



遠東宏信
FAR EAST HORIZON

2021 Annual Report

Incorporated in Hong Kong with limited liability Stock Code: 3360





远东宏信有限公司
FAR EAST HORIZON LIMITED

An aerial photograph of a mountain range. The foreground and middle ground are dominated by a thick, white sea of clouds that fills the valleys and surrounds the mountain peaks. The mountains themselves are dark green and brown, with some peaks visible above the cloud layer. The sky is a pale, hazy blue, suggesting a bright but slightly overcast day. The overall mood is serene and expansive.

Develop strategies out of new circumstances

Explore new opportunities in complex situations

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■ CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman and Non-Executive Director

Mr. NING Gaoning (*Chairman*)

Executive Directors

Mr. KONG Fanxing
(*Vice Chairman, Chief Executive Officer*)

Mr. WANG Mingzhe
(*Chief Financial Officer*)

Non-Executive Directors

Mr. YANG Lin

Mr. LIU Haifeng David

Mr. KUO Ming-Jian

Mr. John LAW

Independent Non-executive Directors

Mr. CAI Cunqiang

Mr. HAN Xiaojing

Mr. LIU Jialin

Mr. YIP Wai Ming

COMPOSITION OF COMMITTEES

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

Environmental, Social and Governance Committee

Mr. CAI Cunqiang (*Chairman*)

Mr. HAN Xiaojing

Mr. John LAW

COMPANY SECRETARY

Ms. MAK Sze Man

AUTHORISED REPRESENTATIVES

Mr. KONG Fanxing

Ms. MAK Sze Man

REGISTERED OFFICE

Unit 6608, 66/F,
International Commerce Centre,
1 Austin Road West,
Kowloon,
Hong Kong

■ CORPORATE INFORMATION

PRINCIPAL PLACE OF BUSINESS IN THE PRC

Far East Horizon Plaza,
9 Yaojiang Road,
Pudong New Area,
Shanghai,
the People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 6608, 66/F,
International Commerce Centre,
1 Austin Road West,
Kowloon,
Hong Kong

SHARE REGISTRAR

Computershare Hong Kong Investor
Services Limited

Shops 1712-1716,
17th Floor, Hopewell Centre,
183 Queen's Road East,
Wanchai, Hong Kong

PRINCIPAL BANKERS

China Development Bank
Bank of China

AUDITORS

Ernst & Young

(Public Interest Entity Auditor registered
in accordance with the Financial
Reporting Council Ordinance)

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 operational philosophy of “finance + industry”, 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 more than 10 years, the Group has been leading the development of the industry, and has been listed among the Fortune China 500 and Forbes Global 2000.

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 national economic and sustainable 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, cultural & tourism, engineering construction, machinery, chemical & medicine, electronic information, public consuming, transportation & logistics, urban public utility as well as other fundamental sectors.

The Group, headquartered in Hong Kong, has business 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, Nanning and Urumqi, forming a client service network that covers the national market. The Group has been successfully operating its multiple specialized business platforms in China and abroad in financial services, industrial investment, hospital investment and operations, equipment operation services, exquisite 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.

■ OFFICE LAYOUT NATIONWIDE



■ CHAIRMAN'S STATEMENT



Far East Horizon Limited
Chairman of the Board

NING Gaoning

Dear Shareholders,

Looking back, 2021 was a milestone year in the history of the Communist Party and China. We calmly responded to the profound changes and a pandemic that were unseen in a century, took new steps to build a new development pattern and obtained new results in our quality development, making a good start of the 14th Five-Year Plan. China maintained its global leading position in terms of economy development and pandemic prevention and control. The strategic technological power has grown at an accelerating rate, and the flexibility of the industry chain has enhanced. The reform and opening up were being developed towards a wider and deeper direction. People's livelihood was protected vigorously and effectively, and the construction of ecological civilization continued to proceed. However, at the same time, the Chinese economy development is facing pressure from decrease in demand, impact on supply and projected weakening. Under the impact of the most severe pandemic in a century, unprecedented changes over the past century accelerated, and the external environment became increasingly complex, severe and uncertain. We strongly believe that the Chinese economy has strong resilience, and the positive fundamentals in the long-term will not be changed.

In 2021, in the face of the complex, severe and uncertain internal and external environment, the Group always adhered to the development strategy of "finance + industry", actively adopted steady development strategy, kept abreast with the national development, and provided in-depth services to the real industry. By continuously consolidating operation foundation, enriching its service channels and improving comprehensive service capability, the Group continuously optimized its financial business and the income structure of its industrial operation, thereby further strengthening the long-term sustainable development capability of the Group. The Group achieved outstanding annual performance and created optimal value for Shareholders in a tough situation. All these achievements are inseparable from the valuable support from Shareholders last year. On behalf of the Board and all staff, I would like to hereby express our sincere gratitude.

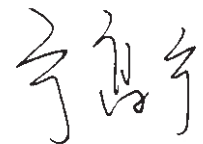
■ CHAIRMAN'S STATEMENT

As at the end of 2021, leveraging the accumulated competitive edges in respect of customers, channels and resources over the years, the Group steadily expanded its financial business while safeguarding its assets. As a result, the total interest-bearing assets of the Group reached RMB258.379 billion, representing an increase of approximately 9.76% from the beginning of the year. Throughout the year, profit attributable to ordinary shareholders amounted to approximately RMB5.512 billion, representing a year-on-year increase of approximately 20.47%. At the same time, the asset quality of the Group maintained a positive trend of steady increase, with the rate of non-performing assets of 1.06% and provision coverage rate of over 240%. The average return on equity reached 14.57%, while the return on capital remained at a good level.

Looking back on 2021, the Board of the Group took Shareholders' entrustment as its duty, duly abided by its responsibilities and constantly improved the governance structure and improved its governance standards. In accordance with the requirements of the Corporate Governance Code of the Stock Exchange, the Company convened four regular Board meetings in 2021 to review and approve various matters, including the 2020 annual results, the 2021 interim results, the annual operating budget, the labor cost budget, and the granting under the equity incentive plans upon comprehensive discussion. All decisions made were generally in line with the development needs of the Group and in the interests of all Shareholders. At the same time, the professional committees under the Board fully performed their respective rights and responsibilities granted by the Board in various aspects such as improving and optimizing compensation incentive system of the Company, and improving the level of internal risk control, thus effectively protected the interests of all Shareholders. In 2021, the Board established the Environmental, Social and Governance Committee to support the long-term and sustainable development of the Company.

Looking forward to 2022, China will continue to adhere to the general fundamental strategy of steady growth, implement the complete, accurate and comprehensive new development concepts, speed up the construction of a new development landscape, fully deepen the reform and opening up, maintain innovation-driven development and promote high-quality development, which will provide sufficient market space and good external conditions for the continuous and stable development of the Group. Adhering to the mission of "Integrating global resources and promoting China's industries" and the "financial + industry" double driven development, the Group will carry out model-driven operation and innovation, as well as enrich its business operation, thus develops itself into an excellent enterprise and continuously create value.

NING Gaoning
Chairman of the Board
Far East Horizon Limited



■ CEO'S STATEMENT



Far East Horizon Limited
Vice Chairman of the Board and CEO

KONG Fanxing

Dear Shareholders,

Looking back on 2021, China's economy maintained recovery, but the internal and external environment remained complex and volatile. Under the leadership and support of the Board and the "finance + industry" strategic framework, the Group successfully completed its business target for 2021, thereby bringing a perfect end to the 20th anniversary of Far East's operation in Southern China and the 10th anniversary of its listing, as well as creating greater value for the Shareholders, customers, partners, employees, the government and other parties of the society.

In 2021, under the operating reform, traditional businesses have entered into a new chapter, with operating foundation being further strengthened. New businesses were operating in an orderly manner, with improving comprehensive servicing capability. The business scale and efficiency of Horizon Construction Development have enhanced spontaneously. Horizon Healthcare has made achievement in management system and discipline development. The financial structure of the Group continued to optimize, with the proportion of revenue generated from our non-leasing operation continued to rise.

In respect of financial operation, we further adjusted the mode of traditional business, with 9 major industries divided into 27 business units. We continued to develop industry and customer base, and moved forward to the direction of becoming a comprehensive "industry private bank (產業私行)". In respect of new businesses, leveraging the resources and systems of traditional business in various aspects such as customer base and channels, the scope of services in inclusive finance, commercial factoring, PPP investment, overseas business, asset business and other aspects has been expanding continuously, thus producing a synergy effect between new businesses and traditional businesses. As at the end of 2021, the interest-earning assets of the Group amounted to approximately RMB258.379 billion, representing an increase of 9.76% as compared to the beginning of the year. We strictly controlled our asset quality, which has further enhanced steadily. The non-performing asset ratio was 1.06%. New businesses contributed interest income of RMB1.856 billion, representing a year-on-year increase of approximately 80%.

In respect of industrial operation, with the implementation of the Group's strategy on integrated industrial operation, revenue generated from industrial operation segment continued to record significant growth in 2021, which amounted to RMB11.435 billion, representing an increase of 29.78% as compared to the last year and 33.85% of total revenue. As a leading equipment operation service provider in China, Horizon Construction Development has further strengthened its leading market position. As at

■ CEO'S STATEMENT

the end of 2021, Horizon Construction Development owned more than 90,000 sets of equipment and more than 2.0 million tons of materials, with the total original value of its operating assets ranking No. 1 in China. It has 299 service outlets, thus covering networks in major economy development zones and providing quality, convenient services for corporate customers. As at 31 December 2021, the total revenue of Horizon Construction Development amounted to RMB6.141 billion, representing an increase of 67.63% as compared to the corresponding period of the last year. The net profit amounted RMB710 million, representing an increase of 43.83% as compared to the last year. As for Horizon Healthcare, in 2021, it continued to adhere to the strategic direction of "100 Counties Plan (百縣計劃)" and the "Three Connections (三個一)" operating mode. Centering on discipline development and construction, Horizon Healthcare has strengthened the core competitiveness of its hospitals. Amid the unfavourable environment caused by repeated outbreaks of the pandemic, Horizon Healthcare generated revenue of RMB4.003 billion, representing a year-on-year increase of 16.13%. It also recorded net profit of RMB143 million, representing a year-on-year increase of 24.22%.

In conclusion, the Group has been adhering to the strategic direction of "finance + industry" during last year. It has continuously improved its business modes, enriched the momentum of operation and optimized its financial structure, thus achieving satisfactory operating performance. As at the end of 2021, the total assets of the Group amounted to RMB335.880 billion, representing an increase of approximately 11.99% as compared to the corresponding period of last year. The total operating revenue for the year amounted to approximately RMB33.644 billion, representing an increase of approximately 15.85% as compared to the corresponding period of last year. Net profit attributable to ordinary shareholders for the year amounted to approximately RMB5.512 billion, representing an increase of approximately 20.47% as compared to last year. Return on average equity was 14.57%, which further increased as compared to last year. The Group proposes to distribute dividend of HK\$0.42 per share, thus realizing our promise to Shareholders as usual and bringing higher returns to Shareholders.

Looking forward, with the significant change in internal and external environment for national development, the Chinese economy will step in a new stage of development. The Group will continue to adhere to the "finance + industry" strategy. Leveraging the Chinese economy, the Group will strive to serve the real economy, continue to make innovation in service modes, enrich service methods and improve service capability. In respect of financial operation, on the basis of developing industry and customer base, we will continue to proceed the upgrade and iteration in traditional financial businesses. In respect of new businesses, by fully utilizing the current resources of the Company and connecting with relevant competitive edges, we will continue to explore service modes, and promote the improvement of our overall comprehensive service capability. In respect of industrial operation, aiming to continuously strengthening its market leading position, Horizon Construction Development will continue to improve its management capability and operating efficiency. Under the "One System, One Network and One Hospital (一套體系、一張網路、一家醫院)" management mode, Horizon Healthcare will strengthen its delicacy management and improve operating efficiency, thus realizing long-term sustainable development.

Finally, on behalf of the management and all staff of the Group, I would like to express my sincere gratitude to all Shareholders, customers and partners for their continuous understanding and support for the Group.

KONG Fanxing

Vice Chairman of the Board and CEO

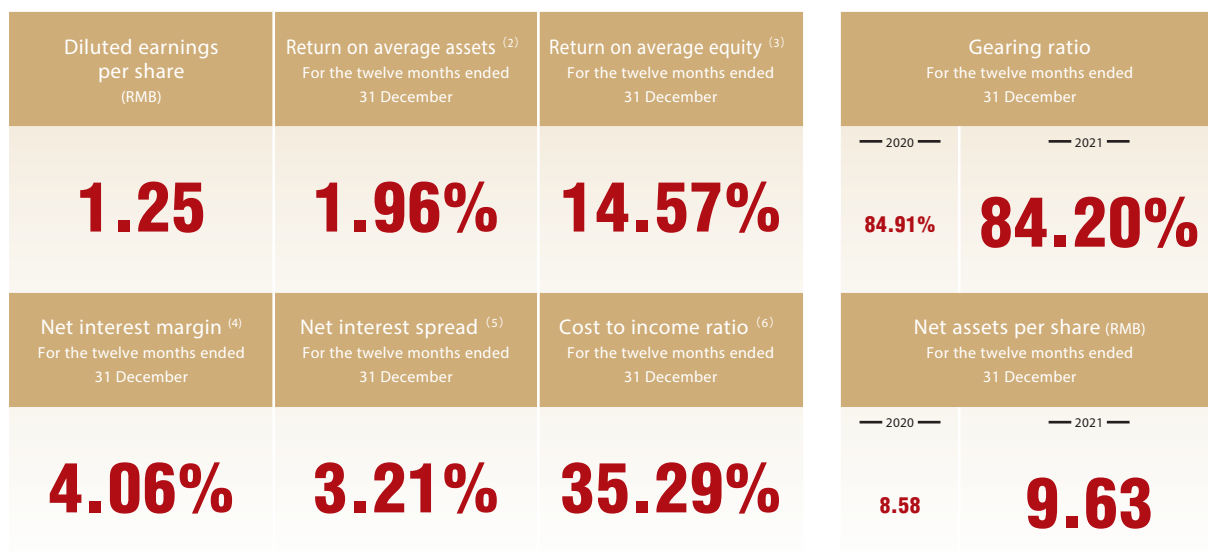
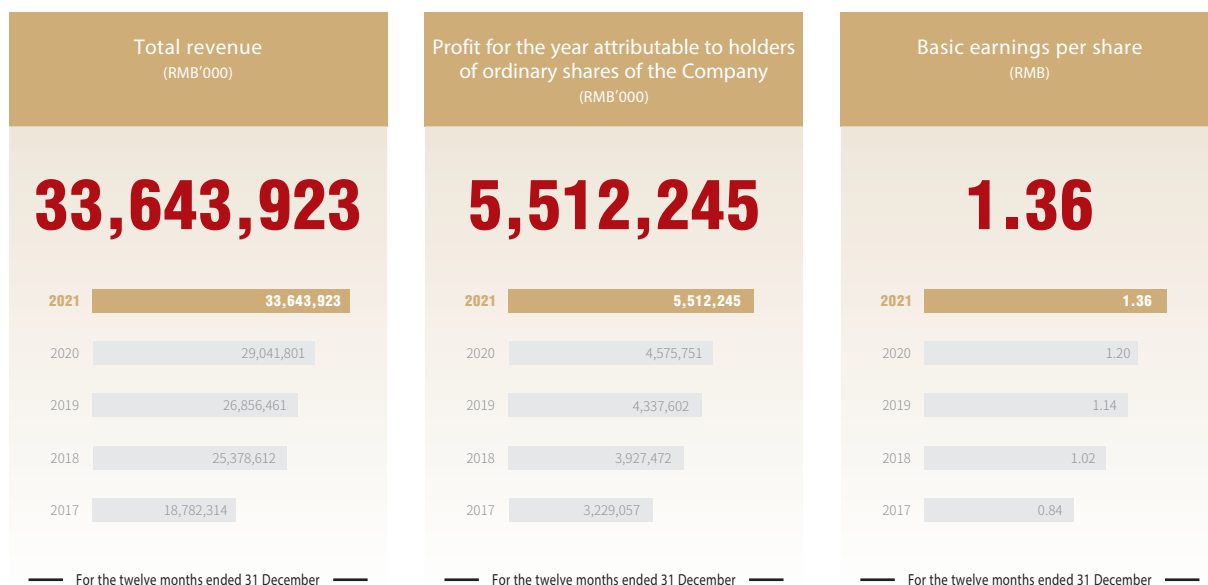
Far East Horizon Limited



BUSINESS OVERVIEW

For the year ended 31 December

2021



■ BUSINESS OVERVIEW

	For the year ended 31 December				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Operating results					
Total revenue	33,643,923	29,041,801	26,856,461	25,378,612	18,782,314
Financial services (interest income)	19,168,370	16,521,643	15,841,562	16,137,698	10,972,384
Advisory services (fee income)	3,178,894	3,836,492	4,573,954	4,889,048	4,661,303
Revenue from industrial operation	11,434,721	8,811,129	6,521,280	4,515,625	3,254,433
Tax and surcharges	(138,062)	(127,463)	(80,335)	(163,759)	(105,806)
Cost of sales	(16,431,419)	(14,076,166)	(12,525,041)	(11,484,055)	(8,106,962)
Borrowing costs	(8,937,086)	(8,069,641)	(8,038,630)	(8,527,275)	(5,801,693)
Costs for industrial operation	(7,494,333)	(6,006,525)	(4,486,411)	(2,956,780)	(2,305,269)
Pre-provision operation profit ⁽¹⁾	13,143,618	11,248,938	9,917,400	9,152,801	6,739,557
Profit before tax	10,013,298	7,507,546	7,144,830	6,492,567	4,787,188
Profit for the year attributable to holders of ordinary shares of the Company	5,512,245	4,575,751	4,337,602	3,927,472	3,229,057
Basic earnings per share (RMB)	1.36	1.20	1.14	1.02	0.84
Diluted earnings per share (RMB)	1.25	1.16	1.14	1.02	0.84
Profitability indicators					
Return on average assets ⁽²⁾	1.96%	1.80%	1.83%	1.78%	1.73%
Return on average equity ⁽³⁾	14.57%	14.24%	14.99%	14.80%	13.37%
Net interest margin ⁽⁴⁾	4.06%	3.83%	3.66%	3.51%	3.09%
Net interest spread ⁽⁵⁾	3.21%	2.85%	2.48%	2.28%	1.96%
Cost to income ratio ⁽⁶⁾	35.29%	33.88%	33.53%	35.36%	36.64%

■ BUSINESS OVERVIEW

	31 December 2021	31 December 2020	31 December 2019	31 December 2018	31 December 2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and liabilities					
Total assets	335,880,288	299,926,788	260,570,588	265,969,794	227,454,273
Net interest-earning assets	258,378,834	235,414,093	203,149,075	223,989,078	193,977,583
Total liabilities	282,826,178	254,659,655	219,035,813	226,877,290	191,046,481
Interest-bearing bank and other borrowings	230,200,742	205,216,155	162,396,266	172,514,982	144,899,680
Gearing ratio ⁽¹¹⁾	84.20%	84.91%	84.06%	85.30%	83.99%
Total equity	53,054,110	45,267,133	41,534,775	39,092,504	36,407,792
Equity attributable to holders of ordinary shares of the Company	41,522,550	34,119,452	30,128,436	27,729,743	25,340,869
Net assets per share (RMB)	9.63	8.58	7.61	7.01	6.41
Duration matching of assets and liabilities					
Financial assets	288,725,308	259,849,382	224,024,699	238,575,428	208,240,849
Financial liabilities	270,661,557	241,556,177	206,139,112	216,469,936	183,911,170
Quality of interest-earning assets					
Non-performing asset ratio ⁽⁷⁾	1.06%	1.10%	1.11%	0.96%	0.91%
Provision coverage ratio ⁽⁸⁾	241.75%	252.20%	246.11%	236.73%	219.71%
Write-off of non-performing assets ratio ⁽⁹⁾	40.32%	52.92%	40.30%	34.41%	5.21%
Overdue interest-earning assets (over 30 days) ratio ⁽¹⁰⁾	0.94%	0.99%	1.29%	0.94%	0.72%

■ BUSINESS OVERVIEW

Notes:

- (1) Pre-provision operating profit = profit before tax + provision for assets;
- (2) Return on average assets = profit for the year/average balance of assets at the beginning and end of the year;
- (3) Return on average equity = profit for the year 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 year;
- (4) Net interest margin = net interest income/average balance of interest-earning assets;
- (5) Net interest spread = average yield of interest-earning assets – average cost rate of interest-bearing liabilities;
- (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 = written-off and disposal of non-performing assets/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.
- (11) The Group proposes to spin off and separately list the shares of Horizon Construction Development, a subsidiary of the Group, on the Main Board of the Stock Exchange. In April 2021, certain investors entered into an equity purchase agreement with Horizon Construction Development to subscribe for a total of 6,651 shares at a total consideration of approximately US\$205 million. As these investors were granted redemption rights and other special rights, the aforementioned total consideration was presented as "liabilities" in the consolidated statement of financial position of the Group. Since these rights will no longer exist after the listing of Horizon Construction Development, the Group will re-evaluate the accounting classification of the aforementioned agreement at that time, and it is expected that the aforementioned total consideration will be presented as "equity". Assuming that the total consideration of the aforementioned agreement is listed as "equity" as at 31 December 2021, the debt-to-asset ratio of the Group will drop to 83.80%.



■ MANAGEMENT DISCUSSION AND ANALYSIS

1. ECONOMY ENVIRONMENT

1.1 Macro-economy

Hit by the pandemic of the century, the evolution of the century-old situation has accelerated, and the external environment has become more complex, severe and uncertain. In 2021, China's economic development and pandemic prevention and control maintained its leading position in the world. The gross domestic product (GDP) exceeded RMB110 trillion and its proportion in the world continued to increase; the per capita GDP exceeded USD12,000, being higher than the world's per capita GDP. The annual GDP growth rate was 8.1%, and the average two-year growth rate was 5.1%.

On the supply side, the agricultural sector continued to grow rapidly, and the industrial service sector maintained a steady recovery. All three sectors accounted for 7.3%, 39.4% and 53.3% of GDP, respectively, driving the economic growth by 0.5, 3.1 and 4.5 percentage points. Among the three sectors, the added value of the primary industry increased by 7.1% year on year with an average two-year growth rate of 5.1%, and the food production reached a new high; the secondary industry increased by 8.2% year on year with an average two-year growth rate of 5.3%, which was close to the normal annual average in general; the tertiary sector increased by 8.2% with a two-year average of 5.0%, continuing the growth momentum of recovery.

On the demand side, the structure of consumption and investment was optimized, and the foreign trade demonstrated strong resilience. Consumption, investment and net exports drove the economic growth by 5.3, 1.1 and 1.7 percentage points, respectively. In particular, the total sales of social consumer goods increased by 12.5% year-on-year, with an average two-year growth rate of 8.0%, regaining its position as the primary driver of economic growth. The investment in fixed assets (excluding rural households) increased by 4.9%, with an average two-year growth rate of 3.9% as the focus steadily shifted. The total value of imports and exports of goods exceeded US\$6 trillion, the trade surplus reached a record high and the share of the international market continued to grow.

The quality and efficiency of the fiscal policy improved. Newly introduced tax cuts and fee reductions amounted to over RMB1 trillion, offering prominent support for manufacturing upgrading, small and medium enterprises and individual entrepreneurs; a budget of RMB2.8 trillion was allocated under a system for the regular transfer of direct fiscal funds, providing precise and effective benefits to enterprises and the public. In addition, the issuance of RMB3.58 trillion of new special-purpose bonds was completed throughout the year, while the new quota of RMB1.46 trillion of new special-purpose bonds was released in advance of 2022, providing important support to stabilize the investment environment and the economy.



■ MANAGEMENT DISCUSSION AND ANALYSIS

The monetary policy became more flexible and moderate. The total liquidity remained reasonably abundant. The balance of the broad money supply (M2) and the scale of social financing increased by 9.0% and 10.3% year-on-year, respectively, and the growth rate decreased by 1.1 and 3.0 percentage points as compared to that of last year. The comprehensive corporate financing costs stayed relatively stable with a slight decrease, while the Loan Prime Rate (LPR) went downside for the first time in the year. The weighted average annual rate of corporate loans decreased to 4.61%, being the lowest since the reform and opening up, and financial support to the real economy was continually strengthened.

In 2021, China embarked on a new stage of development towards its second centenary goal. In the face of the complicated domestic and international situation and various risks and challenges, China has steadfastly promoted deep reforms and high-quality development with a high-level opening-up. The formation of new development pattern has been accelerated, the economy operated within a reasonable range and the society remained stable in general, which provided sufficient market space and good external conditions for the Group's sustainable and stable development.

Source: National Bureau of Statistics of China, People's Bank of China

1.2 Industry Environment

Short-term disturbances such as the spread and fluctuation of the pandemic situation, rising energy prices and disruptions in the supply chain have caused imbalances and instability in the industrial economy, while new development concepts such as innovation and green development have placed urgent demands on the optimization and upgrading of the industrial structure. In 2021, industrial production recovered rapidly to pre-pandemic levels due to massive export orders and high corporate profits, the added value of the industrial industry increased by 9.6% year-on-year, representing an average two-year growth rate of 5.9%; meanwhile, the profound adjustment in the real estate sector slowed down the construction industry growth to 2.1%, representing an average two-year growth rate of 2.4%; the service sector continued to recover but still lagged behind, with value added increased by 8.2%, representing an average two-year growth rate of 5.0%.

From the perspective of various industry sectors served by the Group, the construction of major projects under the 14th Five-Year Plan of China has gradually commenced. The demand for digital transformation was unleashing, and the construction of data infrastructure such as data centres grew at a significant pace. Automotive production and sales ended a three-year decline and the new energy vehicle and parts industry developed rapidly. Carbon peak and carbon neutrality facilitated the new energy sector's boom including lithium and photovoltaic sectors; there is a vast market of opportunities for degradable products. The quick spread of the Omicron strain, coupled with the global ultra-loose stimulus policy, continued to boost the export performance of pharmaceuticals, pandemic prevention materials, textiles and garments, consumer electronics, household appliances, lighting, sports and entertainment products, etc. The regular pandemic prevention and control in China has led to profound changes in production and lifestyle, speeding up the development of industrial automation and smart manufacturing equipment; the penetration rate of online consumption has steadily increased, and the freight logistics industry kept on expanding. The construction of county-level hospitals was comprehensively advanced for fast strengthening of weaknesses in the public health and primary healthcare systems.

Source: National Bureau of Statistics of China

■ MANAGEMENT DISCUSSION AND ANALYSIS

1.3 Leasing Industry

The regulation and clean-up of the financial leasing industry continued to intensify, and the trend of strict supervision and control is expected to last. As at the third quarter of 2021, the total number of financial leasing enterprises in China was approximately 11,910, representing a decrease of 246 from the end of the previous year. The scale of business showed initial stabilization. The balance of financial leasing contracts in China amounted to approximately RMB6.3 trillion, decreasing by 3.2% from the end of the previous year; the quarter-on-quarter growth amounted to 0.1%, which was the first turnaround since the fourth quarter of the previous year.

Since the official issuance of the Interim Measures for the Supervision and Management of Financial Leasing Companies (《融資租賃公司監督管理暫行辦法》) by CBIRC in 2020, the relevant supporting regulatory rules have been promulgated in various regions. More than 10 provinces and cities have announced the list of nearly 10,000 improperly operating financial leasing enterprises, further facilitating the healthy development of the industry in an orderly and regulated manner by decreasing the quantity and improving the quality of the companies. In December 2021, the People's Bank of China issued the Regulations on Local Financial Supervision and Administration (Draft for Comment) (《地方金融監督管理條例(草案徵求意見稿)》), which brought various local financial sectors under a unified regulatory framework to prevent and mitigate local financial risks. With the gradual refinement of regulations, the operating environment of the industry will become more standardized, transparent and compliant. Industry-focused and leading financial leasing enterprises will secure a good and stable space for development and continue to contribute to the high-quality and sustainable development of the real economy.

Source: China Leasing Union (中國租賃聯盟), the Joint Leasing Research and Development Center (聯合租賃研發中心) and Tianjin Binhai Financial Leasing Research Institute (天津濱海融資租賃研究院)

1.4 Company's Solutions

In 2021, the Group celebrated its 30th anniversary of establishment, 20th anniversary of relocation to the south and 10th anniversary of listing. The Group has always been adhering to its development vision of "vigorously build excellent enterprises" and continuing to go forward by insisting on the bottom line of regulatory compliance and persevering in its original aspiration as a serving entity and the concept of model innovation. With the fundamental mission of "integrating global resources and promoting China's industries", the Group has tightly integrated the economic direction with industrial restructuring and upgrading and leveraged finance as the main means to continuously innovate service methods, enrich service means and enhance service capabilities, thereby maintaining a steady and efficient growth in an increasingly complex and volatile market environment, and further reinforcing its strategic foundation.

In respect of financial business, the Group kept stepping up its efforts on deepening its foothold in nine major industries, enhancing the value of its services and accurately grasping the rhythm of its operations to achieve growth in both operating results and customer base for the year. The Group's operations carried on upgrading its iterative service model, mobilizing more than 100 regional operating units to track and explore over 100,000 target customers. In operations, we expanded our service coverage and improved response time, and enhanced the efficiency of the entire project process through technological empowerment and project management. Based on the Group's resources and strengths, we have reinforced the flexible synergy of our products to serve the diversified financing needs of different customers in different scenarios and stages. Meanwhile, the Group has continued to enrich its service functions in service capabilities such as inclusive finance, PPP investment, asset management, overseas business and PE investment, which expanded the boundaries of its business and rapidly manifesting its incremental value.

■ MANAGEMENT DISCUSSION AND ANALYSIS

In respect of industrial operations, in line with the national vision of coordinated regional development and the building of a healthy China, Horizon Construction Development and Horizon Healthcare have been developing steadily with their respective focuses, and their operating contribution has been rising, forming a leading industrial group of national scale with social influence.

As an equipment operation service provider in the construction sector in the PRC, Horizon Construction Development was ranked the fourth in the Top 50 Aerial Work Platform Leasing Companies In the World by ACCESS 50 in 2021 and the 24th in IRN World's Top 100 Rental Companies in 2021. In 2021, Horizon Construction Development participated in constructions for the venues of Beijing Winter Olympic Games, Hangzhou Xiaoshan Airport, Beijing Daxing International Airport, China-Laos Railway, Beijing-Zhangjiakou High-speed Railway and Jingli Expressway, as well as the on-site support work for major events such as Celebration for the 100th anniversary of the founding of the Party, the 14th National Games of the People's Republic of China in Xian and the China International Import Expo in Shanghai. The Group also actively participated in the flood rescue and pandemic prevention work in many places. Our efficient and professional services have been well recognized by the market and our brand awareness has been climbing. Horizon Construction Development proactively expanded its scale of operation and continued to consolidate its competitive edge. As at the end of 2021, the number of service outlets reached 299, covering 182 cities; the three major businesses of aerial work platforms, neo-excavation support systems and neo-formwork systems all maintained a leading market position.

As a large medical platform funded by social capital in China, Horizon Healthcare has been actively responding to the country's call to encourage the communities to establish hospitals and expand the supply of quality medical services, and continuing its focus on areas with scarce medical resources and build a hospital network with unique Far East characteristics. Relying on its advantageous medical resources and professional capabilities, the Group actively promotes strategic exploration and implementation in the fields of rehabilitation and elderly care, medical management and consultation, as well as medical technology. In 2021, Horizon Healthcare pushed forward the layout of differentiated disciplines and empowering its member hospitals on discipline building through leveraging the five major discipline centres: orthopaedics, nephrology, rehabilitation, oncology and consumer medicine. At the same time, we enhanced comprehensively the medical quality control and medical insurance compliance management with a patient-centric and quality control focus. With the help of digital empowerment, we were able to reduce costs and heighten efficiency, steadily increase revenue and continue to consolidate our healthcare strategy. As at the end of 2021, the number of hospitals in which Horizon Healthcare had controlling interests was 29 and its number of available beds was approximately 11,000.

In terms of resource guarantee, while continuing to increase institutional cooperation and expand financing channels, the Group has also been actively exploring and guiding innovative ways for financial services to achieve green and low-carbon development, which is in line with the national concept of green development. In 2021, the Group successfully issued the first sustainability bonds and green asset-backed securities in the domestic market, and completed the signing of an overseas green club loan agreement. It helped promote the low-carbon and green transformation of enterprises and contributed to the country's sustainable development and dual-carbon goals. They were highly recognized by the market and investors. In respect of overseas bonds, the Group successfully issued US\$ senior fixed interest bonds and RMB senior fixed rate Dim Sum bonds, and completed the issuance of US\$ offshore zero coupon guaranteed convertible bonds to ensure stable and sustainable development of the Group's operations.

■ MANAGEMENT DISCUSSION AND ANALYSIS

2. ANALYSIS OF PROFIT AND LOSS

2.1 Analysis of Profit and Loss (Overview)

In 2021, in reliance upon China's real economy, the Group continued to adhere to the operational philosophy of "finance + industry", and achieved stable growth in overall results in spite of the complicated and ever changing macro environment, with profit before tax amounting to RMB10,013,298,000, representing an increase of 33.38% as compared to the previous year. The profit attributable to holders of ordinary shares of the Company during the year was RMB5,512,245,000, representing an increase of 20.47% as compared to the previous year. The following table sets forth the comparative figures with 2020.

	For the year ended 31 December		
	2021	2020	Change %
	RMB'000	RMB'000	
Revenue	33,643,923	29,041,801	15.85%
Cost of sales	(16,431,419)	(14,076,166)	16.73%
Gross profit	17,212,504	14,965,635	15.01%
Other income/gains ⁽¹⁾	2,423,979	1,762,925	37.50%
Selling and administrative expenses	(6,074,317)	(5,069,712)	19.82%
Other expenses and losses ⁽¹⁾	(164,601)	(260,397)	-36.79%
Finance costs	(915,665)	(617,171)	48.36%
Gains and loss on investment in joint ventures/associates	661,718	467,658	41.50%
Pre-provision operating profit	13,143,618	11,248,938	16.84%
Provision for assets	(3,130,320)	(3,741,392)	-16.33%
Profit before tax	10,013,298	7,507,546	33.38%
Income tax expense	(3,785,040)	(2,474,559)	52.96%
Profit for the year	6,228,258	5,032,987	23.75%
Attributable to:			
Holders of ordinary shares of the Company	5,512,245	4,575,751	20.47%
Holders of perpetual securities	384,082	455,022	-15.59%
Non-controlling interests	331,931	2,214	14,892.37%

Note:

- (1) There is a difference in terms of calibre between the amount of other income/gains as well as other expenses and losses and the consolidated statement of profit or loss in the financial report. The gain or loss on change in fair value of interest-earning financial assets here is included in provision for asset, the gain or loss on change in fair value of non-interest earning financial assets here is included in "other income/gains" on a net basis. In the consolidated statement of profit or loss, the gain on change in fair value of financial assets is included in "other income and gains", and the loss on changes in fair value is included in "other expenses". The figures for the same period of the previous year have been restated on the same calibre.

■ MANAGEMENT DISCUSSION AND ANALYSIS

2.2 Revenue

In 2021, the Group realized revenue of RMB33,643,923,000, representing a growth of 15.85% from RMB29,041,801,000 as compared to the previous year. In 2021, income (before taxes and surcharges) of the financial and advisory segment was RMB22,347,264,000, accounting for 66.15% of the total income (before taxes and surcharges) and representing an increase of 9.77% as compared to the previous year. The Group also accelerated its pace in developing integrated industrial operation business with income derived from industrial operations grew by 29.78% as compared to the previous year, accounting for 33.85% of the total income (before taxes and surcharges).

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

	For the year ended 31 December				
	2021		2020		Change %
	RMB'000	% of total	RMB'000	% of total	
Financial and advisory segment	22,347,264	66.15%	20,358,135	69.79%	9.77%
Financial services (interest income)	19,168,370	56.74%	16,521,643	56.64%	16.02%
Advisory services (fee income)	3,178,894	9.41%	3,836,492	13.15%	-17.14%
Industrial operation segment	11,434,721	33.85%	8,811,129	30.21%	29.78%
Total	33,781,985	100.00%	29,169,264	100.00%	15.81%
Taxes and surcharges	(138,062)		(127,463)		8.32%
Income (after taxes and surcharges)	33,643,923		29,041,801		15.85%

In 2021, the Group realized revenue of RMB33,643,923,000, representing a growth of 15.85% from RMB29,041,801,000. The financial and advisory segment remained stable overall with a slight increase. Structurally, financial services maintained growth, while advisory services recorded decline. The industrial operation segment continued to record substantial growth.

Income (before taxes and surcharges) of the financial and advisory segment was RMB22,347,264,000, accounting for 66.15% of the total income (before taxes and surcharges). In particular, interest income contribution from inclusive finance, commercial factoring, PPP investment, overseas business, asset business and other new business directions amounted to RMB1,856 million, representing a year-on-year increase of 79.78%. Income derived from advisory services decreased by 17.14% mainly due to the active adjustment and continuous optimization of the Company's the service structure in response to customers' needs after changes in the external operating environment.

■ MANAGEMENT DISCUSSION AND ANALYSIS

The income of the industrial operation segment sustained continuous growth. The industrial operation segment, which comprises of Horizon Construction Development, Horizon Healthcare and others, realized a total income of RMB11,435 million, representing an increase of 29.78% over the previous year.

In 2021, the Group's financial structure continued to be optimized with the income of non-leasing business accounting for 48.75% of the total income (before taxes and surcharges), representing an increase of 46.90% as compared with 2020. A continuous growth was achieved. In particular, interest income contribution from inclusive finance, commercial factoring, PPP investment, overseas business, asset business and other new business directions accounted for 5.49% (2020: 3.54%) of the total income; income of the advisory business accounted for 9.41% (2020: 13.15%) of the total income; income of the industrial operation segment accounted for 33.85% (2020: 30.21%) of the total income.

2.2.1 Financial Services (Interest Income)

The interest income (before taxes and surcharges) from the financial and advisory segment of the Group increased by 16.02% from RMB16,521,643,000 for 2020 to RMB19,168,370,000 for 2021, accounting for 56.74% 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 during the indicated periods.

	For the year ended 31 December					
	2021			2020		
	Average balance ⁽¹⁾	Interest income ⁽²⁾	Average yield ⁽³⁾	Average balance ⁽¹⁾	Interest income ⁽²⁾	Average yield ⁽³⁾
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Interest-earning assets	251,706,614	19,168,370	7.62%	220,808,249	16,521,643	7.48%

Notes:

- (1) Calculated based on the average balance of interest-earning assets at the beginning, middle and end of the indicated years.
- (2) Interest income 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.
- (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.
- (5) In 2021, the average balance and interest income of the Group's interest-earning assets of inclusive finance, commercial factoring, PPP investment, overseas business, asset business and other new business directions amounted to RMB23,585,137,000 and RMB1,856,042,000, respectively, representing an increase of 56% and 80% as compared with the average balance of RMB15,102,702,000 and interest income of RMB1,032,397,000 of the interest-earning assets in 2020, respectively. The average yield maintained stable growth.

■ 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 13.99% from RMB220,808,249,000 for 2020 to RMB251,706,614,000 for 2021. The Group actively manages the level of gearing ratio to enable the financial services business to maintain stable and coordinated development.

Analysis according to average yield

In 2021, the average yield of the Group was 7.62%, representing 0.14 percentage point higher than 7.48% in the last year, which was mainly due to the fact that: (i) in 2021, the Group maintained a stable customer base coverage strategy, responded to customer needs in a timely manner, and maintained stable pricing; (ii) the Group enhanced the promotion of new services such as inclusive finance, commercial factoring, overseas business, PPP investment and asset business, and maintained a higher return pricing.

The table below sets forth the breakdown of interest income (before taxes and surcharges) by region during the indicated periods.

	For the year ended 31 December			
	2021		2020	
	RMB'000	% of total	RMB'000	% of total
Northeast China	1,052,797	5.49%	1,266,342	7.66%
Northern China	1,952,864	10.19%	1,765,746	10.69%
Eastern China	6,566,856	34.26%	4,978,742	30.13%
Southern China	1,501,496	7.83%	1,269,884	7.69%
Central China	3,063,777	15.98%	2,413,453	14.61%
Northwest China	1,261,439	6.58%	1,063,762	6.44%
Southwest China	3,769,141	19.67%	3,763,714	22.78%
Total	19,168,370	100.00%	16,521,643	100.00%

2.2.2 Advisory Services (Fee Income)

In 2021, fee income (before taxes and surcharges) from financial and advisory segment decreased by 17.14% from RMB3,836,492,000 for 2020 to RMB3,178,894,000 for 2021, accounting for 9.41% of the total revenue (before taxes and surcharges) of the Group. The Group will gradually enhance its service capabilities and enrich the scope and means of service based on changes in customers' requirements, and realize the healthy growth of the revenue of such service.

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

For the year ended 31 December				
	2021		2020	
	RMB'000	% of total	RMB'000	% of total
Northeast China	142,281	4.48%	139,594	3.64%
Northern China	319,244	10.04%	540,486	14.09%
Eastern China	1,397,652	43.97%	1,386,764	36.15%
Southern China	261,691	8.23%	339,624	8.85%
Central China	406,512	12.79%	488,158	12.72%
Northwest China	232,424	7.31%	295,862	7.71%
Southwest China	419,090	13.18%	646,004	16.84%
Total	3,178,894	100.00%	3,836,492	100.00%

2.2.3 Revenue from Industrial Operation Segment

Revenue from industrial operation segment of the Group, before taxes and surcharges, increased by RMB2,623,592,000 from RMB8,811,129,000 for 2020 to RMB11,434,721,000 for 2021, accounting for 33.85% 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 year ended 31 December					
	2021		2020		Change %
	RMB'000	% of total	RMB'000	% of total	
Revenue from industrial operation segment	11,434,721	100.00%	8,811,129	100.00%	29.78%
Including:					
Revenue from equipment operation ⁽¹⁾	6,141,170	53.71%	3,663,590	41.58%	67.63%
Revenue from hospital operation ⁽²⁾	4,003,100	35.01%	3,446,950	39.12%	16.13%

■ MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

- (1) For details of revenue from equipment operation please refer to the discussion and analysis in paragraph 12.1 of this section;
- (2) For details of revenue from hospital operation please refer to the discussion and analysis in paragraph 13.1 of this section.

In addition to hospital operation and equipment operation, the Group steadily promoted the layout of high-end high school education at home and abroad. By adhering to the principle of “people orientation, fusion of Chinese and western education and training elites”, the Group continued to deepen and improve the level of teachers, curriculum system, campus facilities and operation flow management of kindergartens and schools within the Group, so as to cultivate outstanding students with social contribution, scientific innovation and international competitiveness.

2.3 Cost of Sales

Cost of sales of the Group for 2021 was RMB16,431,419,000, representing an increase of 16.73% from RMB14,076,166,000 in the previous year. Of which, the cost of the financial and advisory segment was RMB8,937,086,000, accounting for 54.39% of the total cost and representing an increase of 10.75% from RMB8,069,641,000 in the previous year, mainly due to the fact that while the Group was maintaining the proportion of its investment in interest-earning assets through debt financing, the size of interest-earning assets grew, which caused the size of debt financing to increase. Although the cost of new financing decreased, interest expenditure of the financial and advisory segment still increased. The cost of the industrial operation segment was RMB7,494,333,000, accounting for 45.61% of the total costs and representing an increase of 24.77% from RMB6,006,525,000 in the previous year. This was mainly due to the rapid expansions of the Group’s industrial operations in respect of hospital and equipment operation, among which, some of the hospitals under the industrial operation of hospital were still at their preliminary stage and their economies of scale were not large enough. The equipment operation industry achieved large-scale output through its nationwide operating network and operational capabilities, and the rapid expansion of the business size led to growth in cost of sales for industrial operation. The Group will, through collectivized management, gradually enhance the operating efficiency of each industrial operation company, to transform the cost of sales of industrial operation into the growth of 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 year ended 31 December					
	2021			2020		
	RMB'000	% of total	RMB'000	% of total	Change %	
Cost of the finance and advisory segment	8,937,086	54.39%	8,069,641	57.33%	10.75%	
Cost of the industrial operation segment	7,494,333	45.61%	6,006,525	42.67%	24.77%	
Cost of sales	16,431,419	100.00%	14,076,166	100.00%	16.73%	

■ MANAGEMENT DISCUSSION AND ANALYSIS

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 rate of the Group in the indicated periods.

	For the year ended 31 December					
	2021			2020		
	Average balance ⁽¹⁾	Interest expense	Average cost rate ⁽²⁾	Average balance ⁽¹⁾	Interest expense	Average cost rate ⁽²⁾
	RMB'000	RMB'000		RMB'000	RMB'000	
Interest-bearing liabilities	202,740,146	8,937,086	4.41%	174,213,778	8,069,641	4.63%

Notes:

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

(2) Calculated by dividing interest expense by the average balance of interest-bearing liabilities.

The cost of sales of the financial and advisory segment increased by RMB867,445,000 from RMB8,069,641,000 for 2020 to RMB8,937,086,000 for 2021. The average cost rate of the Group decreased to 4.41% for 2021 as compared to that for 2020, mainly due to:

(i) affected by the prudent monetary policy in the first half of 2021, market liquidity was reasonable and sufficient, and new domestic indirect withdrawals remained unchanged as compared to 2020; (ii) the Group made full use of diversified financing advantages, and appropriately increased overseas withdrawals, and the average cost rate increased by 0.03% as compared to 2020 due to new overseas bank withdrawals; (iii) the Group completed the issuance of various product such as corporate bonds, medium-term notes, super-short financial bonds and asset securitization, due to the overall decline in bond market yields in 2021, resulting in a decrease in average cost ratio of 0.10% as compared to 2020; (iv) the decrease in stock cost. The cost of existing bank financing for 2021 decreased by 0.15% as compared to 2020, which was due to the expiration of existing high-cost loans in 2018, and the decrease in financing costs in 2021.

In 2021, under the "finance + industry" strategy, the Group increased its efforts to support the development of the industries under the Group and connect financial resources in all directions. Our major measures are as follows: (i) deepen the cooperation with the mainstream domestic banks and non-bank institutions to further enhance the depth and breadth of cooperation; (ii) pay close attention to the international market, strengthen the communication with rating agencies and investors, and extend the cooperation in overseas financial markets; (iii) continue to explore new channels and products, thereby further enhancing and enriching its financing structure.

■ MANAGEMENT DISCUSSION AND ANALYSIS

2.3.2 Cost of the Industrial Operation Segment

The cost of sales of the industrial operation segment of the Group is primarily derived from the cost of equipment operation and cost of hospital operation, etc. The following table sets forth the cost of the industrial operation segment of the Group by business type during the periods indicated.

	For the year ended 31 December				
	2021		2020		Change %
	RMB'000	% of total	RMB'000	% of total	
Cost of the industrial operation segment	7,494,333	100.00%	6,006,525	100.00%	24.77%
Of which:					
Cost of equipment operation ⁽¹⁾	3,295,240	43.97%	2,015,230	33.55%	63.52%
Cost of hospital operation ⁽²⁾	3,194,190	42.62%	2,768,080	46.08%	15.39%

Notes:

(1) For details of cost of equipment operation please refer to the discussion and analysis in paragraph 12.1 of this section;

(2) For details of cost of hospital operation, please refer to the discussion and analysis in paragraph 13.1 of this section.

■ MANAGEMENT DISCUSSION AND ANALYSIS

2.4 Gross Profit

The gross profit of the Group for 2021 increased by RMB2,246,869,000 or 15.01% to RMB17,212,504,000 from RMB14,965,635,000 in the previous year. In 2021 and 2020, the gross profit margin of the Group was 51.16% and 51.53%, respectively.

2.4.1 Gross Profit of the Financial and Advisory Segment

The gross profit margin of the financial and advisory segment was affected by the change of net interest income and net interest margin. For this year, the interest income growth rate was higher than the interest expense growth rate. The following table sets forth the interest income, interest expense, net interest income, net interest spread and net interest margin during the periods indicated.

	For the year ended 31 December		
	2021	2020	Change %
	RMB'000	RMB'000	
Interest income ⁽¹⁾	19,168,370	16,521,643	16.02%
Interest expense ⁽²⁾	8,937,086	8,069,641	10.75%
Net interest income	10,231,284	8,452,002	21.05%
Net interest spread ⁽³⁾	3.21%	2.85%	0.36%
Net interest margin ⁽⁴⁾	4.06%	3.83%	0.23%

Notes:

- (1) Interest income refers to the interest income of the financial segment of the Group.
- (2) Interest expense refers to the borrowing cost of the financial segment of the Group.
- (3) Calculated as the difference between the average yield and the average cost rate. The average yield is calculated by dividing interest income by the average total balance of interest-earning assets. The average cost rate is calculated by dividing interest expense by the average total balance of the interest-bearing liabilities.
- (4) Calculated by dividing net interest income by the average total balance of interest-earning assets.

■ MANAGEMENT DISCUSSION AND ANALYSIS

Net interest spread of the Group for 2021 increased by 0.36 percentage point to 3.21% as compared with 2.85% for the previous year. The increase in net interest spread was primarily due to the decrease of 22 basis points in respect of the average cost rate on interest-bearing liabilities of the Group and the increase of 14 basis points in the average yield on interest-earning assets 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. In 2021, the net interest income of the Group increased by 21.05% as compared with 2020. At the same time, the average balance on interest-earning assets of the Group increased by 13.99% year-on-year, such that the net interest margin of the Group increased by 0.23 percentage point to 4.06% for 2021 as compared with 3.83% for 2020.

