding, the immediately following Reset Date, the relevant reset distribution rate shall be the comparable treasury rate as at each relevant Reset Date plus the initial spread 2.62% plus 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.

The direct transaction costs attributable to the Perpetual Securities amounted to RMB5,451,000.

On 23 June 2014, the Company issued US$200,000,000 senior perpetual capital securities ("Senior Perpetual Securities") at an initial distribution rate of 5.55%. The First Call Date of the Senior Perpetual Securities is 23 June 2017 and the Company redeemed the Senior Perpetual Securities in full during the six months ended 30 June 2017.

For the six months ended 30 June 2017, the profit attributable to the holders of Perpetual Securities and Senior Perpetual Securities, based on the applicable distribution rates, was RMB39,856,000 (six months ended 30 June 2016: RMB37,212,000) and the distribution made by the Group to the holders of Senior Perpetual Securities was RMB37,847,000 (six months ended 30 June 2016: RMB36,803,000).

23. Restricted Share Award Scheme and Share Option Scheme

On 11 June 2014, the Board of directors announced that it has adopted an award scheme (the "Award Scheme"). As a result, the Company granted restricted shares to selected grantees under the Award Scheme since 2014. On 20 June 2017 the Company has resolved to additionally offer to grant restricted shares to the selected grantees under the Award Scheme for a total of 49,386,000 shares.

Pursuant to a resolution in writing passed on 7 July 2014 by the shareholders of the Company, a share option scheme (the "Share Option Scheme") has been adopted by the Company. As a result, the Company granted share options to selected grantees under the Share Option Scheme since 2014. On 20 June 2017 the Board announced that, the Company has resolved to additionally offer to grant share options to certain qualified participants under the Share Option Scheme to subscribe for a total of 32,924,000 ordinary shares in the capital of the Company.

24. Contingent Liabilities

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

	30 June 2017 RMB'000	31 December 2016 RMB'000
Claimed amounts	4,855	4,257

25. Pledge of Assets

Details of the Group's bank loans which are secured by the assets of the Group are included in Notes 10, 11, 12, 16 and 18 to the financial statements.

26. 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 2017, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Within one year	370,928	671,916
In the second to fifth years, inclusive	467,034	420,871
	837,962	1,092,787

26. Operating Lease Arrangements (continued)

(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 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Within one year	**134,874**	154,533
In the second to fifth years, inclusive	**254,066**	192,695
More than five years	**283,347**	99,669
	672,287	446,897

27. Commitments

(a) In addition to the operating lease commitments detailed in Note 26(b) above, the Group had the following capital commitments at the end of the reporting period:

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Contracted, but not provided for:		
Capital expenditure for acquisition of property and equipment	**754,433**	535,261
Purchase of shareholding	**399,049**	386,500
	1,153,482	921,761

(b) Credit commitments

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

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Irrevocable credit commitments	**9,778,844**	5,432,647

27. Commitments (continued)

(b) Credit commitments (continued)

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.

28. 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.
Fengyang Gulou hospital Co., Ltd.
Teamway Shipping Limited
Gold Chance Shipping Limited

28. Related Party Transactions (continued)

a. **In addition to the balances in Notes 12 and 16 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 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Due from related parties		
China Jin Mao Group Co., Ltd.	16,337	16,337
Beijing Chemsunny Property Co., Ltd.	2,493	2,493
Jin Mao (Shanghai) Property Management Service Co., Ltd.	2	2
Sinochem Jinmao Property Management (Beijing) Co., Ltd.	175	175
Gold Chance Shipping Limited	40,252	41,154
Teamway Shipping Limited	39,913	40,807
Weihai Haida Hospital Co., Ltd.	83	–
Kunming Broadhealthcare Investment Co., Ltd.	150	–
	99,405	100,968

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

(ii) Other payables and accruals

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Due to related parties		
Sinochem Finance Co., Ltd.	–	814
Gold Chance Shipping Limited	2,832	–
Teamway Shipping Limited	2,500	–
	5,332	814

Amounts due to related parties were unsecured and non-interest-bearing.

28. Related Party Transactions (continued)

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

(i) Interest income from cash at banks

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Sinochem Finance Co., Ltd.	**2,043**	1,437

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

(ii) Service fee income

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Sinochem International (Overseas) Pte. Ltd.	**–**	2,525
Weihai Haida Hospital Co., Ltd.	**157**	–
	157	2,525

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

(iii) Interest expenses on borrowings

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Sinochem Finance Co., Ltd.	**9,381**	5,539

The interest expenses were charged at rates ranging from 3.92% to 4.79% per annum.