2.4.2 Gross Profit of the Industrial Operation Segment

	For the year ended 31 December				
	2021		2020		Change %
	RMB'000	% of total	RMB'000	% of total	
Gross profit of industrial operations segment	3,940,388	100.00%	2,804,604	100.00%	40.50%
Of which:					
Gross profit of equipment operation ⁽¹⁾	2,845,930	72.22%	1,648,360	58.77%	72.65%
Gross profit of hospital operation ⁽²⁾	808,910	20.53%	678,870	24.21%	19.16%

Notes:

(1) For details of gross profit of equipment operation, please see the discussion and analysis in Paragraph 12.1 of this section;

(2) For details of gross profit of hospital operation, please see the discussion and analysis in Paragraph 13.1 of this section.

The gross profit of the industrial operation segment increased by 40.50% to RMB3,940,388,000 for 2021 from RMB2,804,604,000 for 2020. Among which, the gross profit of the equipment operation business and the hospital operation business were RMB2,845,930,000 and RMB808,910,000 respectively, accounting for 72.22% and 20.53% of the total gross profit of the industrial operation segment.

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2.5 Other income/gains

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

	For the year ended 31 December		
	2021	2020	Change %
	RMB'000	RMB'000	
Income from the holdings of off-balance-sheet assets ⁽¹⁾	1,187,357	1,104,605	7.49%
Bank interest income	189,873	166,067	14.34%
Gains from structured financial products	90,218	111,511	-19.09%
Government grants ⁽²⁾	280,558	73,759	280.37%
Equity and debt investment income ⁽³⁾	411,177	109,497	275.51%
Gains from the transfer of financial assets ⁽⁴⁾	7,349	1,696	333.31%
Other income ⁽⁵⁾	257,447	195,790	31.49%
Total	2,423,979	1,762,925	37.50%

Notes:

- (1) For the holding of off-balance-sheet assets of the Group, the 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.
- (2) The Group's government grants for the year mainly consisted of gains on additional VAT tax credit of Horizon Construction Development of RMB190 million.
- (3) The Group's equity and debt investment income was mainly gains on changes and transfer of the fair value of equity and debt investment.
- (4) The Group's gains from transfer of financial assets are the premium of interest-earning assets gained from issuing asset-backed securities of the Group.
- (5) The Group's other income for the year mainly consisted of gains from disposal of investment in subsidiaries of RMB130 million, and gains from disposal of fixed assets of RMB80 million.

2.6 Selling and Administrative Expenses

Selling and administrative expenses of the Group in 2021 were RMB6,074,317,000, representing an increase of RMB1,004,605,000 or 19.82% from the previous year. The increase in selling and administrative expenses was mainly due to the increase in the Group's salary and welfare-related costs as compared to the previous year as a result of the increase in the total number of full-time employees of the Group.

Cost to income ratio of the Group in 2021 was 35.29%, which increased from 33.88% as compared to the previous year.

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2.7 Other Expenses and Losses

Other expenses and losses of the Group in 2021 amounted to RMB164,601,000, representing a decrease of 36.79% as compared to RMB260,397,000 in the previous year. Other expenses and losses comprised loss on outright sale of financial assets of nil, representing a significant decrease from RMB130,988,000 for the previous year.

2.8 Finance Costs

Finance costs of the Group in 2021 amounted to RMB915,665,000, representing an increase of 48.36% as compared to RMB617,171,000 of the previous year. The finance costs are mainly financing-related costs for the Group's industrial operation segment. Among which, the finance costs of the equipment operation segment were RMB650 million, representing an increase of RMB350 million as compared to RMB300 million of the previous year. For details, please refer to the discussion and analysis in paragraph 12.1 of this section.

2.9 Pre-provision Operating Profit

Pre-provision operation profit of the Group in 2021 amounted to RMB13,143,618,000, representing an increase of RMB1,894,680,000 or 16.84% from the previous year. Facing the objective changes in the external environment, the Group proactively adopted prudent and stable development strategies. The maturity of assets and liabilities were matched, and the growth in cost of sales was generally in line with the growth in revenue. At the same time, the Group further strengthened its operational management and effectively controlled its expenses, resulting in the growth rate of the Group's pre-provision operating profit being basically the same as the growth rate of revenue. It is expected that with the gradual stabilization of the external market environment in the future, the gradual expansion of the industrial operating scale and the improvement in internal operating efficiency, the pre-provision operation profit of the Group will show a steady growing trend.

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2.10 Provision for Assets

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

	For the year ended 31 December				
	2021		2020		Change %
	RMB'000	% of total	RMB'000	% of total	
Provision for interest-earning assets	933,602	29.83%	2,168,669	57.97%	-56.95%
Provision for accounts receivable ⁽¹⁾	337,519	10.78%	374,597	10.01%	-9.90%
Provision for other receivables ⁽¹⁾	32,729	1.05%	61,646	1.65%	-46.91%
Provision for inventories	29	0.00%	18,422	0.49%	-99.84%
Provision for fixed assets ⁽²⁾	12,834	0.41%	672,410	17.97%	-98.09%
Provision for right-of-use assets ⁽³⁾	42,641	1.36%	89,860	2.40%	-52.55%
Provision for investment in joint ventures/associates ⁽⁴⁾	90,270	2.88%	10,416	0.28%	766.65%
Provision for goodwill ⁽⁵⁾	1,658,164	52.97%	274,560	7.34%	503.94%
Provision for credit commitments ⁽⁶⁾	22,532	0.72%	(5,990)	(0.16%)	-476.16%
Other provisions	-	0.00%	76,802	2.05%	-100.00%
Total	3,130,320	100.00%	3,741,392	100.00%	-16.33%

Notes:

- (1) Provision for accounts receivable and other receivables is mainly the expected credit loss of the relevant receivables made by the Group for equipment operation and hospital operation;
- (2) Provision for fixed assets is mainly the impairment provisions made by the Group for the vessel assets and fixed asset of subsidiaries in the industrial operation segment it owns;
- (3) Provision for right-of-use assets mainly refers to provision for impairment of right-of-use assets of leased sites of certain subsidiaries in the industrial operation segment of the Group;
- (4) Provision for investment in joint ventures/associates mainly refers to provision for impairment made by the Group for its joint venture Kunming Broadhealthcare;
- (5) Provision for goodwill is mainly the Group's goodwill impairment provision of RMB1,658 million for certain subsidiaries with lower-than-expected profits in the hospital operation segment;
- (6) Provision for credit commitments is mainly the expected credit loss of the Group's interest-earning assets that have been contracted but not yet placed.

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2.11 Income Tax Expense

Income tax expense of the Group in 2021 was RMB3,785,040,000, which increased by RMB1,310,481,000 or 52.96% from 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 2021 was 37.80%, which increased slightly as compared to the previous year. The following table sets forth a breakdown of particulars of the income tax rate of the Group for the periods indicated:

	2021	2020	Change %
Domestic statutory tax rate	25.0%	25.0%	0.0%
Cross-border business withholding income tax ⁽¹⁾	1.1%	1.4%	-0.3%
Fees not deductible for tax ⁽²⁾	7.0%	3.1%	3.9%
Others ⁽³⁾	4.7%	3.5%	1.2%
Total	37.8%	33.0%	4.8%

Notes:

- (1) The increase in cross-border business withholding income tax was due to the increase of the withholding tax on the cross-border distributable profits of the Group;
- (2) The fees not deductible for tax was mainly due to the impairment of goodwill and the impairment of fixed asset accrued by the Group;
- (3) The other increase was mainly due to the increase in overseas income tax.

2.12 Profit for the Year Attributable to Holders of Ordinary Shares of the Company

Based on the above discussion and analysis, profit for the year attributable to holders of ordinary shares of the Company was RMB5,512,245,000, which increased by RMB936,494,000 or 20.47% from the previous year.

2.13 Basic Earnings per Share

Basic earnings per share for the year amounted to RMB1.36, representing an increase of RMB0.16 or 13.33% from the previous year.

	2021	2020	Change %
Profit for the year attributable to holders of ordinary shares of the Company (RMB'000)	5,512,245	4,575,751	20.47%
Weighted average number of ordinary shares outstanding during the year (share)	4,051,798,363	3,813,054,365	6.26%
Basic earnings per share (RMB)	1.36	1.20	13.33%

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3. ANALYSIS OF FINANCIAL POSITION

3.1 Assets (Overview)

As at 31 December 2021, the total assets of the Group increased by RMB35,953,500,000 or 11.99% from the end of the previous year to RMB335,880,288,000. Net interest-earning assets increased by RMB22,964,741,000 or 9.76% from the end of the previous year to RMB258,378,834,000.

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

	31 December 2021		31 December 2020		Change %
	RMB'000	% of total	RMB'000	% of total	
Loans and accounts receivable	252,218,007	75.09%	229,397,307	76.48%	9.95%
Of which: interest-earning assets	246,076,955	73.26%	225,676,893	75.24%	9.04%
Cash and cash equivalents	15,659,036	4.66%	11,877,235	3.96%	31.84%
Restricted deposits	4,239,760	1.26%	3,474,869	1.16%	22.01%
Holding of asset-backed securities/notes	2,858,774	0.85%	4,499,118	1.50%	-36.46%
Assets with continuing involvement	2,858,774	0.85%	4,499,118	1.50%	-36.46%
Prepayment and other accounts receivable	3,671,376	1.09%	2,485,597	0.83%	47.71%
Deferred tax assets	5,394,566	1.61%	5,142,900	1.71%	4.89%
Property, plant and equipment	24,530,838	7.30%	16,871,601	5.63%	45.40%
Investment in joint ventures/associates	7,820,282	2.33%	7,291,219	2.43%	7.26%
Financial assets at fair value through profit or loss	12,760,358	3.80%	9,342,565	3.11%	36.58%
Of which: interest-earning assets	5,650,356	1.68%	3,205,613	1.07%	76.26%
Financial assets at fair value through other comprehensive income	699,039	0.21%	108,176	0.04%	546.21%
Derivative financial instruments	22,331	0.01%	288,967	0.10%	-92.27%
Inventories	559,020	0.17%	397,381	0.13%	40.68%
Contract assets	276,859	0.08%	110,132	0.04%	151.39%
Goodwill	373,982	0.11%	2,032,232	0.68%	-81.60%
Right-of-use assets	1,865,058	0.56%	2,059,242	0.69%	-9.43%
Other assets	72,228	0.02%	49,129	0.01%	47.02%
Total assets	335,880,288	100.00%	299,926,788	100.00%	11.99%

■ MANAGEMENT DISCUSSION AND ANALYSIS

3.2 Interest-Earning Assets

The main component of the Group's assets was interest-earning assets, which accounted for 74.95% of the Group's total assets as at 31 December 2021. In 2021, the Group dynamically adjusted the promotion policies of each industry sector in accordance with the environment and industry patterns. While cultivating the market in depth, it also strengthened risk management and control in a prudent manner, and strengthened the risk identification of sub-sectors and customer qualifications. Under the premise of asset safety, the Group steadily promoted the expansion of financial business to maintain steady growth for its interest-earning assets.

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

	31 December 2021		31 December 2020		Change %
	RMB'000	% of total	RMB'000	% of total	
Net interest-earning assets					
Included in loans and accounts receivable	252,620,628	97.77%	232,208,480	98.64%	8.79%
Included in financial assets at fair value through profit or loss	5,758,206	2.23%	3,205,613	1.36%	79.63%
Total net interest-earning assets	258,378,834	100.00%	235,414,093	100.00%	9.76%
Impairment of loans and accounts receivables	(6,543,673)		(6,531,587)		0.19%
Impairment of financial assets at fair value through profit or loss	(107,850)		–		N/A
Less: interest-earning assets provisions	(6,651,523)		(6,531,587)		1.84%
Net interest-earning assets	251,727,311		228,882,506		9.98%

3.2.1 Loans and Accounts Receivable

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

	31 December 2021		31 December 2020		Change %
	RMB'000	% of total	RMB'000	% of total	
Net interest-earning assets included in loans and accounts receivable	246,076,955	97.57%	225,676,893	98.38%	9.04%
Others ⁽¹⁾	6,141,052	2.43%	3,720,414	1.62%	65.06%
Net loans and accounts receivable	252,218,007	100.00%	229,397,307	100.00%	9.95%

Note:

(1) Others included notes receivables and accounts receivables related to industrial operation.

■ 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⁾.

	31 December 2021		31 December 2020		Change %
	RMB'000	% of total	RMB'000	% of total	
Healthcare	26,852,242	10.39%	28,379,634	12.06%	-5.38%
Culture & tourism	25,447,285	9.85%	25,628,688	10.88%	-0.71%
Engineering construction	27,017,305	10.46%	26,194,464	11.13%	3.14%
Machinery	15,050,567	5.82%	11,560,868	4.91%	30.19%
Chemical & medicine	7,304,262	2.83%	5,669,403	2.41%	28.84%
Electronic information	9,418,387	3.65%	9,818,047	4.17%	-4.07%
Livelihood & consumption	14,988,468	5.80%	11,667,968	4.96%	28.46%
Transportation & logistics	14,560,301	5.64%	13,967,415	5.93%	4.24%
Urban public utility	117,740,017	45.56%	102,527,606	43.55%	14.84%
Total	258,378,834	100.00%	235,414,093	100.00%	9.76%

Notes:

- (1) Interest-earning assets for engineering construction, machinery, chemical & medicine, livelihood & consumption, transportation & logistics and urban public utility among the target industries of the Group maintained growth in 2021, which was attributable to (i) the Group's business expansion and in-depth exploration of their respective industries, expanding the customer base in the above industries and increasing the introduction of high-quality customers in the above industries; (ii) the Group's adaptation to the changes in the macro economy and the trend of the industrial environment and adjustments to the layout of key industries; and (iii) the Group's continuous maintenance of quality industries and customers and exploration of their needs for financial service.
- (2) As at 31 December 2021, the interest-earning assets of urban public utility were further divided into sub-sectors, including public transportation infrastructure, water, electricity, gas and other operational services, urban environmental governance, energy-saving and carbon-reduction projects, smart city upgrading and transformation, emerging industry facilities and operation services, and other industries.
- (3) As at 31 December 2021, the net interest-earning assets of the Group's new business directions, including inclusive finance, commercial factoring, PPP investment, overseas business and asset business, amounted to RMB28,081 million, representing an increase of RMB8,070 million or 40.33% from RMB20,011 million as at 31 December 2020.

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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.

	31 December 2021		31 December 2020	
	RMB'000	% of total	RMB'000	% of total
Northeast China	12,743,031	4.93%	13,426,815	5.70%
Northern China	27,874,070	10.79%	26,163,695	11.12%
Eastern China	90,249,456	34.93%	78,752,349	33.45%
Southern China	23,193,533	8.98%	19,734,178	8.38%
Central China	38,837,614	15.03%	33,882,670	14.39%
Northwest China	18,085,546	7.00%	16,066,574	6.83%
Southwest China	47,395,584	18.34%	47,387,812	20.13%
Total	258,378,834	100.00%	235,414,093	100.00%

3.2.4 Aging Analysis of Net Interest-earning Assets

The following table sets forth an aging 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.

	31 December 2021		31 December 2020		Change %
	RMB'000	% of total	RMB'000	% of total	
Net interest-earning assets					
Within 1 year	147,943,495	57.26%	130,110,706	55.27%	13.71%
1 to 2 years	62,788,047	24.30%	40,135,743	17.05%	56.44%
2 to 3 years	15,887,437	6.15%	32,703,059	13.89%	-51.42%
3 years and beyond	31,759,855	12.29%	32,464,585	13.79%	-2.17%
Total	258,378,834	100.00%	235,414,093	100.00%	9.76%

Net interest-earning assets within one year represented net interest-earning assets that become effective within one year from the reporting date indicated, and were still valid as at the end of the year or the end of the period. As at 31 December 2021, net interest-earning assets within one year as set out in the table above represented 57.26% of net interest-earning assets of the Group, an increase as compared to the end of the previous year, which meant that the Group still maintained steady growth capacity of interest-earning assets.

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3.2.5 Maturity Profile of Net Interest-earning Assets

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

	31 December 2021		31 December 2020		Change %
	RMB'000	% of total	RMB'000	% of total	
Maturity date					
Within 1 year	133,352,545	51.61%	123,395,491	52.42%	8.07%
1 to 2 years	72,416,924	28.03%	68,888,578	29.26%	5.12%
2 to 3 years	31,010,907	12.00%	27,935,036	11.87%	11.01%
3 years and beyond	21,598,458	8.36%	15,194,988	6.45%	42.14%
Total	258,378,834	100.00%	235,414,093	100.00%	9.76%

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 31 December 2021, net interest-earning assets due within one year as set forth in the table above represented 51.61% of the Group's net interest-earning assets as of each of the respective dates, which remained stable as compared to the end of the previous year. This indicated that the maturity of the Group's net interest-earning assets 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 Classification of Net Interest-earning Assets

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 the interest-earning assets portfolio, the Group applies a series of criteria that is derived from the own internal regulations regarding the management of lease assets. These criteria are designed to assess the possibility of repayment by the borrower and the collectability of principal and interest on our interest-earning assets. The interest-earning assets classification criteria focus on a number of factors, if applicable. The asset classifications of the Group 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 its 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 effects of changes in the value of core assets on the debtor's ability to repay; while taking into consideration the effects 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. The Group takes 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.

Asset management measures

In 2021, due to the uncertainties in the macroeconomic environment, the prominent structural contradictions in economic transformation and upgrading, and the impact of multiple rounds of pandemic, assets were under great pressure. The Group continued to promote the upgrading of its financial technology system, deepened its industry research, refined its disposal methods, and strengthened its asset management capabilities. During the reporting period, the uncertainties in the external economic environment did not have a significant impact on the Group. The quality of the Group's assets remained stable and improved, and the security of assets showed a trend of steady improvement.

■ MANAGEMENT DISCUSSION AND ANALYSIS

Continue to promote the upgrading of financial technology functions, and consolidate the efficiency of asset management

The Group continued to strengthen the closed-loop management of risk information through technological means, and improved the effective linkage of pre-lease and post-lease information. Based on the existing database of historical risk characteristics, the unique risk early warning system of Far East has been optimized and upgraded. By expanding information sources and improving the utilization of internal and external information, the collection and analysis functions of early warning big data were further exerted. Different from the existing risk prediction tools in the market, with a pioneering design concept of “event \approx data”, a post-lease risk prediction model has been established. With the further accumulated 20 years of asset management experience of Far East, as well as the improved intelligent management level, manual and machine management have been achieved, which significantly improved the efficiency of execution monitoring and disposal of risky assets.

Diversify asset disposal strategies and methods, and strengthen asset process management capabilities

Taking its resource integration capabilities as the bridge, combined with its resource endowments and relying on the accumulation of industrial resources of Far East, the Group diversified its disposal methods and thus generated interaction and supplementary benefits, thereby realizing the reinforcement and optimization of asset structure, and effectively reducing risk impacts. Based on the distribution characteristics of industrial clusters across the country, the Group further realized industry refinement, deepened industry research and prediction capabilities, improved the efficiency of asset disposal in different industries, and created a regional asset management system with industry characteristics; established a multi-level leased object disposal database to promote the ability to dispose of leased objects, and promoted debt transfer, debt-to-equity swap and other disposal methods, thereby enriching disposal ideas from the perspectives of property and debt; adhered to the output of asset management services, expanded the size of assets under management, and established asset management capabilities.

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

	31 December 2021		31 December 2020		31 December 2019		31 December 2018	
	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total
Pass	234,737,048	90.85%	210,311,324	89.34%	178,912,873	88.07%	195,099,412	87.10%
Special mention	20,890,374	8.09%	22,512,881	9.56%	21,987,115	10.82%	26,737,919	11.94%
Substandard	1,541,604	0.60%	1,940,917	0.82%	1,689,815	0.83%	1,328,649	0.59%
Doubtful	1,209,808	0.46%	648,971	0.28%	559,272	0.28%	823,098	0.37%
Loss	-	-	-	-	-	-	-	-
Net interest-earning assets	258,378,834	100.00%	235,414,093	100.00%	203,149,075	100.00%	223,989,078	100.00%
Non-performing assets	2,751,412		2,589,888		2,249,087		2,151,747	
Non-performing asset ratio	1.06%		1.10%		1.11%		0.96%	

The Group has established prudent asset quality control policy and adhered to a stringent and conservative asset classification policy. As at the end of 2021, the Group's assets under special mention accounted for 8.09% of its net interest-earning assets, representing a decrease of 1.47 percentage points from 9.56% at the end of 2020. In the reporting period, the quality of assets continued to be further optimized.

The assets under special mention in the urban public utility industry accounted for 38.70% of the total assets under special mention. This was mainly due to the large amount of assets in the urban public sector and the large number of individual customers. Therefore, the proportion is relatively large, but the proportion of assets under special mention in the segment was lower than that in the overall assets under special mention of the Company. The segment was partially centred on the public utility industries (such as water supply, heating and public transportation), which maintained sound performance in income stability but a relatively modest profitability. The Group prudently adjusted more of the assets of the segment to assets under special mention.

The assets under special mention in the cultural & tourism industry accounted for 21.70% of the total assets under special mention. Certain customers in the segment (such as tourism and hotels) have been greatly affected by the pandemic. Considering the possibility that the pandemic may develop into a new normal in the future, which will have a potential ongoing impact on certain customers in the segment in the future, the Group prudently adjusted more of the assets of the segment to assets under special mention.

The assets under special mention in the healthcare industry accounted for 16.11% of the total assets under special mention. Considering the continuous impact of medical insurance settlement, centralized procurement and other policies on the medical insurance reimbursement cycle of certain medical institutions, which will bring certain uncertainties to the repayment of rental fees in due of the Company, the Group adopted more prudent management and control measures for such new customers this year, and prudently adjusted more of the assets of the segment to assets under special mention.

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The assets under special mention in the engineering construction industry accounted for 8.50% of the total assets under special mention. Considering the uncertainties of the overall macro environment and the influence of policy factors, for potential business risks and liquidity risks which may exist in certain customers (such as construction and other industries) in the future, the Group prudently adjusted more of the assets of the segment to assets under special mention.

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

	31 December 2021		31 December 2020	
	RMB'000	% of total	RMB'000	% of total
Healthcare	3,364,715	16.11%	4,251,855	18.89%
Cultural & tourism	4,533,263	21.70%	4,629,827	20.57%
Engineering construction	1,776,551	8.50%	1,834,428	8.15%
Machinery	521,922	2.50%	616,415	2.74%
Chemical & medicine	117,083	0.56%	194,983	0.87%
Electronic information	433,270	2.07%	858,049	3.81%
Public consuming	663,184	3.17%	822,061	3.65%
Transportation & logistics	1,397,187	6.69%	1,499,655	6.66%
Urban public utility	8,083,199	38.70%	7,805,608	34.66%
Total	20,890,374	100.00%	22,512,881	100.00%

Through prudent asset classification and prudent monitoring and management of assets under special mention, the migration from assets under special mention to non-performing assets of the Group was at a low level.

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

	31 December 2021	31 December 2020	31 December 2019	31 December 2018
	% of total	% of total	% of total	% of total
Pass	0.27%	8.91%	22.76%	24.82%
Special mention	52.99%	51.24%	35.69%	29.68%
Substandard	2.42%	4.74%	3.15%	0.63%
Doubtful	0.96%	0.40%	0.05%	1.30%
Loss	2.71%	1.96%	0.67%	0.10%
Recovery	40.65%	32.75%	37.68%	43.47%
Total	100.00%	100.00%	100.00%	100.00%

The Group's non-performing asset ratio slightly declined, and the overall asset quality remained safe and under control. As at the end of 2021, the non-performing asset ratio was 1.06%, which decreased by 0.04 percentage point as compared with 1.10% as at the end of last year.

The non-performing assets of the urban public utility industry accounted for 40.16% of the total non-performing assets. Due to the large scale of individual projects, the overall non-performing assets of the urban public utility industry were quite significant. Affected by the loose financial environment during the year, the overall financing of the segment improved. Certain risky customers in previous years had a good repayment record this year and thus were transferred out of the non-performing category. The non-performing asset ratio of the segment was 0.94%, down 0.39 percentage point as compared with the end of last year, and the overall performance has been improving. It is estimated that, as the pandemic gradually became under control amid a stable economy, the overall risk of the industry was under control, loss prediction was low, and no systemic risk appeared. The Group prudently reclassified the assets of the segment into substandard and doubtful assets.

The non-performing assets of the culture & tourism industry accounted for 22.58% of the total non-performing assets. During the year, taken a blow from the repeated occurrence of pandemic and the underperformed tourism consumption, the industry did not see a significant rebound. Some customers encountered financing difficulties and tight capital chains. In the context of the continued implementation of the strategy of expanding domestic demand in 2022, it is expected that the consumption in various regions will recover significantly. Therefore, although cash flow is tight at this stage, the overall risk is under control. The Group prudently reclassified the assets of the segment into substandard and doubtful assets.

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The non-performing assets of the machinery industry accounted for 11.14% of the total non-performing assets. During the year, as the external environment changed drastically, coupled with the impact of energy constraints and the reinforced regulation in environmental protection, as well as the differentiation in the automobile industry, the end-user demand declined, affecting the production and operation of some customers. The Group prudently reclassified the assets of the segment into substandard and doubtful assets.

The non-performing assets of the engineering construction industry accounted for 7.93% of the total non-performing assets. Since the beginning of the year, due to the downward trend in the real estate industry, real estate-related risks have been gradually passed on to upstream and downstream fields, affecting customers in the segment (including those in the real estate industry chain, such as housing construction projects). The Group prudently reclassified the assets of the segment into substandard and doubtful assets.

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

	31 December 2021		31 December 2020	
	RMB'000	RMB'000	RMB'000	% of total
Healthcare	172,276	6.26%	289,794	11.19%
Cultural & tourism	621,141	22.58%	193,965	7.49%
Engineering construction	218,173	7.93%	223,021	8.61%
Machinery	306,581	11.14%	353,849	13.66%
Chemical & medicine	20,404	0.74%	25,226	0.97%
Electronic information	64,537	2.35%	6,522	0.25%
Public consuming	96,389	3.50%	46,483	1.80%
Transportation & logistics	146,968	5.34%	83,534	3.23%
Urban public utility	1,104,943	40.16%	1,367,494	52.80%
Total	2,751,412	100.00%	2,589,888	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.

	31 December 2021		31 December 2020	
	RMB'000	% of total	RMB'000	% of total
Healthcare	43,554	2.83%	268,294	13.82%
Cultural & tourism	334,088	21.66%	123,733	6.37%
Engineering construction	128,768	8.35%	223,021	11.49%
Machinery	136,707	8.87%	187,531	9.66%
Chemical & medicine	1,792	0.12%	25,226	1.30%
Electronic information	25,421	1.65%	6,522	0.34%
Public consuming	44,553	2.89%	43,607	2.25%
Transportation & logistics	4,920	0.32%	83,534	4.30%
Urban public utility	821,801	53.31%	979,449	50.47%
Total	1,541,604	100.00%	1,940,917	100.00%

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

	31 December 2021		31 December 2020	
	RMB'000	% of total	RMB'000	% of total
Healthcare	128,722	10.64%	21,500	3.32%
Cultural & tourism	287,053	23.73%	70,232	10.82%
Engineering construction	89,405	7.39%	–	–
Machinery	169,874	14.04%	166,318	25.63%
Chemical & medicine	18,612	1.54%	–	–
Electronic information	39,116	3.23%	–	–
Public consuming	51,836	4.28%	2,876	0.44%
Transportation & logistics	142,048	11.74%	–	–
Urban public utility	283,142	23.41%	388,045	59.79%
Total	1,209,808	100.00%	648,971	100.00%

■ MANAGEMENT DISCUSSION AND ANALYSIS

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

	31 December 2021		31 December 2020	
	RMB'000	% of total	RMB'000	% of total
Healthcare	-	-	-	-
Cultural & tourism	-	-	-	-
Engineering construction	-	-	-	-
Machinery	-	-	-	-
Chemical & medicine	-	-	-	-
Electronic information	-	-	-	-
Public consuming	-	-	-	-
Transportation & logistics	-	-	-	-
Urban public utility	-	-	-	-
Total	-	-	-	-

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

	31 December 2021	31 December 2020	31 December 2019
	RMB'000	RMB'000	RMB'000
At the beginning of the year	2,589,888	2,249,087	2,151,747
Downgrades ⁽¹⁾	2,865,433	2,698,228	1,605,061
Upgrades	(609,118)	(466,234)	(28,232)
Recoveries	(1,050,475)	(701,056)	(612,339)
Write-off/disposal	(1,044,316)	(1,190,137)	(867,150)
At the end of the year	2,751,412	2,589,888	2,249,087
NPA ratio	1.06%	1.10%	1.11%
Non-performing loan formation ratio ⁽²⁾	0.52%	0.76%	0.43%

Notes:

(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 period to non-performing categories;

(2) Non-performing loan formation ratio = (the balance of non-performing loan at the end of year – the balance of non-performing loan at the beginning of year + write-off/disposal of non-performing loan for the year)/(net normal interest-earning assets at the beginning of year + net interest-earning assets under special mention at the beginning of year)

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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.

	31 December 2021		31 December 2020		31 December 2019		31 December 2018	
	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total
Interest-earning assets provisions:								
Provision for non-performing assets	1,154,550	17.36%	1,070,237	16.39%	469,357	8.48%	759,991	14.92%
Provision for pass and special mention assets	5,496,973	82.64%	5,461,350	83.61%	5,065,937	91.52%	4,333,741	85.08%
Total	6,651,523	100.00%	6,531,587	100.00%	5,535,294	100.00%	5,093,732	100.00%
Non-performing assets	2,751,412		2,589,888		2,249,087		2,151,747	
Provision coverage ratio	241.75%		252.20%		246.11%		236.73%	
Credit cost ratio ⁽¹⁾	0.37%		0.98%		0.90%		0.90%	

Notes:

(1) Credit cost ratio = provision for interest-earning assets for the year/average balance of interest-earning assets.

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.

	31 December 2021	31 December 2020	31 December 2019	31 December 2018
	RMB'000	RMB'000	RMB'000	RMB'000
Write-off and disposal of non-performing assets	1,044,316	1,190,137	867,150	605,874
Non-performing assets as at the end of last year	2,589,888	2,249,087	2,151,747	1,760,972
Write-off ratio ⁽¹⁾	40.32%	52.92%	40.30%	34.41%

Note:

(1) The write-off ratio is calculated as the amount of write-off/disposal of non-performing assets over the net non-performing assets as of the beginning of the relevant year.

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In 2021, according to the requirements of the accounting standards, the Group wrote off bad debts of RMB1,044,316,000, which were mainly distributed in the healthcare, urban public utility, machinery and engineering construction industries, accounting for RMB402,139,000, RMB284,226,000, RMB105,240,000 and RMB104,096,000, respectively. 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 was required to write off the bad debts of the relevant non-performing assets pursuant to the requirements of the accounting standards, the Group did not terminate the disposal of assets, but continued to collect the payment through disposal of equipment/pledge, and exerting pressure on guarantors. From 2011 to the 2021, the written-off bad debts amounted to RMB4,518,067,000 and RMB782,902,000 had been recovered.

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

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

	31 December 2021	31 December 2020	31 December 2019	31 December 2018
Overdue ratio (over 30 days)	0.94%	0.99%	1.29%	0.94%

The Group adhered to the prudent strategies of risk control and asset management. The Group's lease overdue ratio (over 30 days) was 0.94% as at 31 December 2021, representing 0.05 percentage point lower than 0.99% as at the end of 2020.

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

	31 December 2021		31 December 2020	
	RMB'000	% of total	RMB'000	% of total
Healthcare	397,561	16.43%	174,937	7.48%
Cultural & tourism	577,627	23.86%	149,578	6.40%
Engineering construction	267,354	11.04%	237,010	10.14%
Machinery	176,951	7.31%	337,710	14.44%
Chemical & medicine	20,404	0.84%	–	–
Electronic information	39,711	1.64%	78,454	3.36%
Public consuming	102,706	4.24%	51,458	2.20%
Transportation & logistics	315,852	13.05%	105,579	4.52%
Urban public utility	522,786	21.59%	1,203,276	51.46%
Total	2,420,952	100.00%	2,338,002	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.

	31 December 2021		31 December 2020	
	RMB'000	% of total	RMB'000	% of total
Special mention	797,733	32.95%	985,311	42.14%
Substandard	413,412	17.08%	1,122,383	48.01%
Doubtful	1,209,807	49.97%	230,308	9.85%
Loss	-	-	-	-
Total	2,420,952	100.00%	2,338,002	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. as of the periods indicated.

	2021		2020		Change %
	RMB million	% of total	RMB million	% of total	
Healthcare	363	4.06%	261	11.49%	39.08%
Cultural & tourism	926	10.36%	106	4.67%	773.58%
Engineering construction	598	6.69%	258	11.36%	131.78%
Machinery	269	3.01%	-	-	N/A
Chemical & medicine	401	4.49%	133	5.85%	201.50%
Electronic information	480	5.37%	84	3.70%	471.43%
Public consuming	164	1.84%	91	4.01%	80.22%
Transportation & logistics	600	6.71%	110	4.84%	445.45%
Urban public utility	5,135	57.47%	1,229	54.08%	317.82%
Total	8,936	100.00%	2,272	100.00%	293.31%

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The following table sets forth the accumulated principal balances of interest-earning assets of off-balance sheet asset securitization that were not yet due as at the dates indicated.

	31 December 2021		31 December 2020		Change %
	RMB million	% of total	RMB million	% of total	
Healthcare	703	8.56%	2,238	14.86%	(68.59%)
Cultural & tourism	983	11.97%	2,715	18.03%	(63.79%)
Engineering construction	651	7.93%	2,337	15.52%	(72.14%)
Machinery	295	3.59%	653	4.34%	(54.82%)
Chemical & medicine	786	9.57%	406	2.70%	93.60%
Electronic information	279	3.40%	565	3.75%	(50.62%)
Public consuming	161	1.96%	581	3.86%	(72.29%)
Transportation & logistics	629	7.66%	995	6.60%	(36.78%)
Urban public utility	3,724	45.36%	4,569	30.34%	(18.49%)
Total	8,211	100.00%	15,059	100.00%	(45.47%)

As at 31 December 2021, the balance of the holding of asset-backed securities/notes-related assets items amounted to RMB2,858,774,000, representing a decrease of 36.46% as compared to RMB4,499,118,000 as at 31 December 2020, mainly due to the fact that the off-balance sheet assets in previous years became mature one after another in 2021. As an off-balance sheet asset management service provider, 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 as at the end of 2021 with no significant anomalies of asset quality.

The balance of assets with continuing involvement of the Group amounted to RMB2,858,774,000, representing a decrease of 36.46% as compared to RMB4,499,118,000 as at the end of last year. Pursuant to specific requirements of accounting standards, for the asset-backed securities/notes business described above, the Group should continue to recognize 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

As at 31 December 2021, the cash and cash equivalents of the Group amounted to RMB15,659,036,000. 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 RMB4,239,760,000.

The balance of prepayments and other receivables of the Group amounted to RMB3,671,376,000, comprised mainly of prepayments for suppliers of machinery and equipment and deductible value-added tax etc.

The balance of deferred tax assets of the Group amounted to RMB5,394,566,000, mainly for the deferred income tax provided for the time difference between accounting and taxation.

The balance of property, plant and equipment of the Group amounted to RMB24,530,838,000, comprised mainly of equipment, tools and plant for equipment operation business amounted to RMB18,300,000,000, the buildings and medical equipment of its affiliated hospitals amounted to RMB3,800,000,000, and the main office building of the Group.

The balance of investments in joint ventures/associates of the Group amounted to RMB7,820,282,000, mainly including the equity investments of the Group in provincial asset management companies amounting to RMB4,876,230,000 and the equity investments of the Group in joint ventures/associates such as Guangzhou Kangda Industrial Technology Co., Ltd., Grand Flight Hooyoung Investment L.P., PPP investment and the invested hospitals.

The balance of financial assets at fair value through profit or loss of the Group was RMB12,760,358,000, mainly due to the financial equity investment, interest-earning assets and wealth management products investment invested by the Group, among which the balance of interest-earning assets, wealth management products and other debt investments as at the end of 2021 was RMB5,650,000,000, RMB2,170,000,000 and RMB2,640,000,000, respectively.

The balances of assets and liabilities corresponding to the Group's derivative financial instruments amounted to RMB22,331,000 and RMB2,368,864,000, respectively, which were mainly 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 RMB373,982,000, which was mainly the goodwill recognized by the Group for the acquisition of medical institutions. In 2021, the Group made goodwill impairment provision of RMB1,657 million for certain subsidiaries with lower-than-expected profits in the hospital operation segment.

The balances of the Group's right-of-use assets amounted to RMB1,865,058,000, which was mainly the land use rights of the corresponding lands of the Group's main office building and its subsidiary hospitals' buildings and the assets recognized in the use rights of the premises leased by subsidiary hospitals in accordance with the accounting standard for leases.

■ MANAGEMENT DISCUSSION AND ANALYSIS

3.5 Liabilities (Overview)

As at 31 December 2021, total liabilities of the Group amounted to RMB282,826,178,000, representing an increase of RMB28,166,523,000 or 11.06% as compared to the end of last year, among which, the interest-bearing bank and other borrowings were the main component of the Group's total liabilities, accounting for 81.39% of the total, which increased by 0.81 percentage point as compared to 80.58% as at the end of last year.

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

	31 December 2021		31 December 2020		Change %
	RMB'000	% of total	RMB'000	% of total	
Interest-bearing bank and other borrowings	230,200,742	81.39%	205,216,155	80.58%	12.17%
Other payables and accruals	28,876,352	10.21%	31,315,420	12.30%	-7.79%
Liabilities for continuing involvement	2,858,774	1.01%	4,499,118	1.77%	-36.46%
Trade and bills payables	13,890,322	4.91%	7,880,410	3.09%	76.26%
Tax payables	2,172,065	0.77%	1,764,699	0.69%	23.08%
Derivative financial instruments	2,368,864	0.84%	1,855,165	0.73%	27.69%
Deferred tax liabilities	386,850	0.14%	244,077	0.10%	58.50%
Deferred revenue	1,465,194	0.52%	1,064,019	0.42%	37.70%
Lease liabilities	607,015	0.21%	820,592	0.32%	-26.03%
Total liabilities	282,826,178	100.00%	254,659,655	100.00%	11.06%

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3.6 Interest-bearing Bank and Other Borrowings

Being faced with the complicated financial environment at home and overseas, the Group adhered to the established strategy of “finance + industry” and made good progress in both indirect financing and direct financing with an improved liability structure, and the financing costs have been maintained a clear advantage as compared to the peers.

With respect to direct financing market, the Group further enriched the bond portfolios, optimized product structure, introduced new innovative products such as sustainability bonds, short-term corporate bonds and asset-backed commercial papers, and reduced overall costs. The Group issued RMB3,089 million green ABS in April 2021, with underlying assets including 42 green projects such as photovoltaic power generation, solar power generation, urban landscaping and sewage treatment, putting the concept of green development into real action and serving the sustainable development of the real economy. The Group completed the issuance of RMB150 million sustainability bonds in November 2021, which is the first sustainability bonds in the domestic market. The proceeds will be used in supporting sustainable development goals such as climate actions, health and well-being, social equality, decent work, and clean drinking water. The beneficiaries include the elderly, rural residents, people with low education levels, and people who are unemployed. The Group actively supports the sustainable development goals, meets the requirements of all parties for financial institutions to fulfill their social responsibilities and promote green and low-carbon transformation, thereby supporting the high-quality development in China.

With respect to indirect financing market, the Group, on the basis of the current financing channel as required by the Company’s strategic development, strengthened its co-operation relationship with key banks and launched comprehensive cooperation in finance and industry with the six major banks and some policy banks, forming a deep strategic partnership. In response to the national call for carbon peaking and carbon neutrality, the Group successfully signed an overseas green club loan agreement of US\$450 million with eight banks including Sumitomo Mitsui, Standard Chartered Bank and OCBC Bank, etc. in June 2021, the use of proceeds of which involves renewable energy, pollution treatment, efficient energy and other aspects.

In conclusion, the Group had diverse financing methods with a continuously improving liability structure, and further reduced its reliability on a single product and a single market, thus achieving diversification of financing products, decentralization of financing markets and continuation of maintaining a competitive cost advantage. Looking forward to the future, the Group is confident that with the favorable operation momentum and profound financial market cooperation foundation, the Group can further improve its competitiveness on liability side.

As at 31 December 2021, the total sum of the Group’s interest-bearing bank and other borrowings amounted to RMB230,200,742,000, representing an increase of 12.17% as compared with RMB205,216,155,000 as at the end of last year. The increase was mainly due to the increase of interest-bearing liabilities as a result of the business expansion of the Group. The Group’s borrowings were mainly denominated in RMB and US\$.

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

	31 December 2021		31 December 2020		Change %
	RMB'000	% of total	RMB'000	% of total	
Current	122,694,483	53.30%	103,931,451	50.64%	18.05%
Non-current	107,506,259	46.70%	101,284,704	49.36%	6.14%
Total	230,200,742	100.00%	205,216,155	100.00%	12.17%

As at 31 December 2021, 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 53.30%, which slightly increased as compared to the end of the previous year, mainly because the Group moderately increased short-term debt so as to adhere to a sound financing strategy and ensure liquidity security.

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

	31 December 2021		31 December 2020		Change %
	RMB'000	% of total	RMB'000	% of total	
Secured	35,026,522	15.22%	22,217,589	10.83%	57.65%
Unsecured	195,174,220	84.78%	182,998,566	89.17%	6.65%
Total	230,200,742	100.00%	205,216,155	100.00%	12.17%

The Group carefully managed its funding risk in 2021. As at 31 December 2021, the proportion of the Group's interest-bearing bank and other borrowings that were unsecured accounted for 84.78% of the Group's total interest-bearing bank and other borrowings, which decreased as compared with that as at 31 December 2020, mainly because the Group acquired more low-cost funds by means of asset pledge.

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

	31 December 2021		31 December 2020		Change %
	RMB'000	% of total	RMB'000	% of total	
Bank loans	110,640,201	48.06%	98,759,817	48.12%	12.03%
Loans from connected persons	–	0.00%	203,270	0.10%	-100.00%
Other loans	119,560,541	51.94%	106,253,068	51.78%	12.52%
Total	230,200,742	100.00%	205,216,155	100.00%	12.17%

As at 31 December 2021, the Group's loans as a percentage to the Group's total bank and other borrowings remained stable as compared with 31 December 2020, as the Group continued to deepen its financing cooperation with banks and other financial institutions with a sound financing strategy.

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

	31 December 2021		31 December 2020		Change %
	RMB'000	% of total	RMB'000	% of total	
Domestic	182,720,857	79.37%	159,955,114	77.94%	14.23%
Overseas	47,479,885	20.63%	45,261,041	22.06%	4.90%
Total	230,200,742	100.00%	205,216,155	100.00%	12.17%

As at 31 December 2021, the proportion of the Group's domestic borrowings and other borrowings as a percentage to the Group's total borrowings was 79.37%, which slightly increased as compared with that at the end of last year as the Group moderately expanded domestic financing channels to satisfy the funding needs in view of the uncertainties in the overseas market.

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

	31 December 2021		31 December 2020		Change %
	RMB'000	% of total	RMB'000	% of total	
RMB	180,916,831	78.59%	158,796,794	77.38%	13.93%
US\$	39,276,524	17.06%	39,223,026	19.11%	0.14%
Borrowings in other currencies	10,007,387	4.35%	7,196,335	3.51%	39.06%
Total	230,200,742	100.00%	205,216,155	100.00%	12.17%

As at 31 December 2021, the Group's activities in RMB accounted for 78.59% of its total interest-bearing bank and other borrowings, representing an increase from the end of last year as the Group actively promoted domestic RMB financing, and vigorously expanded and strengthened RMB financing.

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

	31 December 2021		31 December 2020		Change %
	RMB'000	% of total	RMB'000	% of total	
Direct financing	103,410,935	44.92%	95,114,826	46.35%	8.72%
Indirect financing	126,789,807	55.08%	110,101,329	53.65%	15.16%
Total	230,200,742	100.00%	205,216,155	100.00%	12.17%

As at 31 December 2021, Group's direct borrowings accounted for 44.92% of the total, which decreased as compared with 31 December 2020 on account of 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 31 December 2021, the total equity of the Group was RMB53,054,110,000, representing an increase of RMB7,786,977,000 or 17.20% from the end of last year.

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

	31 December 2021		31 December 2020		Change %
	RMB'000	% of total	RMB'000	% of total	
Share capital ⁽¹⁾	13,042,863	24.58%	10,397,104	22.97%	25.45%
Equity component of convertible bonds	233,750	0.44%	338,050	0.74%	-30.85%
Reserve	28,245,937	53.25%	23,384,298	51.66%	20.79%
Equity attributable to ordinary shareholders of the Company ⁽²⁾	41,522,550	78.27%	34,119,452	75.37%	21.70%
Perpetual securities ⁽³⁾	7,514,376	14.16%	8,478,063	18.73%	-11.37%
Non-controlling interests	4,017,184	7.57%	2,669,618	5.90%	50.48%
Total equity	53,054,110	100.00%	45,267,133	100.00%	17.20%

Notes:

- (1) The Group's share capital increased by RMB2,645,759,000 in 2021, mainly including that: (i) on 18 January 2021, the conversion rights attaching to the convertible bonds in the principal amount of US\$200,000,000 due 2025 were fully exercised in accordance with the relevant conditions, (ii) on 29 October 2021, the conversion rights attaching to the convertible bonds in the principal amount of US\$200,000,000 due 2026 were fully exercised in accordance with the relevant conditions, and (iii) the exercise price charged for the exercise of share options during the period under the Group's Share Option Scheme and the fair value of the corresponding share options.
- (2) The following table sets forth the change in the equity attributable to the ordinary shareholders of the Company in 2021.

	Equity attributable to the ordinary shareholders of the Company
31 December 2020	34,119,452
Profit for the year	5,512,245
Other comprehensive income	295,598
Conversion of convertible bonds	2,333,444
Dividend distribution	(1,205,585)
Other changes in equity	467,396
31 December 2021	41,522,550

The final dividend of HK\$0.36 per share for the year ended 31 December 2020 was approved at the annual general meeting on 9 June 2021 and paid on 30 June 2021. As at 31 December 2021, the equity attributable to the ordinary shareholders of the Company was RMB41,522,550,000.

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(3) The following table sets forth the issuance of perpetual securities.

Type of perpetual securities	Date of issuance	Currency of issuance	Amount of issuance ('000)	Initial annual distribution rate	Basic term ^(vi)
Perpetual capital securities ⁽ⁱ⁾	14 June 2017	USD	300,000	4.35%	No fixed maturity date
Renewable corporate bonds ⁽ⁱⁱ⁾	6 July 2017	RMB	5,000,000	5.50%	3 years
Perpetual capital securities ⁽ⁱⁱⁱ⁾	4 December 2017	USD	400,000	5.60%	No fixed maturity date
Perpetual trusted loans ^(iv)	24 July 2019	RMB	49,850	6.0%	5 years
Perpetual trust securities (Pandemic Prevention and Control Securities) (phase one) ^(v)	18 February 2020	RMB	1,500,000	3.87%	2 years
Perpetual trust securities (Pandemic Prevention and Control Securities) (phase one) ^(v)	18 February 2020	RMB	500,000	4.13%	3 years
Perpetual trust securities (Pandemic Prevention and Control Securities) (phase two) ^(v)	18 June 2020	RMB	700,000	3.98%	2 years
Perpetual trusted loans ^(iv)	25 December 2020	RMB	970,000	5.65%	1 year

Notes:

- (i) The perpetual securities have no fixed maturity date and are callable at the Group'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.
- (ii) On 6 July 2020, the Group redeemed all of the renewable corporate bonds amounting to RMB5,000 million issued on 6 July 2017. On 23 December 2021, the Group redeemed all of the perpetual trusted loans amounting to RMB970 million issued on 25 December 2020. As of the end of 2021, other perpetual securities in the above table have not been redeemed.
- (iii) The perpetual securities have no fixed maturity date and are callable at the Group's option in whole on 4 December 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 five years after the First Call Date, to the sum of the initial spread and the rate of the US five-year treasury notes. From 4 December 2037 onwards, the reset distribution rate shall be the sum of the initial spread and the US five-year treasury note rate and the incremental spread of 5.00% per annum.
- (iv) The interest rate of the perpetual trusted loans will be reset every 5 years from the date of issuance for 5 years (the starting date of resetting interest rate). From the starting date of resetting interest rate (inclusive), the interest rate is the prevailing benchmark interest rate plus the initial spread, and the reset interest rate from the date of issuance of 20 years (inclusive) is determined by the prevailing benchmark interest rate plus the initial spread plus 300 basis points. The initial spread is the difference between the initial interest rate and the initial benchmark interest rate. The prevailing benchmark interest rate is the one- to five-year loan interest rate announced and implemented by the People's Bank of China 5 working days before the date of resetting interest rate.
- (v) The perpetual trust securities take the basic term as a cycle, and is reset once every cycle. The coupon rate of the first cycle is the initial benchmark interest rate plus the initial spread, and the coupon rate of subsequent cycles is adjusted to the prevailing benchmark interest rate plus the initial spread plus 300 basis points. The initial spread is the coupon rate for the first cycle minus the initial benchmark rate. The benchmark interest rate is the arithmetic mean of the yields of treasury bonds of the same term in the 250 working days before the date of resetting coupon rate.
- (vi) For the perpetual securities with a basic term, the Group is entitled to exercise its renewable option at the end of the stipulated basic term and at the end of each renewal period.

■ MANAGEMENT DISCUSSION AND ANALYSIS

3.8 Completion of the issuance of Guaranteed Convertible Bonds under General Mandate

As at 31 December 2021, the Group's outstanding convertible bonds include:

1. The bonds in the principal amount of US\$300,000,000 due 2025 issued by Universe Trek Limited, a wholly-owned subsidiary of the Company, on 8 July 2020 and guaranteed by the Company, convertible into fully paid ordinary shares in the issued and paid-up capital of the Company in accordance with relevant conditions, and bearing interest from and including the issue date at the rate of 2.5% per annum payable semi-annually. Based on the net proceeds from the issuance of such convertible bonds (after deducting the fees, commission and expenses) amounting to approximately US\$296.6 million, the net price of each conversion share of such convertible bonds amounted to approximately HK\$8.24 (at the predetermined exchange rate of US\$1.00 to HK\$7.7503). The convertible bonds were offered and sold to no less than six independent places (who were independent individuals, corporates and/or institutional investors). The initial conversion price of the convertible bonds was HK\$8.33 per conversion share; the conversion price was adjusted to HK\$7.92 per conversion share on 31 July 2020 due to the payment of dividend; the conversion price was further adjusted to HK\$7.58 per conversion share due to the payment of dividend on 30 June 2021.

2. The bonds in the principal amount of US\$250,000,000 due 2026 issued by Universe Trek Limited, a wholly-owned subsidiary of the Company, on 15 June 2021 and guaranteed by the Company, convertible into fully paid ordinary shares in the issued and paid-up capital of the Company in accordance with relevant conditions, and bearing zero coupon. Based on the net proceeds from the issuance of such convertible bonds (after deducting the fees, commission and expenses) amounting to approximately US\$246 million, the net price of each conversion share of such convertible bonds amounted to approximately HK\$10.01 (at the predetermined exchange rate of US\$1.00 to HK\$7.7614). The convertible bonds were offered and sold to no less than six independent places (who were independent individuals, corporates and/or institutional investors). The initial conversion price of the convertible bonds was HK\$10.20 per conversion share; the conversion price was adjusted to HK\$9.76 per conversion share due to the payment of dividend on 30 June 2021.

The above convertible bonds were issued at 100.00% of the principal amount of the bonds as the issue price, and were issued in registered form and in denominations U.S.\$200,000 each and integral multiples of U.S.\$1,000 in excess thereof. The Company issued the above convertible bonds for the purpose of supplementing liquidity and intended to use all of the net proceeds from the bond issuance for working capital and general corporate purposes. As at the disclosure date of this report, the Company used all the net proceeds. The actual uses were as follows: (1) approximately US\$169.5 million for domestic business operations, and (2) approximately US\$373.07 million for working capital and other general corporate purposes, consistent with the previously disclosed use of proceeds. The proceeds from the bond issue can provide the Company with additional funding at lower cost to repay its existing debts and optimize its financing structure, to further strengthen the working capital for the Company, as well as potentially enhance the equity base of the Company.

For the principal terms and other details of the convertible bonds, please refer to the relevant announcements of the Company dated 17 June, 18 June, 19 June, 8 July and 21 July 2020, as well as dated 28 May, 15 June, 16 June and 24 June 2021.

■ MANAGEMENT DISCUSSION AND ANALYSIS

(I) Adjustment of Conversion Price of the Convertible Bonds

	Effective date of conversion price adjustment	Original conversion price	Adjusted conversion price	Disclosure date	Explanation of conversion price adjustment
Convertible bonds issued in June 2021	30 June 2021	HK\$10.20	HK\$9.76	24 June 2021	Adjust the conversion price based on the 2020 final dividend payment
Convertible bonds issued in July 2020	30 June 2021	HK\$7.92	HK\$7.58	24 June 2021	Adjust the conversion price based on the 2020 final dividend payment

Impact of the Convertible Bonds on Earnings per Share and Share Dilution

As at the end of 2021, no conversion into shares had occurred for the above convertible bonds. If the conversion rights attaching to the above convertible bonds were fully exercised in accordance with relevant conditions, the Company would have issued 505,546,457 shares, representing approximately 11.72% of the issued share capital of the Company at the end of 2021 and approximately 10.49% of the issued share capital of the Company as enlarged by the issue of such conversion shares.

■ MANAGEMENT DISCUSSION AND ANALYSIS

The table below sets forth the dilution impact of the full conversion of the above convertible bonds on the shareholding of the substantial shareholders (having referred to the Company's shareholding structure as at 31 December 2021 and assuming no further shares would be issued by the Company):

Name of shareholder	As of 31 December 2021		Immediately following the full conversion of all convertible bonds	
	Number of shares	Approximate percentage of total issued shares	Number of shares	Approximate percentage of total issued shares
Sinochem Group Co., Ltd	919,914,440	21.32%	919,914,440	19.09%
KONG Fanxing ⁽ⁱ⁾	801,139,908	18.57%	801,139,908	16.62%
The holders of the Convertible Bonds issued on 8 July 2020	–	–	306,740,105	6.36%
The holders of the Convertible Bonds issued on 15 June 2021	–	–	198,806,352	4.13%
Other shareholders	2,592,933,438	60.11%	2,592,933,438	53.80%
Total	4,313,987,786	100.00%	4,819,534,243	100.00%

Notes:

(i) These interests include (i) 870,000 shares held by Mr. KONG Fanxing; (ii) 22,188,846 vested restricted shares; and (iii) 778,081,062 shares whose voting rights Idea Prosperous Limited were entrusted to exercise, and Idea Prosperous Limited is a wholly-owned company of Mr. KONG Fanxing.

Please refer to Note 12 to the financial statements for the impact on earnings per share as if the convertible bonds had been fully converted on 31 December 2021.

■ MANAGEMENT DISCUSSION AND ANALYSIS

(II) The Company's Liabilities, Credit Changes and Cash Arrangements for Debt Repayment in the Future

In 2021, the Company's liabilities and credit status did not change significantly, and the credit ratings assigned to the Company by various credit rating agencies remained unchanged. The Company has sufficient cash flow. At the same time, the banks have granted sufficient credit lines to the Company. Even if investors hold the convertible bonds to maturity and require payment of the principal, the Company is fully capable of paying in cash.

(III) Analysis of the Implied Internal Rate of Returns

As at 31 December 2021, no conversion into shares had occurred for the convertible bonds issued on 8 July 2020 and the convertible bonds issued on 15 June 2021. Based on the implied internal rate of returns of the abovementioned convertible bonds and other related parameters, the share price at which it would be equally financially advantageous for the bondholders to convert or redeem the revised conversion shares for the end of year 2021 to 2025 were as below:

	As of 31 December				
	2021	2022	2023	2024	2025
Share price of the convertible bonds issued on 8 July 2020 (HK\$)	7.58	7.58	7.58	7.58	N/A
Share price of the convertible bonds issued on 15 June 2021 (HK\$)	9.87	10.06	10.27	10.47	10.68

■ MANAGEMENT DISCUSSION AND ANALYSIS

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 maximize shareholder value. In 2021, no change was made to the objectives, policies or processes for managing capital.

4.1 Gearing Ratio

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

	31 December 2021	31 December 2020
	RMB'000	RMB'000
Total assets (A)	335,880,288	299,926,788
Total liabilities (B)	282,826,178	254,659,655
Total equity	53,054,110	45,267,133
Gearing ratio (C=B/A)	84.20%	84.91%

In 2021, the Group 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 31 December 2021, the Group's gearing ratio was 84.20%.

4.2 Ratio of Assets at Risk to Equity

According to Article 27 of the Interim Measures for the Supervision and Management of Financial Leasing Companies issued by the China Banking Regulatory Commission in June 2020, the total risky assets of a financial leasing company must not exceed 8 times of the net assets.

As at 31 December 2021, the ratios of total assets at risk to net assets of International Far Eastern Financial Leasing Co., Ltd., Far Eastern Horizon (Tianjin) Financial Leasing Co., Ltd. and Far Eastern Horizon Financial Leasing Co., Ltd. were 5.90, 4.43 and 2.49 respectively, which were in compliance with the ratio of risk assets to equity requirements of the measures. The Group will ensure that all domestic finance leasing operations entities will continue to meet the above regulatory requirements through allocation of internal resource.

■ MANAGEMENT DISCUSSION AND ANALYSIS

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

International Far Eastern Financial Leasing Co., Ltd. (遠東國際融資租賃有限公司)

	31 December 2021	31 December 2020
	RMB'000	RMB'000
Total assets	223,060,553	211,839,706
Less: Cash	11,581,180	8,446,082
Total assets at risk	211,479,373	203,393,624
Equity	35,861,559	33,045,275
Ratio of assets at risk to equity	5.90	6.15

Far Eastern Horizon (Tianjin) Financial Leasing Co., Ltd. (遠東宏信(天津)融資租賃有限公司)

	31 December 2021	31 December 2020
	RMB'000	RMB'000
Total assets	86,434,733	72,859,139
Less: Cash	3,855,840	4,113,945
Total assets at risk	82,578,893	68,745,194
Equity	18,633,566	15,918,809
Ratio of assets at risk to equity	4.43	4.32

Far Eastern Horizon Financial Leasing Co., Ltd. (遠東宏信融資租賃有限公司)

	31 December 2021	31 December 2020
	RMB'000	RMB'000
Total assets	11,050,377	18,591,404
Less: Cash	588,093	145,336
Total assets at risk	10,462,284	18,446,068
Equity	4,198,400	5,423,447
Ratio of assets at risk to equity	2.49	3.40

■ MANAGEMENT DISCUSSION AND ANALYSIS

5. CAPITAL EXPENDITURES

The Group's capital expenditure was RMB10,950,958,000 in 2021, which was mainly used as the expenditures for additions of property, plant and equipment, and external equity investments.

6. RISK MANAGEMENT

6.1 Credit Risk

In 2021, the global COVID-19 epidemic situation fluctuated. The pandemic has subsided in most of the major economies and recovery of the economy has accelerated. Benefited from the early and effective pandemic control, China took the initiative to build a development pattern of "giving priority to domestic circulation and promoting positive interplay between domestic circulation and international circulation", "mending and strengthening the chain" internally and continuously expand its global influence externally. China's advantageous position as a world manufacturing and supply centre was prominent with exports reaching record highs. Along with the gradual rebound in domestic consumption, China's economic performance was relatively outstanding with a GDP increasing by 8.1% compared with the previous year.

In 2021, the Company continued to serve the upgrading of cities and industries. In terms of management, the Company enhanced its research and judgment on circumstances and achieved efficient decision-making by accurately identifying external changes; optimized its structure and increased its coverage to further strengthen its foothold in the industry; accurately prevented and controlled risks by stratification and classification and focusing on major problems; integrated its system and closed the personnel loop to build a solid risk defence; and automatically identified and intelligently analysed risks to enhance the effectiveness of management and control.

The operation maintained activity and flexibility throughout the year, with safe and well controlled assets while operation results achieved sustained and solid growth.

I. Strengthened research and judgment, efficient decision-making, and accurate identification of changes.

The Company continued to uphold industry-focused risk management. In addition to widening our business horizons, we carried on extending our risk horizons, increasing our internal and external information touchpoints and enhancing our sensitivity. We continued to deepen our research on economic policies and industries to seize business opportunities in a timely manner and accurately identify risks arising from policy adjustments and industrial changes. By implementing these practices, we did not overlook major development opportunities and important business risks.

The Company has established a mechanism for effective communication, interpretation, conversion and application of external changes, continuously simulated the application scenarios of industrial research in asset allocation and client assessment and summarized in a timely manner the core features and sources of credit risks for clients from different industries on a basis of which scientific and effective prevention strategies can be formulated.

■ MANAGEMENT DISCUSSION AND ANALYSIS

With the Risk Management Committee as a unified platform for decision-making, the Company assessed and evaluated the combined impact of external changes on the Company and all relevant departments as comprehensively, continuously, accurately and efficiently as possible through the joint participation and collective decision-making of the front and middle and back offices, as well as across different levels and departments of the Company, and examined the specificity, reasonableness and effectiveness of industrial risk management policies, control systems and rules, so as to form timely resonance and effective responses to the external environment.

II. Optimization of structure, expansion of coverage and continuous deepening of foothold in the industry.

In terms of operation, the Company insisted on serving urban upgrading and industrial upgrading. In terms of management, through hierarchical classification of the industry and optimization of priority, the Company increased the industry traction of capital investment, continuously optimizing asset allocation structure.

Serving urban upgrading, the Company encouraged the formulation of layout in industries that are strongly related to “safeguarding people’s livelihood” and aimed to stabilize growth and serve as foundational support, including medical and healthcare, educational institutions, urban public transportation, urban rail transportation, water production and supply, electricity production and supply, and gas production and supply. The Company encouraged the formulation of layout in industries related to major infrastructure construction and new urbanization construction projects, including highway, railroad, airport, port and other infrastructure constructions. Under the established industry strategy, the Company focused on the national regional development strategy, serving Yangtze River Delta, Pearl River Delta, Beijing-Tianjin-Hebei, Chengdu-Chongqing Economic Zone and other areas, and select regions and customers for allocation.

Serving industrial upgrading, the Company encouraged the formulation of layout in manufacturing upgrade related industries which focuses on “innovation-led, technology-empowered and intelligent upgrading” as the main line, which includes high-end new materials, major technical equipment, intelligent manufacturing and robotics technology, aero engines and gas turbines, Beidou industrial application, new energy vehicles and smart vehicles, high-end medical equipment and innovative drugs, advanced agricultural machinery and equipment, etc., and new infrastructure-related industries, including but not limited to 5G networks, new energy charging piles, big data centers, artificial intelligence, cloud computing, industrial Internet, virtual reality and augmented reality, IoT, blockchain, etc. Priority is given to customers of the aforementioned industries who have technological advantages, market resource advantages and management advantages during formulation of layout. The Company encouraged the formulation of layout in environmental protection-related industries with high-technology characteristics.

Adhering to a development strategy which covers the whole industry chain and possesses multi-level customer base, the Company has continued to step up efforts in new customer development.

Continuously improving industrial mapping, the Company carried out the scanning and sorting of the customer base along the upstream and downstream of the industry chain in a systematic manner, and continuously updated the list of target customers. Based on changes in the industry and the risk characteristics of our practicing clients, the Company made timely and reasonable adjustments to the client entry criteria, so as to keep the selection of customer base synchronized with the development of the industry.

■ MANAGEMENT DISCUSSION AND ANALYSIS

The Company controlled the number of overturned customers and credit size, encouraged the development of new customers, continued to increase the breadth of customer coverage, and improved the level of in-depth services.

We insisted on the comprehensive development of large, medium and small customer groups, and encouraged the development of state-owned enterprise customers and private enterprise customers with market competitiveness. For small and medium-sized customers, we insisted on expanding along the upstream and downstream of existing customers.

In 2021, the Company's asset structure was further optimized, and the allocation became more reasonable. The number of customers, in particular the number of new customers, grew significantly. The business foundation was effectively consolidated, the credit scope was expanded, and the risk concentration was reasonably and effectively controlled.

III. Hierarchical classification, focusing on key and tough industries, and precise risk prevention and control.

The Company improved differentiated credit channels suitable for different types of customers. For well qualified customers, under controlled risks, the Company improved credit efficiency by ways including pre-setting credit lines and simplifying credit approval, so as to reduce the utilization of credit granting resources. Resources were concentrated on cyclical key and tough industries which are relatively complex, as well as the credit evaluation of key and tough group customers with diversified development and complicated business models.

For cyclical industries, the Company prudently conducted research and made judgment on the industry cycle and current position, and reasonably set the project period. The Company investigated the key management and control factors of industry risks and formed an industry risk management manual. It summarized the public data of clients who have been listed and issued bonds in the industry, formed a yardstick of industry operation and financial data, and accurately positioned and evaluated the industry level and status of clients. The Company accurately grasped the cost and profit level, debt level, investment trend and operation cycle of industrial customers, and arrived at an accurate judgment of clients' solvency.

Through systematic response, the risk assessment of group clients engaged in diversified operation was strengthened throughout the whole process in multiple dimensions. The Company focused on their core business when conducting assessment, with emphasis on the core assets, liabilities and cash flow, paid attention to the operating trend of the main business and the synergy of multi-industry strategies, conducted careful extrapolation of favorable and unfavorable impacts of major investments and financing, major external guarantees and affiliated enterprises on the core assessed subject, and accurately judged the repayment ability and liquidity pressure of the customer. At the same time, the Company referred to the credit conditions of the financing institutions for this customer to optimize the transaction structure and guarantee conditions.

The Company insisted on the quality control approach of "all-round, full-process, multi-angle, and uninterrupted" and centralized multi-level and multi-series professional strength to carry out centralized "consultation" evaluation for cyclical industries and group customers, striving for being perfectly safe.

■ MANAGEMENT DISCUSSION AND ANALYSIS

The Company had differentiated settings and management of credit validity period for customers with different risk attributes. When “reactivating” projects that are within the validity period of the credit facilities and have not been signed or leased for a certain period of time, it is necessary to continuously assess or reassess the customer’s credit status to assess whether there have been significant adverse changes in the customer’s credit capacity, and whether the customer still has the willingness and ability to repay, so as to ensure that the funds are placed safely and under control. By increasing the frequency of continuous assessment and reassessment, we addressed the adverse impact of rapid changes in the external environment on our customer’s operations, solvency and credit plans.

Combining the risk characteristics of different businesses and regions, as well as the differences in personnel structure and professional capabilities, the Company continuously optimized the positions of its personnel. It placed emphasis on the allocating assessors with higher qualifications in the operational field, such as new business expansion of the business department and assessment of difficult projects, so as to further improve the accuracy of evaluation.

For customers to whom credits have been granted, regular designated inspections and non-regular investigation of customer credit status were carried out according to the amount granted and the risk status of customers. The relevant information was shared to the customer information database in a timely manner to ensure that reorder operations could be reasonably applied and comprehensively considered.

IV. Connecting systems and forming a personnel closed loop to build a line of risk defence.

The Company further opened up the information channels of various departments before, during and after credit granting to establish a closed loop of credit risk management throughout the cycle. We have realized the integration of the whole process and each stage, solidified the management coordination mechanism with the front-line and various functional department to achieve joint prevention and control. We continued to uphold the bottom line of risk management, and continuously strengthened the “fence” of risk prevention and control.

The Company strengthened the internal and external monitoring before, during and after credit granting, and enhanced the self-inspection and mutual inspection mechanism before and after the credit granting stage.

Through the walk-through tests of the claimed cases, the blind spots and weaknesses in risk management were found; through the optimization of the system process and the improvement of the mechanisms and methods, the occurrence of “leakage and venting” was reduced.

We further improved the internal control governance of risk management, and optimized the interactive mechanism for problem discovery, operation correction and system improvement.

We strengthened management’s awareness of conscientiously performing their duties, enhanced the bottom-line awareness, red line awareness and risk consciousness of front-line personnel and professional assessors, and restored management and operational responsibilities.

■ MANAGEMENT DISCUSSION AND ANALYSIS

The Company undertook strict management of the qualification of front-line personnel and professional accessors to ensure that the certified personnel had passed the qualification certification and has excellent professional ability. For personnel who newly acquired operation qualifications, a mechanism in which the aforementioned personnel were accompanied by skilled workers during operations was implemented for a period of time. The novice would operate independently only after completing a specific level of operations and accumulating enough experience in the company of skilled workers.

Emphasis was placed on the sharing and exchange of historical risk events to continuously improve the risk awareness and risk prevention skills of personnel in key positions.

Targeted at the “information gap” and management loophole as well as the disconnection between “management of affairs” and “personnel management” caused by poor and untimely transmission of information on “personnel” and “affairs”, the Company strengthened the management of the linkage between personnel and affairs. It conducted regular checks of operation standards of relevant personnel, and identified and corrected operational problems in time, constantly improving the operation management system. For those who did not operate according to the system requirements, punishment would be imposed with no tolerance.

The Company ensured the closed loop of operational management and the linkage of personnel and affairs management to achieve the “dual upgrade” of management system and personnel capabilities. Staff were managed with affairs and affairs were promoted by staff. The ultimate goal of proper affairs management was thus achieved.

V. Improving the effectiveness of management and control through automatic identification and intelligent management.

The Company continuously pushed forward the digitalization, informatization and intelligence upgrade of its core business system.

In the areas such as target customer introduction, risk identification and monitoring, the Company further strengthened financial technology, such as the introduction, development, integration and use of intelligent technology tools including big data, automatic recognition and comparison of graphics and text, Internet crawlers, intelligent classification and analysis of banking slips, intelligent question answering robots, positioning systems, etc..

In addition, the Company continued to expand the breadth of information sources, increased the density and frequency of cross-validation, and strengthened the depth of risk analysis, further improving the quality and efficiency of risk management.

■ MANAGEMENT DISCUSSION AND ANALYSIS

6.2 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 and other loans.

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 actively using interest rate swaps and other financial instruments to hedge interest rate risk exposure. The distribution of interest rate sensitive assets and liabilities of the Group is as follows:

	As of 31 December 2021	As of 31 December 2020
	RMB'000	RMB'000
Variable interest bearing assets	9,225,941	26,871,970
Variable interest bearing liabilities	(79,247,713)	(83,248,638)
Monetary funds and others	20,104,613	16,542,660
Derivative financial instruments	44,084,956	44,778,713
Net exposure	(5,832,203)	4,944,705

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	
	As of 31 December 2021	As of 31 December 2020
	RMB'000	RMB'000
Change in basis points		
+100 basis points	24,974	30,639
-100 basis points	(20,221)	(30,639)

■ MANAGEMENT DISCUSSION AND ANALYSIS

6.3 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 at 31 December 2021, the Group's actual exposure to foreign exchange risk (excluding perpetual securities) approximately amounted to US\$6,418 million, hedges against foreign exchange exposure amounted to US\$6,362 million with the hedge ratio (percentage of the aforesaid two items) of approximately 99.13% (approximately 95.17% as at 31 December 2020). The Group's actual exposure to foreign exchange risk is limited. As at 31 December 2021, the Group's foreign exchange risk exposure (including perpetual securities) was approximately US\$7,118 million and the hedge ratio was approximately 89.38% (approximately 85.12% as at 31 December 2020).

The table below demonstrates the effect of reasonable potential changes in exchanges rates of RMB arising from actual exposure to foreign exchange risk, with all other variables held constant, on the Group's equity interest.

	Change in RMB exchange rate	Increase/(decrease) in equity interest excluding perpetual securities of the Group	
		As of 31 December 2021	As of 31 December 2020
		RMB'000	RMB'000
Effect on the profit before tax	+1%	3,583	18,658
Direct effect of perpetual securities on the equity in the event of future redemption	+1%	44,630	45,674
		48,213	64,332

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 equity interest.

■ MANAGEMENT DISCUSSION AND ANALYSIS

6.4 Liquidity Risk

Liquidity risk refers to the risks that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or other financial assets.

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 summarizes 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	Undated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2021							
Total financial assets	18,930,706	53,576,942	104,476,075	134,252,056	4,747,205	2,817,672	318,800,656
Total financial liabilities	755,679	50,513,131	106,136,759	122,209,936	4,035,022	-	283,650,527
Net liquidity gap	18,175,027	3,063,811	(1,660,684)	12,042,120	712,183	2,817,672	35,150,129
As at 31 December 2020							
Total financial assets	15,251,872	42,854,039	101,092,228	124,431,629	3,275,855	1,268,060	288,173,683
Total financial liabilities	138,723	42,726,178	83,076,559	120,924,888	1,338,329	-	248,204,677
Net liquidity gap	15,113,149	127,861	18,015,669	3,506,741	1,937,526	1,268,060	39,969,006

6.5 Operational Risk

The Group continuously enhanced the internal control mechanism of various industrial groups and continued to improve the management over HSE major risks. The Group further strengthened the headquarters' effectiveness of implementation of policies and professional guidance and management, ensuring that the overall operational process risks were under control.

7. CHARGE ON GROUP ASSETS

The Group had lease receivables of RMB22,510,700,000, long-term receivables of RMB6,478,340,000, cash of RMB271,782,000, property, plant and equipment of RMB6,413,799,000 and right-of-use asset (the original prepaid land lease payments) of RMB842,213,000 as at 31 December 2021 in order to secure or pay the bank borrowings, cash of RMB1,780,474,000 was pledged for bank acceptances, letter of credit and etc.

■ MANAGEMENT DISCUSSION AND ANALYSIS

8. MATERIAL INVESTMENTS, ACQUISITIONS AND DISPOSALS

In 2021, the number of hospitals controlled by the Group was 29 with the actual number of beds available amounting to approximately 11,000. A nationwide hospital operation network covering East China, South China, North China, Southwest, and Northeast China has been formed. The Group will continue to plan for future operation with the principle of “one network, one system and one hospital” and incorporate the above hospitals into a unified operation and management model, focusing on the development of disciplines, increasing the core competitiveness and achieving income growth.

In 2021, the Group spun off two compulsory education businesses in Shanghai and Chengdu, disposed of one kindergarten in each of Changsha, Qingdao and Tianjin, and currently operates 7 kindergartens and 3 non-compulsory schools. On 14 May 2021, the State Council promulgated the Regulation on the Implementation of the Non-state Education Promotion Law of the People’s Republic of China, which contains various provisions relating to the operation of non-profit schools providing compulsory education. After the Implementation Regulation comes into effect, the existing Far East subsidiaries no longer provide services to non-profit schools providing compulsory education. Based on this, the Group’s education business strategy has shifted to the provision of non-compulsory education services.

The Company insists on a high-quality positioning of school operations, and takes the responsibility of cultivating elites for the society. Its kindergartens have formed a good brand and scale effect in the local area and are widely recognized by parents. Its international high school attained excellent results regarding further studies, with an admission rate of over 70% for the top 100 universities in the world, and has helped outstanding students to enter top schools such as Oxford, Cambridge and Ivy League for successive years.

In 2021, the Group did not conduct any material investment as defined under Rule 32(4A) of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

9. HUMAN RESOURCES

As of 31 December 2021, the Group had 23,257 full-time employees, an increase of 1,585 full-time employees as compared to 21,672 in the corresponding period of 2020.

The Group believes it has a high quality work force with specialized industry expertise. As at 31 December 2021, approximately 35.5% of the Group’s employees had bachelor’s degrees or above, and approximately 7.6% had master’s degrees or 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-term, stable and healthy development, the Board of the Company considered and passed the program of setting up the equity incentive plans (including the share option scheme and restricted share award scheme) in 2014 and 2019.

■ MANAGEMENT DISCUSSION AND ANALYSIS

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 31 December 2021, the Group complied with all statutory social insurance and housing fund obligations applicable to the Group under the PRC laws in all material 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.

	As of 31 December 2021	As of 31 December 2020
	RMB'000	RMB'000
Legal proceedings:		
Claimed amounts	83,686	6,310

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:

	As of 31 December 2021	As of 31 December 2020
	RMB'000	RMB'000
Contracted, but not provided for:		
Capital expenditure for acquisition of property, plant and equipment	224,729	324,921
Irrevocable credit Commitment ⁽¹⁾	14,124,845	8,101,274

Notes:

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

■ MANAGEMENT DISCUSSION AND ANALYSIS

11. FUTURE OUTLOOK

In 2021, under the strong and unified leadership of the state, China's global leadership has been maintained in both economic development and pandemic prevention and control, which provides a strong guarantee for the establishment of a new development pattern of "dual circulation" and the promotion of high-quality and sustainable economic and social development. However, at the same time, as the economic development environment has become more complex with prominent structural problems in growth, coupled with the triple whammy from current demand contraction, supply shock and weakening expectations, as a result, the challenges of stabilizing growth and preventing risks will continue unabated in the future.

Standing at the key stage of new development, the Group will adhere to its original aspiration as an excellent corporate and closely leverage the real economy, and give the priorities of improving asset efficiency and ensuring operational security. The Group will keep abreast of the precise information of the market environment, comprehensively strengthen refined management, and continue to upgrade, iterate and make adjustments as needed, in order to ensure that the full release of business potential, and create a new model for the benign and coordinated development of domestic and overseas market as well as finance and industry.

In terms of financial business, the Group will keep a foothold in productivity enhancement while staying focused on model innovation, so as to constantly outperform in competition. In addition to intensive cultivation in the industry and in-depth development in various regions, the Group will continue to iterate and upgrade, and serve "urban upgrading and industrial deepening", in order to further strengthen its coverage in target markets, and extend the scope of value services. In order to fully integrate its advantages in resource endowment, the Group will strive to develop an "industrial private bank", and establish comprehensive service capabilities with industry expertise, diversified products and complete supporting facilities, thereby providing guaranteed and all-rounded financial services for customers. The Group will be vigilant about risks and focus on lean management while sticking to the bottom line of risk management and operational safety. The Group will always maintain a keen awareness of changes in the external environment and the direction of regulatory policies to ensure that operations and the environment are compatible with each other, and management and operations are matched with each other.

In terms of industrial operation, in response to national strategic opportunities such as "urbanization 2.0" and coordinated regional development, Horizon Construction Development will continue to expand its size of operation and further optimize its service network, and to further consolidate its strategic leading position. By accelerating digital transformation and upgrading, as well as improving operational efficiency, Horizon Construction Development will achieve exceptional cost benefits, deepen and consolidate competitive advantages. Regarding construction and engineering equipment and materials as its foundation, Horizon Construction Development will provide multi-functional, multi-latitude and full-cycle comprehensive services to continuously create value for customers.

As a regulated medical group funded by social capital, Horizon Healthcare will continue to focus on its layout in third-, fourth-, and fifth-tier cities and counties with relatively weak medical resources, and is dedicated to providing high-quality medical services available to everyone. Focusing on its unique operation model of "one system, one network, one hospital", Horizon Healthcare will continue to upgrade its standardized, intensive and integrated operation management system to achieve long-term and sustainable development and step towards its vision of "building a long-living Horizon Healthcare brand that the government is pleased to see, the industry recognizes and in which people have confidence".

■ MANAGEMENT DISCUSSION AND ANALYSIS

12. EQUIPMENT OPERATION SEGMENT REPORT

12.1 Profit Statement Analysis of Equipment Operation Segment

For the year ended 31 December			
	2021	2020	
	RMB million	RMB million	Change %
Total revenue	6,141.17	3,663.59	67.63%
Revenue from operating lease ⁽¹⁾	4,463.35	2,484.55	79.64%
Revenue from engineering and technical services ⁽²⁾	1,519.29	1,062.76	42.96%
Revenue from platforms and others	158.53	116.28	36.33%
Total cost	(3,295.24)	(2,015.23)	63.52%
Cost of operating lease ⁽¹⁾	(2,091.08)	(1,185.39)	76.40%
Cost of engineering and technical services ⁽²⁾	(1,076.65)	(756.81)	42.26%
Cost of platforms and others	(127.51)	(73.03)	74.60%
Gross profit	2,845.93	1,648.36	72.65%
Gross profit of operating lease ⁽¹⁾	2,372.27	1,299.16	82.60%
Gross profit of engineering and technical services ⁽²⁾	442.64	305.95	44.68%
Gross profit of platforms and others	31.02	43.25	-28.28%
Administrative and selling expenses	(1,197.31)	(684.51)	74.91%
Provision for assets	(304.29)	(91.79)	231.51%
Other profit	208.47	73.43	183.90%
Earnings before interest and tax	1,552.80	945.49	64.23%
Finance costs	(650.32)	(303.98)	113.94%
Profit before tax	902.48	641.51	40.68%
Income tax expense	(192.86)	(148.15)	30.18%
Profit for the year	709.62	493.36	43.83%

■ MANAGEMENT DISCUSSION AND ANALYSIS

12.2 Asset Analysis of Equipment Operation Segment

	31 December 2021	31 December 2020	Change %
	RMB million	RMB million	
Monetary fund	506.99	165.83	205.73%
Bill receivables, bill and contract assets	4,955.26	2,830.92	75.04%
Prepayments and other receivables	2,176.17	1,235.09	76.20%
Inventories	291.37	165.76	75.78%
Fixed assets and other intangible assets	18,282.67	10,352.96	76.59%
Right-of-use assets	321.21	681.88	-52.89%
Deferred income tax assets	263.86	182.11	44.89%
Other assets	163.08	24.65	561.58%
Total assets	26,960.61	15,639.20	72.39%

Notes:

Horizon Construction Development is a leading equipment operation service provider in China established by the Group, with diversified equipment and strong service capabilities. Building on its rich equipment categories and scientific management system, Horizon Construction Development is committed to providing customers with multi-functional, multi-latitude and full-cycle comprehensive services, and has been consistently creating value for customers leveraging its national network layout, which forms nation-wide operation network and comprehensive operation capabilities with synergetic nature. At present, the main business scope of Horizon Construction Development includes equipment operation services in the fields of aerial work platforms, new support systems, new frame systems, road equipment, and power equipment. Horizon Construction Development is able to fully exert its outstanding expertise in equipment operation, maintenance and professional service to meet the customers' needs for one-stop service.

In 2021, Horizon Construction Development jumped to the 24th place in IRN World's Top 100 Rental Companies in 2021, which is awarded by KHL Group, one of the world's largest international building information providers, and ranked fourth in Aerial Work Platform Leasing Companies in the World in ACCESS 50 in 2021. Benefitted from the its leading position in the industry, Horizon Construction Development participated in a number of milestone projects in China, such as venues of Beijing Winter Olympic Games, Hangzhou Xiaoshan Airport, Beijing Daxing International Airport, China-Laos Railway, Beijing-Zhangjiakou High-speed Railway, Jingli Expressway and other projects, as well as the on-site support work for major events such as Celebration for the 100th anniversary of the founding of the Party, the 14th National Games of the People's Republic of China in Xian and the China International Import Expo in Shanghai. It also actively participated in the flood rescue and pandemic prevention work in many places. Its efficient and professional services have been well recognized by the market and its brand awareness has been climbing. In April 2021, each of (i)Xuzhou XCMG Huijin M&A Industry Fund (L.P.), (ii)Zoomlion International Trading (H.K.) Co., Limited, (iii)GSPR Holdings Limited, (iv) Zhejiang Dingli Machinery Co., Ltd., (v)LGMG International Limited, (vi)Terex International Holdings 2 Limited and (vii) Thrive Accomplish Limited entered into a share purchase agreement with Horizon Construction Development, respectively, to subscribe for shares of Horizon Construction Development with a total consideration of US\$204,910,326.45. Upon signing of the agreement, the above-mentioned institutions have become strategic investors of Horizon Construction Development. On 30 June 2021, Horizon Construction Development submitted a listing application form (Form A1) to the Stock Exchange to apply for the listing and trading of shares of Horizon Construction Development on the main board of the Stock Exchange and renewed its listing application on 25 February 2022. As at the disclosure date of this report, the Company directly held approximately 80.95% of the shares of Horizon Construction Development. As planned, upon completion of the spin-off and the listing of Horizon Construction Development, the Company is expected to own more than 50% of equity interest in Horizon Construction Development, which will remain a subsidiary of the Company.

■ MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2021, Horizon Construction Development, a leader in the equipment operation service market for aerial work platforms, new support systems, new formwork systems and other equipment, owned over 90,000 pieces of equipment and over 2,000,000 tons of materials, with the total original value of its operating assets ranking No.1 in the equipment service market. Specifically, the Group's aerial work platform equipment mainly consists of scissor-type and boom-type aerial work platforms, which are extensively used in construction, installation and subsequent maintenance of industrial buildings, municipal venues, commercial sites, energy chemical, transportation logistics and other fields. The new support systems consist of temporary steel structures for construction purpose such as steel support, Larsen pile and structural steel, which are widely used in fields such as civil construction, municipal pipelines, subways and bridge infrastructures. The new formwork systems mainly consist of socket type scaffolding, mainly used in fields such as industrial construction, municipal construction, housing construction and traffic construction. The pavement equipment consists of paving machines, road rollers and milling machines, which are used in the construction and maintenance of asphalt concrete pavements such as high-grade roads, airport runways, test-drive tracks and municipal roads. The electric power equipment consists of generators and load boxes, which are mainly used in temporary power supply for engineering construction, large-scale exhibitions, advertising campaigns, marine engineering, urban construction, field engineering, and mining.

As at 31 December 2021, the total income of Horizon Construction Development was RMB6,141 million, representing an increase of 67.63% over the previous year, and the net profit was RMB710 million, representing an increase of 43.83% over the previous year. The main reasons were:

- (1) The market of equipment operation service in China is enormous and has huge growth potential. Along with the promotion of China's urbanization, iterative upgrade of industries and the 14th Five-Year Plan of China entering into implementation phase, the construction market in China is experiencing strong demand. In reliance on the product layout advantages and service concept of "safe", "environmentally friendly" and "efficient", the equipment operation services provided by Horizon Construction Development continues to be favored by the market and customers. By giving full play to the synergy and connection of the main product lines, the Company's asset utilization rate exceeded 70% in the year. With the continuous and efficient growth of the scale of operations, operating lease income grew well, with operating lease income totaling RMB4,463 million, representing a year-on-year increase of 79.64% compared with the previous year.
- (2) In the engineering field, with the continuous advancement of technical methods, the continuous iteration of engineering equipment as well as labour specialization and supply chain transformation, engineering and technical services and operating leasing services have become more and more complementary and synergistic. Horizon Construction Development adheres to the "customer-centric" service philosophy and provides one-stop solutions from technical solution design to on-site project management in the fields such as new support systems and new formwork systems in response to the practical needs of customers, which results in higher customer stickiness. In 2021, Horizon Construction Development achieved revenue of RMB1,519 million from engineering and technical services, with a year-on-year growth rate of 42.96%. At the same time, Horizon Construction Development expanded its operating scale and continued to consolidate its competitive advantages. As at the end of 2021, there were 299 service outlets (end of 2020: 207), distributed in 182 cities, covering East China, South China, North China, Southwest China and Northeast China, providing high quality and convenient services for its corporate customers, and maintaining a leading market position in the fields of aerial work platforms, neo-excavation support systems and neo-formwork systems.
- (3) Based on the industry traffic and standardized operations formed on a self-support basis, Horizon Construction Development gradually built a full-category engineering equipment service platform in the industry. The platform business takes the sublease business as the entry point, while incorporating a trading platform which operates sales of equipment materials and spare parts, to enrich the income source of Horizon Construction Development.

■ MANAGEMENT DISCUSSION AND ANALYSIS

13. HOSPITAL OPERATION SEGMENT REPORT

13.1 Profit Statement Analysis of Hospital Operation Segment

	For the year ended 31 December		
	2021	2020	Change %
	RMB million	RMB million	
Total revenue	4,003.10	3,446.95	16.13%
Revenue from hospital operation	3,928.72	3,369.38	16.60%
Other relevant revenue from hospital operation	74.38	77.57	-4.11%
Total cost	(3,202.78)	(2,776.79)	15.34%
Cost from hospital operation ⁽³⁾⁽⁵⁾	(3,194.19)	(2,768.08)	15.39%
Other cost	(8.59)	(8.71)	-1.38%
Gross profit	800.32	670.16	19.42%
Gross profit from hospital operation ⁽⁴⁾	808.91	678.87	19.16%
Other cost	(8.59)	(8.71)	-1.38%
Labor cost ⁽⁵⁾	(129.04)	(99.55)	29.62%
Other administrative and selling expenses ⁽⁵⁾	(340.35)	(238.07)	42.96%
Provision for assets	(87.97)	(168.72)	-47.86%
Other profit	(4.39)	42.78	-110.26%
Profit before tax	238.57	206.60	15.47%
Income tax expense	(95.10)	(91.10)	4.39%
Profit for the year	143.47	115.50	24.22%

Notes:

- (1) In 2021, the number of hospitals controlled by the Group was 29 with the actual number of beds available amounting to approximately 11,000. A nationwide hospital operation network covering East China, South China, North China, Southwest, and Northeast China has been formed. The Group will continue to plan for future operation with the principle of "one network, one system and one hospital" and incorporate the above hospitals into a unified operation and management model, focusing on the development of disciplines, increasing the core competitiveness and achieving income growth.
- (2) Other external revenue mainly comprises of the Group's income from medical institution management and consulting services, which are recognized in stages according to the completion progress of business.
- (3) The costs of hospital operation shown in the Group's consolidated financial statements of 2021 increased from approximately RMB2,768 million of 2020 to RMB3,194 million, showing a growth in volume and size compared to the previous year. In 2021, the Group actively strengthened discipline construction and recruited talents. In the second half of the year 2021, as the new hospital areas of Siping Cancer Hospital, Nayong Xinli Hospital, and Zhongjiang Branch of Deyang No. 5 Hospital have been put into use, the medical team was expanded, and the overall operating cost increased significantly.

■ MANAGEMENT DISCUSSION AND ANALYSIS

- (4) The gross profit margin of the Group's hospital operation in 2021 was approximately 21%, which slightly increased as compared with 20% in 2020. The Group's gross profit margin gradually recovered from the impact of the pandemic. During the year 2021, due to the pandemic and floods in Shenzhen and Henan regions, the local hospitals were affected. At the same time, the new hospital areas of Siping Cancer Hospital, Nayong Xinli Hospital, and Zhongjiang Branch of Deyang No. 5 Hospital were newly opened in the second half of the year 2021. The growth rate of operating costs in the new hospital areas was more significant than that of income, and the recovery of the Group's gross profit margin was relatively slow. In line with the expansion of the hospital scale and the opening of new hospital areas, the Group also actively promoted the reserve of personnel across different disciplines. With the full operation of each new hospital areas, the gross profit will further increase.
- (5) The Group continued to strengthen the construction of medical teams, improve the professional quality of medical staff, enhance the integrated management level and optimize continuously. Combined the introduction of senior management talents in the upper level and local hospitals and the optimization and adjustment to the structure of the Group's top information system, as well as the staff reserve for the new hospital areas for the year, the labor expenses of the Group have increased. At the same time, the incurrence of expenses such as the preparation and opening of the new hospital areas also resulted in an increase in other management and sales expenses.
- (6) This analysis of hospital operation sector profit statement has not taken into account the impact of shareholders' borrowings and goodwill.

13.2 Asset Analysis of Hospital Operation Segment

	31 December 2021		31 December 2020		Change %
	RMB million	% of total	RMB million	% of total	
Monetary fund	125.90	1.76%	117.61	1.43%	7.05%
Amount of the Group's cash pool	523.34	7.33%	581.39	7.06%	-9.98%
Accounts receivables	509.34	7.13%	410.84	4.99%	23.98%
Prepayments ⁽¹⁾	58.06	0.81%	96.91	1.18%	-40.09%
Other receivables	678.74	9.50%	156.80	1.90%	332.87%
Entrusted loans	159.22	2.23%	174.66	2.12%	-8.84%
Inventories	182.53	2.56%	151.78	1.84%	20.26%
Fixed assets and Intangible assets ⁽²⁾	3,877.80	54.29%	3,654.38	44.38%	6.11%
Goodwill ⁽³⁾	369.46	5.17%	2,026.67	24.61%	-81.77%
Investments in joint ventures/associates ⁽⁴⁾	45.01	0.63%	280.33	3.40%	-83.94%
Deferred income tax assets	66.26	0.93%	41.06	0.50%	61.37%
Right-of-use assets ⁽⁵⁾	538.78	7.54%	539.33	6.56%	-0.10%
Other assets	8.80	0.12%	1.99	0.03%	342.21%
Total assets	7,143.24	100.00%	8,233.75	100.00%	-13.24%

Notes:

- (1) Prepayments mainly comprised of prepayments for drugs and consumables and transitional purchase fee for equipment;
- (2) Fixed asset and intangible assets mainly comprised of medical equipment and buildings of each hospital;
- (3) Mainly comprised of goodwill generated from acquisition of medical institutions. The Group made goodwill impairment provision of RMB1,657 million for certain subsidiaries with lower-than-expected profits in the hospital operation segment;
- (4) In 2021, the hospital operation segment transferred part of its equity interest in the joint venture/associate Hangzhou Dental;
- (5) Right-of-use assets mainly comprised of the rent for hospital sites.

■ CORPORATE GOVERNANCE REPORT

The Board of directors of the Company (the “Board”) is pleased to present this Corporate Governance Report in the Group’s Annual Report for the year ended 31 December 2021.

CORPORATE GOVERNANCE PRACTICES

The Board has committed to maintaining good corporate governance standards. The Group acknowledges the vital importance of good corporate governance to the Group’s success and sustainability. We are committed to achieving a high standard of corporate governance as an essential component of quality and have introduced corporate governance practices appropriate to the conduct and growth of our business.

The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of Shareholders, to enhance corporate value, to formulate its business strategies and policies and to enhance its transparency and accountability.

The Company’s corporate governance practices are based on the Principles as set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Listing Rules.

During the accounting period for the year ended 31 December 2021, the Company has complied with all the Code Provisions set out in the CG Code, except for Code Provision E.1.2 (which has been re-numbered as code provision F.2.2 since 1 January 2022) as explained in the paragraph headed “Communication with Shareholders and Investors/Investor Relations” below.

The Company will continue to enhance its corporate governance practices as appropriate to the conduct and growth of its business and to review such practices from time to time to ensure that they comply with the CG Code and align with the latest developments.

CORPORATE CULTURE

The corporate culture of the Company comprises four components: corporate mission, corporate vision, Far East spirit, and Far East talent concept. Our corporate mission: Integrating global resources, promoting China’s industries. Our corporate vision: Make every effort to shape excellent enterprises. Far East spirit: Determination to pursue the truth, rigorous and pragmatic work style, Idea of promoting innovation, courage to face hardships, indomitable will, responsibilities to the world, resolution to be a pioneer. Far East talent concept: Far East Horizon’s core idea of manpower is to create a fair, impartial and open competitive growth platform so that honest, hardworking and dedicated employees can get due rewards and recognition in a clear, pure and clean working environment. The Company adheres to the “Four-Regardless” Talent Concept – Regardless of Age, Regardless of Length of Service, Regardless of Seniority, and Regardless of Educational Background, All Only About Contribution.

The Company believes that a healthy corporate culture is the core of good corporate governance, and all directors must act with integrity, lead by example, and promote the desired culture. The Company pays attention to the communication and promotion of corporate culture, and abides by accountability and review, enabling all management and employees to understand the core value of corporate culture and proper behavior, as well as continually reinforcing across the organisation values of acting lawfully, ethically and responsibly. The Company has incorporated the publicity of corporate culture into various employee training materials, work reporting procedures, topic discussions and other aspects, formulated and strengthened the employee code of conduct and talent management system, strengthened and improved the communication mechanism between management and employees, and found out the employees’ recognition to the corporate culture or issues identified through various channels.

■ CORPORATE GOVERNANCE REPORT

The Company has formulated an anti-corruption and whistle-blowing policy to regulate conduct and ensure compliance with anti-corruption policies and regulations. Employees are encouraged to report corruption, bribery, fraud and unethical behavior. The Company will also include publicity on anti-corruption and whistle-blowing policies in daily employee training.

DIRECTORS' 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 the 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 of all the directors and the directors have confirmed that they have complied with the Code of Conduct throughout the year ended 31 December 2021.

The Company has also established written guidelines (the "Employees Written Guidelines") no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company for the year ended 31 December 2021.

BOARD OF DIRECTORS

The Board currently comprises 11 members, consisting of 2 executive directors, 5 non-executive directors and 4 independent non-executive directors.

The list of all directors, which also specifies the posts held by each director, is set out under "Corporate Information" on page 04. The independent non-executive directors are expressly identified in all corporate communications pursuant to the Listing Rules.

The Board of the Company currently comprises the following directors:

Executive directors:

Mr. Kong Fanxing (*Vice Chairman, Chief Executive Officer*)

Mr. Wang Mingzhe (*Chief Financial Officer*)

Non-executive directors:

Mr. Ning Gaoning (*Chairman*)

Mr. Yang Lin

Mr. Liu Haifeng David

Mr. John Law

Mr. Kuo Ming-Jian

■ CORPORATE GOVERNANCE REPORT

Independent non-executive directors:

Mr. Cai Cunqiang

Mr. Han Xiaojing

Mr. Liu Jialin

Mr. Yip Wai Ming

None of the members of the Board is related to one another.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Ning Gaoning is a non-executive director and the Chairman of the Board. Mr. Kong Fanxing is the Chief Executive Officer. The positions of Chairman and Chief Executive Officer are held by separate persons in order to preserve independence and a balance of views and judgement. The Chairman provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practice. The Chief Executive Officer focuses on implementing objectives, policies and strategies and delegated by the Board.

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the year ended 31 December 2021, the Board has at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all independent non-executive directors to be independent.

NON-EXECUTIVE DIRECTORS AND DIRECTORS' RE-ELECTION

The non-executive directors bring a wide range of business and financial expertise, experience and independent judgement to the Board. Through active participation at Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all non-executive directors have made various contributions to the effective direction of the Company.

Code provision A.4.1 (which was deleted on 1 January 2022) of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 (which has been re-numbered as code provision B.2.2 since 1 January 2022) states that all directors appointed to fill a casual vacancy shall be subject to election by Shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

According to the Articles of Association of the Company, each of the directors of the Company as appointed under a general meeting of the Company is appointed for a specific term of three years and he/she may serve consecutive terms if re-elected by the Company in general meeting upon the expiration of his/her term.

■ CORPORATE GOVERNANCE REPORT

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board make decisions objectively in the interests of the Company.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All directors, including non-executive directors and independent non-executive directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The independent non-executive directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective and independent judgement on corporate actions and operations.

All directors have carried out their duties in good faith, in compliance with applicable laws and regulations and in the interests of the Company and its shareholders at all times.

All directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each director to perform his responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, corporate governance, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

The Company has arranged for appropriate insurance cover for directors' and senior officers' legal liabilities that may arise out of corporate activities.

The Company has established internal policies (including but not limited to the Articles of Association, Policy for the Nomination of Directors, and Terms of Reference of the Remuneration and Nomination Committee) to ensure that the Board has access to independent views and opinions. These policies cover the Company's procedures and selection criteria for the election and appointment of directors (including independent non-executive directors), the mechanism for directors to abstain from voting on relevant proposals considered by the Board, and the authority of the independent board committee to engage independent financial advisors or other professional consultants. The Company has reviewed the implementation and effectiveness of the aforesaid mechanisms and believes that the aforesaid mechanisms can ensure the independent views and opinions of the Board.