28. Related Party Transactions (continued)

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

(iv) Rental expenses

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
China Jin Mao Group Co., Ltd.	**25,292**	25,304
Beijing Chemsunny Property Co., Ltd.	**3,910**	2,045
Sinochem Jinmao Property Management (Beijing) Co., Ltd.	**281**	148
Jin Mao (Shanghai) Property Management Services Co., Ltd.	**676**	572
Sinochem Hong Kong	**–**	1,316
	30,159	29,385

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	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Sinochem Finance Co., Ltd.	**1,237**	2,345

(vi) Interest income

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Weihai Haida hospital Co., Ltd.	**606**	2,250
Guangzhou Kangda Industrial Technology Co., Ltd.	**12,678**	841
Kunming Broadhealthcare Investment Co., Ltd.	**1,481**	1,562
	14,765	4,653

28. Related Party Transactions (continued)

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

(vii) Sales of goods

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Fengyang Gulou hospital Co., Ltd.	**113**	–

(viii) Tendering service fee

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Sinochem International Tendering Co., Ltd.	**–**	310

(ix) Non-cancellable operating leases

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

	30 June 2017	31 December 2016
	(Unaudited)	(Audited)
	RMB'000	RMB'000
China Jin Mao Group Co., Ltd.	**25,635**	50,937
Beijing Chemsunny Property Co., Ltd.	**4,387**	8,773
	30,022	59,710

(x) Finance lease with CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd. ("CSR Sifang"), CRRC Qingdao Sifang Co., Ltd. ("CRRC 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 the payment of the 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.

28. 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"), CRRC Qingdao Sifang Co., Ltd. ("CRRC Sifang") and Sinochem Tendering (continued)

On 15 January 2016, the Group entered into (i) the New Lease Contract with CRRC Sifang and (ii) the New Supplementary Agreement with CRRC Sifang and Sinochem Tendering. Pursuant to the New Supplementary Agreement, upon the completion of the performance by CRRC Sifang of all its duties under the Lease Contract, including but not limited to the payment of the total amount of rental and all other taxes, interest and damages incurred (if any), Sinochem Tendering shall repurchase the equipment in an amount of RMB19,584,000 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	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Employee benefits	**46,147**	26,322

29. 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 the reporting period and their carrying values approximate to their fair values.

29. Fair Value Hierarchy (continued)

Financial instruments not measured at fair value (continued)

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

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

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 are included in interest-bearing bank and other borrowings not presented at fair value on the statement of financial position.

	Carrying amounts		Fair values	
	30 June 2017 RMB'000	31 December 2016 RMB'000	**30 June 2017 RMB'000**	31 December 2016 RMB'000
Financial liabilities				
Bonds issued	**51,313,552**	43,690,437	**51,699,139**	43,697,168

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

Equity investments at fair value through profit or loss and available-for-sale investments

As at 30 June 2017, the fair value has not been disclosed for certain equity investments at fair value through profit or loss and available-for-sale investments in unlisted equity instruments that do not have a quoted market price in an active market and is measured at cost less any impairment because their fair value cannot be measured reliably. The reason why the fair value cannot be measured reliably is 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. The carrying amounts of these equity investments at fair value through profit or loss and available-for-sale investments were RMB721,239,000 (31 December 2016: RMB124,000,000) and RMB103,555,000 (31 December 2016: RMB103,555,000), respectively. All of them are unlisted equity investments held by the Group in China, which are intended to be disposed of by the Group after getting listed on the designated stock exchanges in the future.

29. Fair Value Hierarchy (continued)

Financial instruments measured at fair value

Non-deliverable cross-currency swaps and interest rate swaps

Non-deliverable cross-currency swaps and interest rate swaps are measured using valuation techniques similar to the present value calculations of the forward pricing and swap models, which incorporate various market observable inputs 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 making as much use of available and supportable market data as possible.

Available-for-sale investments

The fair values of available-for-sale investments of listed equity investments are based on quoted market prices.

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)

29. Fair Value Hierarchy (continued)

Fair value hierarchy: (continued)

Assets and Liabilities measured at fair value:

As at 30 June 2017

	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
Available-for-sale investments – equity investments	111,238	–	–	111,238
Cross-currency interest rate swaps – assets	–	426,171	–	426,171
Cross-currency interest rate swaps – liabilities	–	(7,860)	–	(7,860)
Forward currency contracts – assets	–	3,270	–	3,270
Forward currency contracts – liabilities	–	(156,648)	–	(156,648)
Interest rate swaps – assets	–	31,018	–	31,018
Interest rate swaps – liabilities	–	(931)	–	(931)
Equity investments at fair value through profit or loss	–	422,872	–	422,872
Other liabilities	–	(413,195)	–	(413,195)

As at 31 December 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
Available-for-sale investments – equity investments	186,334	–	–	186,334
Cross-currency interest rate swaps – assets	–	1,034,720	–	1,034,720
Cross-currency interest rate swaps – liabilities	–	–	–	–
Forward currency contracts – assets	–	348,156	–	348,156
Forward currency contracts – liabilities	–	(90,150)	–	(90,150)
Interest rate swaps – liabilities	–	(2,067)	–	(2,067)
Equity investments at fair value through profit or loss	–	597,239	–	597,239
Other liabilities	–	(70,000)	–	(70,000)

29. Fair Value Hierarchy (continued)

Fair value hierarchy: (continued)

Assets and Liabilities measured at fair value: (continued)

During the six months ended 30 June 2017, there was no transfer at fair value measurements between Level 1 and Level 2 and no transfer into or out of Level 3 (six months ended 30 June 2016: Nil).