■ CORPORATE GOVERNANCE REPORT

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for directors will be arranged and reading material on relevant topics will be issued to directors where appropriate. All directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 December 2021, all directors have participated in appropriate continuous professional development activities by reading materials including regulatory update and seminar handouts or reviewing the papers and circulars sent by the Company. As part of the continuous professional development programme, directors are also encouraged to participate in the various briefings and visits to local management and the Company's facilities, as arranged and funded by the Company with appropriate emphasis on the roles, functions, and duties of the directors. Details are as follows:

Directors	Reading Relevant Material	Attending Seminars/ Visiting/Interviewing Key Management
Executive Directors		
Mr. Kong Fanxing	✓	✓
Mr. Wang Mingzhe	✓	✓
Non-Executive Directors		
Mr. Ning Gaoning	✓	✓
Mr. Yang Lin	✓	✓
Mr. Liu Haifeng David	✓	✓
Mr. Kuo Ming-Jian	✓	✓
Mr. John Law	✓	✓
Independent Non-Executive Directors		
Mr. Cai Cunqiang	✓	✓
Mr. Han Xiaojing	✓	✓
Mr. Liu Jialin	✓	✓
Mr. Yip Wai Ming	✓	✓

■ CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY POLICY

The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. The Board has adopted a board diversity policy for the purpose of ensuring that the Board has the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board.

The Company commits to selecting the best person for the role based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and length of services. In terms of professional experience, the Board shall be composed of members with accounting or financial expertise, legal professional qualification, financial investment experience or industry experience related to the Company.

The Remuneration and Nomination Committee will review the structure, size and composition of the Board at least annually to ensure that the Board Diversity Policy is effectively implemented.

At present, there are no female member among the 11 Board members of the Company, and the Company will adopt measures to promote gender diversity in the Board. The Company will strive to achieve gender balance in the Board through the following measures implemented by the Remuneration and Nomination Committee in accordance with the Board Diversity Policy. The Company will take the initiative to identify female employees who are suitably qualified to serve as a Board member. In addition, the Company aims at increasing the proportion of female members in the Board in the future and achieve gender diversity in the composition of the Board. In the long run, in order to further ensure the gender diversity of the Board, the Company will seize the opportunity to increase the proportion of female members in the Board, identify and select a number of female employees with different skills, experience and knowledge in different fields from time to time, and will include those who have the qualities to be a Board member in a list which will be regularly reviewed by the Remuneration and Nomination Committee in order to develop a pipeline of potential successors for the Board and to promote gender diversity of the Board.

In addition, as of 31 December 2021, the proportion of female members among all employees (including senior management) of the Company was 47.6%. The Company will take steps to maintain gender diversity among all employees (including senior management). The Company plans to provide comprehensive training for female employees who we believe have the appropriate experience, skills and knowledge in operations and business, including but not limited to business operations, management, accounting and finance, legal compliance, and research and development.

POLICY FOR THE NOMINATION OF DIRECTORS

The Company has adopted Policy for the Nomination of Directors, which is incorporated in the terms of reference of the Remuneration and Nomination Committee. The Policy for the Nomination of Directors sets out the objectives, selection criteria and nomination procedures for identifying and recommending candidates for appointment or re-appointment of directors. No candidate was nominated for directorship during the year ended 31 December 2021.

■ CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

Board has established four committees, namely, Audit and Risk Management Committee, Remuneration and Nomination Committee, Strategy and Investment Committee and Environmental, Social and Governance Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of Audit and Risk Management Committee and Remuneration and Nomination Committee and the working rules of Environmental, Social and Governance Committee are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

The majority of the members of each Board committee are independent non-executive directors or non-executive directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 4.

AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee comprises three members, including two independent non-executive directors, namely, Mr. Yip Wai Ming (Chairman of the Committee) and Mr. Han Xiaojing, and one non-executive director, namely, Mr. John Law. Mr. Yip Wai Ming possesses the appropriate accounting or related financial management expertise.

The main duties of the Audit and Risk Management Committee include the following:

- To review the financial information
- To review the relationship with the external auditors
- To review financial reporting system, internal control system and risk management system
- To review the annual budget and annual accounts

The Audit and Risk Management Committee is also responsible for performing the corporate governance duties which are set out under "Corporate Governance" on page 94.

The Audit and Risk Management Committee held four meetings during the year ended 31 December 2021 to review the financial results and reports, financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditors, connected transactions and arrangements for employees to raise concerns about possible improprieties. The attendance records of the Audit and Risk Management Committee are set out under "Attendance Record of Directors and Committee Members" on page 91.

The Audit and Risk Management Committee also met the external auditors 4 times without the presence of the executive directors.

■ CORPORATE GOVERNANCE REPORT

The Company's annual results for the year ended 31 December 2021 have been reviewed by the Audit and Risk Management Committee.

REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee comprises three members including two independent non-executive directors, namely, Mr. Liu Jialin (Chairman of the Committee), Mr. Han Xiaojing and one non-executive director, namely, Mr. Kuo Ming-Jian. The majority of them are independent non-executive directors.

The principal duties of the Remuneration and Nomination Committee include the following:

- To make recommendations to the Board on the remuneration packages of the individual executive directors and senior management
- To review and make recommendations to the Board on the remuneration of the non-executive directors
- To review and make recommendations to the Board on the Company's policy and structure for the remuneration of all directors and senior management
- To make recommendations to the Board on the terms of service contract(s) or letter(s) of appointment of the new executive director(s) appointed during the year
- To assess the performance of the executive directors
- To assess the independence of the independent non-executive directors
- To make recommendations to the Board on the re-election of directors
- To review the structure, size and composition of the Board so as to ensure the diversity of the Board

The criteria adopted by the Remuneration and Nomination Committee in considering whether the relevant personnel are suitable to the directors include their character, qualifications, experience, expertise and knowledge, as well as provisions of the Listing Rules. In assessing the Board composition, the Remuneration and Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience etc. and would make full consideration about the diversity of the Board before making proposal, to ensure that the Board shall be composed of members having accounting or financial expertise, legal professional qualification, financial investment experience or industry experiences related to the Company. The Remuneration and Nomination Committee would identify individuals suitably qualified for election as directors, select or make recommendations to the Board on the selection of individuals nominated for directorships.

■ CORPORATE GOVERNANCE REPORT

The Remuneration and Nomination Committee has adopted a set of nomination procedures for selection of candidates for directorship of the Company by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of such individuals, the Company's needs and other relevant statutory requirements and regulations. External recruitment professionals might be engaged to carry out selection process when necessary.

The Remuneration and Nomination Committee met two times during the year ended 31 December 2021 to review the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience required for the Company's business, assess the performance of the executive directors, as well as make recommendation to the Board on the remuneration policy and structure of the Company and the remuneration packages of the executive directors and senior management and other related matters. The attendance records of the Remuneration and Nomination Committee are set out under "Attendance Record of Directors and Committee Members" on page 91.

STRATEGY AND INVESTMENT COMMITTEE

The Strategy and Investment Committee comprises three members, namely, Mr. Liu Haifeng David (a non-executive director and Chairman of the Committee), Mr. Kong Fanxing (an executive director) and Mr. Cai Cunqiang (an independent non-executive director).

The primary function of the Strategy and Investment Committee is to make recommendations to the Board about the strategy, investment plans and investment profit forecast, oversee and formulate risk management and internal control procedures and review material risk matters and transactions.

During the year ended 31 December 2021, the Strategy and Investment Committee did not hold any meeting. The attendance records of the Strategy and Investment Committee are set out under "Attendance Record of Directors and Committee Members" on page 91.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

The Environmental, Social and Governance Committee was established on 31 August 2021.

The Environmental, Social and Governance Committee consists of three members, namely Mr. Cai Cunqiang as Chairman (a non-executive director and Chairman of the Committee), Mr. Han Xiaojing (an independent non-executive director) and Mr. John Law (a non-executive director).

The primary function of the Environmental, Social and Governance Committee is to review and monitor the environmental, social and governance policies and practices of the Company to improve the governance structure of the Company and strengthen the decision-making function of the Board.

■ CORPORATE GOVERNANCE REPORT

The Environmental, Social and Governance Committee did not hold any meeting during the year ended 31 December 2021. The attendance records of the Environmental, Social and Governance Committee are set out under "Attendance Record of Directors and Committee Members" on page 91.

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

During the year ended 31 December 2021, four Board meetings were held and among which, four regular Board meetings were held at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

The attendance record of each director during their tenure of office at the Board and Board Committee meeting(s) and the general meeting of the Company held during the year ended 31 December 2021 is set out in the table below:

Name of Director	Attendance/Number of Meetings					
	Board	Audit and Risk Management Committee	Remuneration and Nomination Committee	Strategy and Investment Committee	Environmental, Social and Governance Committee	Annual General Meeting
Executive Directors						
Mr. Kong Fanxing	4/4	Not applicable	Not applicable	0/0	Not applicable	0/1
Mr. Wang Mingzhe	4/4	Not applicable	Not applicable	Not applicable	Not applicable	0/1
Non-Executive Directors						
Mr. Ning Gaoning	3/4	Not applicable	Not applicable	Not applicable	Not applicable	0/1
Mr. Yang Lin	4/4	Not applicable	Not applicable	Not applicable	Not applicable	0/1
Mr. Liu Haifeng David	3/4	Not applicable	Not applicable	0/0		0/1
Mr. John Law	3/4	4/4	Not applicable	Not applicable	0/0	0/1
Mr. Kuo Ming-Jian	3/4	Not applicable	2/2	Not applicable	Not applicable	0/1
Independent Non-Executive Directors						
Mr. Cai Cunqiang	4/4	Not applicable	Not applicable	0/0	0/0	0/1
Mr. Han Xiaojing	4/4	4/4	2/2	Not applicable	0/0	0/1
Mr. Liu Jialin	3/4	Not applicable	2/2	Not applicable	Not applicable	0/1
Mr. Yip Wai Ming	4/4	4/4	Not applicable	Not applicable	Not applicable	1/1

Apart from the Board meetings stated above, the Board also held one meeting with the independent non-executive directors without the presence of other directors on 31 August 2021.

■ CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Company has established its Audit and Risk Management Committee and Internal Audit Department. The Company established the Environmental, Social and Governance (ESG) Committee on 31 August 2021, which is responsible for identifying ESG risks and opportunities related to the Company, assessing the effect of such risks or opportunities on the Group, providing suggestions to the Board regarding the response to risks or opportunities, as well as fully implementing the Company's ESG activities.

The Audit and Risk Management Committee oversees risk management processes within the Group. The main duties and responsibilities of the Audit and Risk Management Committee are to design risk management systems and policies, to review, approve and supervise overall risk management measures and procedures and their general implementation and effectiveness.

The Internal Audit Department operates independently from the business operation and management of the Company. It reports directly to the Audit and Risk Management Committee on a regular basis and performs independent audits of the reasonableness, completeness and effectiveness of the operational management and risk controls. There are four teams in the Internal Audit Department, namely operation audit team, management audit team, IT audit team and discipline inspection team. Internal Audit Department plans and arranges resources to ensure supervision and assessment of the key control aspects including but not limited to operational monitoring, financial monitoring, compliance monitoring, information security and management duties supervision.

During the course of its audits, the Internal Audit Department is authorized to comprehensively inspect, analyze, evaluate and audit all of the business and operational procedures to identify any material issues or risk matters, and to provide advice for improvement and rectification. The Internal Audit Department is also the main communication channel with relevant external regulatory entities, such as courts and public safety bureaus. Internal Audit Department conducts follow-up audits to monitor the updated status of previously identified issues to ensure corrective and remedial measures have been duly implemented and are enforced. It also evaluates the non-compliance of the risk management policies and procedures by key personnel in the operational process, and may make recommendations to the senior management and the Board to impose certain penalties.

The Audit and Risk Management Committee and Internal Audit Department report to the Board on any findings and make recommendations to the Board as and when appropriate. The Board at least annually conducts a review of the effectiveness of the Company and its subsidiaries' internal control systems. Such review covers all material controls, including financial, operational and compliance controls and risk management functions. The Company takes the Guidelines on Disclosure of Inside Information issued by the Securities and Futures Commission of Hong Kong as the Company's basis of identification of inside information, to ensure timely report of inside information to the executive directors and maintain communication with the Board.

■ CORPORATE GOVERNANCE REPORT

Meanwhile, the Company handles and disseminates the inside information according to the related policy to ensure that the inside information is kept confidential before being approved for dissemination and the relevant information will be released effectively and conformably.

The management has confirmed to the Board and the Audit and Risk Management Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2021.

The Board, as supported by the Audit and Risk Management Committee as well as the management report, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2021, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and staff qualifications, experiences and relevant resources.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2021.

The Board shall conduct a balanced, clear and understandable assessment in the annual and interim reports, inside information announcements and other disclosures required under the Listing Rules and other statutory and regulatory requirements.

The directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. When the directors are aware of material uncertainties relating to events or conditions that might cast significant doubt upon the Company's ability to continue as a going concern, such uncertainties would be clearly and prominently set out and discussed in detail in this corporate governance report.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditors' Report" on pages 134 to 324.

Where appropriate, a statement will be submitted by the Audit and Risk Management Committee explaining its recommendation regarding the selection, appointment, resignation or dismissal of external auditors and the reasons why the Board has taken a different view from that of the Audit and Risk Management Committee.

■ CORPORATE GOVERNANCE REPORT

AUDITORS' REMUNERATION

The remuneration paid/payable to the Company's external auditors of the Company in respect of audit services and non-audit services for the year ended 31 December 2021 is set out below:

Type of services provided by the external auditors	Amount of fees RMB'000
Audit services	11,700
Non-audit service	6,710
Total	18,410

The Group's non-audit service fees mainly comprise of: (i) interim review service fee amounted to RMB1,000,000; (ii) asset securitization business related service fee amounted to RMB3,570,000; (iii) bond issue related service fee amounted to RMB1,610,000; and (iv) tax service fee amounted to RMB130,000.

CORPORATE GOVERNANCE

The Audit and Risk Management Committee is responsible for performing the corporate governance duties including:

- (a) to develop, review and implement the Company's policy and practices on corporate governance and make recommendations to the Board;
- (b) to review and monitor the training and continuous professional development of directors and senior management;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and
- (e) to review the Company's compliance with the CG Code which is amended from time to time, and its disclosure in the corporate governance report.

The Board has reviewed the shareholders' communication policy on a regular basis to ensure its effectiveness as well as the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Employee Written Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

■ CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

Ms. Mak Sze Man of Tricor Services Limited, external service provider, has been engaged by the Company as its company secretary. Its primary contact person at the Company is Mr. Kong Fanxing, an executive director and Chief Executive Officer of the Company.

Ms. Mak Sze Man has complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of the relevant professional training during the year.

SHAREHOLDERS' RIGHT

To safeguard shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at shareholder meetings, including the election of individual directors. All resolutions put forward at shareholder meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each shareholder meeting.

CONVENING A GENERAL MEETING

General meetings may be convened by the Board on requisition of shareholder(s) of the Company representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings or by such shareholder(s) who made the requisition (the "Requisitionist(s)") (as the case may be) pursuant to Sections 566 and 568 respectively of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the "Companies Ordinance"). Shareholders should follow the requirements and procedures as set out in the Companies Ordinance for convening a general meeting.

PUTTING FORWARD PROPOSALS AT GENERAL MEETING

Pursuant to Sections 580 and 615 of the Companies Ordinance, shareholders representing at least 2.5% of the total voting rights of all shareholders, or at least 50 shareholders (as the case may be) who have a right to vote at the relevant general meeting, may put forward proposals for considerations at a general meeting by sending requests in writing to the Company. Shareholders should follow the requirements and procedures as set out in the Companies Ordinance for circulating a resolution for general meeting.

PUTTING FORWARD ENQUIRIES TO THE BOARD

For putting forward any enquiries to the Board of the Company, Shareholders may send written enquiries to the Company.

Note: The Company will not normally deal with verbal or anonymous enquiries.

■ CORPORATE GOVERNANCE REPORT

CONTACT DETAILS

Shareholders may send their written enquiries or requests as mentioned above to the following:

Address: Unit 6608, 66/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong
Fax: 86-21-50490066
Email: IR@fehorizon.com
Attention: Board of Directors

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings.

Code provision E.1.2 (which has been re-numbered as code provision F.2.2 since 1 January 2022) 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 9 June 2021 (the "2021 AGM"), Mr. Ning Gaoning (Chairman of the Board), Mr. Liu Jialin (Chairman of the Remuneration and Nomination Committee) and Mr. Liu Haifeng, David (Chairman of the Strategy and Investment Committee) were unable to attend due to other important business engagements. In order to ensure smooth transaction of business at the 2021 AGM, Mr. Yip Wai Ming (Chairman of the Audit and Risk Management Committee) chaired and attended the 2021 AGM to answer questions where necessary.

■ CORPORATE GOVERNANCE REPORT

During the year, the Company also strengthened communication with Shareholders and investors through various channels, such as online and offline shareholder-investor exchange activities, results conferences, non-deal roadshows, participation in various investor forums, which allows investors to have a more comprehensive interpretation and analysis of the Group's business philosophy and operating conditions. The Company's corporate website has three languages: English, traditional Chinese and simplified Chinese, and has a section on investor relations, which converges all regulatory announcements, reports and circulars published on the website of the Stock Exchange for Shareholders and investors' reference, while the other sections of the corporate website provide the latest information on all aspects of the Group's operations. Through the above communication measures and procedures with investors and Shareholders, the Company has examined and reviewed the effectiveness of the relevant policies on communication with investors and Shareholders during the reporting period and considers that the above policies and measures can safeguard the effective communication between the Company and investors and Shareholders.

During the year under review, the Company has not made any changes to its Articles of Association. An up to date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website. The Company has adopted a policy on payment of dividends pursuant to code provision E.1.5 (which has been re-numbered as code provision F.1.1 since 1 January 2022) of the CG Code taking into consideration of various elements including but not limited to the Group's actual and expected financial performance, the level of the Group's debts to equity ratio, return on equity and financial covenants, general economic conditions, business cycle of the Group's business, etc. The Company endeavours to maintain a balance between its shareholders' interests and the Group's business operation as well as its long-term development goal.

■ BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

MR. NING GAONING (寧高寧) – NON-EXECUTIVE DIRECTOR AND CHAIRMAN OF THE BOARD

Mr. NING Gaoning (寧高寧), aged 63, holds a Bachelor's degree in Economics from Shandong University in China and a Master of Business Administration degree from University of Pittsburgh in the United States. Mr. Ning has been the chairman and the secretary of the Party Leadership Group of Sinochem Holdings Corporation Ltd. since April 2021. He was appointed as a non-executive director of the Company in March 2016.

Mr. Ning was the chairman and the secretary of the Party Leadership Group of Sinochem Group from December 2015 to April 2021. Mr. Ning served as the chairman of the board of directors of COFCO Corporation ("COFCO") from December 2004 to January 2016, and also served as a director of certain subsidiaries of COFCO. Before joining COFCO, Mr. Ning held various positions such as vice chairman, director and general manager at China Resources (Holdings) Company Limited and certain of its subsidiaries.

In the last five years, Mr. Ning was a non-executive director of China Agri-Industries Holdings Limited (a company previously listed on the Stock Exchange (the then stock code: 00606), and the listing of its shares was subsequently withdrawn from the Stock Exchange on 23 March 2020), a non-executive director of China Foods Limited (a company listed on the Stock Exchange, stock code: 506) ("China Foods"), a non-executive director of CPMC Holdings Limited (a company listed on the Stock Exchange, stock code: 906) and the chairman of the board of directors and a non-executive director of China Mengniu Dairy Company Limited (a company listed on the Stock Exchange, stock code: 2319) until February 2016. Mr. Ning was a director of BOC International Holdings Limited, an independent non-executive director of Bank of China (Hong Kong) Limited and an independent non-executive director of BOC Hong Kong (Holdings) Limited (a company listed on the Stock Exchange, stock code: 2388) until October 2014. Mr. Ning was also an independent director of Huayuan Property Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600743) until November 2014 and an executive director of China Foods until November 2013. Mr. Ning is currently the chairman and the party committee secretary of China National Chemical Corporation, the chairman of Syngenta Group Ltd. (先正達集團股份有限公司), Syngenta AG, Pirelli & C. S.p.A., Sinochem Corporation, China Jinmao Holdings Group Limited (a company listed on the Stock Exchange, stock code: 817), Luxi Chemical Group Co., Ltd. and Sinochem Hong Kong (Group) Company Limited and a director of Adama Agricultural Solutions Ltd.

Mr. Ning has rich business management experience and extensive knowledge about economic activities of capital market.

■ BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

MR. KONG FANXING (孔繁星) – EXECUTIVE DIRECTOR, VICE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. KONG Fanxing (孔繁星), aged 58, is an executive director, the Vice Chairman and the Chief Executive Officer of the Company. Mr. Kong received an EMBA degree from Peking University in March 2005, a master's degree in Economics and a bachelor's degree in Economics from University of International Business and Economics (對外經濟貿易大學) in China in June 1991 and July 1986, respectively. Mr. Kong joined Sinochem Group in August 1991. During the period which Mr. Kong worked for Sinochem Group, he had been the general manager of Sinochem International Engineering Trade Company (中化國際工程貿易公司), the deputy general manager of Sinochem International Industrial Company (中化國際實業公司), the deputy general manager, general manager of Sinochem International Tendering Co., Ltd. (中化國際招標有限責任公司), the deputy chief of the fertiliser division of China National Chemicals Import & Export Corporation (中國化工進出口總公司), the executive deputy general manager of Sinochem International Fertilizer Trading Company (中化國際化肥貿易公司), etc., respectively. In April 2001, he joined International Far Eastern Leasing Co., Ltd (遠東國際租賃有限公司) ("Far Eastern") and has become the general manager since then. Mr. Kong has been the President and Chief Executive Officer of the Company since September 2009. Currently, Mr. Kong is also a director and the chairman of the board of directors of Horizon Construction Development Limited (宏信建設發展有限公司), the chairman and general manager of Far East Horizon (Tianjin) Financial Leasing Co., Ltd. (遠東宏信(天津)融資租賃有限公司) and Far East Horizon Financial Leasing Co., Ltd. (遠東宏信融資租賃有限公司), the chairman of Far East Horizon Inclusive Financial Leasing (Tianjin) Co., Limited (遠東宏信普惠融資租賃(天津)有限公司), the executive director and general manager of Shanghai Donghong Industrial Development Co., Ltd. (上海東泓實業發展有限公司) and Donghong Investment Co., Ltd. (東泓投資有限公司), an executive director of Far East Horizon Healthcare Industry Development Co., Ltd. (遠東宏信健康產業發展有限公司) and Far East Horizon Industrial Investment (Tianjin) Co., Ltd. (遠東宏信實業投資(天津)有限公司) and a director of Far East Horizon Shipping Holdings Co., Ltd. (遠東宏信航運控股有限公司), etc.

Mr. Kong has over 27 years of experience in enterprise management.

■ BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

MR. WANG MINGZHE (王明哲) – EXECUTIVE DIRECTOR AND CHIEF FINANCIAL OFFICER

Mr. WANG Mingzhe (王明哲), aged 51, is an executive director and the Chief Financial Officer of the Company. Mr. Wang obtained a bachelor's degree in Economics from Hangzhou Institute of Electronic Engineering (杭州電子工業學院) in China in July 1993 and an MBA degree from Northeastern University (東北大學) in China in March 2003. Mr. Wang joined Far Eastern in October 1995 and has worked there since then. In Far Eastern, Mr. Wang served as the manager of the business development department, the deputy general manager of the first business division, the deputy general manager, the general manager and assistant general manager of quality control department and the chief financial officer, etc. In September 2009, Mr. Wang was appointed as the Chief Financial Officer of the Company and he has held the position since then. Currently, Mr. Wang is also the general manager of operation centre of the company, a director and chief financial officer of Far East Horizon (Tianjin) Financial Leasing Co., Ltd. (遠東宏信(天津)融資租賃有限公司) and Far East Horizon Financial Leasing Co., Ltd. (遠東宏信融資租賃有限公司), the chief financial officer of Far East Horizon Inclusive Financial Leasing (Tianjin) Co., Limited (遠東宏信普惠融資租賃(天津)有限公司) and East Horizon Factoring (Tianjin) Co., Limited (遠東商業保理(天津)有限公司), the executive director and general manager of Tianjin Horizon Asset Management Co. Ltd. (天津宏信資產管理有限公司), the chief financial officer of Shanghai Donghong Co., Ltd. (上海東泓實業發展有限公司) and Donghong Investment Co., Ltd. (東泓投資有限公司), the executive director and general manager of Shanghai Depeng Industrial Co., Ltd. (上海德鵬實業有限公司) and a director of Far East Horizon Shipping Holdings Co., Ltd. (遠東宏信航運控股有限公司), etc.

Mr. Wang has over 26 years of experience in finance management.

MR. YANG LIN (楊林) – NON-EXECUTIVE DIRECTOR

Mr. YANG Lin (楊林), aged 58, has been a non-executive director of the Company since October 2009. Mr. Yang obtained a bachelor's degree in Economics from Tianjin Commerce Collage (天津商學院) in China in July 1985, and studied enterprise management course in University of Stuttgart in Germany (德國思圖加特大學) from 1990 to 1993. Mr. Yang then worked for Siemens AG and Wella AG from 1993 to 1994. In July 1994, Mr. Yang joined Sinochem Group. In Sinochem Group, Mr. Yang served as a deputy general manager of the finance department, the general manager of the treasury management department and a deputy chief financial officer, etc. He was appointed as the chief financial officer of Sinochem Group in August 2010. Mr. Yang was a non-executive director of Sinofert Holdings Limited (a company listed on the Stock Exchange, stock code: 297) from August 2010 to November 2020.

Currently, Mr. Yang is the chief financial officer of Sinochem Holdings Corporation Ltd. (中國中化控股有限責任公司) as well as a director and chief financial officer of Sinochem Corporation. He is also the chairman of Sinochem Finance Co., Ltd., a director of Syngenta Group Ltd. (先正達集團股份有限公司), a vice chairman of Manulife-Sinochem Life Insurance Co., Ltd. (中宏人壽保險有限公司), and a director of Sinochem International Corporation (a company listed on the Shanghai Stock Exchange, stock code: 600500) and China Jinmao Holdings Group Limited (a company listed on the Stock Exchange, stock code: 817).

Mr. Yang has approximately 26 years of experience in finance and treasury management.

■ BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

MR. LIU HAIFENG DAVID (劉海峰) – NON-EXECUTIVE DIRECTOR

Mr. LIU Haifeng David (劉海峰), aged 52, has been a non-executive director of the Company since October 2009. He is the Executive Chairman of DCP. Prior to establishing DCP, Mr. Liu was a Partner of KKR, the co-head of KKR Asia Private Equity and CEO of KKR Greater China. Prior to joining KKR, Mr. Liu was a Managing Director and the co-head of Morgan Stanley Private Equity Asia. Mr. Liu has established one of the leading investment track records in Greater China over the past 27 years and was responsible for a number of successful and innovative investments, including: Ping An Group, Mengniu Dairy, Haier Electronics, China International Capital Corp, Far East Horizon, Oriental Yuhong, Dongbao Pharmaceutical, Venus Medtech, Xingsheng Preference, Simple Love Yogurt, Nanfu Battery, COFCO Joycome, Sunner Poultry, Hotwon Network, Hengan Intl., Belle Intl., Modern Dairy, United Envirotech, and Yuehai Feed. Mr. Liu is an Advisory Director of the Private Equity Investment Fund Committee of the Asset Management Association of China (AMAC) and the Chairman of the China Venture Capital and Private Equity Association (CVCA). Mr. Liu graduated from Columbia University as Class Salutatorian with a B.S. in Electrical Engineering. He is a member of Tau Beta Pi National Engineering Honor Society and a winner of the Edwin Howard Armstrong Memorial Award for the top electrical engineering student at Columbia University. "KKR" as defined in this paragraph means Kohlberg Kravis Roberts & Co. L.P. together with its affiliates. Mr. Liu was a non-executive director for Sunpower Group (a company listed on the Singapore Exchange, stock code: 5GD) from November 2017 to February 2022.

MR. KUO MING-JIAN (郭明鑑) – NON-EXECUTIVE DIRECTOR

Mr. KUO Ming-Jian (郭明鑑), aged 60, was appointed as a non-executive director of the Company in March 2013. Mr. Kuo is currently the Chairman of Cathay United Bank and a director of Cathay Financial Holding Co., Ltd. (a company listed in Taiwan, stock code: 2882). He took the roles as Vice Chairman, Senior Managing Director and Senior Advisor of Blackstone Group L.P. (a company listed on the New York Stock Exchange, NYSE: BX), Great China during 2007 to 2018. Before joining Blackstone Group L.P., Mr. Kuo was a Partner and Co-Vice Chairman and Managing Director, Head of Greater China in H&Q Asia Pacific. Before that, Mr. Kuo was also the Head and Country Head of Investment Banking for JPMorgan Chase & Co (a company listed on the New York Stock Exchange, NYSE: JPM) in Hong Kong and the Vice Chairman of JPMorgan Chase & Co's Greater China Operating Committee. Mr. Kuo was an independent non-executive director of Cathay Financial Holdings Co., Ltd. and Cathay Life Insurance Co., Ltd.

Mr. Kuo is also an independent non-executive director of Samson Holding Limited (a company listed on the Stock Exchange, stock code: 0531), a director of Long Chen Paper & Packing Co., Ltd. (a company listed in Taiwan, stock code: 1909) and an independent director of Huali Industrial Group Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 300979).

Mr. Kuo received his undergraduate degree from Fu-Jen Catholic University and holds an MBA degree from City University of New York.

■ BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

MR. JOHN LAW (羅強) – NON-EXECUTIVE DIRECTOR

Mr. John LAW (羅強), aged 71, was appointed as a non-executive director of the Company on 25 October 2012. Mr. Law worked for J.P. Morgan & Co. as training head of Asia Pacific Region, as risk manager for Greater China Region and as senior credit officer for Asia Pacific Region, Euroclear respectively. He then worked for Citigroup (a company listed on the New York Stock Exchange, NYSE: C) from August 2000 to November 2003 as the regional credit officer for Asia Pacific Financial Markets. Prior to joining the Company, he worked for International Finance Corporation from March 2004 to September 2012 as the principal banking specialist for global financial markets. Mr. Law is currently a non-executive director of Rizal Commercial Banking Corporation (a company listed on the Philippine Stock Exchange, stock code: RCB).

Mr. Law holds a master degree in business administration (finance) from Indiana University in USA and has more than 32 years' experience in finance.

MR. CAI CUNQIANG (蔡存強) – INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Cai Cunqiang (蔡存強), aged 72, was appointed as an independent non-executive director of the Company in March 2011. Mr. Cai graduated from Shanghai Maritime College (上海海運學院) (now known as Shanghai Maritime University (上海海事大學)) in 1977, and worked for that college since then. He was promoted to be a deputy professor in 1993 and later a professor in 1995. In 2001, Mr. Cai became the deputy dean of Shanghai Maritime College and was awarded the special government allowance by the State Council. Currently, Mr. Cai is a lawyer in Shanghai Yingtai Law Firm (上海瀛泰律師事務所) and an arbitrator of China Maritime Arbitration Commission (中國海事仲裁委員會).

Mr. Cai is admitted to practicing law in the PRC. Mr. Cai has 44 years of experience in the shipping industry.

MR. HAN XIAOJING (韓小京) – INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. HAN Xiaojing (韓小京), aged 67, was appointed as an independent non-executive director of the Company in March 2011. From 1986 to 1992, Mr. Han worked at China Law Center (中國法律事務中心). During the same period, he spent three and a half years at Zimmerman Lawyers (默爾曼律師事務所) in Canada and Livasiri & Co. (廖綺雲律師事務所) in Hong Kong for study. In 1992, Mr. Han was involved in the establishment of Commerce & Finance Law Offices (北京市通商律師事務所), and has been a partner there ever since. Mr. Han is admitted to practicing law in the PRC and has 35 years of experience in the legal profession.

Currently, Mr. Han is an independent non-executive director of Sino-Ocean Group Holdings Limited (遠洋集團控股有限公司) (a company listed on the Stock Exchange, stock code: 3377) and Vital Innovations Holdings Limited (維太創科控股有限公司) (a company listed on the Stock Exchange, stock code: 6133). He also serves as a supervisor of Ping An Bank Company Limited (平安銀行股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 000001).

■ BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

MR. LIU JIALIN (劉嘉凌) – INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. LIU Jialin (劉嘉凌), aged 59, was appointed as an independent non-executive director of the Company in March 2011. From 1992 to 2007, Mr. Liu worked for Morgan Stanley group of companies and once served as a member of the Management Committee and Asia Executive Committee as well as a Managing Director in the Fixed Income Division in Hong Kong. Currently, Mr. Liu is the managing director of Cinda International Asset Management Limited (信達國際資產管理有限公司) and an independent non-executive director of Horizon Construction Development Limited (宏信建設發展有限公司). Mr. Liu has 33 years of experience in finance and securities industry.

Mr. Liu also serves as an independent non-executive director of Changyou Alliance Group Limited (a company listed on the Stock Exchange, stock code: 1039).

Mr. Liu obtained a bachelor's degree in science from Peking University and a degree of Master of Science in physics from Massachusetts Institute of Technology.

MR. YIP WAI MING (葉偉明) – INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. YIP Wai Ming (葉偉明), aged 57, was appointed as an independent non-executive director of the Company in March 2011. Mr. Yip graduated from the University of Hong Kong (香港大學) with a bachelor of social sciences degree in November 1987. He also obtained a degree of bachelor of laws from the University of London (倫敦大學) in August 2001. Mr. Yip started his career in Ernst & Young in 1987, and was a senior manager at the time of his departure in 1996. From 1996 to 2010, Mr. Yip served as an associate director in ING Bank N.V., the chief financial officer in Fulbond Holdings Limited (福邦控股有限公司), the vice president of Hi Sun Technology (China) Limited (高陽科技(中國)有限公司) (a company listed on the Stock Exchange, stock code: 0818), the chief financial officer of Haier Electronics Group Co., Ltd. (海爾電器集團有限公司) (a company listed on the Stock Exchange, stock code: 1169) and the deputy general manager of Yuzhou Properties Company Limited (禹州地產股份有限公司) (a company listed on the Stock Exchange, stock code: 1628), etc., respectively. Currently, Mr. Yip is an independent non-executive director of Ju Teng International Holdings Limited (巨騰國際控股有限公司) (a company listed on the Stock Exchange, stock code: 3336), Pax Global Technology Limited (百富環球科技有限公司) (a company listed on the Stock Exchange, stock code: 0327), Poly Culture Group Corporation Limited (保利文化集團股份有限公司) (a company listed on the Stock Exchange, stock code: 3636)¹, Yida China Holdings Limited (億達中國控股有限公司) (a company listed on the Stock Exchange, stock code: 3639), and Huobi Technology Holdings Limited (火幣科技控股有限公司) (a company listed on the Stock Exchange, stock code: 1611) and Peijia Medical Limited (沛嘉醫療有限公司) (a company listed on the Stock Exchange, stock code: 9996).

Mr. Yip is a fellow of the Association of Chartered Certified Accountants, an associate of the Hong Kong Institute of Certified Public Accountants and a member of the Chinese Institute of Certified Public Accountants.

Mr. Yip has over 30 years of experience in accounting and finance.

1: The Company has recently learnt that Mr. Yip submitted his written resignation as an independent non-executive director to Poly Culture Group Corporation Limited on 31 March 2022. His resignation will be effective from the date of approval of a new independent non-executive director at the shareholders' general meeting of Poly Culture Group Corporation Limited.

■ BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

MR. CAO JIAN (曹健) – SENIOR VICE PRESIDENT

Mr. CAO Jian (曹健), aged 47, is the Senior Vice President of the Company. Mr. Cao graduated from Nankai University (南開大學) majoring in finance in August 1997, and obtained a master's degree in finance from University of International Business and Economics (對外經濟貿易大學) in December 2006 and an MBA from Shanghai Jiaotong University (上海交通大學) in June 2008. Mr. Cao was a manager of the human resources department in Sinochem Group. He joined International Far Eastern Leasing Co., Ltd. in September 2002, and served as the deputy general manager, the standing deputy general manager and the general manager of the healthcare business division, and the assistant of general manager and the deputy general manager of the Company, etc., thus he has adequate experience in corporate management. Mr. Cao was appointed as the Senior Vice President of the Company in January 2013.

Mr. Cao has over 19 years of experience in the financial leasing industry.

MR. WANG RUIHENG (王瑞生) – VICE PRESIDENT

Mr. WANG Ruiheng (王瑞生), aged 68, is the Vice President of the Company. Mr. Wang graduated from East China Normal University (華東師範大學) majoring in history in September 1989 and obtained an EMBA degree from Peking University (北京大學) in September 2005. Prior to joining Far East Horizon Limited, he worked as Section Chief Assistant of Shanghai Chemicals Import and Export Corporation, General Manager of Black & White Advertising Co., Ltd., Deputy General Manager of Sinochem Shanghai Co., Ltd. and Deputy General Manager of Sinochem International Tendering Co., Ltd. He has extensive experience in corporate management and government relationship. Mr. Wang was appointed as the Vice President of the Company in June 2012. Mr. Wang is also the general manager of Shanghai Zhenjing Industrial Development Co., Ltd (上海臻璟實業發展有限公司).

Mr. Wang has over 30 years of experience in enterprise management.

MR. LI JIANCHENG (李建成) – VICE PRESIDENT

Mr. LI Jiancheng (李建成), aged 50, is the Vice President of the Company. Mr. Li graduated from Shandong University of Science and Technology (山東科技大學) majoring in Geophysics with a bachelor degree in July 1995. He obtained a master degree in Finance from Fudan University (復旦大學) in July 2006 and an EMBA degree from China Europe International Business School (CEIBS) in October 2015. Mr. Li worked at Zhongkexin Jinzhen Futures Brokerage Co., Ltd. (中科信金震期貨經紀有限公司) and Hainan Shenhai Futures Brokerage Co., Ltd. (海南深海期貨經紀有限公司). Upon joining Far East in May 2001, he worked as various positions including the deputy general manager and the general manager of the printing system business division, the general manager of packaging system business division, the general manager of public utility business unit II, the general manager of the infrastructure group and the assistant to the president, etc. Mr. Li was appointed as the Vice President of the Company since August 2019. Currently, Mr. Li is also the general manager of Far East Horizon Healthcare Industry Development Co., Ltd. (遠東宏信健康產業發展有限公司).

Mr. Li has over 20 years of experience in the financial leasing industry.

■ BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

MR. ZHAN JING (詹靜) – ASSISTANT PRESIDENT

Mr. ZHAN Jing, aged 47, is the Assistant President of the Company. Mr. Zhan graduated from Nanjing Audit University in July 1997 with a bachelor's degree in international finance. He obtained an MBA degree from Peking University in July 2004. Mr. Zhan used to work in Nanjing branch of China Citic Bank. Since joining the Company in June 2004, he has served as deputy general manager of business development department, general manager of electronic information business division, general manager of people's livelihood and consumption business division, general manager of strategic operations department, etc. Mr. Zhan has been appointed as the Assistant President of the Company since December 2019.

Mr. Zhan has more than 17 years of financial leasing industry experience and 5 years of banking experience.

MR. XU HUIBIN (徐會斌) – ASSISTANT PRESIDENT

Mr. XU Huibin, aged 51, is the Assistant President of the Company. Mr. Xu graduated from the University of Science and Technology Beijing with a bachelor's degree in industrial electric automation in July 1995, and obtained an MBA degree from Fudan University in July 2005. Mr. Xu previously worked for China Construction Bank and Tianyi Securities. After joining Far East in December 2004, he worked as various positions including the assistant general manager and deputy general manager of construction system business division, deputy general manager and general manager of quality control department, general manager of business operation center, general manager of strategic development and management department, general manager of strategic center. Mr. Xu has been appointed as the Assistant President of the Company since December 2021.

Mr. Xu has more than 17 years of financial leasing industry experience and 8 years of banking experience.

MR. MA HONG (馬宏) – ASSISTANT PRESIDENT

Mr. MA Hong, aged 44, is the Assistant President of the Company. Mr. Ma graduated from the Huazhong University of Science and Technology with a bachelor's degree in international trade and economic law in July 2000. He previously worked at Amoi Electronics and US E-TOOR. After joining Far East in December 2003, he worked as various positions including the assistant general manager of medical system business division, assistant general manager of electronic information business division, assistant general manager of people's livelihood and consumer business division, deputy general manager of urban public utilities division II (in charge of the routine work), general manager of urban public utilities division II, and the vice president of the company. Mr. Ma has been appointed as the Assistant President of the Company since December 2021.

Mr. Ma has more than 18 years of financial leasing industry experience.

■ DIRECTORS' REPORT

The Board is pleased to present the Directors' Report of the year 2021 together with the audited financial statements of the Group for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal business activities of the Group are financial leasing and advisory services, and the principal business activities of its subsidiaries are hospital investment and operation, equipment operation services, trading and brokerage services as well as engineering management services, etc. An analysis of the Group's operational status for the year by business segments is detailed in Note 5 to the financial statements.

The Group has accumulated years of industry expertise and has expanded its customer base in its target industries by organizing and operating its financial leasing services, sales and marketing, and risk management systems through an industry focused approach. It has also sufficiently lowered the risk associated with its interest-earning assets to develop a sustainable financial service business model through its safe and steady operational philosophy, rigorous risk control, diversified asset management approaches and other measures. By leveraging its profound industry experience and understanding of its customers' long-term internal needs in each target industry, the Group also provides extended value-added services primarily comprising advisory, engineering, trading and brokerage services to its customers, which have generated synergy with its financial services. This has enabled it to continuously provide an integrated range of customized services, develop deeper customer relationships, enhance the effectiveness of its risk management systems, and leverage its accumulated industry and management expertise to expand into other target industries in China with promising growth potential, including investment and operation of certain quality assets, and to construct the foundation of its stable long-term strategic development of "finance + industry".

Furthermore, the sustainability of the Group's development and its further growth depend to a great extent on its ability to effectively respond to or manage major risks and uncertainties such as quality risk of interest-earning assets, liquidity risk, interest rate and exchange rate, the ability to attract and retain qualified persons and so forth. In its long operation, the Group has consistently adhered to the philosophy of steady and prudent operation and has accumulated advanced risk management capability and experience of practices in the industry. In the foreseeable future, it believes that the impact of the risks and uncertainties will remain manageable and will not cause any material adverse effect on its long-term healthy development.

Further discussion and analysis as required by Schedule 5 to the Companies Ordinance, including a fair review of the business and a discussion of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year 2021, and an indication of likely future development in the Group's business, are set out in the "Chairman's Statement", "CEO's Statement", "Management Discussion and Analysis", "Corporate Governance Report" and "Notes to Financial Statements" sections of this annual report. The above sections form part of the Directors' Report.

■ DIRECTORS' REPORT

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2021 are set out in the Consolidated Statement of Profit or Loss on page 140 of this annual report.

The Board recommends the payment of a final dividend of HK\$0.42 (2020: HK\$0.36) per share in respect of the year ended 31 December 2021 to shareholders whose names appear on the register of members of the Company on Friday, 17 June 2022. The proposed final dividend will be paid on Thursday, 30 June 2022 after approval at the Annual General Meeting ("AGM") to be held on Wednesday, 8 June 2022.

CLOSURE OF SHARE REGISTER

The AGM of the Company is scheduled to be held on Wednesday, 8 June 2022. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 2 June 2022 to Wednesday, 8 June 2022, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. (Hong Kong time) on Wednesday, 1 June 2022, being the last registration date.

The final dividend is subject to the approval of the shareholders of the Company at the AGM, and the date of payment of the final dividend is expected to be 30 June 2022. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Wednesday, 15 June 2022 to Friday, 17 June 2022, both days inclusive, during which period no transfer of shares will be registered. The record date on which the shareholders of the Company are qualified to receive the proposed final dividend is Friday, 17 June 2022. In order to qualify for the proposed final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. (Hong Kong time) on Tuesday, 14 June 2022, being the last registration date.

FINANCIAL HIGHLIGHTS

The summary of the Group's results, assets, liabilities and non-controlling interests for the past five financial years is extracted from the audited financial information and financial statements published, which is set out on pages 13 to 14 to this annual report. This summary does not form a part of the audited financial statements.

■ DIRECTORS' REPORT

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group believes that environment, health and safety are indispensable pillars for sustainable business. The Group advocates for “Green Finance” and adjusts industry credit granting system according to the environmental performance. The Group’s investment direction turned to the national policies and livelihood, avoiding enterprises with “high pollution and high environmental risk”, enterprises with outdated technology and enterprises with safety risks. During the year, the Group further reduced credit granting to engineering machinery, mine smelting machinery, oil equipment, ferrous metal smelting and chemical industry as they had higher environmental risks. The Group gradually raised credit granting to railway, rail transit and energy saving equipment industry. Meanwhile, with continuous expansion of the industry sector, the Group conducted a unified planning on the health, safety and environment issues of the relevant operating system and pushed forward the work related to environment and safety as an important part for enhancing industry value. During the year, the Group’s business achieved environmentally friendly and safe operation and no related accident occurred.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year, to the best knowledge of the Directors, the Group has complied with all the relevant laws and regulations that have a significant impact on the Group.

PROPERTY, PLANT AND EQUIPMENT

The movements in the Group’s property, plant and equipment for the year are set out in Note 13 to the financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in Note 34 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any shares of the Company for the year ended 31 December 2021.

■ DIRECTORS' REPORT

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in the Consolidated Statement of Changes in Equity on pages 143 to 144 of this annual report and Note 37 to the financial statements respectively.

PERMITTED INDEMNITY

Pursuant to the Articles of Association of the Company, every Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all liabilities (to the fullest extent permitted by the Companies Ordinance) which he may incur in or about the execution of the duties of his office or otherwise in relation thereto. The Company has taken out insurance against all loss and liabilities associated with defending any proceedings which may be brought against Directors and other officers of the Company.

CHARITABLE DONATIONS

The Group's external charitable donations for the year amounted to RMB1,092,000 (2020: RMB4,300,000).

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

Changes in directors' biographical details as at the disclosure date of this report, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

Name of director	Details of changes
KONG Fanxing	Appointed as a director of Horizon Construction Development Limited with effect from 28 September 2020 and appointed as the chairman of the board of directors of Horizon Construction Development Limited with effect from 28 May 2021
KUO Ming-Jian	Resigned as an independent non-executive director of Accton Technology Corporation (a company listed on the Taiwan Stock Exchange, stock code: 2345) with effect from 10 December 2021
LIU Jialin	Appointed as an independent non-executive director of Horizon Construction Development Limited with effect from 28 May 2021
LIU Haifeng David	Resigned as a non-executive director of Sunpower Group (a company listed on the Singapore Exchange, stock code: 5GD) with effect from 25 February 2022

■ DIRECTORS' REPORT

DIRECTORS

During the year and as at the date of this annual report, directors of the Company were as follows:

Executive Directors

Mr. KONG Fanxing
Mr. WANG Mingzhe

Non-Executive Directors

Mr. NING Gaoning
Mr. YANG Lin
Mr. LIU Haifeng David
Mr. KUO Ming-Jian
Mr. John LAW

Independent Non-Executive Directors

Mr. CAI Cunqiang
Mr. HAN Xiaojing
Mr. LIU Jialin
Mr. YIP Wai Ming

In accordance with the Article of Association of the Company, Mr. NING Gaoning, Mr. KUO Ming-Jian, Mr. John LAW, Mr. CAI Cunqiang, Mr. HAN Xiaojing, Mr. LIU Jialin and Mr. YIP Wai Ming will retire at the 2022 Annual General Meeting. All of the retiring directors above are eligible for re-election at the 2022 Annual General Meeting.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors and senior management are set out on pages 98 to 105 of this annual report.

■ DIRECTORS' REPORT

DIRECTORS' SERVICE CONTRACTS

As at 31 December 2021, none of the directors of the Company had a service contract with the Company or any of its subsidiaries which is not terminable within one year without payment of compensation other than statutory compensation.

The directors' remuneration is determined with references to directors' duties and responsibilities, individual performance and the results of the Group.

Executive Directors

Each of the executive directors has entered into a service contract with the Company. Each of their appointments is for a term of three years commencing from 11 March 2020. Either party has the right to give not less than three months' written notice to terminate the service contract. Each of the executive directors is entitled to a salary and bonus payment, allowance and benefits-in-kind, at the discretion of the Board, and social welfare benefits provided under the relevant PRC laws and regulations. The aggregate amount of the annual salaries of the two executive directors is RMB11,806,000.

Non-Executive Directors

Each of the non-executive directors has entered into an appointment letter with the Company.

Each of the appointments of Mr. NING Gaoning, Mr. YANG Lin, Mr. LIU Haifeng David, Mr. KUO Ming-Jian and Mr. John LAW is for a term of three years commencing from 11 March 2020.

Under the relevant appointment letters, the Company shall pay HK\$420,000 p.a. as director's fee to each of Mr. LIU Haifeng David, Mr. KUO Ming-Jian and Mr. John LAW.

No payment shall be made by the Company to Mr. NING Gaoning and Mr. YANG Lin under the relevant appointment letters.

Independent Non-Executive Directors

Each of the independent non-executive directors has entered into an appointment letter with the Company.

Each of the appointments of Mr. CAI Cunqiang, Mr. HAN Xiaojing, Mr. LIU Jialin and Mr. YIP Wai Ming is for a term of three years commencing from 30 March 2020.

Under the relevant appointment letters, the Company shall pay HK\$420,000 p.a. as director's fee to each of Mr. CAI Cunqiang, Mr. HAN Xiaojing, Mr. LIU Jialin and Mr. YIP Wai Ming.

■ DIRECTORS' REPORT

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive directors and the Company considers that each of the independent non-executive directors, namely Mr. CAI Cunqiang, Mr. HAN Xiaojing, Mr. LIU Jialin, and Mr. YIP Wai Ming, is independent.

DIRECTORS' EMOLUMENTS AND SENIOR MANAGEMENT'S EMOLUMENTS

Details of the remuneration of the directors and that of the senior management of the Group for the year ended 31 December 2021 are set out in Note 8 to the consolidated financial statements of the Group.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company or any of its subsidiaries was a party and in which a director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2021, none of the directors of the Company are considered to be interested in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

PENSION SCHEME

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, details of which are set out in Note 2.4 Employee benefits to the financial statements.

■ DIRECTORS' REPORT

INCENTIVE SCHEMES

The Company adopted a share option scheme (the "2014 Share Option Scheme") on 7 July 2014. Since the total share options under the 2014 Share Option Scheme had been fully granted, on 5 June 2019, the Company adopted a new share option scheme (the "2019 Share Option Scheme") to incentivize and reward the selected participants thereunder. The Company also adopted a restricted share award scheme (the "2014 Restricted Share Award Scheme") on 11 June 2014 and made certain amendments to such scheme on 2 June 2016 and 20 March 2019. For details of the 2014 Share Option Scheme and the 2019 Share Option Scheme, please refer to the 2019 annual report of the Company. For details of the 2014 Restricted Share Award Scheme, please refer to the 2019 annual report of the Company and the announcement of the Company dated 20 March 2019.

2014 Share Option Scheme

The purpose of the 2014 Share Option Scheme is to incentivize and reward selected participants (i.e., senior and middle management personnel, as well as other key employees of the Company or any subsidiary of the Company) for their contribution to the Group and to align their interests with that of the Company so as to encourage them to work towards enhancing the value of the Company. The eligibility of the selected participants will be decided by the Board or the administration committee of such scheme, at its respective absolute discretion, as to his contribution to the Company or any of its subsidiaries. The 2014 Share Option Scheme is valid for 10 years from 7 July 2014, the date of its adoption.

The maximum number of new shares in respect of which options may be granted under the 2014 Share Option Scheme shall not exceed 4% of the Company's issued share capital as at the date of approval of the 2014 Share Option Scheme by the Shareholders, which is 131,696,000 shares, representing 3.05% of the issued share capital of the Company as at the disclosure date of this report.

The maximum number of shares which are issued and may be issued upon exercise of all options (including exercised and outstanding options) granted to any selected participant within any 12-month period must not exceed 1% of the issued share capital of the Company from time to time. Any grant of further share options above this limit is subject to certain requirements as stipulated in the Listing Rules and the rules of the 2014 Share Option Scheme.

An offer shall be open for acceptance for such period within 14 days inclusive of, and from, the offer date by the selected participant. An offer not accepted within this period shall lapse. An amount of HK\$1.00 is payable upon acceptance of the grant of options and such payment shall not be refundable and shall not be deemed to be a part payment of the exercise price under the 2014 Share Option Scheme.

The exercise period of the share options granted is determinable by the Board or the administration committee and ends on a date which is not later than 10 years from the date of grant of the share options. The exercise price is determined by the Board or the administration committee, and shall not be less than the higher of: (i) the closing price of the Shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on the date of the offer of the grant of option; (ii) the average closing price of the Shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of the grant of option; and (iii) the nominal value of the Shares as at the date of the offer of the grant of option.

■ DIRECTORS' REPORT

During the reporting period, no options were granted under the 2014 Share Option Scheme. A summary of the movements of the outstanding share options under the 2014 Share Option Scheme during the year is as follows:

Grantee	Date of grant	Vesting period (Note 1)	Exercise period (Note 2)	Exercise price per share HK\$ (Note 3-7)	Outstanding as at 1 January 2021	Number of share options				Outstanding as at 31 December 2021
						Granted	Exercised (Note 8)	Lapsed	Cancelled	
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
KONG Fanxing, CEO and executive Director	18 July 2018	18 July 2020 – 18 July 2022	18 July 2020 – 18 July 2028	7.36	3,410,926	–	–	–	–	3,410,926
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
Mr. WANG Mingzhe, CFO and executive Director	18 July 2018	18 July 2020 – 18 July 2022	18 July 2020 – 18 July 2028	7.36	1,074,442	–	–	–	–	1,074,442
SUBTOTAL FOR DIRECTORS					17,389,863	–	–	–	–	17,389,863
Employees	11 July 2014	11 July 2016 – 11 July 2018	11 July 2016 – 11 July 2024	5.86	3,266,579	–	786,475	–	1,357	2,478,747
Employees	3 July 2015	3 July 2017 – 3 July 2019	3 July 2017 – 3 July 2025	7.17	6,497,278	–	930,283	–	39,301	5,527,694
Employees	15 June 2016	15 June 2018 – 15 June 2020	15 June 2018 – 15 June 2026	5.714	11,763,928	–	3,106,115	–	204,760	8,453,053

■ DIRECTORS' REPORT

Grantee	Date of grant	Vesting period (Note 1)	Exercise period (Note 2)	Exercise price per share HK\$ (Note 3-7)	Outstanding as at 1 January 2021	Number of share options				Outstanding as at 31 December 2021
						Granted	Exercised (Note 8)	Lapsed	Cancelled	
Employees	20 June 2017	20 June 2019 – 20 June 2021	20 June 2019 – 20 June 2027	6.82	15,075,075	-	2,038,602	-	2,757,983	10,278,490
Employees	18 July 2018	18 July 2020 – 18 July 2022	18 July 2020 – 18 July 2028	7.36	18,156,261	-	1,357,379	-	4,332,067	12,466,815
TOTAL					72,148,984	-	8,218,854	-	7,335,468	56,594,662

Note 1: Subject to the rules of the 2014 Share Option Scheme, the options granted on 11 July 2014 will be vested 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.

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 exercise price is not less than the higher of (i) the closing price of HK\$7.36 per share on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on 18 July 2018 (i.e. the grant date) and (ii) the average closing price of HK\$7.032 per share on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding 18 July 2018. The Share does not carry nominal value. The closing price of shares immediately before the date on which the options were granted is HK\$7.18 per share.

Note 8: The weighted average closing price of shares immediately before the dates on which the options were exercised by directors and employees is HK\$8.7721.

Please refer to note 35 to the financial statements for details of accounting treatment for share options and the remaining life of the 2014 Share Option Scheme.

■ DIRECTORS' REPORT

2019 Share Option Scheme

The purpose of the 2019 Share Option Scheme is to incentivize and reward selected participants (i.e., senior and middle management personnel, as well as other key employees of the Company or any subsidiary of the Company) for their contribution to the Group and to align their interests with that of the Company so as to encourage them to work towards enhancing the value of the Company. The eligibility of the selected participants will be decided by the Board or the administration committee of such scheme, at its respective absolute discretion, as to his contribution to the Company or any of its subsidiaries. The 2019 Share Option Scheme is valid for 10 years from 5 June 2019, the date of its adoption.

The maximum number of new shares in respect of which options may be granted under the 2019 Share Option Scheme shall not exceed 4% of the Company's issued share capital as at the date of approval of the 2019 Share Option Scheme by the Shareholders, which is 158,167,904 shares, representing 3.67% of the issued share capital of the Company as at the disclosure date of this report.

The maximum number of shares which are issued and may be issued upon exercise of all options (including exercised and outstanding options) granted to any selected participant within any 12-month period must not exceed 1% of the issued share capital of the Company from time to time. Any grant of further share options above this limit is subject to certain requirements as stipulated in the Listing Rules and the rules of the 2019 Share Option Scheme.

An offer shall be open for acceptance for such period within 14 days inclusive of, and from, the offer date by the selected participant. An offer not accepted within this period shall lapse. An amount of HK\$1.00 is payable upon acceptance of the grant of options and such payment shall not be refundable and shall not be deemed to be a part payment of the exercise price under the 2019 Share Option Scheme.

The exercise period of the share options granted is determinable by the Board or the administration committee and ends on a date which is not later than 10 years from the date of grant of the share options. The exercise price is determined by the Board or the administration committee, and shall not be less than the higher of: (i) the closing price of the Shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on the date of the offer of the grant of option; and (ii) the average closing price of the Shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of the grant of option.

■ DIRECTORS' REPORT

During the reporting period, options entitling the holders thereof to subscribe for an aggregate of 6,521,857 Shares were granted to two executive Directors and the remaining options entitling the holders to subscribe for an aggregate of 27,326,075 Shares were granted to 85 grantees under the 2019 Share Option Scheme. A summary of the movements of the outstanding share options under the 2019 Share Option Scheme during the year is as follows:

Grantee	Date of grant	Vesting period (Note 1)	Exercise period (Note 2)	Exercise price per share HK\$ (Note 3-5)	Outstanding as at 1 January 2021	Number of share options				Outstanding as at 31 December 2021
						Granted	Exercised	Lapsed	Cancelled	
KONG Fanxing, CEO and executive Director	19 July 2019	19 July 2020 – 19 July 2022	19 July 2020 – 19 July 2029	7.618	3,163,358	–	–	–	–	3,163,358
KONG Fanxing, CEO and executive Director	23 July 2020	23 July 2021 – 23 July 2023	23 July 2021 – 23 July 2030	6.70	3,748,579	–	–	–	–	3,748,579
KONG Fanxing, CEO and executive Director	26 July 2021	26 July 2022 – 26 July 2024	26 July 2022 – 26 July 2031	8.40	–	4,164,656	–	–	–	4,164,656
Mr. WANG Mingzhe, CFO and executive Director	19 July 2019	19 July 2020 – 19 July 2022	19 July 2020 – 19 July 2029	7.618	996,458	–	–	–	–	996,458
Mr. WANG Mingzhe, CFO and executive Director	23 July 2020	23 July 2021 – 23 July 2023	23 July 2021 – 23 July 2030	6.70	1,614,388	–	–	–	–	1,614,388
Mr. WANG Mingzhe, CFO and executive Director	26 July 2021	26 July 2022 – 26 July 2024	26 July 2022 – 26 July 2031	8.40	–	2,357,201	–	–	–	2,357,201
SUBTOTAL FOR DIRECTORS					9,522,783	6,521,857	–	–	–	16,044,640
Employees	19 July 2019	19 July 2020 – 19 July 2022	19 July 2020 – 19 July 2029	7.618	17,802,338	–	1,180,756	–	4,259,683	12,361,899
Employees	23 July 2020	23 July 2021 – 23 July 2023	23 July 2021 – 23 July 2030	6.700	17,703,291	–	553,448	–	1,641,667	15,508,176
Employees	26 July 2021	26 July 2022 – 26 July 2024	26 July 2022 – 26 July 2031	8.40	–	27,326,075	–	–	768,273	26,557,802
TOTAL					45,028,412	33,847,932	1,734,204	–	6,669,623	70,472,517

Note 1: Subject to the rules of the 2019 Share Option Scheme, the options granted on 19 July 2019 will be vested to the grantees at the first, second and third anniversary of the date of grant at an average amount.

Note 2: According to the 2019 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.

■ DIRECTORS' REPORT

Note 3: The exercise price is not less than the higher of (i) the closing price of HK\$7.40 per share on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on 19 July 2019 (i.e. the grant date) and (ii) the average closing price of HK\$7.618 per share on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding 19 July 2019. 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\$6.480 per share on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on 23 July 2020 (i.e. the grant date) and (ii) the average closing price of HK\$6.700 per share on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding 23 July 2020. 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\$8.202 per share on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on 26 July 2021 (i.e. the grant date) and (ii) the average closing price of HK\$8.40 per share on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding 26 July 2021. The Share does not carry nominal value.

Note 6: The weighted average closing price of shares immediately before the dates on which the options were exercised by directors and employees is HK\$8.7721.

During the year ended 31 December 2021, the aggregated fair value of the share options granted on 26 July 2021 under the 2019 Share Option Scheme was RMB53,598,000. The estimated value of the share options granted on that date to Mr. KONG Fanxing, Mr. WANG Mingzhe and other eligible employees was RMB6,595,000, RMB3,733,000 and RMB43,270,000, respectively.

Grantee	Date of grant	Total number granted	Fair value of share options granted
			RMB'000
KONG Fanxing	26 July 2021	4,164,656	6,595
WANG Mingzhe	26 July 2021	2,357,201	3,733
Employees	26 July 2021	27,326,075	43,270
Total		33,847,932	53,598

Please refer to note 35 to the financial statements for details of accounting treatment for share options and the remaining life of the 2019 Share Option Scheme.

2014 Restricted Share Award Scheme

During the reporting period, the Company did not grant any shares under the 2014 Restricted Share Award Scheme. As at 31 December 2021, the Company granted an aggregate of 334,512,097 Shares thereunder. The 2014 Restricted Share Award Scheme does not constitute a share option scheme or an arrangement which is analogous to a share option scheme for the purpose of Chapter 17 of the Listing Rules.

MANAGEMENT CONTRACTS

No contracts concerning the management or administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year.

ARRANGEMENTS FOR THE DIRECTORS TO PURCHASE SHARES OR DEBENTURES

At no time during the year were there any rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, nor were there any such rights exercised by them. Also, there was no arrangement to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries is a party that would enable the directors to acquire such rights in any other body corporate.

■ DIRECTORS' REPORT

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 31 December 2021, 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 director	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	61,659,251(L) ⁽²⁾	1.42%
		Interest in a controlled corporation	778,081,062(L) ⁽³⁾	18.03%
WANG Mingzhe	The Company	Beneficial owner	23,040,216(L) ⁽⁴⁾	0.53%
LIU Haifeng David	The Company	Interest in a controlled corporation	365,842,100(L) ⁽⁵⁾	8.48%
LIU Jialin	The Company	Beneficial owner	125,000(L)	0.00%
		Interest of spouse	125,000(L)	0.00%

Notes:

- (1) The letter "L" denotes the person's long position in the shares of the Company.
- (2) The interest includes 13,169,599 underlying shares in respect of the share options granted pursuant to the Company's 2014 Share Option Scheme, 11,076,593 underlying shares in respect of the share options granted pursuant to the Company's 2019 Share Option Scheme and 36,543,059 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 enquiries, Mr. Kong Fanxing is interested in 870,000 ordinary shares of the Company as at 31 December 2021. Please refer to the section headed "Incentive Schemes" for the details of those schemes and the grants of share options.
- (3) The interest includes 272,237,062 shares held directly by Idea Delicacy Limited, 40,726,000 shares held directly by Powerful Force HK Limited, 159,670,000 shares held directly by Will of Heaven HK Limited, 107,503,000 shares held directly by Swallow Gird HK Limited and 197,945,000 shares held directly by Energon HK Limited. All of them had unconditionally, irrevocably and permanently entrusted Idea Prosperous Limited, a company 100% owned by Mr. Kong Fanxing, to exercise the voting rights attached to the shares.
- (4) The interest includes 4,220,264 underlying shares in respect of the share options granted pursuant to the Company's 2014 Share Option Scheme, 4,968,047 underlying shares in respect of the share options granted pursuant to the Company's 2019 Share Option Scheme and 13,265,905 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 enquiries, Mr. Wang Mingzhe is interested in 586,000 ordinary shares of the Company as at 31 December 2021. Please refer to the section headed "Incentive Schemes" for the details of those schemes and the grants of share options.

■ DIRECTORS' REPORT

- (5) The interests includes (1) 1,067,000 ordinary shares of the Company held directly by New Trace Limited which is 100% controlled by Mr. Liu Haifeng David; (2) 314,775,100 ordinary shares of the Company held directly by Capital Rise Limited; and (3) 50,000,000 ordinary shares of the Company held directly by Capital Lead Limited. Capital Bridge Limited holds the entire share capital of Capital Rise Limited and Capital Lead Limited respectively. Capital Bridge Limited is 100% controlled by DCP Capital Partners, L.P., which is 100% controlled by DCP General Partner, Ltd, which in turn is 100% controlled by DCP Partners Limited. DCP Partners Limited is 100% controlled by DCP, Ltd., which is 50% controlled by Mr. Julian Juul Wolhardt and 50% controlled by Mr. Liu Haifeng David.

Save as disclosed above, as at 31 December 2021, 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES

Based on the information available to the directors of the Company, as at 31 December 2021 (including such information as was available on the website of the Stock Exchange) or so far as they are aware of, as at 31 December 2021, 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 Capital Investment Management (Hong Kong) Limited ⁽²⁾	Beneficial owner	919,914,440(L)	21.32%
Sinochem Capital Investment Management Limited ⁽²⁾	Interest in a controlled corporation	919,914,440(L)	21.32%
Sinochem Corporation ⁽²⁾	Interest in a controlled corporation	919,914,440(L)	21.32%
Sinochem Group Co., Ltd. ⁽²⁾	Interest in a controlled corporation	919,914,440(L)	21.32%
The State-owned Assets Supervision and Administration Commission of the State Council ⁽²⁾	Interest in a controlled corporation	919,914,440(L)	21.32%
KONG Fanxing	Beneficial owner	61,659,251(L) ⁽³⁾	1.42%
	Interest in a controlled corporation	778,081,062(L) ⁽⁴⁾	18.03%
Idea Prosperous Limited ⁽⁴⁾	Entrusted to exercise voting rights	778,081,062(L)	18.03%
JPMorgan Chase & Co. ⁽⁵⁾	Interest in a controlled corporation	85,900,251(L)	1.99%
		74,442,401(S)	1.72%
	Investment manager	100,000(L)	0.00%

■ DIRECTORS' REPORT

Name of shareholder	Capacity/nature of interest	Number of ordinary Shares ⁽¹⁾	Approximate percentage of interest
	Person having a security interest in shares	44,404,324(L)	1.02%
	Approved lending agent	324,538,915(P)	7.52%
Cathay Financial Holding Co., Ltd. ⁽⁶⁾	Beneficial owner	318,400,000(L)	7.38%
Aim Future Limited ⁽⁷⁾	Interest in a controlled corporation	505,844,000(L)	11.72%
Gold Stone Enterprise Limited ⁽⁷⁾	Interest in a controlled corporation	505,844,000(L)	11.72%
Cantrust (Far East) Limited ⁽⁷⁾	Trustee	505,844,000(L)	11.72%
UBS Group AG ⁽⁸⁾	Interest in a controlled corporation	463,198,565(L)	10.73%
Sunshine Trust Company Limited ⁽⁹⁾	Trustee	272,237,062(L)	6.31%
LIU Haifeng David	Interest in a controlled corporation	365,842,100(L) ⁽¹⁰⁾	8.48%
Capital Rise Limited ⁽¹⁰⁾	Beneficial owner	314,775,100(L)	7.29%
Capital Bridge Limited ⁽¹⁰⁾	Interest in a controlled corporation	364,775,100(L)	8.45%
DCP Capital Partners L.P. ⁽¹⁰⁾	Interest in a controlled corporation	364,775,100(L)	8.45%
DCP General Partner, Ltd ⁽¹⁰⁾	Interest in a controlled corporation	364,775,100(L)	8.45%
DCP, Ltd. ⁽¹⁰⁾	Interest in a controlled corporation	364,775,100(L)	8.45%
Julian Juul WOLHARDT ⁽¹⁰⁾	Interest in a controlled corporation	364,775,100(L)	8.45%
HSBC Holdings plc ⁽¹¹⁾	Interest in a controlled corporation	10,955,963(L)	0.25%
	Trustee	505,546,637(L)	11.71%

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 by approved lending agent.
- (2) Sinochem Capital Investment Management (Hong Kong) Limited is 100% controlled by Sinochem Capital Investment Management Limited, which is 100% controlled by Sinochem Corporation, which is in turn controlled as to 98% by Sinochem Group Co., Ltd. Sinochem Group Co., Ltd is 100% controlled by the State-owned Assets Supervision and Administration Commission of the State Council.
- (3) Please refer to Note (2) of the section headed "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" for further details of the shareholding structure.
- (4) Please refer to Note (3) of the section headed "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" for further details of the shareholding structure.
- (5) Please refer to Form 2 – Corporate Substantial Shareholder Notice dated 25 October 2021 for further details of the shareholding structure.
- (6) Please refer to Form 2 – Corporate Substantial Shareholder Notice dated 8 February 2021 for further details of the shareholding structure.

■ DIRECTORS' REPORT

- (7) The interest is held directly by Will of Heaven HK Limited, Swallow Gird HK Limited, Powerful Force HK Limited and Energon HK Limited. Will of Heaven HK Limited, Swallow Gird HK Limited, Powerful Force HK Limited and Energon HK Limited are 100% controlled by Aim Future Limited, which is in turn 100% controlled by Gold Stone Enterprise Limited. Cantrust (Far East) Limited is the trustee of The Gold Stone I Trust and holds 100% interest in Gold Stone Enterprise Limited.
- (8) Please refer to Form 2 – Corporate Substantial Shareholder Notice dated 30 November 2021 for further details of the shareholding structure.
- (9) The interest is held directly by Idea Delicacy Limited, which is 100% controlled by Sunshine Trust Company Limited, trustee of Sunshine Trust Company Limited-Fortune Investment Fund.
- (10) Please refer to Note (5) of the section headed “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” for further details of the shareholding structure.
- (11) Please refer to Form 2 – Corporate Substantial Shareholder Notice dated 7 December 2021 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.

PUBLIC FLOAT

Based on the information publicly available to the Company and as far as the directors are aware as at the latest practicable date prior to the printing of this annual report, at least 25% of the total issued share capital of the Company is held by the public pursuant to the Listing Rules.

BOND ISSUE

In 2021, the Group further enriched the bond financing varieties in the domestic direct financing market, thus forming a continuous issuance situation. The Group completed 36 issuances in the year, with an aggregate amount of RMB41.5 billion, including ultra-short financial bonds of RMB17.0 billion, corporate bonds of RMB18.2 billion, mid-term notes of RMB4.8 billion and targeted debt financing instruments of RMB1.5 billion as follows:

- (1) In 2021, it completed the issuance of seventeen 270-day ultra-short financial bonds totaling RMB17.0 billion with an annual interest rate range of 2.75% to 3.60% in China.
- (2) In 2021, it completed the issuance of twelve 5-year corporate bonds totaling RMB18.2 billion with an annual interest rate range of 3.47% to 4.50% in China.
- (3) In 2021, it completed the issuance of six 2-year mid-term notes totaling RMB4.8 billion with an annual interest rate range of 3.78% to 4.50% in China.
- (4) It completed the issuance of 2-year targeted debt financing instruments of RMB1.5 billion with an annual interest rate of 4.10% in China.

■ DIRECTORS' REPORT

In 2021, the Group issued three off-shore senior bonds and two guaranteed convertible bonds totaling USD\$1.25 billion and RMB1.7 billion abroad. Details are as follows:

- (1) On 9 February 2021, it completed the issuance of 3-year senior bonds of RMB1.7 billion under MTN with an annual interest rate of 4.7% abroad.
- (2) On 3 March 2021, it completed the issuance of 3-year senior bonds of USD\$0.5 billion under MTN with an annual interest rate of 2.625% abroad.
- (3) On 15 June 2021, Universe Trek Limited (a wholly-owned subsidiary of the Company) completed the issuance of 5-year guaranteed convertible bonds of USD\$0.25 billion with an annual interest rate of 0%.
- (4) On 5 August 2021, Universe Trek Limited (a wholly-owned subsidiary of the Company) completed the issuance of 5-year guaranteed convertible bonds of USD\$0.2 billion with an annual interest rate of 0%.
- (5) On 26 October 2021, it completed the issuance of 5-year senior bonds of USD\$0.3 billion under MTN with an annual interest rate of 4.25% abroad.

MAJOR CUSTOMERS AND SUPPLIERS

The information of the customers and suppliers of the Group during the year is as follows:

	For the year ended 31 December 2020 Percentage of the total income (before business taxes and surcharges) (%)
Top five customers	1.05%
The largest customer	0.24%

	Percentage of total costs (%)
Top five suppliers	13.01%
The largest supplier	3.23%

As far as the directors are aware, none of the directors of the Company, their close associates or shareholders holding more than 5% shares of the Company had any interest in the top five customers or top five suppliers of the Group.

■ DIRECTORS' REPORT

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND OTHERS

The Company is committed to building harmonious and mutual relationships with employees, customers, suppliers, investors, the government and the whole society and promotes the healthy, sustainable, stable and harmonious development of the industry economy and the whole society through value sharing and supply. The Company regards employees as valuable assets. For details of employees' talent development and remuneration policy, please refer to the section headed "Human Resources" under Management Discussion and Analysis. The Company upholds the principle of honesty and trustworthiness, strives to provide customers with quality services and creates a reliable service environment for customers. The Company puts emphasis on the selection of suppliers, encourages fair and open competition and establishes long-term cooperation with quality suppliers on the basis of mutual trust. For the year ended 31 December 2021, the Company has had no significant dispute with its employees, customers or suppliers.

CONNECTED TRANSACTIONS

The Company entered into certain continuing connected transactions, as defined in the Listing Rules, which are subject to the disclosure requirements under Chapter 14A of the Listing Rules. The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Sale-leaseback agreement with 廣西藍星大華化工有限責任公司 ("BlueStar Guangxi")

On 26 May 2020, International Far East Leasing Company Ltd. ("IFELC"), a subsidiary of the Company, entered into a sale-leaseback agreement (the "BlueStar Guangxi Sale-leaseback Agreement") with BlueStar Guangxi for a term of 30 months commencing from 29 May 2020, pursuant to which, IFELC (as the lessor) agreed to provide sale-leaseback services to BlueStar Guangxi (as the lessee) on a contractual basis. The sale-leaseback transactions contemplated under the BlueStar Guangxi Sale-leaseback Agreement are within the scope of the Group's principal business and the terms of the transactions are on fair market terms, which will increase the Group's operating income. In addition, the continuation of the sale-leaseback transactions is also beneficial to the stability of the Group's business development and avoids default by the Group under the relevant transactions.

Pursuant to the BlueStar Guangxi Sale-leaseback Agreement, the lessor shall, at the request of the lessee, purchase the equipment and facilities from the lessee and then lease back such equipment and facilities to the lessee, who shall, in return, pay rent to the lessor accordingly. Such equipment and facilities include but are not limited to low-voltage cabinets, vacuum pumps, switchgears and other equipment or facilities. The pricing was determined as follows: (i) the principal amount payable by the lessee shall be the amount for which the lessor has paid to obtain ownership of the relevant equipment and facilities, i.e. RMB18,000,000; and (ii) an applicable interest rate determined by both parties after arm's length negotiation by referencing the benchmark interest rate of People's Bank of China and the actual business condition. The lease payments shall be payable by the lessee to the lessor monthly according to the terms of the BlueStar Guangxi Sale-leaseback Agreement. As at 31 December 2021, the aggregated outstanding amount payable by the lessee to the lessor for the existing leaseback under the BlueStar Guangxi Sale-leaseback Agreement was approximately RMB6,907,186.57. Please refer to the announcement of the Company dated 16 September 2021 relating to the BlueStar Guangxi Sale-leaseback Agreement.

■ DIRECTORS' REPORT

On 16 September 2021, 中國中化集團有限公司 (“Sinochem Group”) and 中國化工集團有限公司 (“ChemChina”) completed the joint restructuring (the “Joint Restructuring”). Upon completion of the Joint Restructuring, both Sinochem Group and ChemChina became the wholly-owned subsidiaries of 中國中化控股有限責任公司 (“Sinochem Holdings”). BlueStar Guangxi, a subsidiary of ChemChina, became an associate of Sinochem Group (a substantial shareholder of the Company) upon completion of the Joint Restructuring, and accordingly, BlueStar Guangxi is a connected person of the Company. Prior to the Joint Restructuring, IFELC has entered into the BlueStar Guangxi Sale-leaseback Agreement, with BlueStar Guangxi, which is for fixed period with fixed terms. Therefore, following the completion of the Joint Restructuring, the continuing transactions under the BlueStar Guangxi Sale-leaseback Agreement constitute continuing connected transactions of the Company and are subject to reporting, annual review and disclosure requirements pursuant to Rule 14A.60 of the Listing Rules.

Sale-leaseback agreement I and Sale-leaseback agreement II with 瀋陽化工股份有限公司 (“Shenyang Chemical”)

Sale-leaseback agreement I

On 25 February 2021, IFELC entered into a sale-leaseback agreement (the “Shenyang Chemical Sale-leaseback Agreement I”) with Shenyang Chemical for a term of 34 months commencing from 30 March 2021, pursuant to which, IFELC (as the lessor) agreed to provide sale-leaseback services to Shenyang Chemical (as the lessee) on a contractual basis. The sale-leaseback transactions contemplated under the Shenyang Chemical Sale-leaseback Agreement I are within the scope of the Group’s principal business and the terms of the transactions are on fair market terms, which will increase the Group’s operating income. In addition, the continuation of the sale-leaseback transactions is also beneficial to the stability of the Group’s business development and avoids default by the Group under the relevant transactions.

Pursuant to the Shenyang Chemical Sale-leaseback Agreement I, the lessor shall, at the request of the lessee, purchase the equipment and facilities from the lessee and then lease back such equipment and facilities to the lessee, who shall, in return, pay rent to the lessor accordingly. Such equipment and facilities include but are not limited to ion-membrane electrolyzers, plate-and-frame type filter presses and other equipment or facilities. The pricing was determined as follows: (i) the principal amount payable by the lessee shall be the amount for which the lessor has paid to obtain ownership of the relevant equipment and facilities, i.e. RMB62,500,000; and (ii) an applicable interest rate determined by both parties after arm’s length negotiation by referencing the benchmark interest rate of People’s Bank of China and the actual business condition. The lease payments shall be payable by the lessee to the lessor quarterly according to the terms of the Shenyang Chemical Sale-leaseback Agreement I. As at 31 December 2021, the aggregated outstanding amount payable by the lessee to the lessor for the existing leaseback under the Shenyang Chemical Sale-leaseback Agreement I was approximately RMB46,204,789.03. Please refer to the announcement of the Company dated 16 September 2021 relating to the Shenyang Chemical Sale-leaseback Agreement I.

Sale-leaseback agreement II

On 25 February 2021, IFELC entered into a sale-leaseback agreement (the “Shenyang Chemical Sale-leaseback Agreement II”) with Shenyang Chemical for a term of 34 months commencing from 5 March 2021, pursuant to which, IFELC (as the lessor) agreed to provide sale-leaseback services to Shenyang Chemical (as the lessee) on a contractual basis. The sale-leaseback transactions contemplated under the Shenyang Chemical Sale-leaseback Agreement II are within the scope of the Group’s principal business and the terms of the transactions are on fair market terms, which will increase the Group’s operating income. In addition, the continuation of the sale-leaseback transactions is also beneficial to the stability of the Group’s business development and avoids default by the Group under the relevant transactions.

■ DIRECTORS' REPORT

Pursuant to the Shenyang Chemical Sale-leaseback Agreement II, the lessor shall, at the request of the lessee, purchase the equipment and facilities from the lessee and then lease back such equipment and facilities to the lessee, who shall, in return, pay rent to the lessor accordingly. Such equipment and facilities include but are not limited to ion-membrane electrolyzers, air dryers, atomizers and other equipment or facilities. The pricing was determined as follows: (i) the principal amount payable by the lessee shall be the amount for which the lessor has paid to obtain ownership of the relevant equipment and facilities, i.e. RMB77,500,000; and (ii) an applicable interest rate determined by both parties after arm's length negotiation by referencing the benchmark interest rate of People's Bank of China and the actual business condition. The lease payments shall be payable by the lessee to the lessor quarterly according to the terms of the Shenyang Chemical Sale-leaseback Agreement II. As at 31 December 2021, the aggregated outstanding amount payable by the lessee to the lessor for the existing leaseback under the Shenyang Chemical Sale-leaseback Agreement II was approximately RMB57,529,479.14. Please refer to the announcement of the Company dated 16 September 2021 relating to the Shenyang Chemical Sale-leaseback Agreement II.

Shenyang Chemical, a subsidiary of ChemChina, became an associate of Sinochem Group (a substantial shareholder of the Company) upon completion of the Joint Restructuring, and accordingly, Shenyang Chemical is a connected person of the Company. Prior to the Joint Restructuring, IFELC and Shenyang Chemical have entered into the Shenyang Chemical Sale-leaseback Agreement I and the Shenyang Chemical Sale-leaseback Agreement II, which are for fixed period with fixed terms. Therefore, following the completion of the Joint Restructuring, the continuing transactions under the Shenyang Chemical Sale-leaseback Agreement I and the Shenyang Chemical Sale-leaseback Agreement II constitute continuing connected transactions of the Company and are subject to reporting, annual review and disclosure requirements pursuant to Rule 14A.60 of the Listing Rules.

Framework agreement for the provision of financial services from 中化集團財務有限公司 (“Sinochem Finance”)

On 17 June 2011, the Company entered into a framework agreement with Sinochem Finance with a term of three years, whereby the Group agreed to utilise various financial services from Sinochem Finance (the “**2011 Sinochem Finance Framework Agreement**”). Subsequently, upon the expiry of the 2011 Sinochem Finance Framework Agreement on 16 June 2014, the Company entered into a new framework agreement with Sinochem Finance (the “**2014 Sinochem Finance Framework Agreement**”) with a term of one year effective from 11 June 2014 to renew the continuing connected transactions of provision of financial services by Sinochem Finance to the Group under the 2011 Sinochem Finance Framework Agreement on substantially the same terms. On 10 June 2015, the Company entered into a new framework agreement with Sinochem Finance (the “**2015 Sinochem Finance Framework Agreement**”) with a term of three years effective from 17 June 2015 to renew the continuing connected transactions of provision of financial services by Sinochem Finance to the Group under the 2014 Sinochem Finance Framework Agreement on substantially the same terms. On 6 June 2018, the Company entered into a new framework agreement with Sinochem Finance (the “**2018 Sinochem Finance Framework Agreement**”) to renew the continuing connected transactions of provision of financial services by Sinochem Finance to the Group under the 2015 Sinochem Finance Framework Agreement on substantially the same terms. The initial term of the 2018 Sinochem Finance Framework Agreement has expired on 31 December 2020. On 16 December 2020, the Company entered into a new framework agreement with Sinochem Finance (the “**2021 Sinochem Finance Framework Agreement**”) to renew the continuing connected transactions of provision of financial services by Sinochem Finance to the Group with a term of three years effective from 1 January 2021. The Company entered into the above framework agreements due to various advantages of utilizing financial services provided by Sinochem Finance over independent commercial banks and also because the risk profile of Sinochem Finance is not greater than those of independent commercial banks in the PRC.

■ DIRECTORS' REPORT

Sinochem Finance is an associate of Sinochem Group, which is a substantial shareholder of the Company. Accordingly, Sinochem Finance is a connected person of the Company and the provision of financial services by Sinochem Finance to the Group under the 2021 Sinochem Finance Framework Agreement constitutes continuing connected transactions of the Company.

The annual cap on the maximum daily outstanding balance of deposits (including accrued interest) is RMB1,100 million during the term of the 2021 Sinochem Finance Framework Agreement. This annual cap is based on several factors including (i) the historical maximum daily outstanding balance of deposits; (ii) the requirement to settle accounts receivables from the member units of Sinochem Group or any third party through the deposit accounts of the members of the Group maintained with Sinochem Finance; (iii) the strategies of the treasury management of the Group; (iv) the development and financial needs of the Group during the term of the 2021 Sinochem Finance Framework Agreement; and (v) the average cash balance of the Group since the date of listing of the Company. The applicable annual cap was not exceeded for the year ended 31 December 2021.

The annual cap of other financial services is RMB50 million during the term of the 2021 Sinochem Finance Framework Agreement. This annual cap is based on several factors including (i) the historical transaction amounts; and (ii) the significant increase in the business development needs of the industry sectors. The applicable annual cap was not exceeded for the year ended 31 December 2021.

Pursuant to Rule 14A.90 of the Listing Rules, the continuing connected transactions involving the provision of loans to the Group by Sinochem Finance and the provision of guarantees to the Group by Sinochem Finance under the 2021 Sinochem Finance Framework Agreement are fully exempt from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules as these transactions constitute financial assistance provided by a connected person for the benefit of the Group on normal commercial terms where no security over the assets of the Group is granted in respect of the financial assistance. Please refer to the announcements of the Company dated 17 June 2011, 11 June 2014, 10 June 2015, 6 June 2018 and 16 December 2020 relating to these continuing connected transactions.

Details of related party transactions of the Company for the year ended 31 December 2021 are set out in Note 44 to the consolidated financial statements. Save for the related party transactions as set out under items (ii), (iv), (vii) (excluding those with BlueStar Guangxi and Shenyang Chemical), (viii), (ix), (x) and the related party transactions in respect of senior management (non-director) compensation under item (xi), all the related party transactions set out in Note 44 constitute connected transactions of the Company under Chapter 14A of the Listing Rules. The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of all such related party transactions.

CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Pursuant to Rule 14A.55 of the Listing Rules, the continuing connected transactions set out above have been reviewed by the independent non-executive directors, who confirmed that the aforesaid continuing connected transactions were entered into:

- (a) in the ordinary and usual course of business of the Group;
- (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and

■ DIRECTORS' REPORT

- (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

CONFIRMATION OF THE AUDITORS

Pursuant to Rule 14A.56 of the Listing Rules, the Board has received a letter from the auditors, confirming that the continuing connected transactions set out above:

- (a) have received the approval of the Board;
- (b) have been entered into in accordance with the pricing policies of the Group;
- (c) have been entered into in accordance with the relevant agreements governing the transactions; and
- (d) have not exceeded the relevant annual caps for the financial year ended 31 December 2021.

AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee comprises three members, namely Mr. YIP Wai Ming (Chairman), Mr. HAN Xiaojing and Mr. John LAW, among whom, two are independent non-executive Directors (including one independent non-executive director who owns appropriate professional qualifications or expertise in accounting or relevant finance management). They have reviewed the accounting principles and practices adopted by the Group and discussed matters regarding auditing and financial reporting, including reviewing the financial results of the Group for the year ended 31 December 2021.

The consolidated financial statements of the Company which are prepared in accordance with Hong Kong Financial Reporting Standards for the year ended 31 December 2021 have been audited by Ernst & Young, the auditor of the Company.

AUDITOR

Pursuant to the resolution of the 2021 AGM of the Company, the Company reappointed Ernst & Young as the auditor of the Company in 2021. The Company has not changed its auditor in the past three years. The proposal of reappointing Ernst & Young as the auditor of the Company will be put forward at the AGM to be held on Wednesday, 8 June 2022 for consideration and approval.

By order of the Board
NING Gaoning
Chairman
16 March 2022

■ CORPORATE SOCIAL RESPONSIBILITY REPORT

PHILOSOPHY OF RESPONSIBILITY

Sharing of value created for the building of harmonious development

Anchored in the core responsibility philosophy of “value sharing and harmonious development”, Far East Horizon has always been dedicated to building a harmonious and symbiotic relationship with the investors, customers, partners, employees, governments and the community as a whole while constantly innovating and expanding its integrated operations services. Through sharing of value and achieving a “win-win” situation, the Company whole-heartedly promoted the industrial economy as well as the wellness, sustainability, stability and harmonious development of the society as a whole.

ACCOUNTABLE TO INVESTORS

Valuable in-depth cooperation to share the growth in China

Adhering to the notion of creating more value for customers, Far East Horizon constantly pushes the boundaries of the integrated operations services to fundamental industries, providing diverse and quality “one-stop” services. Far East Horizon has maintained steady growth in recent years, and continuously provided Shareholders and investors with growing return on value.

ACCOUNTABLE TO INDUSTRIES

Support industries upgrade and resurrection of the Chinese culture

Far East Horizon focuses on serving the fundamental industries, namely healthcare, construction, education, livelihood and consumption, industrial machinery, transportation & logistics and urban public utilities, and build industry-specific and professional operation and security systems that closely adhere to the needs of customer. The Company provides customization of specialized financial services and products, as well as industrial investment operations, equipment operation, trade brokers, management consulting, engineering services and other industries integrated operations services.

In the healthcare field, as one of the first comprehensive finance industry service providers in China focusing on healthcare, Far East Horizon Healthcare Group is committed to creating a full industry chain with financial service, hospital group and rehabilitation care as the core business, and forming a macro health industry “ecosystem” with openness as concept, innovation as driver, coordination as support and win-win as goal.

In the construction field, Far East Horizon Infrastructure Construction Group is the sole comprehensive industry operation service provider offering multi-dimensional and comprehensive services for infrastructure construction industry in China. Over the past decade, Far East Horizon has established strong relationship with customers, built the three service platforms across the full infrastructural industry chain: an industry chain financial service platform for mainstream construction enterprises, a high-end construction equipment project management service platform for operational leasing companies, and an infrastructure investment and financing platform co-built with external professional organizations and influential construction enterprises.

■ CORPORATE SOCIAL RESPONSIBILITY REPORT

In the education sector, as one of the first comprehensive financial service organizations engaged in fields of education, science & technology, culture and sports in China, Far East Horizon Education Group has long been providing solutions in terms of investment and financing and consulting for multiple education, science, cultural tourism and sports organizations in China.

High-end resources platform was established to promote industry management upgrade

Based on the industrial investment platform, Far East Horizon has achieved good cooperation with domestic and foreign suppliers, channel distributors, governments, industry associations and other business partners. Through the integration of our own resources, we promote interaction and communication with partners and grow up together. Since 2007, Far East Horizon has begun to actively promote industrial interaction and communication in various industrial fields, such as the establishment of the celebrities club, the Far East Healthcare Managers Institute, the Far East Educational Alliance, and the organization of the Far East Finance Summit Forum and the Cross-Strait Hospital Management and Development Summit Forum and etc.

EMPLOYEE RESPONSIBILITIES

Employee value was respected and care devoted to the growth of employees

Over the years, Far East Horizon earnestly listened to voices of employees, and provided diverse, inclusive, open, equal and vigorous work environments and a broad stage for their career fulfillment. Furthermore, Far East Horizon has tirelessly worked towards alleviating their worries, whilst nurturing respect, trust and encouraging greater employee cooperation and collaboration.

Employee rights

Far East Horizon calls on all employees to take ownership and encourages employees to participate in enterprise management. At the same time the Company set up multiple channels such as mailbox to the president, rationalization of the proposal platforms and tea bars, so as to protect the right of the employee representatives in consultation, participation and supervision of the management.

Far East Horizon is devoted to providing fair development opportunities for employees and abiding by current national laws and regulations. The Company duly pays the five social insurances and one housing fund for employees on time and in full. We adopt multivariate policies and ensure that employees are not discriminated against because of their gender, age, background, ethnicity, race or religion. All employees are under the same career growth mechanism and their salary and benefits are consistent across different offices in the country. Male and female employees in the same post enjoy the same salaries and starting salaries are significantly higher than the each major operation place's local minimum wage.

■ CORPORATE SOCIAL RESPONSIBILITY REPORT

Employee development

In order to provide its employees with a diverse, open and equal working environment, Far East Horizon made constant improvements to the Company's human resources management system. Through the establishment of Far East College, Far East E Learning Platform and training information management system, Far East Horizon renovated in the development of a learning organization focusing in self-review, self-driven, self-enhancement, which created a team environment featuring all staff on a lifelong basis.

Employee care

Far East Horizon pays close attention to the physical and mental health of its employees. Through "large health benefits", Far East Horizon organizes regular staff health check, and organizes all kinds of physical and mental health workshop for women workers, parenting and health issues. These initiatives effectively identified and traced the risk of physical and mental health of employees, mitigated the stress on work and life for the staff, and fulfilled the health needs of employees.

Far East Horizon advocates staff to balance work and life. We formulated mechanism to ensure that employees can enjoy reasonable rest and leave, and relied on community activities to encourage employees in actively participating in various fitness activities.

By adhering to the principle of "helping the poor, caring and loving", the Company set up an "assistance plan for the loved ones" and "milk bottle assistance plan" under the workers' union, providing necessary financial aid and support for employees or current graduates in difficulties or jeopardy, respectively.

SOCIAL WELFARE ACTIVITIES

We were kind at heart and showed boundless love.

For a long time, Far East Horizon has actively shouldered its corporate social responsibilities, contributing to the healthy, stable and continuous development of the society. Far East Horizon established the Beijing Horizon Charity Foundation and Shanghai Horizon Charity Foundation in 2014 and 2015, respectively, further expanding the area of benefit and influence of the Company.

Since its establishment, the foundation has stuck to its initial principle, focused on people's livelihood, drawn on its strengths and organized public programs and events in various areas including scholarships and student grants, helping the poor, medical and emergency assistance and volunteer services. Public programs were organized across 50 cities in 28 provinces or autonomous regions, with nearly RMB32 million of donations and over 50,000 direct beneficiaries.

■ CORPORATE SOCIAL RESPONSIBILITY REPORT

Scholarships and student grants

For seven years, the foundation has organized scholarship and student grant programs in 20 cities and 24 schools across China, subsidising over 9,000 students. The foundation not only provides scholarships and student grants to outstanding college students to help students better complete their studies, but at the same time also pays attention to the difficulties faced by primary and secondary school students in the central and western regions arising from a lack of educational resources.

Helping the poor

Actively responding to the call of government of “targeted poverty alleviation”, the foundation increased its efforts accordingly, carrying out long-term poverty alleviation programs in the poverty-stricken areas, with over 8,500 beneficiaries to date. Bringing warmth and hope to the poor and giving them social support have been the purpose of Horizon Charity Foundation from the beginning. Meanwhile, with the shift of the PRC strategy from targeted poverty alleviation to rural revitalization, the foundation has launched public welfare projects focused on improving the sustainable development capacity of poverty-stricken rural areas and improving basic public service facilities, such as the “Tibet Shigatse Grassroots Animal Vaccine Cold Chain” (西藏日喀則市基層動物疫苗冷鏈) support project, the “Yunshang Jingmai” (雲上景邁) green industry support project in Yunnan, the “Horizon Warmth Action” (宏信暖心行動) love and care project, and the “Hong Se Mi Yun, Dang Jian Wo Hang” (紅色密雲黨建我行) project for improving office conditions of grassroots party organizations, with a total public welfare expense of over RMB1.1 million and over 30,000 direct beneficiaries. The service has benefited over 100,000 people. In particular, the “Tibet Shigatse Grassroots Animal Vaccine Cold Chain” support project has significantly reduced the development risks of the local breeding industry and benefited 100,000 people in frontier areas, which helped to revitalize the rural areas while maintaining the security and stability of frontier areas to a certain extent.

Medical and emergency assistance

With its focus on groups with hardship getting medical treatment, The foundation organized medical assistance programs in over 30 cities across China, providing financial support for impoverished patients and helping families falling into poverty due to illness. In addition, the foundation supported the medical development of the western region, elevated overall local diagnosis and treatment technology, and delivering hope to more patients and families, with close to 1,800 beneficiaries in total. Meanwhile, in the face of emergency disasters, the foundation, along with other sectors of the community, have actively participated in humanitarian aid projects under the coordination of government authorities. During the COVID-19 pandemic and the massive flood in Henan, they provided support for or directly dispatched rescue teams to participate in rescue missions. In addition, they helped the public by participating in various poverty alleviation and aid projects, which have accumulated over 20,000 beneficiaries. In addition, after the aid projects, the foundation actively participated in the post-disaster reconstruction as a social force, and is committed to contributing to the green recovery and sustainable development of the disaster-stricken areas.

Volunteer services

The foundation set up a volunteer service platform for staff of the Company and caring people in the community, formed the Far East Horizon Volunteer Team and continuously carried out various diverse volunteer activities such as the “Dishui Lake Charity Run” (滴水湖公益跑活動), “Care for Left-behind Children in Chongming Volunteer Activities” (關愛崇明留守兒童志願者活動) and the “Charity Caring Event at Children’s Home in Chinese New Year” (新年兒福院慈善關愛活動), bringing joy and happiness to the community, spreading the spirit of charitable philosophy of “gathering small love in the heart, showing love without boundaries” and promoting the spirit of volunteering.

■ CORPORATE SOCIAL RESPONSIBILITY REPORT

Award recognition

- The honor of full score under the CFC Foundation Transparency Index and ranking first in China for consecutive years
- The “Aona Award – 2021 Outstanding Charity Brand” at the 4th Social Responsibility Conference
- The “2021 Charity Driving Force Award” at the 11th China Philanthropy Festival
- The “2021 Social Responsibility Award of Listed Companies” at the 11th China Philanthropy Festival
- The “Charity Project of the Year” Award at the Newweekly Better Life Charity Conference in 2021

INDEPENDENT AUDITOR'S REPORT



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

OPINION

We have audited the consolidated financial statements of Far East Horizon Limited (the "Company") and its subsidiaries (the "Group") set out on pages 139 to 324, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
<i>Impairment assessment of loans and accounts receivable</i>	
<p>As at 31 December 2021, the Group's loans and accounts receivable consisted of lease receivables, interest receivables, notes receivable, accounts receivable, factoring receivables, entrusted loans, long-term receivables and secured loans, and accounted for 75.1% of the Group's total assets. The assessment of impairment of such loans and accounts receivable was considered to be a matter of most significance as it required the application of judgement and use of subjective assumptions by management.</p> <p>HKFRS 9 requires the use of the "expected credit loss" ("ECL") model for the measurement of impairment allowances of financial assets. In measuring the ECLs of loans and accounts receivable under HKFRS 9, management need to apply judgement, make necessary assumptions and select reasonable ECL model methodology in aspects such as determining whether there are significant increases in credit risk, determining the parameters and the forward-looking adjustments.</p> <p>The accounting policies, disclosures of the allowances for impairment of loans and receivables and the related credit risk are included in Note 2.4, Note 3, Note 23 and Note 47 to the consolidated financial statements.</p>	<p>We evaluated and tested the effectiveness of the design and implementation of key controls relating to approval, post approval monitoring, credit grading management, and loan impairment assessment.</p> <p>We adopted a risk-based sampling approach in our tests of the allowances for impairment of loans and receivables.</p> <p>We selected samples of loans considering size, risk factors, industry trends for our tests on the reasonableness of loan grading and measurement of impairment.</p> <p>We evaluated and tested the key parameters of the expected credit loss model, management's major judgements and related assumptions, mainly focusing on the following aspects:</p> <ul style="list-style-type: none"> • Assessing the reasonableness of the expected credit loss model methodology and related parameters, including probability of default, loss given default, exposure at default, and significant increase in credit risk; • Assessing the reasonableness of the management's consideration of forward-looking adjustment information when determining expected credit losses, including the use of macroeconomic information and the judgement of adjustments. <p>We also assessed the appropriateness of the Group's disclosures of the allowances for impairment of loans and receivables and the related credit risk in Note 2.4, Note 3, Note 23 and Note 47 to the consolidated financial statements.</p>

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
<i>Impairment assessment of goodwill</i>	
<p>For the year ended 31 December 2021, the impairment of the Group's goodwill amounted to RMB1,658 million, representing 16.6% of profit before tax. The annual impairment assessment on such goodwill was complex and involved the use of various significant assumptions and estimates in respect of future profitability discount rates, and others.</p> <p>The accounting policies and disclosures of the impairment assessment of goodwill are included in Note 2.4, Note 3 and Note 15 to the consolidated financial statements.</p>	<p>Our audit procedures included, amongst others, assessing and testing the assumptions, methodologies, and data used by the Group in performing the impairment assessment of goodwill. We involved our valuation specialists in performing these procedures. We evaluated the reasonableness of the forecasted future profitability and discount rates used. We also assessed the historical reasonableness of management's forecasts.</p> <p>We also assessed the appropriateness of the Group's disclosures included in Note 2.4, Note 3 and Note 15 to the consolidated financial statements about the key assumptions.</p>

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Leung Shing Kit.