Liabilities for which fair values are disclosed:

As at 30 June 2017

	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	–	51,699,139	–	51,699,139

As at 31 December 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	–	43,697,168	–	43,697,168

30. Events after the Reporting Period

There was no material subsequent event undertaken by the Group after 30 June 2017.

31. 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 23 August 2017.

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		
	2017	2016	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Revenue	**8,972,211**	7,280,667	13,928,369	11,795,983	10,060,717
Cost of Sales	**(3,508,756)**	(2,566,867)	(5,735,538)	(4,771,610)	(4,106,547)
Gross profit	**5,463,455**	4,713,800	8,192,831	7,024,373	5,954,170
Other income and gains	**200,806**	144,238	477,443	510,032	523,689
Selling and distribution costs	**(2,043,913)**	(1,678,390)	(2,872,888)	(2,531,237)	(2,265,899)
Other expenses	**(218,488)**	(130,158)	(306,790)	(454,489)	(249,400)
Finance costs	**(92,292)**	(84,723)	(157,755)	(122,221)	(14,667)
Profit or loss on investment in joint ventures	**(1,518)**	826	591	(310)	(195)
Profit or loss on investment in associates	**(10,781)**	162	300	–	13,511
Pre-Provision Operating Profit	**3,297,269**	2,965,755	5,333,732	4,426,148	3,961,209
Assets Provisions	**(993,365)**	(880,633)	(1,261,262)	(846,423)	(750,009)
Profit before tax	**2,303,904**	2,085,122	4,072,470	3,579,725	3,211,200
Income tax expense	**(684,358)**	(619,698)	(1,130,683)	(999,734)	(869,026)
Profits for the year	**1,619,546**	1,465,424	2,941,787	2,579,991	2,342,174
Attributable to:					
Holders of ordinary shares	**1,619,032**	1,439,491	2,882,208	2,503,109	2,295,954
Holders of perpetual securities	**39,856**	37,212	78,284	73,080	36,036
Non-controlling interests	**(39,342)**	(11,279)	(18,705)	3,802	10,184
	1,619,546	1,465,424	2,941,787	2,579,991	2,342,174

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		
	2017	2016	2016	2015	2014
	US$'000	US$'000	US$'000	US$'000	US$'000
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Revenue	**1,308,723**	1,109,452	2,074,125	1,870,508	1,647,151
Cost of Sales	**(511,801)**	(391,148)	(854,100)	(756,642)	(672,328)
Gross profit	**796,922**	718,304	1,220,025	1,113,866	974,823
Other income and gains	**29,290**	21,979	71,098	80,877	85,739
Selling and distribution costs	**(298,133)**	(255,759)	(427,812)	(401,382)	(370,976)
Other expenses	**(31,870)**	(19,833)	(45,685)	(72,069)	(40,832)
Finance costs	**(13,462)**	(12,910)	(23,492)	(19,381)	(2,401)
Profit or loss on investment in joint ventures	**(221)**	126	88	(49)	(32)
Profit or loss on investment in associates	**(1,573)**	25	45	–	2,212
Pre-Provision Operating Profit	**480,953**	451,932	794,267	701,862	648,533
Assets Provisions	**(144,896)**	(134,194)	(187,820)	(134,219)	(122,792)
Profit before tax	**336,057**	317,738	606,447	567,643	525,741
Income tax expense	**(99,823)**	(94,432)	(168,374)	(158,530)	(142,278)
Profits for the year	**236,234**	223,306	438,073	409,113	383,463
Attributable to:					
Holders of ordinary shares	**236,159**	219,355	429,200	396,922	375,896
Holders of perpetual securities	**5,814**	5,670	11,658	11,588	5,900
Non-controlling interests	**(5,739)**	(1,719)	(2,785)	603	1,667
	236,234	223,306	438,073	409,113	383,463

Financial Summary

Assets, Liabilities and Non-controlling Interests

	For the six months ended 30 June		For the year ended 31 December		
	2017	2016	2016	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Total assets	**196,985,860**	150,329,147	166,560,921	139,312,889	110,726,124
Total liabilities	**(170,564,624)**	(127,022,536)	(141,714,820)	(116,351,469)	(93,276,231)
Perpetual securities	**(2,036,648)**	(1,227,612)	(1,231,881)	(1,227,203)	(1,258,170)
Non-controlling interests	**(869,604)**	(399,532)	(654,990)	(343,180)	(78,771)
	23,514,984	21,679,467	22,959,230	21,391,037	16,112,952

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		
	2017	2016	2016	2015	2014
	US$'000	US$'000	US$'000	US$'000	US$'000
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Total assets	**29,077,979**	22,669,976	24,010,512	21,453,876	18,095,461
Total liabilities	**(25,177,820)**	(19,155,287)	(20,428,834)	(17,917,868)	(15,243,705)
Perpetual securities	**(300,639)**	(185,127)	(177,581)	(188,987)	(205,617)
Non-controlling interests	**(128,366)**	(60,249)	(94,420)	(52,849)	(12,873)
	3,471,154	3,269,313	3,309,677	3,294,172	2,633,266

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
31 December 2016	6.9370	6.7153
30 June 2017	6.7744	6.8557

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