Ernst & Young
Certified Public Accountants
Hong Kong
16 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

		2021	2020
	Notes	RMB'000	RMB'000
Interest income	5	19,168,370	16,521,643
Revenue from operating leases	5	4,463,348	2,484,554
Revenue from contracts with customers	5	10,150,267	10,163,067
Tax and surcharges		(138,062)	(127,463)
Cost of sales	7	(16,431,419)	(14,076,166)
Other income and gains	5	3,302,992	1,979,628
Selling and distribution costs		(2,568,648)	(2,135,955)
Administrative expenses		(5,309,607)	(4,076,227)
Impairment losses on financial and contract assets, net		(1,218,533)	(2,598,922)
Gains/(losses) on derecognition of financial assets measured at amortised cost		7,349	(129,292)
Other expenses		(1,158,812)	(347,808)
Finance costs	6	(915,665)	(617,171)
Share of net profits of:			
Associates		451,607	492,457
Share of net profits/(losses) of:			
Joint ventures		210,111	(24,799)
PROFIT BEFORE TAX	7	10,013,298	7,507,546
Income tax expense	10	(3,785,040)	(2,474,559)
PROFIT FOR THE YEAR		6,228,258	5,032,987
Attributable to:			
Ordinary shareholders of the parent		5,512,245	4,575,751
Holders of perpetual securities	38	384,082	455,022
Non-controlling interests		331,931	2,214
		6,228,258	5,032,987
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12	RMB	RMB
Basic			
– Earnings per share		1.36	1.20
Diluted			
– Earnings per share		1.25	1.16

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

		2021	2020
	Notes	RMB'000	RMB'000
PROFIT FOR THE YEAR		6,228,258	5,032,987
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods, net of tax:			
Cash flow hedges:			
Effective portion of changes in fair value of hedging instruments arising during the year	22	(871,716)	(2,476,186)
Reclassification to the consolidated statement of profit or loss		1,128,891	2,553,261
Income tax effect		(44,857)	(19,408)
		212,318	57,667
Exchange differences on translation of foreign operations		68,700	141,931
Reclassification adjustments for a foreign operation disposed of during the year		14,580	–
		83,280	141,931
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		295,598	199,598
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		295,598	199,598
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		6,523,856	5,232,585
Attributable to:			
Ordinary shareholders of the parent		5,807,843	4,775,349
Holders of perpetual securities		384,082	455,022
Non-controlling interests		331,931	2,214
		6,523,856	5,232,585

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

		31 December 2021	31 December 2020
	Notes	RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	24,530,838	16,871,601
Right-of-use assets	14(a)	1,865,058	2,059,242
Goodwill	15	373,982	2,032,232
Other intangible assets	16	72,228	49,129
Investments in joint ventures	18	2,604,136	2,326,760
Investments in associates	19	5,216,146	4,964,459
Financial assets at fair value through profit or loss	20	9,490,218	6,176,714
Derivative financial instruments	22	21,874	69,202
Loans and accounts receivables	23	118,618,025	106,476,358
Prepayments, other receivables and other assets	24	4,614,212	8,579,835
Deferred tax assets	26	5,394,566	5,142,900
Restricted deposits	27	–	142
Total non-current assets		172,801,283	154,748,574
CURRENT ASSETS			
Inventories	28	559,020	397,381
Loans and accounts receivables	23	133,599,982	122,920,949
Contract assets	25	276,859	110,132
Prepayments, other receivables and other assets	24	4,774,712	2,903,998
Debt investment at fair value through other comprehensive income	21	699,039	108,176
Financial assets at fair value through profit or loss	20	3,270,140	3,165,851
Derivative financial instruments	22	457	219,765
Restricted deposits	27	4,239,760	3,474,727
Cash and cash equivalents	27	15,659,036	11,877,235
Total current assets		163,079,005	145,178,214
CURRENT LIABILITIES			
Trade and bills payables	29	13,890,322	7,880,410
Other payables and accruals	30	16,795,266	15,223,636
Derivative financial instruments	22	1,077,111	297,441
Interest-bearing bank and other borrowings	31	122,694,483	103,931,451
Lease liabilities	14(b)	163,638	237,544
Income tax payable		2,172,065	1,764,699
Total current liabilities		156,792,885	129,335,181
NET CURRENT ASSETS		6,286,120	15,843,033
TOTAL ASSETS LESS CURRENT LIABILITIES		179,087,403	170,591,607

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

		31 December 2021	31 December 2020
	Notes	RMB'000	RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		179,087,403	170,591,607
NON-CURRENT LIABILITIES			
Convertible bonds – host debts	32	3,321,086	2,924,074
Interest-bearing bank and other borrowings	31	104,185,173	98,360,630
Lease liabilities	14(b)	443,377	583,048
Derivative financial instruments	22	1,291,753	1,557,724
Deferred tax liabilities	26	386,850	244,077
Other payables and accruals	30	9,960,457	16,304,185
Deferred revenue	33	1,465,194	1,064,019
Other non-current liabilities	48	4,979,403	4,286,717
Total non-current liabilities		126,033,293	125,324,474
Net assets		53,054,110	45,267,133
EQUITY			
Equity attributable to ordinary shareholders of the parent			
Share capital	34	13,042,863	10,397,104
Equity component of convertible bonds	32	233,750	338,050
Reserves	37	28,245,937	23,384,298
		41,522,550	34,119,452
Holders of perpetual securities	38	7,514,376	8,478,063
Non-controlling interests		4,017,184	2,669,618
Total equity		53,054,110	45,267,133

Kong Fanxing

Director

Wang Mingzhe

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	Attributable to ordinary shareholders of the parent													
	Share capital	Equity component of convertible bonds	Capital reserve	Shares held for the share award scheme	State-based compensation reserve	Special reserve	Reserve fund	Hedging reserve	Exchange fluctuation reserve	Retained profits	Total	Perpetual securities	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	10,281,212	-	1,535,462	(1,070,078)	407,015	8,346	121,913	(311,956)	611,888	18,544,634	30,128,436	9,860,211	1,546,128	41,534,775
Profit for the year	-	-	-	-	-	-	-	-	-	4,575,751	4,575,751	455,022	2,214	5,032,987
Other comprehensive income for the year:														
Cash flow hedges, net of tax	-	-	-	-	-	-	-	57,667	-	-	57,667	-	-	57,667
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	141,931	-	141,931	-	-	141,931
Total comprehensive income	-	-	-	-	-	-	-	57,667	141,931	4,575,751	4,775,349	455,022	2,214	5,232,585
Final 2019 dividend declared (net of dividends received from shares held for the share award scheme)	-	-	-	-	-	-	-	-	-	(1,143,486)	(1,143,486)	-	-	(1,143,486)
Distribution paid to holders of perpetual securities	-	-	-	-	-	-	-	-	-	-	-	(499,070)	-	(499,070)
Shares vested under the restricted share award scheme	-	-	-	203,131	(166,840)	-	-	-	-	(36,291)	-	-	-	-
Transfer of share option reserve upon exercise of share options	115,892	-	-	-	(23,798)	-	-	-	-	-	92,094	-	-	92,094
Recognition of equity-settled share-based payments	-	-	-	-	162,846	-	-	-	-	-	162,846	-	-	162,846
Special reserve – safety fund appropriation	-	-	-	-	-	16,568	-	-	-	(18,063)	(1,495)	-	1,495	-
Capital injection by non-controlling shareholders	-	-	4,182	-	-	-	-	-	-	-	4,182	-	1,117,966	1,122,148
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(20,798)	(20,798)
Purchase of non-controlling interests	-	-	(236,524)	-	-	-	-	-	-	-	(236,524)	-	(140,491)	(377,015)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	210,871	210,871
Dividends declared to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	(47,767)	(47,767)
Issue of perpetual securities (Note 38)	-	-	-	-	-	-	-	-	-	-	-	3,661,900	-	3,661,900
Redemption of perpetual securities (Note 38)	-	-	-	-	-	-	-	-	-	-	-	(5,000,000)	-	(5,000,000)
Issue of convertible bonds (Note 32)	-	338,050	-	-	-	-	-	-	-	-	338,050	-	-	338,050
At 31 December 2020	10,397,104	338,050	1,303,120	(866,947)	379,223	24,914	121,913	(254,289)	753,819	21,922,545	34,119,452	8,478,063	2,669,618	45,267,133

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	Attributable to ordinary shareholders of the parent											Total equity		
	Share capital	Equity component of convertible bonds	Capital reserve	Shares held for the share award scheme	State-based compensation reserve	Special reserve	Reserve fund	Hedging reserve	Exchange fluctuation reserve	Retained profits	Total		Perpetual securities	Non-controlling interests
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	10,397,104	338,050	1,303,120	(866,947)	379,223	24,914	121,913	(254,289)	753,819	21,922,545	34,119,452	8,478,063	2,669,618	45,267,133
Profit for the year	-	-	-	-	-	-	-	-	-	5,512,245	5,512,245	384,082	331,931	6,226,258
Other comprehensive income for the year:														
Cash flow hedges, net of tax	-	-	-	-	-	-	-	212,318	-	-	212,318	-	-	212,318
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	83,280	-	83,280	-	-	83,280
Total comprehensive income	-	-	-	-	-	-	-	212,318	83,280	5,512,245	5,807,843	384,082	331,931	6,523,856
Final 2020 dividend declared (net of dividends received from shares held for the share award scheme)	-	-	-	-	-	-	-	-	-	(1,205,585)	(1,205,585)	-	-	(1,205,585)
Distribution paid to holders of perpetual securities	-	-	-	-	-	-	-	-	-	-	-	(377,769)	-	(377,769)
Shares vested under restricted share award scheme	-	-	-	135,391	(118,303)	-	-	-	-	(16,888)	-	-	-	-
Transfer of share option reserve upon exercise of share options	69,090	-	-	-	(14,314)	-	-	-	-	-	54,776	-	-	54,776
Recognition of equity-settled share-based payments	-	-	-	99,761	-	-	-	-	-	-	99,761	-	-	99,761
Special reserve – safety fund appropriation	-	-	-	-	-	21,259	-	-	-	(26,261)	(5,002)	-	5,002	-
Capital injection by non-controlling shareholders	-	-	488,434	-	-	-	-	-	-	-	488,434	-	1,978,050	2,466,484
Disposal of subsidiaries (Note 39)	-	-	84,262	-	-	-	-	-	-	(84,262)	-	-	63,247	63,247
Purchase of non-controlling interests	-	-	138,564	-	-	-	-	-	-	-	138,564	-	(25,445)	113,119
Dividends declared to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(90,310)	(90,310)	(90,310)
Redemption of perpetual securities (Note 38)	-	-	-	-	-	-	-	-	-	-	-	(970,000)	-	(970,000)
Issue of convertible bonds (Note 32)	-	138,925	-	-	-	-	-	-	-	-	138,925	-	-	138,925
Issue of shares upon conversion of convertible bonds (Note 34)	2,576,669	(243,225)	-	-	-	-	-	-	-	-	2,333,444	-	-	2,333,444
Put option granted to non-controlling Shareholders (Note 48)	-	-	(448,062)	-	-	-	-	-	-	(448,062)	-	-	(914,909)	(1,362,971)
At 31 December 2021	13,042,863	233,750	1,566,318*	(731,556)*	346,167*	46,173*	121,913*	(41,971)*	837,099*	26,101,794*	41,522,550	7,514,376	4,017,184	53,054,110

* These reserve accounts comprise the consolidated reserves of RMB28,245,937,000 (31 December 2020: RMB23,384,298,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

		2021	2020
	Notes	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		10,013,298	7,507,546
Adjustments for:			
Finance costs		9,815,523	8,630,202
Bank interest income	5	(189,873)	(166,067)
Share of net profits of associates		(451,607)	(492,457)
Share of net (profits)/losses of joint ventures		(210,111)	24,799
Gains on unlisted debt investments, at fair value	5	(90,218)	(111,511)
Gains on disposal of property, plant and equipment, net		(77,904)	(25,699)
Gains on disposal of subsidiaries	5	(128,649)	(36,135)
Gains on disposal of a joint venture	5	(41,341)	(600)
Gains on disposal of part of the equity of an associate	5	(117,138)	(1,807)
Depreciation of property, plant and equipment	13	2,126,751	1,561,746
Depreciation of right-of-use assets	14	150,520	251,414
Impairment of loans and accounts receivables	7	1,163,272	2,543,266
Impairment of property, plant and equipment	7	12,834	672,410
Impairment of inventories	7	29	18,422
Impairment of prepayments, other receivables and other assets		32,729	138,448
Impairment of right-of-use assets	7	42,641	89,860
Impairment of credit commitments	7	22,532	(5,990)
Impairment of investments in joint ventures	7	90,270	10,416
Impairment of goodwill	7	1,658,164	274,560
Interest expense on lease liabilities	14	37,229	56,610
Amortisation of intangible assets and other assets	7	24,988	41,821
Equity-settled share-based payment expense	7	99,761	162,846
Foreign exchange loss/(gain), net	7	8,210	(41,787)
Realised gains on derecognition of financial assets at fair value through profit or loss		(71,695)	(30)
Fair value losses from financial liabilities at fair value through profit or loss		552,603	-
Fair value gains from financial assets at fair value through profit or loss		(464,819)	(65,405)
Dividends from financial assets at fair value through profit or loss	5	(54,409)	(38,857)
		23,953,590	20,998,021

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

		2021	2020
	Notes	RMB'000	RMB'000
Increase in inventories		(162,346)	(8,235)
Increase in loans and accounts receivables		(27,038,449)	(31,033,398)
Increase in contract assets		(166,727)	(87,486)
Decrease in prepayments, other receivables and other assets		636,321	1,277,837
(Increase)/Decrease in restricted cash related to asset-backed securitisations, collective fund trusts and litigation		(83,689)	3,040,137
Increase in trade and bills payables		5,947,184	3,413,688
Decrease in other payables and accruals		(5,185,155)	(11,194,639)
Increase in other liabilities		401,175	9,713
Net cash flows used in operating activities before tax and interest		(1,698,096)	(13,584,362)
Interest paid		(9,826,497)	(8,060,428)
Bank interest received		189,873	166,067
Income tax paid		(3,532,820)	(2,983,629)
Net cash flows used in operating activities		(14,867,540)	(24,462,352)
CASH FLOWS FROM INVESTING ACTIVITIES			
Gains on unlisted debt investments, at fair value	5	90,218	111,511
Proceeds from disposal of property, plant and equipment		463,079	853,637
Acquisition of subsidiaries		-	(200,287)
Purchase of items of property, plant and equipment, intangible assets and other long term assets		(10,458,527)	(7,173,044)
Purchase of shareholdings for joint ventures		(339,192)	(232,205)
Purchase of shareholdings for associates		(153,239)	(148,953)
Dividend received from joint ventures		104,028	25,531
Dividend received from associates		198,955	188,222
Proceeds from disposal of a joint venture		118,814	75,677
Proceeds from disposal of part of the equity of an associate		271,341	481,050
Purchase of financial assets at fair value through profit or loss		(3,360,018)	(5,857,789)
Disposal of subsidiaries		(8,069)	252,771
Disposal of financial assets at fair value through profit or loss		3,227,490	1,068,999
Net cash flows used in investing activities		(9,845,120)	(10,554,880)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

		2021	2020
	Notes	RMB'000	RMB'000
Net cash flows used in investing activities		(9,845,120)	(10,554,880)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received upon exercise of share options		54,776	92,094
Capital injection from non-controlling shareholders		3,145,745	1,297,530
Purchase of non-controlling interests		(41,736)	(211,571)
Cash received from borrowings		184,649,204	162,505,917
Repayments of borrowings		(158,592,043)	(120,061,686)
Principal portion of lease payments		(186,395)	(962,182)
Dividends paid		(1,205,585)	(1,143,486)
Increase in pledged deposits		(681,202)	(548,345)
Realised fair value (losses)/gains from derivative financial instruments in hedges for borrowings		(113,017)	475,907
Distribution paid to holders of perpetual securities	38	(377,769)	(499,070)
Dividends paid to non-controlling shareholders		(74,846)	(46,896)
Issue of perpetual securities		-	3,661,900
Redemption of perpetual securities		(970,000)	(5,000,000)
Issue of convertible bonds		2,908,605	3,382,700
Net cash flows from financing activities		28,515,737	42,942,812
NET INCREASE IN CASH AND CASH EQUIVALENTS		3,803,077	7,925,580
Cash and cash equivalents at beginning of year		11,877,235	3,989,571
Effect of exchange rate changes on cash and cash equivalents		(21,276)	(37,916)
CASH AND CASH EQUIVALENTS AT END OF YEAR		15,659,036	11,877,235

NOTES TO FINANCIAL STATEMENTS

31 December 2021

1. CORPORATE AND GROUP 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 to Far East Horizon Limited. The registered office address of the Company is Unit 6608, 66/F, International Commerce Centre, 1 Austin Road West, Kowloon.

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, entrusted loan arrangements, factoring, the provision of advisory services, equipment operation business, industrial operation business and other services as approved by the Ministry of Commerce (the “MOFCOM”) of the People’s Republic of China (the “PRC”).

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments and financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand (“RMB’000”) except when otherwise indicated.

Through a group reorganisation (the “Reorganisation”) as set out in the section headed “Our History and Reorganisation” in the Prospectus dated 18 March 2011 for the public listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company became the holding company of the companies comprising the Group on 13 March 2009. The Company was listed on the Stock Exchange on 30 March 2011.

Basis of consolidation

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

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

Amendment to HKFRS 16

Interest Rate Benchmark Reform – Phase 2

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

NOTES TO FINANCIAL STATEMENTS

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2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

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

The Group had certain interest-bearing bank and other borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate (“HIBOR”) and United States dollars based on the London Interbank Offered Rate (“LIBOR”) as at 31 December 2021. The Group also had an interest rate swap whereby the Group pays interest at a fixed rate of 0.4530% and receives interest at a variable rate based on LIBOR on the notional amount. The Group expects that HIBOR will continue to exist and the interest rate benchmark reform has not had an impact on the Group’s HIBOR-based borrowings. For the LIBOR-based borrowings and interest rate swap, since the interest rates of these instruments were not replaced by RFRs during the year, the amendments did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings and interest rate swap are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments provided that the “economically equivalent” criterion is met. Additional information about the transition and the associated risks is disclosed in note 47 to the financial statements.

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2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

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

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework¹</i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
HKFRS 17	<i>Insurance Contracts²</i>
Amendments to HKFRS 17	<i>Insurance Contracts^{2,5}</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current^{2,4}</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies²</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates²</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction²</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use¹</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract¹</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	<i>Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41¹</i>

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

- 1 Effective for annual periods beginning on or after 1 January 2022
- 2 Effective for annual periods beginning on or after 1 January 2023
- 3 No mandatory effective date yet determined but available for adoption
- 4 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion
- 5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

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

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

Amendments to HKAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The Group has applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group will recognise a deferred tax asset and a deferred tax liability for deductible and taxable temporary differences associated with right-of-use assets and lease liabilities, and recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained profits at the beginning of the earliest comparative period presented.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

NOTES TO FINANCIAL STATEMENTS

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Group retrospectively adjusts the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. During the measurement period, the Group also recognises additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the Group receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill at the end of each reporting period. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

The Group measures its debt investments, equity investments and derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

NOTES TO FINANCIAL STATEMENTS

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

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

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

- (b) the party is an entity where any of the following conditions applies:
- (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third party;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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

Category	Annual depreciation rate
Leasehold improvements	Shorter of the remaining period of the lease and the useful life of the assets
Buildings	1.90-25.00%
Equipment, tools and moulds	5.00-33.33%
Office equipment and computers	9.00-33.33%
Motor vehicles	9.00-32.33%
Vessels	3.20-10.53%
Others	20.00-50.00%

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	40 to 50 years
Buildings	1 to 25 years
Equipment	5 to 10 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessor (continued)

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying assets to the lessee are accounted for as finance leases.

At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease. The finance income on the net investment in the lease is recognised in the statement of profit or loss so as to provide a constant periodic rate of return over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Financial assets at fair value through profit or loss (continued)

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the general approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and accruals and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement (continued)

Financial liabilities at fair value through profit or loss (continued)

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent measurement (continued)

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is “an economic relationship” between the hedged item and the hedging instrument.
- The effect of credit risk does not “dominate the value changes” that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges which meet all the qualifying criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment to which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to the statement of profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the statement of profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to the statement of profit or loss as a reclassification adjustment. After the discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income is accounted for depending on the nature of the underlying transaction as described above.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

Fair value hedges

The change in the fair value of a hedging instrument is recognised in the statement of profit or loss as other expenses. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying amount of the hedged item and is also recognised in the statement of profit or loss as other expenses.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the statement of profit or loss over the remaining term of the hedge using the effective interest rate method. Effective interest rate amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value is recognised immediately in the statement of profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the statement of profit or loss. The changes in the fair value of the hedging instrument are also recognised in the statement of profit or loss.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into a current or non-current portion based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Treasury shares

Own equity instruments which are required and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instrument.

Perpetual securities

Perpetual securities issued by the Group contain no contractual obligation to deliver cash or another financial asset, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group. The Group classifies such perpetual securities issued as an equity instrument. Fees, commissions and other transaction costs of such perpetual securities issuance are deducted from equity. The distributions on perpetual securities are recognised as profit distribution at the time of declaration.

Inventories

Inventories are goods valued at the lower of cost and net realisable value at the end of the reporting period. The cost of inventories issued is determined on the weighted – average basis and specific identification basis. The difference between the cost and the lower net realisable value is stated as a provision. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs to be incurred to completion and estimated expenses and related taxes necessary to make the sale.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks (including term deposits with original maturity of less than three months), and assets similar in nature to cash, which are not restricted as to use.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

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

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

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general policy for provisions above; and (ii) the amount initially recognised less, when appropriate, the amount of income recognised in accordance with the policy for revenue recognition.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the jurisdictions in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (Continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

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

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

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

(a) Sale of goods

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

(b) Construction services

Revenue from the provision of construction services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

(c) Provision of services

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

Revenue from other sources

Operating lease income

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

Finance lease, factoring and loan interest income

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

Other income

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

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

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

- (a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
- (b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- (c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Share-based payments

The Company operates a share option scheme and a restricted share award scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using appropriate valuation models, further details of which are given in Note 35 and Note 36 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

Salaries and bonuses, social security contributions and other short term employee benefits are accrued in which services have been rendered by the employees of the Group.

The employees of the Company and its subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The entities are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

In addition, employees in Mainland China also participate in a defined contribution retirement benefit plan established by the Group (the "Annuity Plan"). The Group and its employees are required to contribute a certain percentage of the employees' previous year's basic salaries to the Annuity Plan. The contribution is charged to the statement of profit or loss when it incurs. The Group pays a fixed contribution into the Annuity Plan and has no obligation to pay further contributions even if the Annuity Plan does not hold sufficient assets to pay all employee benefits.

Contributions to these plans are recognised in the statement of profit or loss as incurred. There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of subsidiaries whose functional currency is other than RMB are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of subsidiaries with a functional currency other than RMB which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Classification between finance leases and operating leases

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

Situations that would normally lead to a lease being classified as a finance lease include the following:

- the lease transfers ownership of the asset to the lessee by the end of the lease term;
- the lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable and, at the inception of the lease, it is reasonably certain that the option will be exercised;
- the lease term is for the major part of the economic life of the asset, even if the title is not transferred;
- at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset;
- and the leased assets are of a specialised nature such that only the lessee can use them without major modifications being made.

Significant judgement in determining the lease term of contracts with renewal options

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate the lease.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Significant judgement in determining the lease term of contracts with renewal options (continued)

The Group includes the renewal period as part of the lease term for leases of buildings due to the significance of these assets to its operations. These leases have a short non-cancellable period and there will be a significant negative effect on operation if a replacement is not readily available.

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimation of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the goodwill at 31 December 2021 was RMB373,982,000 (31 December 2020: RMB2,032,232,000). Further details are given in Note 15.

Impairment of financial instruments

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2021

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of non-financial assets (other than goodwill)

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

Deferred tax assets and liabilities

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Where the actual or expected tax positions of the relevant companies of the Group in future are different from the original estimates, such differences will impact on the recognition of deferred tax assets and liabilities and income tax charge in the period in which such estimate has been changed.

Fair value of financial instruments

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

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

Share-based payments

Estimating the fair value for share-based payment transactions requires determination of an appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including volatility, the expected exercise behaviour and dividend yield, etc, and making assumptions about them. The assumptions and models used for estimating the fair value for share-based payment transactions are disclosed in Note 35 and Note 36.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

4. OPERATING SEGMENT INFORMATION

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

- The financial, lease and advisory business comprises (a) direct finance leasing; (b) sale-leaseback; (c) factoring; (d) entrusted loans; (e) operating leases and (f) advisory services.
- The industrial operation and management 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) hospital and healthcare management and (e) 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 and assets mainly include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2021

4. OPERATING SEGMENT INFORMATION (continued)

As at and for the year ended 31 December 2021

	Financial, lease and advisory	Industrial operation and management	Adjustments and eliminations	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue: (Note 5)				
Sales to external customers	28,426,363	5,217,560	-	33,643,923
Intersegment sales	212,696	45,075	(257,771)	-
Cost of sales	(12,161,826)	(4,269,593)	-	(16,431,419)
Other income and gains	2,672,815	648,503	(18,326)	3,302,992
Selling and distribution costs and administrative expenses	(5,517,023)	(2,419,512)	58,280	(7,878,255)
Other expenses	(1,068,301)	(90,511)	-	(1,158,812)
Finance costs	(862,568)	(270,914)	217,817	(915,665)
Impairment losses on financial and contract assets	(1,154,195)	(64,338)	-	(1,218,533)
Gains on disposal of financial assets measured at amortised cost	7,349	-	-	7,349
Share of profits of associates	449,355	2,252	-	451,607
Share of profits of joint ventures	28,934	181,177	-	210,111
Profit before tax	11,033,599	(1,020,301)	-	10,013,298
Income tax expense	(3,722,392)	(62,648)	-	(3,785,040)
Profit after tax	7,311,207	(1,082,949)	-	6,228,258
Segment assets	333,128,048	17,064,363	(14,312,123)	335,880,288
Other segment information:				
Impairment losses recognised in the statement of profit or loss	1,144,037	1,878,434	-	3,022,471
Depreciation and amortisation	1,856,502	445,756	-	2,302,258
Capital expenditure	10,162,266	788,692	-	10,950,958

NOTES TO FINANCIAL STATEMENTS

31 December 2021

4. OPERATING SEGMENT INFORMATION (continued)

As at and for the year ended 31 December 2020

	Financial, lease and advisory	Industrial operation and management	Adjustments and eliminations	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue: (Note 5)				
Sales to external customers	24,244,818	4,796,983	–	29,041,801
Intersegment sales	250,416	59,617	(310,033)	–
Cost of sales	(10,106,625)	(3,978,614)	9,073	(14,076,166)
Other income and gains	1,591,966	399,381	(11,719)	1,979,628
Selling and distribution costs and administrative expenses	(4,702,882)	(1,570,733)	61,433	(6,212,182)
Other expenses	(204,566)	(143,242)	–	(347,808)
Finance costs	(547,066)	(321,351)	251,246	(617,171)
Impairment losses on financial and contract assets	(2,378,935)	(219,987)	–	(2,598,922)
Losses on disposal of financial assets measured at amortised cost	(129,292)	–	–	(129,292)
Share of profits of associates	385,515	106,942	–	492,457
Share of losses of joint ventures	(12,633)	(12,166)	–	(24,799)
Profit before tax	8,390,716	(883,170)	–	7,507,546
Income tax expense	(2,404,475)	(70,084)	–	(2,474,559)
Profit after tax	5,986,241	(953,254)	–	5,032,987
Segment assets	293,787,662	20,991,692	(14,852,566)	299,926,788
Other segment information:				
Impairment losses recognised in the statement of profit or loss	2,495,478	1,245,914	–	3,741,392
Depreciation and amortisation	1,260,039	594,942	–	1,854,981
Capital expenditure	5,788,295	1,966,195	–	7,754,490

NOTES TO FINANCIAL STATEMENTS

31 December 2021

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2021	2020
	RMB'000	RMB'000
Mainland China	33,240,927	28,686,665
Hong Kong	208,587	38,368
Other locations	194,409	316,768
	33,643,923	29,041,801

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

(b) Non-current assets

	2021	2020
	RMB'000	RMB'000
Mainland China	36,087,982	31,487,806
Hong Kong	809,833	950,688
	36,897,815	32,438,494

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

Information about major customers

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

NOTES TO FINANCIAL STATEMENTS

31 December 2021

5. INTEREST INCOME, REVENUE FROM OPERATING LEASES, REVENUE FROM CONTRACTS WITH CUSTOMERS, OTHER INCOME AND GAINS

		2021	2020
	Note	RMB'000	RMB'000
Interest Income			
Interest income from finance leases, factoring and loans		18,826,817	16,509,787
Interest income from financial assets at fair value through profit or loss		341,553	11,856
Revenue from operating leases		4,463,348	2,484,554
Revenue from contracts with customers	(i)	10,150,267	10,163,067
Taxes and surcharges		(138,062)	(127,463)
		33,643,923	29,041,801

NOTES TO FINANCIAL STATEMENTS

31 December 2021

5. INTEREST INCOME, REVENUE FROM OPERATING LEASES, REVENUE FROM CONTRACTS WITH CUSTOMERS, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2021

Segments	Financial, lease and advisory RMB'000	Industrial operation and management RMB'000	Total RMB'000
Types of goods or services			
Sale of goods	74,163	528,209	602,372
Construction services	1,519,288	–	1,519,288
Service fee income	3,178,894	–	3,178,894
Healthcare service income	–	3,928,718	3,928,718
Education service income	–	263,348	263,348
Chartering and brokerage income	–	273,491	273,491
Other income	156,986	227,170	384,156
Total revenue from contracts with customers	4,929,331	5,220,936	10,150,267
Geographical markets			
Hong Kong	29,168	92,989	122,157
Mainland China	4,897,695	4,936,006	9,833,701
Other locations	2,468	191,941	194,409
Total revenue from contracts with customers	4,929,331	5,220,936	10,150,267
Timing of revenue recognition			
Goods or services transferred at a point in time	2,495,877	2,198,639	4,694,516
Services transferred over time	2,433,454	3,022,297	5,455,751
Total revenue from contracts with customers	4,929,331	5,220,936	10,150,267

NOTES TO FINANCIAL STATEMENTS

31 December 2021

5. INTEREST INCOME, REVENUE FROM OPERATING LEASES, REVENUE FROM CONTRACTS WITH CUSTOMERS, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

For the year ended 31 December 2020

Segments	Financial, lease and advisory RMB'000	Industrial operation and management RMB'000	Total RMB'000
Types of goods or services			
Sale of goods	81,143	541,685	622,828
Construction services	1,062,760	–	1,062,760
Service fee income	3,836,492	–	3,836,492
Healthcare service income	–	3,359,729	3,359,729
Education service income	–	227,573	227,573
Chartering and brokerage income	–	372,910	372,910
Other income	363,382	317,393	680,775
Total revenue from contracts with customers	5,343,777	4,819,290	10,163,067
Geographical markets			
Hong Kong	17,793	20,575	38,368
Mainland China	5,325,984	4,481,947	9,807,931
Other locations	–	316,768	316,768
Total revenue from contracts with customers	5,343,777	4,819,290	10,163,067
Timing of revenue recognition			
Goods or services transferred at a point in time	3,304,346	2,048,008	5,352,354
Services transferred over time	2,039,431	2,771,282	4,810,713
Total revenue from contracts with customers	5,343,777	4,819,290	10,163,067

NOTES TO FINANCIAL STATEMENTS

31 December 2021

5. INTEREST INCOME, REVENUE FROM OPERATING LEASES, REVENUE FROM CONTRACTS WITH CUSTOMERS, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

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

For the year ended 31 December 2021

Segments	Financial, lease and advisory RMB'000	Industrial operation and management RMB'000	Total RMB'000
Revenue from contracts with customers			
External customers	4,929,331	5,220,936	10,150,267
Intersegment sales	12,361	45,075	57,436
Intersegment adjustments and eliminations	(12,361)	(45,075)	(57,436)
Total revenue from contracts with customers	4,929,331	5,220,936	10,150,267

For the year ended 31 December 2020

Segments	Financial, lease and advisory RMB'000	Industrial operation and management RMB'000	Total RMB'000
Revenue from contracts with customers			
External customers	5,343,777	4,819,290	10,163,067
Intersegment sales	5,999	58,516	64,515
Intersegment adjustments and eliminations	(5,999)	(58,516)	(64,515)
Total revenue from contracts with customers	5,343,777	4,819,290	10,163,067

NOTES TO FINANCIAL STATEMENTS

31 December 2021

5. INTEREST INCOME, REVENUE FROM OPERATING LEASES, REVENUE FROM CONTRACTS WITH CUSTOMERS, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

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

	2021	2020
	RMB'000	RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Service fee income	510,644	439,232
Sale of goods	23,662	–
	534,306	439,232

(ii) Performance obligations

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

Sale of goods

The performance obligation is satisfied upon delivery of the goods and payment is generally due within 60 to 180 days from delivery.

Construction services

The performance obligation is satisfied over time as services are rendered. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

5. INTEREST INCOME, REVENUE FROM OPERATING LEASES, REVENUE FROM CONTRACTS WITH CUSTOMERS, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(ii) Performance obligations (continued)

Services

The performance obligation is satisfied over time or at a point in time as services are rendered and short-term advances are normally required before rendering the services. Most service contracts are for periods of one year or less, or are billed based on the time incurred.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2021	2020
	RMB'000	RMB'000
Amounts expected to be recognised as revenue:		
Within one year	417,702	534,306
After one year	664,917	362,279
	1,082,619	896,585

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to service fee, of which the performance obligations are to be satisfied within 2 to 28 years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

5. INTEREST INCOME, REVENUE FROM OPERATING LEASES, REVENUE FROM CONTRACTS WITH CUSTOMERS, OTHER INCOME AND GAINS (continued)

		2021	2020
	Notes	RMB'000	RMB'000
Other income and gains			
Bank interest income		189,873	166,067
Gains on unlisted debt investments, at fair value		90,218	111,511
Gains on disposal of property, plant, and equipment		81,844	57,483
Government grants	5a	280,558	73,759
Fair value gains from financial assets at fair value through profit or loss		906,426	283,804
Interest income from continuing involvement in transferred assets		1,187,357	1,104,605
Dividends of financial assets at fair value through profit or loss		54,409	38,857
Realised gains on financial assets at fair value through profit or loss		158,306	22,353
Gains on disposal of subsidiaries		128,649	36,135
Gains on disposal of a joint venture		41,341	600
Gains on disposal of part of the equity of an associate		117,138	1,807
Foreign exchange gains, net:			
Cash flow hedges (transfer from equity to offset foreign exchange)		-	(2,488,036)
Foreign exchange gains		-	2,529,823
		-	41,787
Others		66,873	40,860
		3,302,992	1,979,628

5a. Government grants

	2021	2020
	RMB'000	RMB'000
Government special subsidies	280,558	73,759

NOTES TO FINANCIAL STATEMENTS

31 December 2021

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2021	2020
	RMB'000	RMB'000
Interest on bank loans, overdrafts and other loans for the industrial operation business	878,902	560,684
Interest on lease liabilities	37,229	56,610
Total interest expense on financial liabilities not at fair value through profit or loss	916,131	617,294
Less: Interest capitalised	(466)	(123)
	915,665	617,171

7. PROFIT BEFORE TAX

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

	2021	2020
	RMB'000	RMB'000
Cost of borrowings included in cost of sales	8,937,086	8,069,641
Cost of inventories sold	514,758	539,321
Cost of construction services	1,076,646	756,813
Cost of operating leases	2,091,079	1,185,393
Cost of chartering	164,865	218,211
Cost of healthcare services	3,194,195	2,747,195
Cost of education services	213,698	227,023
Cost of others	239,092	332,569
Depreciation of property, plant and equipment	272,897	254,823
Less: Government grants released*	(1,527)	(1,145)
	271,370	253,678

NOTES TO FINANCIAL STATEMENTS

31 December 2021

7. PROFIT BEFORE TAX (continued)

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

	2021	2020
	RMB'000	RMB'000
Depreciation of right-of-use assets	107,548	146,773
Amortisation of intangible assets and other assets	24,988	41,821
Auditors' remuneration – audit services	11,700	8,300
– other services	6,710	5,814
Employee benefit expense (including directors' remuneration (Note 8))		
– Wages and salaries		
Current year expenditure	4,138,986	3,711,139
Less: Government grants released*	(464,152)	(648,340)
	3,674,834	3,062,799
– Equity-settled share-based payment expense	99,761	162,846
– Pension scheme contributions	151,843	47,090
– Other employee benefits	270,909	211,778
	4,197,347	3,484,513

NOTES TO FINANCIAL STATEMENTS

31 December 2021

7. PROFIT BEFORE TAX (continued)

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

	2021	2020
	RMB'000	RMB'000
Impairment of investments in joint ventures	90,270	10,416
Impairment of goodwill (Note 15)	1,658,164	274,560
Impairment of loans and accounts receivables (Note 23)	1,163,272	2,543,266
Impairment of financial assets included in		
prepayments, other receivables and other assets	32,729	61,646
Impairment of credit commitments	22,532	(5,990)
Impairment of inventories	29	18,422
Impairment of property, plant and equipment (Note 13)	12,834	672,410
Impairment of right-of-use assets (Note 14(a))	42,641	89,860
Impairment of other assets	-	76,802
Lease payments not included in the measurement of lease liabilities	4,218	3,829
Entertainment expenses	77,281	108,508
Business travelling expenses	266,804	200,005
Consultancy fees	184,670	231,400
Office expenses	90,309	70,106
Advertising and promotional expenses	24,694	38,663
Transportation expenses	84,435	60,718
Communication expenses	31,130	26,896
Litigation expenses	45,153	28,969
Other miscellaneous expenses:		
Current year expenditure	664,022	375,436
Less: Government grants released*	(18,062)	(15,717)
	645,960	359,719

NOTES TO FINANCIAL STATEMENTS

31 December 2021

7. PROFIT BEFORE TAX (continued)

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

	2021	2020
	RMB'000	RMB'000
Losses on disposal of property, plant and equipment	3,940	31,784
Donation	1,092	5,904
Bank commission expenses	91,500	43,935
Foreign exchange losses, net:		
Cash flow hedges (transfer from equity to offset foreign exchange)	1,018,891	2,488,036
Foreign exchange gains	(1,010,681)	(2,529,823)
	8,210	(41,787)
Fair value losses from financial assets at fair value through profit or loss	434,700	218,399
Other expenditure	66,767	47,786
(Gains)/losses on derecognition of loans and accounts receivables measured at amortised cost**	(7,349)	129,292
Fair value losses from financial liabilities at fair value through profit or loss***	552,603	–
Bank interest income	189,873	166,067
Interest income from continuing involvement in transferred assets	1,187,357	1,104,605
Fair value gains from financial assets at fair value through profit or loss	906,426	283,804

* Government grants have been received by subsidiaries of the Company from the local government for improvement of technology, staff training and development, and others. The government grants received have been deducted from the expenses to which they related. Government grants received for which related expenditure has yet been undertaken are included in deferred revenue in the statement of financial position (Note 33).

** The amounts mainly include losses from derecognition of certain loans and accounts receivables when there is an increase in their credit risk.

*** The fair value losses from a financial liability at fair value through profit or loss are accounted for the fair value change linked to the investments by Limited Partners other than the Group in several Investment Limited Partnerships that are classified as financial liabilities in the consolidated financial statements of the Group.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	2021	2020
	RMB'000	RMB'000
Fees	2,439	2,555
Other emoluments:		
Salaries, allowances and benefits in kind	7,393	7,364
Performance related bonuses*	4,300	4,300
Pension scheme contributions	113	82
	11,806	11,746
	14,245	14,301

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

During 2021, certain directors were granted share options and restricted shares, in respect of their services to the Group, under the share option scheme and the restricted share award scheme of the Company, details of which are set out in Note 35 and Note 36 to the financial statements, respectively.

(a) Independent non-executive directors

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

	2021	2020
	RMB'000	RMB'000
Mr. Cai Cunqiang	348	365
Mr. Han Xiaojing	348	365
Mr. Liu Jialing	348	365
Mr. Yip Wai Ming	348	365
	1,392	1,460

NOTES TO FINANCIAL STATEMENTS

31 December 2021

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Non-executive directors

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

	2021	2020
	RMB'000	RMB'000
Mr. Liu Haifeng	348	365
Mr. Luo Qiang	348	365
Mr. Kuo Mingjian	348	365
	1,044	1,095

(c) Executive directors

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2021					
Executive directors:					
Mr. Kong Fanxing	–	4,664	2,500	57	7,221
Mr. Wang Mingzhe	–	2,728	1,800	57	4,585
	–	7,392	4,300	114	11,806

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2020					
Executive directors:					
Mr. Kong Fanxing	–	4,650	2,500	41	7,191
Mr. Wang Mingzhe	–	2,714	1,800	41	4,555
	–	7,364	4,300	82	11,746

NOTES TO FINANCIAL STATEMENTS

31 December 2021

9. FIVE HIGHEST PAID EMPLOYEES

An analysis of the five highest paid employees within the Group during the year is as follows:

	Number of employees	
	2021	2020
Directors	2	2
Non-directors	3	3
	5	5

The five highest paid employees during the year included two (2020: two) directors, details of whose remuneration are set out in Note 8 above. Details of the remuneration of the remaining three (2020: three) non-director, highest paid employees for the year are as follows:

	RMB'000	
	2021	2020
Salaries, allowances and benefits in kind	7,342	7,312
Performance related bonuses	3,900	3,900
Pension scheme contributions	114	81
	11,356	11,293

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

	Number of employees	
	2021	2020
HK\$3,500,001 to HK\$4,000,000 (Equivalent to RMB2,903,601 to RMB3,318,400)	1	1
HK\$4,000,001 to HK\$4,500,000 (Equivalent to RMB3,318,401 to RMB3,733,200)	1	1
HK\$4,500,001 to HK\$5,000,000 (Equivalent to RMB3,733,201 to RMB4,148,000)	-	-
HK\$5,000,001 to HK\$5,500,000 (Equivalent to RMB4,148,001 to RMB4,562,800)	1	1
	3	3

During the year ended 31 December 2021, certain highest paid employees were granted share options and restricted shares, in respect of their services to the Group, under the share option scheme and the restricted share award scheme of the Company, details of which are set out in Note 35 and Note 36 to the financial statements, respectively.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

9. FIVE HIGHEST PAID EMPLOYEES (continued)

The Group has adopted collective economic-gain bonus schemes (the “Schemes”) since 2014. According to the Schemes, the Group paid a portion of employee bonus to separate funds (the “Employees’ Collectively Owned Funds”). The Employees’ Collectively Owned Funds are collectively owned by employees participating in the Scheme until distributed to individual employees. A committee (the “Committee”), elected by the general meeting of employee representatives, is established to be in charge of the management and operation of the Schemes and the determination and distribution of the Employees’ Collectively Owned Funds to all individual participating employees. In the view of the directors, the Employees’ Collectively Owned Funds are not the property of the Company or any of its subsidiaries, and the Group has no rights and obligations in respect of the management and operation of the Employees’ Collectively Owned Funds. During the year ended 31 December 2021, the above information of the five highest paid employees has not taken into consideration the employees’ potential entitlement under the Schemes.

10. INCOME TAX

	2021	2020
	RMB’000	RMB’000
Current – Hong Kong		
Charge for the year	102,697	74,019
Current – Mainland China		
Charge for the year	3,836,178	3,417,507
Deferred tax (Note 26)	(153,835)	(1,016,967)
Total tax charge for the year	3,785,040	2,474,559

Hong Kong profits tax

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

Corporate Income Tax (“CIT”)

The income tax provision of the Group in respect of its operations in Mainland China has been calculated at the tax rate of 25% (2020: 25%) on the estimated assessable profits for the year, based on existing legislation, interpretations and practices in respect thereof.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

10. INCOME TAX (continued)

Corporate Income Tax ("CIT") (continued)

The State Administration of Taxation has announced that enterprises of encouraged industries in the Western Region of the PRC can enjoy a preferential tax rate of 15% from 1 January 2011 to 31 December 2030. Deyang The Fifth Hospital Co., Ltd., Chongqing Yudong Hospital Co., Ltd., Nayong Xinli Hospital Co., Ltd. and Chengdu Jinsha Hospital Co., Ltd. were recognised to fulfill the aforesaid preferential taxation policy and thus, they have enjoyed a preferential tax rate of 15% since 2016. Zhaotong Renan Hospital Co., Ltd. and Qiaojia Renan Hospital Co., Ltd. were recognised to fulfill the aforesaid preferential taxation policy and thus, they have enjoyed a preferential tax rate of 15% since 2017. Qinghai Kangle Hospital Company Ltd. and Renshou Yunchang Hospital Company Limited were recognised to fulfill the aforesaid preferential taxation policy and thus, they have enjoyed a preferential tax rate of 15% since 2020.

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%. Guangzhou Wealth Healthy Electronics Co., Ltd. was recognised as a high-technology enterprise in 2017. Since then, Guangzhou Wealth Healthy Electronics Co., Ltd. has enjoyed a preferential tax rate of 15%. Guangzhou Hongtu Equipment & Engineering Co., Ltd. was recognised as a high-technology enterprise in 2020. Since then, Guangzhou Hongtu Equipment & Engineering Co., Ltd. has enjoyed a preferential tax rate of 15%.

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

	2021	2020
	RMB'000	RMB'000
Profit before tax	10,013,298	7,507,546
Tax at the statutory income tax rates	2,827,068	2,147,858
Expenses not deductible for tax	779,682	256,128
Income not subject to tax	(175,910)	(211,087)
Adjustment on current income tax in respect of prior years	36,382	(76,217)
Utilisation of previously unrecognised tax losses	(20,651)	(32,761)
Unrecognised tax losses	217,627	291,834
Effect of recognition of deductible temporary differences that were not recognised in prior years	9,943	(4,366)
Effect of withholding tax on interest on intra-group balances	110,899	103,170
Income tax expense as reported in the consolidated statement of profit or loss	3,785,040	2,474,559

The share of tax attributable to associates and joint ventures amounting to approximately RMB150,536,000 (31 December 2020: RMB126,535,000) and RMB22,564,000 (31 December 2020: a credit amount of RMB13,887,000), respectively, is included in "Share of net profits of: Associates" and "Share of net Profits/(losses) of: Joint ventures" in the consolidated statement of profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

11. DIVIDENDS

	2021	2020
	RMB'000	RMB'000
Proposed final dividend – HK\$0.42 (2020: HK\$0.36) per ordinary share	1,441,623	1,163,788

A final dividend for the year of 2021 of HK\$0.42 per share was proposed at the meeting of the board of directors (the “Board”) held on 16 March 2022. As at 31 December 2021, based on the total number of outstanding ordinary shares of 4,198,183,868 (2020: 3,841,006,923) (excluding the 115,803,918 (2020: 136,648,367) shares held for the share award scheme (Note 36), the proposed final dividend amounted to approximately HK\$1,763,237,000 (2020: HK\$1,382,762,000) (equivalent to RMB1,441,623,000 (2020: RMB1,163,788,000)). The proposed final dividend for the year is subject to the approval of the Company’s shareholders at the forthcoming annual general meeting. This proposed dividend is not reflected as a dividend payable in the financial statements.

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

The calculation of basic earnings per share for the year is based on the consolidated net profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 4,051,798,363 (2020: 3,813,054,365) outstanding during the year.

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

NOTES TO FINANCIAL STATEMENTS

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

(continued)

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

Earnings

	2021	2020
	RMB'000	RMB'000
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculations	5,512,245	4,575,751
Interest on the host debt component of convertible bonds	118,442	42,993
Profit attributable to ordinary equity holders of the parent, before the above impact arising from convertible bonds	5,630,687	4,618,744

Shares

	Number of shares	
	2021	2020
Weighted average number of ordinary shares outstanding during the year, used in the basic earnings per share calculation	4,051,798,363	3,813,054,365
Effect of dilution – weighted average number of ordinary shares:		
Share options	10,464,222	4,202,560
Convertible bonds	460,026,172	155,829,619
Weighted average number of ordinary shares for diluted earnings per share	4,522,288,757	3,973,086,544

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13. PROPERTY, PLANT AND EQUIPMENT

31 December 2021

	Leasehold improvements	Buildings	Equipment, tools and moulds	Office equipment and computers	Motor vehicles	Construction in progress	Vessels	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021:									
Cost	650,852	4,833,966	14,110,191	465,667	143,209	509,415	1,679,840	424,943	22,818,083
Accumulated depreciation and impairment	(476,577)	(721,549)	(3,427,504)	(284,589)	(70,744)	-	(729,159)	(236,360)	(5,946,482)
Net carrying amount	174,275	4,112,417	10,682,687	181,078	72,465	509,415	950,681	188,583	16,871,601
At 1 January 2021, net of accumulated depreciation and impairment	174,275	4,112,417	10,682,687	181,078	72,465	509,415	950,681	188,583	16,871,601
Additions	171,883	33,042	9,629,137	75,635	31,682	448,269	-	21,519	10,411,167
Transfer from right-of-use assets (Note 14)	-	-	19,125	-	-	-	-	-	19,125
Depreciation provided during the year	(132,912)	(174,970)	(1,609,866)	(67,817)	(23,853)	-	(32,336)	(84,997)	(2,126,751)
Disposal of subsidiaries (Note 39)	(47,358)	(53,510)	(21,609)	(14,496)	(186)	(621)	-	-	(137,780)
Transfers	-	675,953	44,546	1,817	-	(722,316)	-	-	-
Disposals	(49)	(336)	(325,651)	(16,943)	(5,343)	(36,853)	-	-	(385,175)
Exchange realignment	-	-	-	-	-	-	(108,515)	-	(108,515)
Impairment	(3,793)	-	(9,041)	-	-	-	-	-	(12,834)
At 31 December 2021, net of Accumulated depreciation and impairment	162,046	4,592,596	18,409,328	159,274	74,765	197,894	809,830	125,105	24,530,838
At 31 December 2021:									
Cost	733,021	5,487,030	23,134,796	471,466	162,263	197,894	1,494,290	446,463	32,127,223
Accumulated depreciation and impairment	(570,975)	(894,434)	(4,725,468)	(312,192)	(87,498)	-	(684,460)	(321,358)	(7,596,385)
Net carrying amount	162,046	4,592,596	18,409,328	159,274	74,765	197,894	809,830	125,105	24,530,838

As at 31 December 2021, the Group has not obtained the property ownership certificates for six buildings (31 December 2020: five) with a net book value of RMB737,197,000 (31 December 2020: RMB569,052,000).

The Group was in the process of applying for the property ownership certificates for the above buildings as at 31 December 2021.

As at 31 December 2021, property, plant and equipment with a net carrying amount of RMB6,413,799,000 (31 December 2020: RMB2,551,259,000) were pledged to secure general banking facilities granted to the Group.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

13. PROPERTY, PLANT AND EQUIPMENT (continued)

31 December 2020

	Leasehold improvements	Buildings	Equipment, tools and moulds	Office equipment and computers	Motor vehicles	Construction in progress	Vessels	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020:									
Cost	765,605	3,798,087	7,977,680	383,411	103,029	437,435	1,796,027	416,857	15,678,131
Accumulated depreciation and impairment	(452,649)	(476,105)	(2,243,896)	(231,988)	(61,220)	–	(477,062)	(152,233)	(4,095,153)
Net carrying amount	312,956	3,321,982	5,733,784	151,423	41,809	437,435	1,318,965	264,624	11,582,978
At 1 January 2020, net of accumulated depreciation and impairment	312,956	3,321,982	5,733,784	151,423	41,809	437,435	1,318,965	264,624	11,582,978
Additions	110,626	130,346	6,100,715	82,281	47,919	602,572	–	5,079	7,079,538
Transfer from right-of-use assets (Note 14)	–	–	126,670	–	–	–	672,427	–	799,097
Acquisition of subsidiaries	–	464,588	58,134	7,638	385	1,077	–	–	531,822
Depreciation provided during the year	(97,621)	(158,614)	(1,073,433)	(59,579)	(16,937)	–	(71,433)	(84,129)	(1,561,746)
Disposal of subsidiaries	(2,090)	–	(10,121)	(20)	–	(540)	–	–	(12,771)
Transfers	15,542	401,202	100,327	11,049	–	(531,129)	–	3,009	–
Disposals	–	(7,384)	(146,109)	(2,302)	(711)	–	(671,432)	–	(827,938)
Exchange realignment	–	–	–	–	–	–	(46,969)	–	(46,969)
Impairment	(165,138)	(39,703)	(207,280)	(9,412)	–	–	(250,877)	–	(672,410)
At 31 December 2020, net of Accumulated depreciation and impairment	174,275	4,112,417	10,682,687	181,078	72,465	509,415	950,681	188,583	16,871,601
At 31 December 2020:									
Cost	650,852	4,833,966	14,110,191	465,667	143,209	509,415	1,679,840	424,943	22,818,083
Accumulated depreciation and impairment	(476,577)	(721,549)	(3,427,504)	(284,589)	(70,744)	–	(729,159)	(236,360)	(5,946,482)
Net carrying amount	174,275	4,112,417	10,682,687	181,078	72,465	509,415	950,681	188,583	16,871,601

NOTES TO FINANCIAL STATEMENTS

31 December 2021

14. LEASES

The Group as a lessee

The Group has lease contracts for various items of buildings and equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 40 to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms between 1 and 25 years, while equipment generally has lease terms between 5 and 10 years or of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

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

	Leasehold land	Buildings	Equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2020	1,605,419	980,227	837,136	3,422,782
Additions	32,084	164,405	–	196,489
Acquisition of subsidiaries	54,003	–	19,995	73,998
Impairment	–	(89,860)	–	(89,860)
Depreciation charge	(40,703)	(171,802)	(38,909)	(251,414)
Disposal of subsidiaries	(177,075)	(234,083)	–	(411,158)
Transfer to property, plant and equipment	–	–	(799,097)	(799,097)
Revision of a lease term arising from a change in the non-cancellable period of a lease	(4,156)	(78,342)	–	(82,498)
As at 31 December 2020 and 1 January 2021	1,469,572	570,545	19,125	2,059,242
Additions	–	146,211	–	146,211
Impairment	–	(42,641)	–	(42,641)
Depreciation charge	(33,347)	(117,173)	–	(150,520)
Disposal of subsidiaries (Note 39)	–	(127,401)	–	(127,401)
Transfer to property, plant and equipment	–	–	(19,125)	(19,125)
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	(708)	–	(708)
As at 31 December 2021	1,436,225	428,833	–	1,865,058

As at 31 December 2021, the Group's leasehold land of approximately RMB842,213,000 (31 December 2020: RMB863,748,000) was pledged to secure general banking facilities granted to the Group.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

14. LEASES (continued)

The Group as a lessee (continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2021	2020
	RMB'000	RMB'000
Carrying amount at 1 January	820,592	1,873,077
New leases	147,551	155,427
Additions as a result of acquisition of subsidiaries	–	32,981
Accretion of interest recognised during the year (Note 6)	37,229	56,610
Payments	(186,395)	(962,182)
Disposal of subsidiaries (Note 39)	(210,130)	(254,491)
Revision of a lease term arising from a change in the non-cancellable period of a lease	(1,832)	(80,830)
Carrying amount at 31 December	607,015	820,592
Analysed into:		
Current portion	163,638	237,544
Non-current portion	443,377	583,048

The maturity analysis of lease liabilities is disclosed in Note 47 to the financial statements.

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

	2021	2020
	RMB'000	RMB'000
Interest on lease liabilities	37,229	56,610
Depreciation charge for right-of-use assets	150,520	251,414
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2021 (included in administrative expenses)	4,062	3,798
Expense relating to leases of low-value assets (included in administrative expenses)	156	31
Total amount recognised in profit or loss	191,967	311,853

NOTES TO FINANCIAL STATEMENTS

31 December 2021

14. LEASES (continued)

The Group as a lessee (continued)

(d) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in Note 40(c) and Note 43, respectively, to the financial statements.

The Group as a lessor – operating leases

The Group leases its equipment, tools and moulds under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB4,463,348,000 (2020: RMB2,484,554,000), details of which are included in Note 5 to the financial statements.

At 31 December 2021, undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2021	2020
	RMB'000	RMB'000
Within one year	4,035,657	2,254,990
After one year but within two years	634,465	335,435
After two years but within three years	18,771	12,121
	4,688,893	2,602,546

NOTES TO FINANCIAL STATEMENTS

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15. GOODWILL

	RMB'000
Cost at 1 January 2020, net of accumulated impairment	2,321,837
Acquisition of subsidiaries	28,978
Disposal of subsidiaries	(44,023)
Impairment during the year	(274,560)
Cost and net carrying amount at 31 December 2020	2,032,232
At 31 December 2020:	
Cost	2,587,343
Accumulated impairment	(555,111)
Net carrying amount	2,032,232
Cost at 1 January 2021, net of accumulated impairment	2,032,232
Disposal of subsidiaries (Note 39)	(86)
Impairment during the year	(1,658,164)
Cost and net carrying amount at 31 December 2021	373,982
At 31 December 2021:	
Cost	2,570,585
Accumulated impairment	(2,196,603)
Net carrying amount	373,982

Goodwill acquired through business combinations is allocated to each acquired subsidiary as the cash-generating units ("CGUs") within the medical service industry and educational service industry for impairment testing, which, for the purpose of the presentation, were grouped as follows:

- Medical service industry;
- Educational service industry.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

15. GOODWILL (continued)

For cash-generating units within the medical service industry

The recoverable amount of each CGU within the medical service industry has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period and approved by senior management. The post-tax discount rate applied to the cash flow projections is 14.0% (2020: 14.0%). The implied pre-tax discount rates for the cash flow projections are 15.4% to 18.6% (2020: 15.9% to 17.8%).

As at 31 December 2021, the Group assessed the impairment of goodwill and determined that the carrying amount of goodwill of RMB1,657,207,000 arising from the acquisition of some hospitals was higher than its recoverable amount, which was nil. Considering the fact that the actual medical service income was below the previously expected financial budget, management estimated that the future cash flows of these hospitals would probably be reduced to lower than originally expected, resulting in a decrease in value-in-use calculation. As a result, an impairment loss of approximately RMB1,657,207,000 (2020: RMB251,565,000) was recognised in the Group's consolidated financial statements for the year ended 31 December 2021.

For cash-generating units within the educational service industry

The recoverable amount of each CGU within the educational service industry has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The post-tax discount rate applied to the cash flow projections is 17.0% (2020: 17.0%). The implied pre-tax discount rate for the cash flow projections is 23.4% (2020: 23.4%).

As at 31 December 2021, the Group assessed the impairment of goodwill and determined that the carrying amount of goodwill of RMB957,000 arising from the acquisition of kindergartens were higher than its recoverable amount, which was nil. Considering the fact that the actual educational service income was below the previously expected financial budget, management estimated that the future cash flows of the kindergartens would probably be reduced to lower than originally expected, resulting in a decrease in value-in-use calculation. As a result, an impairment loss of approximately RMB957,000 (2020: RMB22,995,000) was recognised in the Group's consolidated financial statements for the year ended 31 December 2021.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

15. GOODWILL (continued)

For cash-generating units within the educational service industry (continued)

The carrying amounts of goodwill are as follows:

	2021	2020
	RMB'000	RMB'000
Medical service industry	369,460	2,026,667
Educational service industry	4,522	5,565
Total	373,982	2,032,232

Assumptions were used in the value-in-use calculation of each CGU within the medical service industry and educational service industry for 31 December 2021 and 31 December 2020. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Expected gross margin – the basis used to determine the value assigned to the expected gross margin is the gross margin achieved in the current year, adjusted for expected growth and other changes, and expected market development.

Discount rates – the discount rates used reflect specific risks relating to the units.

The values assigned to the key assumptions on market development of the medical service industry and the educational service industry, and the discount rates are comparable to external information sources.

NOTES TO FINANCIAL STATEMENTS

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16. OTHER INTANGIBLE ASSETS

	2021	2020
	RMB'000	RMB'000
Software (Note 16a)	72,181	49,079
Others	47	50
	72,228	49,129

16a. Software

	2021	2020
	RMB'000	RMB'000
Cost:		
At the beginning of the year	117,969	104,084
Acquisition of subsidiaries	–	6,961
Additions	39,407	22,384
Disposals	(1,794)	(11,771)
Disposal of subsidiaries (Note 39)	(2,398)	(3,689)
At the end of the year	153,184	117,969
Accumulated amortisation:		
At the beginning of the year	(68,890)	(70,021)
Acquisition of subsidiaries	–	(1,145)
Additions	(13,093)	(12,098)
Disposals	437	11,693
Disposal of subsidiaries (Note 39)	543	2,681
At the end of the year	(81,003)	(68,890)
Net carrying amount:		
At the end of the year	72,181	49,079
At the beginning of the year	49,079	34,063

NOTES TO FINANCIAL STATEMENTS

31 December 2021

17. SCOPE OF CONSOLIDATION

As at 31 December 2021, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows:

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
International Far Eastern Leasing Co., Ltd. (遠東國際融資租賃有限公司) (Note ii)	PRC/Mainland China 13 September 1991	US\$1,816,710,922	100	–	Finance lease
Far East Horizon (Tianjin) Financial Leasing Co., Ltd. (遠東宏信(天津)融資租賃有限公司) (Note ii)	PRC/Mainland China 10 December 2013	RMB6,500,000,000	55.38	44.62	Finance lease
Far East Horizon Financial Leasing Co., Ltd. (遠東宏信融資租賃有限公司) (Note ii)	PRC/Mainland China 12 January 2017	RMB2,500,000,000/ RMB2,050,000,000	45	55	Finance lease
Shanghai Donghong Co., Ltd. (上海東泓實業發展有限公司) (Note ii)	PRC/Mainland China 28 April 2006	RMB10,400,000,000/ RMB9,700,000,000	–	100	Trading
Shanghai Domin Medical Engineering Co., Ltd. (上海德明醫用設備工程有限公司) (Note ii)	PRC/Mainland China 4 March 2010	RMB100,000,000	–	100	Engineering and trading
Shanghai Dopont Industrial Co., Ltd. ("Dopont") (上海德朋實業有限公司) (Note ii)	PRC/Mainland China 10 November 2011	RMB7,000,000,000	–	100	Trading
Far East Horizon Shipping Holdings Co., Ltd. (遠東宏信航運控股有限公司) (Note i)	Cayman Islands 2 October 2009	US\$1,428/ US\$1,050	100	–	Investment holding
Shanghai Horizon Construction Development Co., Ltd. (上海宏信建設發展有限公司) (Note ii)	PRC/Mainland China 14 April 2014	RMB4,400,000,000/ RMB4,300,000,000	–	80.95	Construction
Shanghai Horizon Equipment & Engineering Co., Ltd. (上海宏信設備工程有限公司) (Note ii)	PRC/Mainland China 13 July 2011	RMB4,912,984,400	–	80.95	Operating lease

NOTES TO FINANCIAL STATEMENTS

31 December 2021

17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2021, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Tianjin Horizon Equipment Rental Co., Ltd. (天津宏信設備租賃有限公司) (Note ii)	PRC/Mainland China 27 July 2012	RMB100,000,000	–	80.95	Operating lease
Shanghai Horizon Construction Investment Co., Ltd. (上海宏信建設投資有限公司) (Note ii)	PRC/Mainland China 12 January 2016	RMB3,000,000,000/ RMB2,500,000,000	–	100	Investment holding
Shanghai Hongjin Equipment & Engineering Co., Ltd. (上海宏金設備工程有限公司) (Note ii)	PRC/Mainland China 2 August 2013	RMB600,000,000	–	80.95	Operating lease
Yiyang Yuhong Infrastructure Construction & Development Co., Ltd. (益陽市昱宏基礎設施建設發展有限公司) (Note ii)	PRC/Mainland China 26 November 2015	RMB30,000,000	–	100	Construction
Pan Zhou Yuhong Infrastructure Investment Co., Ltd. (盤州市昱宏基礎設施投資有限公司) (Note ii)	PRC/Mainland China 7 November 2015	RMB80,000,000	–	100	Construction
Ziyang Yuyi Construction Investment Co., Ltd. (資陽市昱奕建設投資有限公司) (Note ii)	PRC/Mainland China 29 July 2016	RMB100,000,000	–	98.15	Construction
Jishou Yuxin Construction Investment Co., Ltd. (吉首市昱信建設發展有限公司) (Note ii)	PRC/Mainland China 14 September 2016	RMB93,400,000	–	100	Construction
Yanan Yanyan Expressway Link Line Infrastructure Construction & Investment Co., Ltd. (延安市延延連接線建設投資有限公司) (Note ii)	PRC/Mainland China 19 January 2017	RMB202,318,678	–	54	Construction

NOTES TO FINANCIAL STATEMENTS

31 December 2021

17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2021, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Yanan Yuhua Infrastructure Construction & Investment Co., Ltd. (延安昱華建設投資有限公司) (Note ii)	PRC/Mainland China 22 September 2017	RMB92,858,760	-	60	Construction
Zhongxiang Hongrui Infrastructure Construction & Investment Co., Ltd. (鍾祥宏瑞建設投資有限公司) (Note ii)	PRC/Mainland China 25 October 2017	RMB296,817,100	-	100	Construction
Guangzhou Horizon Equipment & Engineering Co., Ltd. (廣州宏途設備工程有限公司) (Note ii)	PRC/Mainland China 23 March 2015	RMB1,133,220,000	-	80.95	Operating lease
Grand Flight Investment Management Co., Ltd. (宏翔投資管理有限公司) (Note i)	British Virgin Islands 12 August 2014	US\$1	-	100	Investment holding
Shanghai Thrive Kind Healthcare Investment Co., Ltd. (上海臻慈醫療投資有限公司) (Note ii)	PRC/Mainland China 10 February 2015	RMB400,000,000/ RMB146,940,000	-	100	Investment holding
Horizon Education Investment Holding (Shanghai) Co., Ltd. (上海宏信教育投資控股有限公司) (Note ii)	PRC/Mainland China 17 July 2014	RMB891,000,000	-	100	Investment holding
Shanghai Team Joy Management Limited (上海周濟同悅資產管理有限公司) (Note ii)	PRC/Mainland China 23 October 2015	RMB279,111,217	-	100	Investment holding
Shanghai Montessori Academy Co., Ltd. (上海森勝蒙世教育投資有限公司) (Note ii)	PRC/Mainland China 2 April 2015	RMB121,970,168	-	100	Investment holding

NOTES TO FINANCIAL STATEMENTS

31 December 2021

17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2021, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Wuhan Montessori Academy Co., Ltd. (武漢森勝蒙世教育諮詢有限公司) (Note ii)	PRC/Mainland China 7 April 2016	RMB2,000,000/ RMB1,000,000	–	100	Investment holding
Xiamen Montessori Academy Co., Ltd. (廈門森勝蒙世教育諮詢有限公司) (Note ii)	PRC/Mainland China 18 February 2016	RMB2,000,000	–	100	Investment holding
Montessori Academy Xiamen Siming Campus (廈門市思明區蒙世學堂幼兒園) (Note ii)	PRC/Mainland China 28 October 2016	RMB2,000,000	–	100	Education services
Shanghai Xi Wei Investment Consulting Co., Ltd. (上海習威投資諮詢有限公司) (Note ii)	PRC/Mainland China 21 November 2012	RMB4,000,000	–	100	Investment holding
Montessori Academy Biyun Campus (上海浦東新區民辦習威幼兒園) (Note ii)	PRC/Mainland China 6 February 2015	RMB2,000,000	–	100	Education services
Shanghai Montessori Academy Development Co., Ltd. (上海蒙世學堂文化發展有限公司) (Note ii)	PRC/Mainland China 7 March 2002	RMB1,000,000	–	100	Education services
Kunshan Yi Ze Education Consulting Co., Ltd. (昆山易擇教育諮詢有限公司) (Note ii)	PRC/Mainland China 19 May 2010	RMB50,000	–	100	Investment holding
Shanghai FE Private Equity Fund Management Co., Ltd. (上海周濟同歷私募基金管理有限公司) (Note ii)	PRC/Mainland China 23 October 2015	RMB30,000,000 RMB10,000,000	–	100	Investment holding
Grand Worthy Limited (宏冠有限公司) (Note i)	British Virgin Islands 20 April 2021	USD1/USD0	–	100	Investment holding

NOTES TO FINANCIAL STATEMENTS

31 December 2021

17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2021, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Shanghai Jingduo Enterprise Management Co., Ltd. (上海景鐸企業管理有限公司) (Note ii)	PRC/Mainland China 30 December 2016	RMB1,000,000	-	100	Management consulting
Confucius International School Qingdao (青島市市南區宏文外語學校) (Note ii)	PRC/Mainland China 8 July 2009	RMB1,200,000	-	90	Education services
Horizon Healthcare Management (Shanghai) Co., Ltd. (上海宏信醫院管理有限公司) (Note ii)	PRC/Mainland China 27 December 2012	RMB5,000,000	-	81	Advisory services
Far East Healthcare Holding Limited (遠東醫療控股有限公司) (Note i)	Hong Kong 30 August 2012	HK\$10,000,000	-	100	Investment holding
Tianjin Renju Investment Management Co., Ltd. (天津仁聚投資控股有限公司) (Note ii)	PRC/Mainland China 12 January 2015	US\$450,000,000/ US\$444,142,508	-	100	Investment holding
Horizon Healthcare Investment & Holding (Shanghai) Co., Ltd. (上海宏信醫療投資控股有限公司) (Note ii)	PRC/Mainland China 26 April 2013	RMB3,000,000,000/ RMB2,826,890,000	-	100	Investment holding
Huakang Orthopaedics Hospital Co., Ltd. (惠州華康醫院有限公司) (Note ii)	PRC/Mainland China 20 February 2004	RMB35,130,000	-	69.30	Medical services
Siping Cancer Institute & Hospital Co., Ltd. (四平市腫瘤醫院有限公司) (Note ii)	PRC/Mainland China 23 April 2014	RMB58,823,990	-	58.48	Medical services

NOTES TO FINANCIAL STATEMENTS

31 December 2021

17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2021, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Binhai Xinrenci Hospital Co., Ltd. (濱海新仁慈醫院有限公司) (Note ii)	PRC/Mainland China 20 January 2015	RMB4,112,900	–	66.06	Medical services
Anda Jiren Hospital Co., Ltd. (安達市濟仁醫院有限責任公司) (Note ii)	PRC/Mainland China 9 April 2015	RMB20,460,878	–	50.44	Medical services
Zhoushan Dinghai Guanghua Hospital Co., Ltd. (舟山市定海廣華醫院有限責任公司) (Note ii)	PRC/Mainland China 17 May 2012	RMB18,200,205	–	42.20	Medical services
Zhoushan Putuo Guanghua Hospital Co., Ltd. (舟山市普陀廣華醫院有限責任公司) (Note ii)	PRC/Mainland China 17 December 2013	RMB20,000,000	–	29.54	Medical services
Deyang The Fifth Hospital Co., Ltd. (德陽第五醫院股份有限公司) (Note ii)	PRC/Mainland China 6 January 2012	RMB145,000,000	–	70	Medical services
Nayong Xinli Hospital Co., Ltd. (納雍新立醫院有限公司) (Note ii)	PRC/Mainland China 12 May 2016	RMB11,381,469	–	51	Medical services
Siyang Hospital of Traditional Chinese Medicine Co., Ltd. (泗陽縣中醫院有限公司) (Note ii)	PRC/Mainland China 6 January 2016	RMB30,000,000	–	50	Medical services
Siyang Yunbei Hospital Co., Ltd. (泗陽運北醫院有限公司) (Note ii)	PRC/Mainland China 8 July 2016	RMB3,833,333	–	35	Medical services
Chongqing Yudong Hospital Co., Ltd. (重慶渝東醫院有限責任公司) (Note ii)	PRC/Mainland China 7 December 2007	RMB29,154,515	–	51	Medical services

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17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2021, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Zhengzhou Renji Hospital Co., Ltd. (鄭州仁濟醫院有限公司) (Note ii)	PRC/Mainland China 6 December 2016	RMB21,000,000	–	51	Medical services
Shenzhen CiHai Hospital (深圳慈海醫院) (Note ii)	PRC/Mainland China 21 December 2015	RMB50,000,000/ RMB0	–	80	Medical services
Shenzhen ZhongHai Hospital (深圳中海醫院) (Note ii)	PRC/Mainland China 22 December 2015	RMB50,000,000/ RMB30,000,000	–	80	Medical services
Dongguan Tangxia GuanHua Hospital Co., Ltd. (東莞市塘廈莞華醫院有限公司) (Note ii)	PRC/Mainland China 20 January 2016	RMB23,000,000/ RMB0	–	80	Medical services
Daishan Guanghua Orthopedic Hospital Co., Ltd. (岱山廣華骨傷醫院有限公司) (Note ii)	PRC/Mainland China 4 January 2017	RMB140,000,000	–	52.43	Medical services
Meizhou TieLuQiao Hospital Co., Ltd. (梅州鐵爐橋醫院有限公司) (Note ii)	PRC/Mainland China 8 December 2015	RMB13,422,819	–	51	Medical services
Zhaotong Renan Hospital Co., Ltd. (昭通仁安醫院有限責任公司) (Note ii)	PRC/Mainland China 26 November 2013	RMB534,545,000	–	80	Medical services
Qiaojia Renan Hospital Co., Ltd. (巧家仁安醫院有限公司) (Note ii)	PRC/Mainland China 1 April 2017	RMB500,000	–	80	Medical services
Tianjin Junda Enterprise Management Co., Ltd. (天津駿達企業管理有限公司) (Note ii)	PRC/Mainland China 4 November 2016	RMB100,000/ RMB0	–	100	Investment management

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31 December 2021

17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2021, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Tianjin Xiangji Enterprise Management Center (Limited Partnership) (天津祥驥企業管理諮詢中心(有限合夥)) (Note ii, Note iii)	PRC/Mainland China 15 June 2016	RMB10,000/ RMB0	–	96	Investment management
Shanghai Grand Glory Eco Technology Co., Ltd. (上海宏瑞環保科技有限公司) (Note ii)	PRC/Mainland China 26 December 2014	RMB50,000,000/ RMB22,000,000	–	100	Ecotechnology
Far East Horizon Medical Technology Development Co., Ltd. (遠東宏信醫療科技發展有限公司) (Note ii)	PRC/Mainland China 16 November 2016	RMB50,000,000	–	100	Investment holding
Shanghai Everboom Health Investment Co., Ltd. (上海佰昆健康投資有限公司) (Note ii)	PRC/Mainland China 21 April 2016	RMB100,000,000	–	100	Investment holding
Grand Wise Limited (宏慧有限公司) (Note i)	British Virgin Islands 16 April 2021	USD1/USD0	–	100	Investment holding
Grand Gain Limited (宏達有限公司) (Note i)	British Virgin Islands 16 April 2021	USD1/USD0	–	100	Investment holding
Tangshan Caofeidian Yurui Construction and Engineering Co., Ltd (唐山曹妃甸昱瑞建設工程有限公司) (Note ii)	PRC/Mainland China 31 March 2016	RMB84,920,000/ RMB34,560,100	–	89	Construction

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31 December 2021

17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2021, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Tianjin Hongsheng Leasing Co., Ltd. (天津宏聖租賃有限公司) (Note ii)	PRC/Mainland China 12 July 2019	RMB1,500,000,000/ RMB1,000,000,000	-	100	Operating lease
Montessori Academy Xiushan Campus (上海徐匯區民辦蒙世學堂秀山幼兒園) (Note ii)	PRC/Mainland China 31 May 2018	RMB2,000,000	-	100	Education services
Montessori Academy Xuhui Campus (上海徐匯區民辦蒙世學堂幼兒園) (Note ii)	PRC/Mainland China 3 January 2018	RMB2,000,000	-	100	Education services
Chengdu Gaoxinyuan Company Limited (成都高新區蒙世幼兒園) (Note ii)	PRC/Mainland China 5 May 2014	RMB2,400,000	-	100	Education services
Xianning Matang Hospital Company Limited (咸寧麻塘風濕病醫院有限公司) (Note ii)	PRC/Mainland China 23 August 2006	RMB22,448,980	-	51	Medical services
Renshou Yunchang Hospital Company Limited (仁壽運長醫院有限責任公司) (Note ii)	PRC/Mainland China 20 October 2016	RMB40,000,000	-	60	Medical services
Dongtai Hongxu New Energy Technology Co., Ltd. (東台市宏旭新能源科技有限公司) (Note ii)	PRC/Mainland China 7 April 2017	RMB7,000,000	-	61.89	Ecotechnology
Qinghai Kangle Hospital Company Limited (青海省康樂醫院有限公司) (Note ii)	PRC/Mainland China 14 September 2017	RMB25,000,000	-	100	Medical services

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31 December 2021

17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2021, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Xinxiang League Hospital Company Limited (新鄉同盟醫院有限公司) (Note ii)	PRC/Mainland China 9 November 2017	RMB22,727,273	–	51	Medical services
Sihui Wanlong Hospital Co., Ltd (四會萬隆醫院有限公司) (Note ii)	PRC/Mainland China 9 June 2003	RMB127,120,000/ RMB100,590,035	–	100	Medical services
Tianjin Horizon Yuanzhan Enterprise Management Co., Ltd. (宏信遠展企業管理有限公司) (Note ii)	PRC/Mainland China 29 March 2018	RMB900,000,000	–	100	Investment management
Tianjin Hongtuo Investment Management Co., Ltd. (宏拓投資管理有限公司) (Note ii)	PRC/Mainland China 9 November 2017	RMB3,000,000,000	–	100	Investment management
Tianjin Kaifeng Enterprise Management Co., Ltd. (天津凱鋒企業管理有限公司) (Note ii)	PRC/Mainland China 10 January 2018	RMB100,000,000	–	100	Investment management
Hongjie Asset Management Co., Ltd. (宏杰資產管理有限公司) (Note ii)	PRC/Mainland China 29 January 2018	RMB1,000,000,000	–	100	Investment management
Horizon Financial Company Limited (宏信金服(天津)信息科技有限) (Note ii)	PRC/Mainland China 10 May 2018	RMB30,000,000	–	100	Investment management
HONGXU(SUQIAN) New Energy Co., Ltd. (宿遷市宿豫區宏旭新能源科技有限) (Note ii)	PRC/Mainland China 27 May 2017	RMB3,830,000	–	61.89	Ecotechnology

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31 December 2021

17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2021, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Yushan Yusheng Construction & Engineering Investment Co., Ltd. (玉山縣玉昇建設工程投資有限公司) (Note ii)	PRC/Mainland China 20 December 2017	RMB162,530,000	-	99	Construction
Nanchang Hongdi Infrastructure Construction Co., Ltd. (南昌市宏迪建設有限公司) (Note ii)	PRC/Mainland China 8 August 2017	RMB20,000,000	-	95	Construction
Far East Horizon Medical Group Co., Ltd. (遠東宏信醫院集團有限公司) (Note ii)	PRC/Mainland China 13 April 2015	RMB3,000,000,000/ RMB2,826,890,000	-	100	Investment holding
Ruyang Junzuo New Energy Technology Co., Ltd (汝陽浚祚新能源科技有限公司) (Note ii)	PRC/Mainland China 25 April 2018	RMB5,878,800	-	48.56	Ecotechnology
Suqian Hongjing Water Treatment Co., Ltd. (宿遷市宏景水處理有限責任公司) (Note ii)	PRC/Mainland China 25 July 2019	RMB287,753,200/ RMB129,482,503	-	77	Ecotechnology
Guangzhou Wealth Healthy Electronics Co., Ltd. (廣州源康精密電子股份有限公司) (Note ii)	PRC/Mainland China 20 May 2005	RMB64,000,000	-	50.53	Ecotechnology
Ningbo Qixu New Energy Co., Ltd. (寧波市啟煦新能源有限公司) (Note ii)	PRC/Mainland China 20 December 2016	RMB30,000,000/ RMB8,872,000	-	95.22	Ecotechnology
Chengdu Jinsha Hospital Co., Ltd. (成都金沙醫院有限公司) (Note ii)	PRC/Mainland China 18 June 2014	RMB10,000,000	-	100	Medical services

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31 December 2021

17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2021, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Ningbo Zhenhai Second Hospital Co., Ltd. (寧波鎮海第二醫院) (Note ii)	PRC/Mainland China 27 September 2017	RMB25,171,080	–	70	Medical services
Zhecheng Hospital of Traditional Chinese Medicine Co., Ltd. (柘城中醫院有限公司) (Note ii)	PRC/Mainland China 21 March 2019	RMB3,630,858	–	51	Medical services
Tianjin Horizon Asset Management Co. Ltd. (天津宏信資產管理有限公司) (Note ii)	PRC/Mainland China 23 November 2017	RMB4,000,000,000	–	100	Investment management
Shanghai Baiyue Property Service Co., Ltd. (上海柏悅物業服務有限公司) (Note ii)	PRC/Mainland China 16 August 2016	RMB5,000,000	–	100	Property services
Shanghai Jingyi Enterprise Management Co., Ltd (上海景屹企業管理有限公司) (Note ii)	PRC/Mainland China 30 December 2016	RMB10,000,000	–	100	Investment management
Tianjin Hongmao Enterprise Management Co., Ltd (天津宏茂企業管理有限公司) (Note ii)	PRC/Mainland China 5 January 2018	RMB730,000,000/ RMB511,000,000	–	100	Investment management
Tianjin Horizon Yuanpeng Enterprise Management Co., Ltd (天津宏信遠鵬企業管理有限公司) (Note ii)	PRC/Mainland China 27 February 2018	RMB700,000,000	–	100	Investment management
Tianjin Junmeng Management Co., Ltd (天津駿盟企業管理有限公司) (Note ii)	PRC/Mainland China 12 April 2017	RMB100,000,000	–	100	Investment management

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31 December 2021

17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2021, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Tianjin Juntai Enterprise Management Co., Ltd (天津駿泰企業管理有限公司) (Note ii)	PRC/Mainland China 16 March 2017	RMB300,000,000	–	95.28	Investment management
Tianjin Junjia Enterprise Management Co., Ltd (天津駿嘉企業管理有限公司) (Note ii)	PRC/Mainland China 12 July 2017	RMB700,000,000	–	100	Investment management
Tianjin Junhai Enterprise Management Co., Ltd (天津駿海企業管理有限公司) (Note ii)	PRC/Mainland China 12 July 2017	RMB300,000,000	–	100	Investment management
Tianjin Junyang Enterprise Management Co., Ltd (天津駿洋企業管理有限公司) (Note ii)	PRC/Mainland China 12 July 2017	RMB180,000,000/ RMB113,000,000	–	100	Investment management
Taizhou Dehong New Energy Technology Co., Ltd (台州德鴻新能源科技有限公司) (Note ii)	PRC/Mainland China 11 November 2016	RMB1,000,000	–	95.22	Ecotechnology
Shanghai Hongzuo New Energy Co., Ltd (上海宏祚新能源科技有限公司) (Note ii)	PRC/Mainland China 14 August 2017	RMB191,110,000/ RMB141,932,500	–	95.22	Ecotechnology
Tianjin Junrui Enterprise Management Co., Ltd (天津駿瑞企業管理有限公司) (Note ii)	PRC/Mainland China 12 July 2017	RMB33,100,000 RMB24,152	–	57.4	Investment management
Yangzhou Jianglin Construction & Investment Co., Ltd (揚州江臨投資建設有限公司) (Note ii)	PRC/Mainland China 21 April 2017	RMB300,000,000	–	100	Construction investment

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31 December 2021

17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2021, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Jinyun Hongzhi Transportation Investment Co., Ltd (縉雲縣宏冶交通投資有限公司) (Note ii)	PRC/Mainland China 29 September 2018	RMB346,122,360/ RMB144,088,300	–	94.05	Investment management
Linghai Dalinghe Hospital Co., Ltd (凌海大凌河醫院有限責任公司) (Note ii)	PRC/Mainland China 8 August 2016	RMB87,833,334	–	70	Medical services
Longpei (Shanghai) Enterprise Management Limited (龍佩(上海)企業管理有限公司) (Note ii)	PRC/Mainland China 29 June 2020	RMB5,000,000	–	100	Investment management
FE Jintai (Tianjin) Investment L.P. (遠東金泰(天津)投資合夥企業(有限合夥)) (Note ii, Note iii)	PRC/Mainland China 7 September 2020	RMB1,001,000,000	–	30.05	Investment management
Zibo Hongjia Construction Investment Limited (濰博市宏嘉建設投資有限公司) (Note ii)	PRC/Mainland China 16 July 2020	RMB100,000,000	–	95	Construction
Shanghai Hongsun Engineering Management Limited (上海宏昇工程管理有限公司) (Note ii)	PRC/Mainland China 22 October 2019	RMB30,000,000/ RMB4,000,000	–	100	Construction
Tianjin Tongli Hongyang No.3 Enterprise Management and Advisory Centre (LP) (天津同歷宏陽三號企業管理諮詢中心(有限合夥)) (Note ii, Note iii)	PRC/Mainland China 6 September 2017	RMB29,960,000/ RMB29,950,000	–	22.04	Investment management
Tianjin Tongli Bingying No.6 Equity Investment Fund Partnership Enterprise (LP) (天津同歷並贏六號股權投資基金合夥企業 (有限合夥)) (Note ii, Note iii)	PRC/Mainland China 6 August 2020	RMB50,010,000/ RMB50,000,000	–	78.86	Investment management

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31 December 2021

17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2021, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Chuzhou Fuzuo New Energy Technology Co., Ltd (滁州市福祚新能源科技有限公司) (Note ii)	PRC/Mainland China 29 May 2020	RMB2,699,000	–	95.22	Ecotechnology
Kunshan Hongxu New Energy Technology Co., Ltd (昆山市宏旭新能源科技有限公司) (Note ii)	PRC/Mainland China 21 May 2020	RMB3,727,420	–	95.22	Ecotechnology
Nantong Hanjiang New Energy Technology Co., Ltd (南通漢將新能源科技有限公司) (Note ii)	PRC/Mainland China 10 September 2019	RMB5,000,000/ RMB4,945,563	–	95.22	Ecotechnology
Foshan Qingshun Solar Energy Technology Co., Ltd (佛山晴順太陽能科技有限公司) (Note ii)	PRC/Mainland China 6 December 2019	RMB5,000,000/ RMB1,853,000	–	95.22	Ecotechnology
Tianjin Yuhui Solar Energy Co., Ltd (天津昱輝光伏發電有限公司) (Note ii)	PRC/Mainland China 17 August 2018	RMB5,000,000/ RMB3,370,000	–	95.22	Ecotechnology
Foshan Qinghao Solar Energy Technology Co., Ltd (佛山晴浩新能源科技有限公司) (Note ii)	PRC/Mainland China 14 July 2020	RMB5,000,000/ RMB3,900,600	–	95.22	Ecotechnology
Huihong (Tianjin) Enterprise Management and Advisory Centre (LP) (天津匯宏企業管理諮詢中心(有限合夥)) (Note ii, Note iii)	PRC/Mainland China 15 September 2020	RMB56,641,200/ RMB29,081,556	–	80	Investment management

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31 December 2021

17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2021, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Grand Flight Yongxuan (Tianjin) Enterprise Management Centre (LP) (天津遠翼永宣企業管理中心(有限合夥)) (Note ii, Note iii)	PRC/Mainland China 11 October 2018	RMB1,341,840,000/ RMB0	–	41.23	Investment management
The National Mathematics and Science College Limited (英國國家文理中學) (Note i)	United Kingdom 2 February 2015	UK£50,000	–	75	Education services
Yingke (Beijing) International Education Advisory Co., Ltd. (英科(北京)國際教育諮詢有限公司) (Note ii)	PRC/Mainland China 27 June 2017	RMB20,000,000/ RMB1,146,276	–	75	Education services
Yantai Grand Light Municipal Development Limited (煙台宏明城市發展有限公司) (Note ii)	PRC/Mainland China 19 August 2020	US\$30,000,000/ US\$25,801,089	–	100	Investment management
Pizhou Dongda Hospital Co., Ltd. (邳州市東大醫院有限公司) (Note ii)	PRC/Mainland China 19 September 2011	RMB181,603,602	–	54.67	Medical services
Hongyi Commercial Factoring (Tianjin) Co., Ltd. (宏伊商業保理(天津)有限公司) (Note ii)	PRC/Mainland China 5 March 2020	RMB50,000,000	–	100	Factoring
Horizon Construction Development Limited (宏信建設發展有限公司) (Note i)	Cayman Islands 28 September 2020	US\$50,000	80.95	–	Construction
Jinsheng Construction (Hong Kong) Limited (晉勝建設(香港)有限公司) (Note i)	Hong Kong 19 December 2014	HK\$1	–	80.95	Investment holding

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31 December 2021

17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2021, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Tianjin Horizon Construction Development Investment Co., Ltd. (天津宏信建發投資有限公司) (Note ii)	PRC/Mainland China 20 June 2019	US\$1,000,000,000/ US\$938,767,508	-	80.95	Investment holding
Shanghai Horizon Construction Technology Co., Ltd. (上海宏信建築科技有限公司) (Note ii)	PRC/Mainland China 20 April 2020	RMB200,000,000	-	80.95	Construction
Shanghai Horizon Engineering Technology Co., Ltd. (上海宏信工程技術有限公司) (Note ii)	PRC/Mainland China 11 September 2020	RMB200,000,000	-	80.95	Construction
Tianjin Horizon Construction Development Leasing Co., Ltd. (天津宏信建發租賃有限公司) (Note ii)	PRC/Mainland China 16 April 2020	RMB705,000,000	-	80.95	Construction
Tianjin Hongtu Supply Chain Management Co., Ltd. (天津宏途供應鏈管理有限公司) (Note ii)	PRC/Mainland China 19 November 2020	RMB10,000,000	-	80.95	Construction
Tianjin Horizon Construction Development Engineering Technology Co., Ltd. (天津宏信建發工程技術有限公司) (Note ii)	PRC/Mainland China 23 November 2020	RMB10,000,000	-	80.95	Construction
Beijing Hongtu Equipment Leasing Co., Ltd. (北京宏途設備租賃有限公司) (Note ii)	PRC/Mainland China 2 December 2020	RMB1,000,000/ RMB0	-	80.95	Construction
Horizon Commercial Factoring Co., Ltd. (遠宏商業保理(天津)有限公司) (Note ii)	PRC/Mainland China 8 November 2019	RMB3,000,000,000	100	-	Factoring

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31 December 2021

17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2021, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Shanghai Chongzhi Information Technology Development Limited (上海崇至信息科技發展有限公司) (Note ii)	PRC/Mainland China 12 May 2016	RMB750,000,000	–	100	Information technology
Far East Horizon Inclusive Financial Leasing (Tianjin) Co., Ltd. (遠東宏信普惠融資租賃(天津)有限公司) (Note ii)	PRC/Mainland China 25 October 2019	RMB2,000,000,000	45	55	Finance lease
Far East Horizon Healthcare Industry Development Co., Ltd. (遠東宏信健康產業發展有限公司) (Note i)	Cayman Islands 4 November 2014	USD\$161,212,393	–	100	Medical services
Beijing Hongxian Enterprise Management Consulting Co., Ltd. (北京宏賢企業管理諮詢有限公司) (Note ii)	PRC/Mainland China 4 December 2017	RMB2,000,000	–	100	Management consulting
Shanghai Yucui Enterprise Management Co., Ltd. (上海宇萃企業管理有限公司) (Note ii)	PRC/Mainland China 30 January 2019	RMB300,000,000	–	100	Management consulting
Far East Horizon Capital Limited (遠東宏信資本有限公司) (Note i)	Hong Kong 31 August 2015	HK\$2,000,000,000/ HK\$1,116,364,359	100	–	Investment management
Far East Horizon International Finance Co., Limited (遠東宏信國際金融有限公司) (Note i)	Hong Kong 4 September 2019	HK\$10,000,000	–	100	International finance

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17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2021, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Horizon Construction Overseas (Hong Kong) Limited (宏信建發海外(香港)有限公司) (Note i)	Hong Kong 29 April 2021	HK\$10,000,000	–	80.95	Investment holding
Horizon Construction Development (Singapore) PTE. LTD (宏信建發海外(新加坡)有限公司) (Note i)	Singapore 21 July 2021	SGD10,000	–	80.95	Trading
Horizon Construction Overseas (Malaysia) SDN. BHD (宏信建發海外(馬來西亞)有限公司) (Note i)	Malaysia 8 November 2021	MYR1	–	80.95	Import and export sale and leasing of new and used equipment
Hebei Hongjin Formwork Technology Co., Ltd (河北宏金模架科技有限公司) (Note ii)	PRC/Mainland China 30 July 2021	RMB10,000,000/ RMB0	–	80.95	Engineering and technical services

The above table lists the subsidiaries and consolidated structured entities of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

Note i: Foreign invested enterprises

Note ii: Domestic companies

Note iii: Consolidated structured entities

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18. INVESTMENTS IN JOINT VENTURES

	2021	2020
	RMB'000	RMB'000
Share of net assets	2,856,978	2,402,552
Excess of consideration over share of net assets acquired	17,844	104,624
Provision for impairment	(270,686)	(180,416)
	2,604,136	2,326,760

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

Name	Particulars of issued shares held	Place of registration and business	Percentage of		Principal activities
			Ownership interest	Profit sharing	
Kunming Broadhealthcare (Group) Co., Ltd. (昆明博健醫療(集團)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. ("Kangda") (廣州康大工業科技產業有限公司)	Registered capital of HK\$200,000,000	PRC/Mainland China	60*	60	Development and construction
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 services
Grand Flight Holdings Co., Ltd. (遠翼控股有限公司)	Authorised capital of US\$50,000	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 US\$50,000	Cayman Islands	70*	70	Investment holding
Grand Flight Hooyoung Investment L.P. (遠翼宏揚投資有限合夥)	US\$73,329,460.54	Cayman Islands	55*	55	Investment holding

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18. 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		Principal activities
			Ownership interest	Profit sharing	
Teamway Shipping Limited (滙聯船務有限公司)	HK\$10,000	Hong Kong	50	50	Shipping services
Gold Chance Shipping Limited (金運船務有限公司)	HK\$10,000	Hong Kong	50	50	Shipping services
Fengyang Qianmen Hospital Co., Ltd. (Formerly known as Fengyang Gulou Hospital Co., Ltd.) (鳳陽縣前門醫院有限公司) (原名：鳳陽縣鼓樓醫院有限公司)	Registered capital of RMB100,000,000	PRC/Mainland China	35	35	Medical services
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 services
Grand Flight Investment Management Co., Ltd. (遠翼投資管理有限公司)	Registered capital of RMB50,000,000	PRC/Mainland China	78*	90	Investment holding
Tianjin Yuanyi Kaiyuan Asset Management Centre ("Yuanyi Kaiyuan") (Limited Partnership) (天津遠翼開元資產管理中心(有限合夥))	Registered capital of RMB1,505,420,000	PRC/Mainland China	39.856	39,856	Investment holding
Guangzhou Yimei Tiancheng Decoration Engineering Co., Ltd. (廣州藝美天成裝飾工程有限公司)	Registered capital of RMB5,000,000	PRC/Mainland China	60*	60	Decoration engineering
Wuhan Matang Hospital of Traditional Chinese Medicine Co., Ltd. (武漢麻塘中醫醫院有限公司)	Registered capital of RMB16,040,000	PRC/Mainland China	49	49	Medical services

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18. 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		Principal activities
			Ownership interest	Profit sharing	
Shanghai Xiangyun Enterprise Management Partnership (Limited Partnership) (上海襄鑿企業管理合夥企業(有限合夥))	Registered capital of RMB350,010,000	PRC/Mainland China	51.9985*	51.9985	Management consulting
Wuhan Hongye Construction Development Co., Ltd. (武漢泓冶建設發展有限公司)	Registered capital of RMB328,000,000	PRC/Mainland China	47	47	Drainage works
Guixi Hongyu Infrastructure Investment Co., Ltd. (貴溪市宏宇基礎設施投資有限公司)	Registered capital of RMB146,280,748	PRC/Mainland China	48	48	Infrastructure construction
Guixi Hongye Infrastructure Investment Co., Ltd. (貴溪市宏鄴基礎設施投資有限公司)	Registered capital of RMB151,294,129	PRC/Mainland China	48	48	Infrastructure construction
Xi'an Chuxin Investment Construction Co., Ltd. (西安楚信投資建設有限公司)	Registered capital of RMB100,000,000	PRC/Mainland China	46	46	Municipal engineering
Sichuan Hongcheng City Construction Investment Co., Ltd. (四川宏鑄城市建設投資有限公司)	Registered capital of RMB10,000,000	PRC/Mainland China	60*	60	Construction investment
Qingdao Co-e-Wins Venture Capital Limited Partnership (青島同歷並贏創業投資合夥企業(有限合夥))	Registered capital of RMB100,000,000	PRC/Mainland China	50	50	Investment management

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18. 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		Principal activities
			Ownership interest	Profit sharing	
Yantai Zhongdaxinhong Education Investment Co., Ltd. (煙台中達信宏科教投資有限公司)	Registered capital of RMB520,000,000	PRC/Mainland China	47.5	47.5	Infrastructure construction
Yantai Yuanxin Zhongda Investment Co., Ltd. (煙台遠信中達投資有限公司)	Registered capital of RMB260,000,000	PRC/Mainland China	67*	67	Infrastructure construction
Nanchang Xintie City Construction Investment Co., Ltd. (南昌市新鐵城建設有限公司)	Registered capital of RMB72,500,000	PRC/Mainland China	31.03	31.03	Infrastructure construction

* The decisions about the relevant activities that most significantly affect the returns of these investees would be subject to the consent of others (e.g. other shareholders or directors), and hence, the ownership interests and powers held by the Group in those investees do not currently grant the Group the unilateral ability to direct the relevant activities in these investees.

The Group's loans and accounts receivable balances due from the joint ventures are disclosed in Note 23j to the financial statements. There was no recent history of default and past due amounts for loans to joint ventures. As at 31 December 2021 and 2020, the loss allowance was assessed to be minimal.

Kangda and Yuanyi Kaiyuan, which are considered material joint ventures of the Group, are mainly engaged in development, construction and investment holding in Mainland China. The aforementioned companies are accounted for using the equity method.

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18. INVESTMENTS IN JOINT VENTURES (continued)

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

	2021	2020
	RMB'000	RMB'000
Cash and cash equivalents	562,665	436,351
Other current assets	2,196,049	2,918,115
Current assets	2,758,714	3,354,466
Non-current assets	72,627	30,554
Other payables and accruals	(825,169)	(1,088,905)
Current liabilities	(825,169)	(1,088,905)
Non-current liabilities	(220,000)	(889,000)
Net assets	1,786,172	1,407,115
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	60%	60%
Group's share of net assets of the joint venture, excluding the excess of consideration over share of net assets acquired	1,071,703	844,269
Cumulative impairment	(120,000)	(170,000)
Carrying amount of the investment	951,703	674,269

	2021	2020
	RMB'000	RMB'000
Revenue	1,239,834	173,098
Cost of sales	(528,753)	(183,916)
Administrative expenses	(23,486)	(15,725)
Other expenses	(308,570)	(18,675)
Other income	32	31
Profit/(loss) and other comprehensive income for the year	379,057	(45,187)

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18. INVESTMENTS IN JOINT VENTURES (continued)

The following table illustrates the summarised financial information in respect of Yuanyi Kaiyuan adjusted for any differences in accounting policies and reconciled to the carrying amount of the net assets in the financial statements:

	2021	2020
	RMB'000	RMB'000
Cash and cash equivalents	18,887	50,422
Other current assets	1,257,818	1,706,416
Current assets	1,276,705	1,756,838
Net assets	1,276,705	1,756,838
Net assets attributable to limited partners	1,251,356	1,662,309
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	39.856%	39.856%
Group's share of net assets of the joint venture, excluding the excess of consideration over share of net assets acquired	498,740	662,530
Carrying amount of the investment	498,740	662,530

	2021	2020
	RMB'000	RMB'000
Other expenses	(456,397)	(30,893)
Other income	180,344	15,879
Loss and total comprehensive income for the year	(276,053)	(15,014)
Dividend received	53,766	16,307

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18. INVESTMENTS IN JOINT VENTURES (continued)

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

	2021	2020
	RMB'000	RMB'000
Share of the joint ventures' gain for the year	92,700	36,398
Aggregate carrying amount of the Group's investments in the joint ventures	1,153,693	989,961

19. INVESTMENTS IN ASSOCIATES

	2021	2020
	RMB'000	RMB'000
Share of net assets	4,641,240	4,299,740
Excess of consideration over share of net assets acquired	574,906	664,719
	5,216,146	4,964,459

Particulars of the material associates are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of		
			Ownership interest	Profit sharing	Principal activities
Shanghai Yijia Construction Development Co., Ltd. (上海藝佳建設發展有限公司)	Registered capital of RMB50,000,000	PRC/Mainland China	30	30	Development and construction
Hangzhou Guoya Stomatological Hospital Co., Ltd. (杭州國雅口腔醫院有限公司)	Registered capital of RMB32,574,700	PRC/Mainland China	15	15	Medical services

As at 31 December 2021, the Group also invested in six companies which are mainly engaged in the investment holding business in Mainland China, with the registered capital of RMB2,600,000,000, RMB3,000,000,000, RMB7,097,107,212, RMB5,717,805,000, RMB1,000,000,000 and RMB3,000,000,000, respectively. The percentage of ownership interest and profit sharing of the Group in these companies are 27.20%, 19.50%, 8.5011%, 11.47%, 10.00% and 17.00%, respectively. The aforementioned companies are accounted for using the equity method.

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19. INVESTMENTS IN ASSOCIATES (continued)

The following table illustrates the summarised financial information in respect of the 5 largest associates (in terms of carrying amount as at 31 December 2021) adjusted for any differences in accounting policies and reconciled to the carrying amount of the net assets in the financial statements.

	2021				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	8,235,641	134,945	42,842,050	4,004,280	1,564,559
Non-current assets	33,750,777	5,348,774	22,489,848	4,750,887	4,653,554
Current liabilities	(4,734,864)	(79,236)	(17,473,788)	(648,857)	(96,316)
Non-current liabilities	(25,676,468)	(1,182,186)	(33,110,944)	(4,395,882)	(2,650,356)
Net assets	11,575,086	4,222,297	14,747,166	3,710,428	3,471,441
Net assets attributable to the shareholders of the parent	6,622,426	4,222,297	12,513,859	3,552,028	3,471,441
Reconciliation to the Group's interests in the associates:					
Proportion of the Group's ownership	11.470%	19.500%	8.5011%	27.200%	17.000%
Group's share of net assets of the associates, excluding the excess of consideration over share of net assets	759,592	823,348	1,063,816	966,152	590,145
Excess of consideration over share of net assets	243,128	23,717	134,134	132,022	-
Carrying amount of the investment	1,002,720	847,065	1,197,950	1,098,174	590,145
Revenue	734,595	507,204	5,916,826	438,636	501,440
Profit and total comprehensive income for the year after the Group's investments in the associates	1,211,726	258,687	1,251,848	123,007	231,561
Profit and total comprehensive income attributable to the parent after the Group's investments in the associates	805,862	258,687	1,132,487	117,927	231,561
Dividend received	24,000	19,500	32,797	-	-

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19. INVESTMENTS IN ASSOCIATES (continued)

The following table illustrates the summarised financial information in respect of the 5 largest associates (in terms of carrying amount as at 31 December 2020) adjusted for any differences in accounting policies and reconciled to the carrying amount of the net assets in the financial statements.

	2020				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	7,010,029	4,540,274	47,203,179	5,992,675	1,087,324
Non-current assets	28,528,195	2,216,878	15,512,817	2,738,464	4,308,722
Current liabilities	(1,888,577)	(1,509,155)	(18,414,667)	(2,169,947)	(443,242)
Non-current liabilities	(23,790,222)	(1,184,386)	(30,249,957)	(2,968,172)	(1,712,925)
Net assets	9,859,425	4,063,611	14,051,372	3,593,020	3,239,879
Net assets attributable to the shareholders of the parent	4,789,396	4,063,611	11,767,173	3,434,100	3,239,879
Reconciliation to the Group's interests in the associates:					
Proportion of the Group's ownership	13.3082%	19.500%	8.5011%	27.200%	17.000%
Group's share of net assets of the associates, excluding the excess of consideration over share of net assets	637,382	792,404	1,000,339	934,075	550,779
Excess of consideration over share of net assets	282,092	23,717	134,134	132,022	–
Carrying amount of the investment	919,474	816,121	1,134,473	1,066,097	550,779
Revenue	788,037	602,679	5,342,583	484,997	330,095
Profit and total comprehensive income for the year after the Group's investments in the associates	1,101,952	360,132	1,085,137	172,919	224,685
Profit and total comprehensive income attributable to the parent after the Group's investments in the associates	832,809	360,132	962,770	166,112	224,685
Dividend received	30,004	28,275	33,291	47,722	–

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19. INVESTMENTS IN ASSOCIATES (continued)

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

	2021	2020
	RMB'000	RMB'000
Share of the associates' profit for the year	126,202	139,428
Aggregate carrying amount of the Group's investments in the associates	480,092	477,515

The above balances include a total of RMB13,022,000 (31 December 2020: RMB63,335,000) investments held by the Group as an investor in sub-ordinated tranches of several collective fund trusts, whose total funds raised amounted to RMB125,000,000 (31 December 2020: RMB500,000,000). The Group had significant influence over these trusts. These trusts conduct entrusted finance lease and entrusted loan businesses. The maximum exposure of the Group to losses from those investments approximate their carrying amounts.

The Group's loans and accounts receivable balances due from the associates are disclosed in Note 23j to the financial statements.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021	2020
	RMB'000	RMB'000
Unlisted equity investments, at fair value	2,069,218	934,037
Listed equity investments, at fair value	228,965	233,100
Unlisted debt investments, at fair value	10,462,175	8,175,428
	12,760,358	9,342,565
Analysed into:		
Current portion	3,270,140	3,165,851
Non-current portion	9,490,218	6,176,714

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20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

The above equity investments were classified as financial assets at fair value through profit or loss as the Group has not elected to recognise the fair value gain or loss through other comprehensive income.

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

21. DEBT INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021	2020
	RMB'000	RMB'000
Measured at fair value:		
Notes receivable	699,039	108,176

22. DERIVATIVE FINANCIAL INSTRUMENTS

	2021		2020	
	Assets	Liabilities	Assets	Liabilities
	RMB'000	RMB'000	RMB'000	RMB'000
Cross-currency interest rate swaps	11,596	(2,267,431)	269,809	(1,756,842)
Forward currency contracts	–	(86,806)	–	(72,485)
Interest rate swaps	10,735	(14,627)	19,158	(25,838)
	22,331	(2,368,864)	288,967	(1,855,165)
Portion classified as non-current:				
Cross-currency interest rate swaps	11,596	(1,216,574)	50,193	(1,528,821)
Forward currency contracts	–	(60,842)	–	(24,409)
Interest rate swaps	10,278	(14,337)	19,009	(4,494)
	21,874	(1,291,753)	69,202	(1,557,724)
Current portion	457	(1,077,111)	219,765	(297,441)
	22,331	(2,368,864)	288,967	(1,855,165)

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22. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedge under HKFRS 9

At 31 December 2021, the Group designated 83 (2020: 75) cross-currency interest rate swap contracts, 11 (2020: 6) forward currency contracts and 29 (2020: 22) interest rate swap contracts as hedges of future cash flows arising from foreign currency borrowings, details of which are as follows:

At 31 December 2021, the Group had 19 (2020: 15) cross-currency interest rate swaps in place with notional amounts of HK\$10,795,760,000 (2020: HK\$6,980,000,000) whereby the Group receives a floating rate of interest on the HK\$ notional amount at HKD-HIBOR-HKAB and pays a fixed rate of interest on the RMB notional amount at 3.15% to 4.38% (2020: 3.15% to 4.38%) per annum. The swaps are being used to hedge the foreign currency and interest rate exposure of 19 floating rate long-term borrowings denominated in HK\$ with the total principal of HK\$10,795,760,000 (2020: HK\$6,980,000,000).

At 31 December 2021, the Group had 49 (2020: 54) cross-currency interest rate swaps in place with notional amounts of US\$3,475,666,000 (2020: US\$4,040,572,000) whereby the Group receives a floating rate of interest on the US\$ notional amount at USD-LIBOR-BBA and pays a fixed rate of interest on the RMB notional amount at 2.72% to 4.36% (2020: 2.70% to 4.38%) per annum. The swaps are being used to hedge the foreign currency and interest rate exposure of 49 floating rate long-term borrowings denominated in US\$ with the total principal of US\$3,475,666,000 (2020: US\$4,040,572,000).

At 31 December 2021, the Group had 14 (2020: 5) cross-currency interest rate swaps in place with notional amounts of US\$1,200,000,000 (2020: US\$400,000,000) whereby the Group receives a fixed rate of interest on the US\$ notional amount at 2.63% to 4.38% (2020: 3.38% to 4.38%) per annum and pays a fixed rate of interest on the RMB notional amount at 4.50% to 5.99% (2020: 4.50% to 5.88%) per annum. The swaps are being used to hedge the foreign currency exposure of 14 fixed rate long-term borrowings denominated in US\$ with the total principal of US\$1,200,000,000 (2020: US\$400,000,000).

At 31 December 2021, the Group had 1 (2020: 1) cross-currency interest rate swap in place with a notional amount of JPY6,500,000,000 (2020: JPY6,500,000,000) whereby the Group receives floating rate interest on the JPY notional amount at JPY-LIBOR-BBA and pays a fixed rate interest on the RMB notional amount at 3.83% (2020: 3.83%) per annum. The swap is being used to hedge the foreign currency and interest rate exposure of 1 floating rate long-term borrowing denominated in JPY with the principal of JPY6,500,000,000 (2020: JPY6,500,000,000).

At 31 December 2021, the Group had 11 (2020: 6) forward currency contracts with a total notional amount of US\$245,490,000 (2020: US\$237,835,000) as hedges of future cash flows arising from foreign currency borrowings with the total principal of US\$245,490,000 (2020: US\$237,835,000) which will be settled in US\$.

At 31 December 2021, the Group had 1 (2020: 4) interest rate swap in place with a notional amount of US\$100,000,000 (2020: US\$300,000,000) whereby the Group receives a floating rate of interest on the US\$ notional amount at USD-LIBOR-BBA and pays a fixed rate of interest on the US\$ notional amount at 0.45% (2020: 0.45% to 2.36%) per annum. The swap is being used to hedge interest rate exposure of 1 floating rate long-term borrowing denominated in US\$ with the principal of US\$100,000,000 (2020: US\$300,000,000).

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22. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedge under HKFRS 9 (continued)

At 31 December 2021, the Group had 28 (2020: 18) interest rate swaps in place with a total notional amount of RMB11,557,550,000 (2020: RMB10,471,232,000) whereby the Group receives interest at variable rates based on the Loan Prime Rate on the notional amount and pays a fixed rate of interest on the RMB notional amount at 3.70% to 4.20% (2020: 3.70% to 4.11%) per annum. The swaps are being used to hedge interest rate exposure of 27 floating rate long-term borrowings and 1 floating rate short-term borrowing denominated in RMB with the principal of RMB11,557,550,000 (2020: RMB10,471,232,000).

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

Hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the hedged items and the hedging instruments
- Different interest rate curves applied to discount the hedged items and hedging instruments
- The counterparties' credit risks differently impacting the fair value movements of the hedging instruments and hedged items

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22. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedge under HKFRS 9 (continued)

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

	Maturity						Total
	Less than 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 5 years	
As at 31 December 2021							
Cross-currency interest rate swap contracts							
Notional amount (in RMB'000)	3,101,000	4,415,472	335,156	175,113	7,113,630	15,518,079	30,658,450
Average forward exchange rate (US\$/RMB)	7.0187	7.0187	7.0779	7.0045	6.7400	6.5411	
Notional amount (in RMB'000)	356,502	396,325	-	-	2,996,371	5,017,736	8,766,934
Average forward exchange rate (HK\$/RMB)	0.9130	0.9035	-	-	0.8832	0.8372	
Notional amount (in RMB'000)	-	-	-	428,350	-	-	428,350
Average forward exchange rate (JPY/RMB)	-	-	-	0.0659	-	-	
Forward currency contracts							
Notional amount (in RMB'000)	631,322	412,888	-	-	627,747	-	1,671,957
Average forward exchange rate (US\$/RMB)	6.7313	6.6066	-	-	6.9532	-	
Interest rate swaps Notional amount (in RMB'000)	10,000	1,000,000	-	1,010,983	7,802,971	2,371,166	12,195,120
Average forward exchange rate	N/A	N/A	-	N/A	N/A	N/A	
Hedge rate	1	1	1	1	1	1	

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31 December 2021

22. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedge under HKFRS 9 (continued)

	Maturity						Total
	Less than 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 5 years	
As at 31 December 2020							
Cross-currency interest rate swap contracts							
Notional amount (in RMB'000)	5,927,433	2,750,820	2,327,074	–	9,987,735	9,024,455	30,017,517
Average forward exchange rate (US\$/RMB)	6.3604	6.7213	6.7734	–	7.0525	6.7987	
Notional amount (in RMB'000)	1,569,905	–	–	–	1,485,029	2,996,371	6,051,305
Average forward exchange rate (HK\$/RMB)	0.8061	–	–	–	0.9073	0.8832	
Notional amount (in RMB'000)	–	–	–	–	428,350	–	428,350
Average forward exchange rate (JPY/RMB)	–	–	–	–	0.0659	–	
Forward currency contracts							
Notional amount (in RMB'000)	–	353,430	495,117	510,154	–	298,384	1,657,085
Average forward exchange rate (US\$/RMB)	–	6.9082	7.0042	6.7570	–	7.4410	
Interest rate swaps							
Notional amount (in RMB'000)	–	–	1,304,980	–	2,405,541	8,718,181	12,428,702
Average forward exchange rate	–	–	N/A	–	N/A	N/A	
Hedge rate	1	1	1	1	1	1	

NOTES TO FINANCIAL STATEMENTS

31 December 2021

22. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedge under HKFRS 9 (continued)

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

	Notional amount	Carrying amount	Line item in the statement of financial position	Change in fair value used for measuring hedge ineffectiveness for the year
	RMB'000	RMB'000		RMB'000
As at 31 December 2021				
Forward currency contracts	1,671,957	(86,806)	Derivative financial instruments (liabilities)	(103,846)
Cross-currency interest rate swaps	1,267,520	11,596	Derivative financial instruments (assets)	(115,298)
Cross-currency interest rate swaps	38,586,214	(2,260,523)	Derivative financial instruments (liabilities)	(673,908)
Interest rate swap	4,503,675	10,735	Derivative financial instruments (assets)	(8,423)
Interest rate swap	7,691,445	(14,627)	Derivative financial Instruments (liabilities)	29,759

	Notional amount	Carrying amount	Line item in the statement of financial position	Change in fair value used for measuring hedge ineffectiveness for the year
	RMB'000	RMB'000		RMB'000
As at 31 December 2020				
Forward currency contracts	–	–	Derivative financial instruments (assets)	(24,513)
Forward currency contracts	1,657,085	(72,485)	Derivative financial instruments (liabilities)	(48,003)
Cross-currency interest rate swaps	8,355,358	269,809	Derivative financial instruments (assets)	(1,258,545)
Cross-currency interest rate swaps	28,141,814	(1,756,842)	Derivative financial instruments (liabilities)	(1,614,164)
Interest rate swap	8,837,552	19,009	Derivative financial instruments (assets)	19,009
Interest rate swap	3,591,150	(25,838)	Derivative financial Instruments (liabilities)	(8,661)

NOTES TO FINANCIAL STATEMENTS

31 December 2021

22. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedge under HKFRS 9 (continued)

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

	Change in fair value used for measuring hedge ineffectiveness for the year	Cash flow hedge reserve
	RMB'000	RMB'000
As at 31 December 2021		
Foreign currency bank loans amounting to RMB equivalent 41,200,196,000	(871,716)	(41,971)

	Change in fair value used for measuring hedge ineffectiveness for the year	Cash flow hedge reserve
	RMB'000	RMB'000
As at 31 December 2020		
Foreign currency bank loans amounting to RMB equivalent 38,769,290,000	(2,476,186)	(254,289)

NOTES TO FINANCIAL STATEMENTS

31 December 2021

22. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedge under HKFRS 9 (continued)

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

Year ended 31 December 2021	Total hedging gain/(loss) recognised in other comprehensive income			Hedge ineffectiveness recognised in profit or loss	Line item in the statement of profit or loss	Amount reclassified from other comprehensive income to profit or loss			Line item (gross amount) in the statement of profit or loss
	Gross amount	Tax effect	Total	RMB'000		Gross amount	Tax effect	Total	
	RMB'000	RMB'000	RMB'000	RMB'000		RMB'000	RMB'000	RMB'000	
Forward currency contracts	(97,153)	24,474	(72,679)	-	N/A	85,980	(21,049)	64,931	Cost of sales/ other expenses
Cross-currency interest rate swaps	(795,899)	132,488	(663,411)	-	N/A	1,042,911	(178,414)	864,497	Cost of sales/ other expenses
Interest rate swap	21,336	(2,356)	18,980	-	N/A	-	-	-	Cost of sales/ other expenses
Total	(871,716)	154,606	(717,110)	-	N/A	1,128,891	(199,463)	929,428	

Year ended 31 December 2020	Total hedging gain/(loss) recognised in other comprehensive income			Hedge ineffectiveness recognised in profit or loss	Line item in the statement of profit or loss	Amount reclassified from other comprehensive income to profit or loss			Line item (gross amount) in the statement of profit or loss
	Gross amount	Tax effect	Total	RMB'000		Gross amount	Tax effect	Total	
	RMB'000	RMB'000	RMB'000	RMB'000		RMB'000	RMB'000	RMB'000	
Forward currency contracts	(68,028)	18,853	(49,175)	-	N/A	72,302	(19,348)	52,954	Cost of sales/ other expenses
Cross-currency interest rate swaps	(2,400,108)	422,260	(1,977,848)	-	N/A	2,480,959	(442,501)	2,038,458	Cost of sales/ other expenses
Interest rate swap	(8,050)	1,328	(6,722)	-	N/A	-	-	-	Cost of sales/ other expenses
Total	(2,476,186)	442,441	(2,033,745)	-	N/A	2,553,261	(461,849)	2,091,412	

NOTES TO FINANCIAL STATEMENTS

31 December 2021

22. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Fair value hedge under HKFRS 9 – Interest rate risk

At 31 December 2021, the Group did not have any interest rate swap agreement. At 31 December 2020, the Group had 1 interest rate swap agreement in place with a total notional amount of RMB300,000,000 whereby it receives interest at a fixed rate of 4.80% 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 on the notional amount. The swap is used to hedge the exposure to changes in the fair value of the fixed rate long-term bond. The critical terms of the interest rate swap substantially match the terms of the borrowing. This hedge was assessed to be highly effective.

There is an economic relationship between the hedged item and the hedging instrument as the terms of the interest rate swap match the terms of the long-term bonds (i.e., the notional amount, maturity, payment and reset dates). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the interest rate swap is identical to that of the hedged risk component. In assessing the hedge effectiveness, the Group notes that the critical terms of the hedged items and the hedging instruments match each other, and therefore, the changes in the fair value of the hedging instrument exactly offset the changes in fair value of the hedged item attributable to the hedged risk.

The hedge ineffectiveness can arise from:

- Differences in the timing of interest cash flows of the hedged item and the hedging instrument
- The counterparties' credit risks may impact the fair value movements of the hedging instruments

NOTES TO FINANCIAL STATEMENTS

31 December 2021

22. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Fair value hedge under HKFRS 9 – Interest rate risk (continued)

The impact of the hedging instrument on the statement of financial position is as follows:

	Notional amount	Carrying amount	Line item in the statement of financial position	Change in fair value used for measuring hedge ineffectiveness for the year
	RMB'000	RMB'000		RMB'000
As at 31 December 2021				
Interest rate swap	–	–	Derivative financial instruments (assets)	(149)
Interest rate swap	–	–	Derivative financial instruments (liabilities)	–

	Notional amount	Carrying amount	Line item in the statement of financial position	Change in fair value used for measuring hedge ineffectiveness for the year
	RMB'000	RMB'000		RMB'000
As at 31 December 2020				
Interest rate swap	300,000	149	Derivative financial instruments (assets)	(12,820)
Interest rate swap	–	–	Derivative financial instruments (liabilities)	177

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31 December 2021

22. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Fair value hedge under HKFRS 9 – Interest rate risk (continued)

The impact of the hedged item on the statement of financial position is as follows:

	Carrying amount	Accumulated fair value adjustments	Line item in the statement of financial position	Change in fair value used for measuring hedge ineffectiveness for the year
	RMB'000	RMB'000		RMB'000
As at 31 December 2021				
Bonds amounting to nil	-	-	-	(149)

	Carrying amount	Accumulated fair value adjustments	Line item in the statement of financial position	Change in fair value used for measuring hedge ineffectiveness for the year
	RMB'000	RMB'000		RMB'000
As at 31 December 2020				
Bonds amounting to RMB equivalent 300,000,000	300,149	149	Interest-bearing bank and other borrowings	(12,643)

Derivative financial instruments – transactions not qualifying as hedges:

As at 31 December 2021, cross-currency interest rate swaps with a total nominal amount of USD29,757,000 were not designated for hedge purposes and were measured at fair value through profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

23. LOANS AND ACCOUNTS RECEIVABLES

	31 December 2021	31 December 2020
	RMB'000	RMB'000
Loans and accounts receivables due within 1 year	133,599,982	122,920,949
Loans and accounts receivables due after 1 year	118,618,025	106,476,358
	252,218,007	229,397,307

23a. Loans and accounts receivables by nature

	31 December 2021	31 December 2020
	RMB'000	RMB'000
Lease receivables (Note 23b)*	244,898,337	229,309,368
Less: Unearned finance income	(22,354,849)	(20,684,176)
Net lease receivables (Note 23b)	222,543,488	208,625,192
Interest receivables*	2,031,502	1,570,797
Factoring receivable (Note 23g)	8,779,387	8,237,411
Entrusted loans (Note 23h)*	1,801,306	2,148,646
Long-term receivables*	17,035,590	11,357,450
Secured loans	429,355	268,984
Subtotal of Interest-earning assets (Note 23c)**	252,620,628	232,208,480
Less: Provision for lease receivables	(5,920,029)	(6,081,514)
Provision for factoring receivables	(172,191)	(204,052)
Provision for entrusted loans	(142,715)	(74,811)
Provision for long-term receivables	(302,650)	(169,144)
Provision for secured loans	(6,088)	(2,066)
Provision for interesting-earning assets (Note 23d)**	(6,543,673)	(6,531,587)
Notes receivable	1,111,631	439,661
Accounts receivable (Note 23e)*	6,175,030	4,180,032
Provision for accounts receivable (Note 23f)	(1,145,609)	(899,279)
Total of loans and accounts receivables	252,218,007	229,397,307

* These balances included balances with related parties which are disclosed in Note 23j.

** These balances are included in the interest-earning assets disclosed in Note 23c and Note 23d.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

23. LOANS AND ACCOUNTS RECEIVABLES (continued)

23b (1). An ageing analysis of lease receivables, determined based on the ageing of the receivables since the effective date of the relevant lease contracts, as at the end of the reporting period is as follows:

	31 December 2021	31 December 2020
	RMB'000	RMB'000
Lease receivables:		
Within 1 year	137,396,849	122,031,640
1 to 2 years	60,391,373	39,530,206
2 to 3 years	15,028,134	34,740,573
3 to 5 years	32,081,981	33,006,949
Total	244,898,337	229,309,368

	31 December 2021	31 December 2020
	RMB'000	RMB'000
Net lease receivables:		
Within 1 year	123,989,595	110,790,626
1 to 2 years	55,407,716	36,242,634
2 to 3 years	13,880,505	31,489,904
3 to 5 years	29,265,672	30,102,028
Total	222,543,488	208,625,192

NOTES TO FINANCIAL STATEMENTS

31 December 2021

23. LOANS AND ACCOUNTS RECEIVABLES (continued)

23b (2). The table below illustrates the gross and net amounts of lease receivables the Group expects to receive in the following five or more than five consecutive accounting years:

	31 December 2021	31 December 2020
	RMB'000	RMB'000
Lease receivables:		
Due within 1 year	132,141,234	122,165,800
Due in 1 to 2 years	70,377,956	68,625,874
Due in 2 to 3 years	29,088,851	27,256,023
Due in 3 to 5 years	12,211,061	10,490,430
Due after 5 years	1,079,235	771,241
Total	244,898,337	229,309,368

	31 December 2021	31 December 2020
	RMB'000	RMB'000
Net lease receivables:		
Due within 1 year	118,272,479	109,337,798
Due in 1 to 2 years	64,717,422	63,218,357
Due in 2 to 3 years	27,117,948	25,529,827
Due in 3 to 5 years	11,426,671	9,824,101
Due after 5 years	1,008,968	715,109
Total	222,543,488	208,625,192

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

As at 31 December 2021, the Group's lease receivables pledged or charged as security for the Group's bank and other borrowings amounted to RMB22,510,700,000 (31 December 2020: RMB17,856,783,000) (see Note 31(a)).

NOTES TO FINANCIAL STATEMENTS

31 December 2021

23. LOANS AND ACCOUNTS RECEIVABLES (continued)

23c. Analysis of interest-earning assets

	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL – impaired)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2021				
Interest-earning assets	232,267,394	17,601,822	2,751,412	252,620,628
Allowance for impairment losses	(3,684,601)	(1,704,522)	(1,154,550)	(6,543,673)
Interest-earning assets, net	228,582,793	15,897,300	1,596,862	246,076,955

	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL – impaired)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2020				
Interest-earning assets	210,020,909	19,597,683	2,589,888	232,208,480
Allowance for impairment losses	(3,753,371)	(1,707,979)	(1,070,237)	(6,531,587)
Interest-earning assets, net	206,267,538	17,889,704	1,519,651	225,676,893

NOTES TO FINANCIAL STATEMENTS

31 December 2021

23. LOANS AND ACCOUNTS RECEIVABLES (continued)

23d. Movements in provision for interest-earning assets

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

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

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

	Year ended 31 December 2021			
	Stage I	Stage II	Stage III**	Total
	(12-month ECL)	(Lifetime ECL)	(Lifetime ECL- impaired)	
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of the year	3,753,371	1,707,979	1,070,237	6,531,587
Impairment losses for the year	167,774*	25,385	632,594	825,753
Disposal	(235,123)	–	(218,440)	(453,563)
Conversion to Stage I	5,158	(5,158)	–	–
Conversion to Stage II	(5,966)	65,950	(59,984)	–
Conversion to Stage III	–	(89,634)	89,634	–
Write-off	–	–	(825,876)	(825,876)
Recoveries of interest-earning assets previously written off	–	–	466,385	466,385
Exchange differences	(613)	–	–	(613)
At end of the year	3,684,601	1,704,522	1,154,550	6,543,673

NOTES TO FINANCIAL STATEMENTS

31 December 2021

23. LOANS AND ACCOUNTS RECEIVABLES (continued)

23d. Movements in provision for interest-earning assets (continued)

	Year ended 31 December 2020			
	Stage I	Stage II	Stage III**	Total
	(12-month ECL)	(Lifetime ECL)	(Lifetime ECL -impaired)	
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of the year	3,438,649	1,627,288	469,357	5,535,294
Impairment losses for the year	319,962*	164,871	1,683,836	2,168,669
Disposal	(59,813)	–	(94,875)	(154,688)
Conversion to Stage I	223,766	(223,766)	–	–
Conversion to Stage II	(167,849)	250,719	(82,870)	–
Conversion to Stage III	–	(111,133)	111,133	–
Write-off	–	–	(1,095,262)	(1,095,262)
Recoveries of interest-earning assets previously written off	–	–	78,918	78,918
Exchange differences	(1,344)	–	–	(1,344)
At end of the year	3,753,371	1,707,979	1,070,237	6,531,587

* This includes a loss allowance of RMB2,915,402,000(2020: RMB2,565,171,000) provided for newly originated interest-earning assets, and RMB2,747,628,000 (2020: RMB2,245,209,000) reversed as a result of repayment of existing interest-earning assets.

** The majority of the interest-earning assets are finance lease receivables, under which the lessor owns the related leased asset, so the finance leases are similar to secured lendings. Among these interest-earning assets, 85% (2020:93%) (in terms of carrying amount) of the credit-impaired assets falling in stage 3 in the table above are finance lease receivables, and hence, the related leased assets are owned by the Group. Such leased assets are similar to security and constitute the main source of collection of impaired assets.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

23. LOANS AND ACCOUNTS RECEIVABLES (continued)

23e. An aging analysis of accounts receivable as at the end of the reporting period is as follows:

Accounts receivable are non-interest-earning and are generally on 60-day terms, while the credit terms for major customers can be extended to 180 days.

	31 December 2021	31 December 2020
	RMB'000	RMB'000
Within 1 year	5,172,577	3,104,035
More than 1 year	1,002,453	1,075,997
Total	6,175,030	4,180,032

23f. Movement in provision for accounts receivable

	31 December 2021	31 December 2020
	RMB'000	RMB'000
At beginning of year	899,279	554,106
Charge for the year	337,519	374,597
Acquisition of a subsidiary	-	14,738
Write-off	(91,189)	(44,162)
At end of year	1,145,609	899,279

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

NOTES TO FINANCIAL STATEMENTS

31 December 2021

23. LOANS AND ACCOUNTS RECEIVABLES (continued)

23f. Movement in provision for accounts receivable (continued)

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

As at 31 December 2021

	Ageing				Total
	Within 1 year	1-2 years	2-3 years	3-5 years	
Gross carrying amount (RMB'000)	5,172,577	564,114	256,324	182,015	6,175,030
Expected credit loss (RMB'000)	769,243	168,111	109,804	98,451	1,145,609
Average expected credit loss rate	14.87%	29.80%	42.84%	54.09%	

As at 31 December 2020

	Ageing				Total
	Within 1 year	1-2 years	2-3 years	3-5 years	
Gross carrying amount (RMB'000)	3,104,035	624,092	231,876	220,029	4,180,032
Expected credit loss (RMB'000)	481,477	183,948	107,860	125,994	899,279
Average expected credit loss rate	15.51%	29.47%	46.52%	57.26%	

23g. An aging analysis of factoring receivables as at the end of the reporting period is as follows:

	31 December 2021	31 December 2020
	RMB'000	RMB'000
Within 1 year	6,158,935	7,006,976
More than 1 year	2,620,452	1,230,435
Total	8,779,387	8,237,411

NOTES TO FINANCIAL STATEMENTS

31 December 2021

23. LOANS AND ACCOUNTS RECEIVABLES (continued)

23h(1). An aging analysis of entrusted loans, determined based on the ageing of the receivables since the effective dates of the relevant loan contracts, as at the end of the reporting period, is as follows:

	31 December 2021	31 December 2020
	RMB'000	RMB'000
Entrusted loans:		
Within 1 year	888,794	476,534
1 to 2 years	278,107	99,444
2 to 3 years	46,350	65,800
3 to 5 years	588,055	1,506,868
Total	1,801,306	2,148,646

23h(2). The table below illustrates the amounts of entrusted loans the Group expects to receive in the following five or more than five consecutive accounting years:

	31 December 2021	31 December 2020
	RMB'000	RMB'000
Entrusted loans:		
Due within 1 year	906,606	1,170,723
Due in 1 to 2 years	478,465	928,860
Due in 2 to 3 years	213,285	24,414
Due in 3 to 5 years	202,950	24,649
Total	1,801,306	2,148,646

23i. Long term receivables

As at 31 December 2021, the carrying value of long term receivables pledged or charged as collateral for the Group's borrowings amounted to RMB6,478,340,000 (31 December 2020: RMB4,873,854,000) (Note 31(a)).

NOTES TO FINANCIAL STATEMENTS

31 December 2021

23. LOANS AND ACCOUNTS RECEIVABLES (continued)

23j. Balances with related parties

		31 December 2021	31 December 2020
		RMB'000	RMB'000
Joint ventures:			
– Kunming Broadhealthcare (Group) Co., Ltd.			
Entrusted loan	(i)	50,000	50,000
Lease receivables	(iii)	32,456	–
Interest receivables		2,336	–
– Guangzhou Kangda Industrial Technology Co., Ltd.			
Entrusted loan		–	60,000
Long-term receivables	(ii)	135,000	535,000
Interest receivables		575	669
– Suzhou Gaoxin Rehabilitation Hospital Co., Ltd.			
Entrusted loan	(i)	76,963	60,079
Interest receivables		4	–
– Fengyang Qianmen Hospital Co., Ltd.			
Accounts receivables		4,372	4,372
– Shanghai Shengjiang Investment Management Co., Ltd.			
Lease receivables		–	9,408
Associates:			
– Tianjin FIS Asset Management Co., Ltd.			
Long-term receivables		–	915,000
Interest receivables		–	6,278
– Hangzhou Guoya Stomatological Hospital Co., Ltd.			
Lease receivables	(iii)	12,289	–
Interest receivables		50	–
Subsidiaries of the ultimate holding company of the shareholder with significant influence:			
– BlueStar New Chemical Materials Guangxi Branch			
Lease receivables	(iii)	6,904	–
Interest receivables		3	–
– Shenyang Chemical Co., Ltd.			
Lease receivables	(iii)	102,938	–
Interest receivables		796	–
Provision		(15,197)	(33,365)
		409,489	1,607,441

(i) Balances of entrusted loans interest-earning at annual interest rates ranging from 6.18% to 9% (31 December 2020: from 5.81% to 8%).

(ii) Balances of long-term receivables interest-earning at annual interest rates ranging from 4.80% to 5.81% (31 December 2020: from 4.75% to 5.81%).

(iii) Balances of lease receivables interest-earning at an annual interest rate of 3.45% to 5.95% (31 December 2020: 12%).

NOTES TO FINANCIAL STATEMENTS

31 December 2021

24. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

		2021	2020
	Note	RMB'000	RMB'000
Current assets:			
Prepayments		419,479	386,895
Leased assets*		38,203	12,713
Rental and project deposits		126,113	158,000
Other receivables		641,085	341,769
Input VAT		2,001,186	974,291
Amounts deductible against output VAT		195,069	171,835
Subordinated tranches of asset-backed securities/notes (Note 49)		696,880	434,914
Continuing involvement in transferred assets (Note 49)		696,880	434,914
Due from related parties	24a	42,752	37,781
Other current asset		8,691	9,783
Impairment allowance		(91,626)	(58,897)
		4,774,712	2,903,998
Non-current assets:			
Rental and project deposits due after 1 year		138,042	9,863
Subordinated tranches of asset-backed securities/notes (Note 49)		2,161,894	4,064,204
Continuing involvement in transferred assets (Note 49)		2,161,894	4,064,204
Long-term other receivables		76,240	370,705
Others		244,122	238,839
Impairment allowance		(167,980)	(167,980)
		4,614,212	8,579,835
		9,388,924	11,483,833

* The leased assets arise from the situations where the Group had already made payments to vendors or suppliers of machinery and equipment, but the terms of the lease contracts of the said machinery and equipment have not commenced. The Group records these paid amounts under leased assets among its current assets as such assets had already been earmarked for leases to customers. Once the terms of a lease contract commence, the Group ceases to recognise the amount relating to the leased assets and recognises the lease receivables due under the lease contract.

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24. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (continued)

24a. Balances with related parties

		2021	2020
		RMB'000	RMB'000
Subsidiaries of the ultimate holding company of a shareholder with significant influence:			
Beijing Chemsunny Property Co., Ltd.	(i)	2,493	2,493
Sinochem Jinmao Property Management (Beijing) Co., Ltd.	(i)	175	175
Joint ventures:			
Gold Chance Shipping Limited	(i)	17,782	16,707
Teamway Shipping Limited	(i)	20,461	17,438
Fengyang Qianmen Hospital Co., Ltd.	(i)	565	474
Suzhou Gaoxin Rehabilitation Hospital Co., Ltd.	(i)	398	102
Kunming Broadhealthcare Investment Co., Ltd.	(i)	-	392
Associates:			
Shanghai Yijia Construction Development Co., Ltd.	(i)	878	-
		42,752	37,781

(i) Balances with related parties were unsecured and non-interest-earning.

25. CONTRACT ASSETS

	31 December 2021	31 December 2020
	RMB'000	RMB'000
Contract assets arising from construction services	276,859	110,132

Contract assets are initially recognised for revenue earned from the provision of related construction services as the receipt of consideration is conditional on successful completion of construction. Upon completion of construction and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables.

The expected timing of recovery or settlement for contract assets as at 31 December 2021 is as follows:

	RMB'000
Within one year	276,859

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26. DEFERRED TAX

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

Deferred tax assets

	Fee income received in advance	Government special subsidy	Share- based payments	Allowances for impairment losses	Salary and welfare payable	Losses available for offsetting against future taxable profits	Cash flow hedge	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross deferred tax assets at 1 January 2021	238,006	955,044	142,012	2,299,224	1,366,140	172,697	54,131	15,375	5,242,629
(Charged)/credited to the statement of profit or loss during the year	156,250	90,189	(49,830)	119,674	16,394	(121,077)	-	19,020	230,620
Charged to reserve	-	-	-	-	-	-	(44,857)	-	(44,857)
Exchange differences	-	-	-	(75)	-	(10)	-	-	(85)
Gross deferred tax assets at 31 December 2021	394,256	1,045,233	92,182	2,418,823	1,382,534	51,610	9,274	34,395	5,428,307

	Fee income received in advance	Government special subsidy	Share- based payments	Allowances for impairment losses	Salary and welfare payable	Losses available for offsetting against future taxable profits	Cash flow hedge	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross deferred tax assets at 1 January 2020	262,280	790,325	82,900	1,719,551	1,267,843	94,445	73,539	11,808	4,302,691
(Charged)/credited to the statement of profit or loss during the year	(24,274)	164,719	59,112	576,403	93,224	78,012	-	1,530	948,726
Acquisition of subsidiaries	-	-	-	3,769	5,073	-	-	2,037	10,879
Charged to reserve	-	-	-	-	-	-	(19,408)	-	(19,408)
Exchange differences	-	-	-	(499)	-	240	-	-	(259)
Gross deferred tax assets at 31 December 2020	238,006	955,044	142,012	2,299,224	1,366,140	172,697	54,131	15,375	5,242,629

NOTES TO FINANCIAL STATEMENTS

31 December 2021

26. DEFERRED TAX (continued)

Deferred tax liabilities

	Asset revaluation	Fair value adjustments arising from financial assets at fair value through profit or loss	Withholding income tax	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross deferred tax liabilities at 1 January 2021	142,516	83,046	9,385	108,859	343,806
(Credited)/charged to the statement of profit or loss during the year	(5,263)	137,199	11,770	(66,921)	76,785
Gross deferred tax liabilities at 31 December 2021	137,253	220,245	21,155	41,938	420,591

	Asset revaluation	Fair value adjustments arising from financial assets at fair value through profit or loss	Withholding income tax	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross deferred tax liabilities at 1 January 2020	89,363	133,419	9,385	125,920	358,087
Credited to the statement of profit or loss during the year	(807)	(50,373)	–	(17,061)	(68,241)
Arising from acquisition of subsidiaries	53,960	–	–	–	53,960
Gross deferred tax liabilities at 31 December 2020	142,516	83,046	9,385	108,859	343,806

NOTES TO FINANCIAL STATEMENTS

31 December 2021

26. 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:

	31 December 2021	31 December 2020
	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	5,394,566	5,142,900
Net deferred tax liabilities recognised in the consolidated statement of financial position	386,850	244,077

As at 31 December 2021, the Group had tax losses arising in Hong Kong of RMB27,631,000 (31 December 2020: RMB338,602,000) 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 RMB154,208,000 (31 December 2020: RMB433,318,000) that will expire in one to five years for offsetting against future taxable profits. The Group has recognised deferred tax assets in respect of the tax losses mentioned above. Aside from this, as at 31 December 2021, the Group did not recognise deferred tax assets arising in Mainland China and Hong Kong in respect of unutilised tax losses of RMB2,510,731,000 (31 December 2020: RMB2,245,235,000) and RMB1,283,506,000 (31 December 2020: RMB643,014,000), respectively, due to uncertainty in their recoverability.

Pursuant to the resolution of the Company, part of the Mainland China subsidiaries' profits generated from 2012 onwards will be retained by the Mainland China subsidiaries for the 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 31 December 2021, the aggregate amount of unrecognised deferred tax liabilities (i.e., withholding taxes relating to such temporary differences) was approximately RMB1,487,911,000 (31 December 2020: RMB1,151,682,000).

NOTES TO FINANCIAL STATEMENTS

31 December 2021

27. CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS

	2021	2020
	RMB'000	RMB'000
Cash and bank balances	19,888,796	15,352,104
Time deposits	10,000	–
	19,898,796	15,352,104
Less:		
Pledged deposits	2,052,256	1,371,054
Restricted bank deposits related to asset securitisations	2,107,358	2,090,749
Restricted bank deposits related to collective fund trusts	68,192	13,066
Restricted bank deposits related to litigation	11,954	–
Cash and cash equivalents	15,659,036	11,877,235

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi (“RMB”) amounted to RMB18,804,358,000 (31 December 2020: RMB14,549,773,000). 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 31 December 2021, cash of RMB271,782,000 (31 December 2020: RMB379,104,000) was pledged for bank and other borrowings (Note 31).

As at 31 December 2021, cash of RMB1,780,474,000 (31 December 2020: RMB991,950,000) was pledged for bank acceptances, letters of credit and others.

As at 31 December 2021, cash of RMB254,127,000 (31 December 2020: RMB259,245,000) was deposited with Sinochem Finance Co., Ltd., a subsidiary of the ultimate holding company of a shareholder with significant influence.

NOTES TO FINANCIAL STATEMENTS

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28. INVENTORIES

	2021	2020
	RMB'000	RMB'000
Finished goods	266,874	286,129
Work in process	114,597	15,901
Raw materials	177,549	95,351
	559,020	397,381

29. TRADE AND BILLS PAYABLES

		2021	2020
	Note	RMB'000	RMB'000
Current:			
Bills payable		10,946,041	6,133,902
Trade payables		2,942,356	1,738,557
Due to related parties	29a	1,925	7,951
		13,890,322	7,880,410

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

	2021	2020
	RMB'000	RMB'000
Within 1 year	13,767,048	7,618,459
1 to 2 years	51,180	167,303
2 to 3 years	14,036	40,353
3 years and beyond	58,058	54,295
	13,890,322	7,880,410

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31 December 2021

29. TRADE AND BILLS PAYABLES (continued)

29a. BALANCES WITH RELATED PARTIES

	2021	2020
	RMB'000	RMB'000
Due to related parties:		
Associate:		
Shanghai Yijia Construction Development Co., Ltd.	1,925	7,951

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

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30. OTHER PAYABLES AND ACCRUALS

		2021	2020
	Notes	RMB'000	RMB'000
Current:			
Lease deposits, entrusted loan deposits and factoring deposits due within one year		5,926,501	5,541,887
Salary payables		1,036,360	840,112
Welfare payables		425,691	179,436
Advances from customers		840,604	690,561
Due to related parties	30a	63,996	437,817
Contract liabilities	30b	417,702	534,306
Other taxes payable		1,007,362	839,028
Interest payable		2,267,157	2,108,478
Funds collected on behalf of special purpose entities in relation to asset-backed securitisations		2,107,358	2,090,749
Funds collected on behalf of collective fund trusts		68,192	10,317
Funds collected on behalf of collective fund trusts – due to related parties	30a	–	2,749
Provision for credit commitments		52,968	30,436
Other payables		1,840,380	1,442,087
Dividend payables		44,115	40,759
Continuing involvement in transferred assets		696,880	434,914
		16,795,266	15,223,636
Non-current:			
Lease deposits, entrusted loan deposits and factoring deposits due after one year		9,234,345	15,601,129
Contract liabilities	30b	664,917	362,279
Other payables		59,862	339,444
Quality guarantee deposit		1,333	1,333
		9,960,457	16,304,185
		26,755,723	31,527,821

NOTES TO FINANCIAL STATEMENTS

31 December 2021

30. OTHER PAYABLES AND ACCRUALS (continued)

30a. BALANCES WITH RELATED PARTIES

	2021	2020
	RMB'000	RMB'000
Due to related parties:		
Subsidiary of the ultimate holding company of a shareholder with significant influence:		
Shenyang Chemical Co., Ltd.	10,000	–
Joint ventures:		
Fengyang Qianmen Hospital Co., Ltd.	268	268
Kunming Broadhealthcare (Group) Co., Ltd.	1	1
Suzhou Gaoxin Rehabilitation Hospital Co., Ltd.	7,498	8,509
Tian Jin Grand Flight Hooyoung Asset Management Co., Ltd.	2,053	2,033
Grand Flight Investment Management Co., Ltd.	43,272	26,782
Shanghai Shengjiang Investment Management Co., Ltd.	–	273
Guangzhou Kangda Industrial Technology Co., Ltd.	–	399,951
Yantai Yuanxin Zhongda Investment Co., Ltd.	154	–
	53,246	437,817
Associates:		
Hangzhou Guoya Stomatological Hospital Co., Ltd.	750	–
CITIC – Far Eastern Leasing portfolio investment collective fund trust	–	67
SCHTRUST- Far Eastern Leasing portfolio investment collective fund trust	–	2,682
	750	2,749
	63,996	440,566

Except for the amounts due to Fengyang Qianmen Hospital Co., Ltd., Kunming Broadhealthcare Investment Co., Ltd., Grand Flight Investment Management Co., Ltd., Tian Jin Grand Flight Hooyoung Asset Management Co., Ltd., Suzhou Gaoxin Rehabilitation Hospital Co., Ltd. and Guangzhou Kangda Industrial Technology Co., Ltd., which bear interest at an interest rate of 1.485% per annum, amounts due to other related parties are unsecured and non-interest-bearing.

NOTES TO FINANCIAL STATEMENTS

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30. OTHER PAYABLES AND ACCRUALS (continued)

30b. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

	31 December 2021	31 December 2020	1 January 2020
	RMB'000	RMB'000	RMB'000
Contract liabilities			
Short-term:			
– Sale of goods	25,904	23,662	–
– Service fee	391,798	510,644	439,232
Long-term:			
– Service fee	664,917	362,279	230,196
Total contract liabilities	1,082,619	896,585	669,428

Contract liabilities include short-term advances received to deliver goods and services. The increase in contract liabilities in 2021 and 2020 was mainly due to the increase in advances received from customers in relation to the provision of services at the end of the year.

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31. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2021			2020		
	Effective annual interest rate (%)	Maturity	RMB'000	Effective annual interest rate (%)	Maturity	RMB'000
Current						
Bank loans – secured	4.30~5.50	2022	26,000	2.00~5.00	2021	147,005
Current portion of long term bank loans – secured	2.65~6.41	2022	5,180,588	2.71~6.41	2021	4,853,992
Bank loans – unsecured	0.98~5.50	2022	17,073,622	1.05~5.00	2021	19,481,295
Loans from subsidiaries of the ultimate holding company of a shareholder with significant influence – unsecured	–	–	–	4.19	2021	10,000
Current portion of long term bank loans – unsecured	0.82~5.35	2022	33,382,941	0.84~5.46	2021	26,454,673
Other loans – secured	2.97~5.75	2022	3,332,088	3.93~6.78	2021	1,293,759
Other loans – unsecured	5.90	2022	4,043,613	6.71	2021	6,330,000
Bonds – secured*	3.15~5.37	2022	11,136,443	3.15~4.23	2021	5,677,022
Bonds – unsecured*	2.87~5.19	2022	48,519,188	1.50~6.40	2021	39,683,705
			122,694,483			103,931,451
Non-current						
Bank loans – secured	2.65~5.50	2023~2041	6,781,403	2.71~6.41	2022~2045	6,676,568
Bank loans – unsecured	1.00~5.35	2023~2031	48,195,647	0.84~7.70	2022~2031	41,146,284
Loans from subsidiaries of the ultimate holding company of a shareholder with significant influence – unsecured	–	–	–	4.19	2022~2023	193,270
Other loans – secured	2.97~5.75	2023~2025	4,130,118	3.93~5.16	2022~2025	2,313,483
Other loans – unsecured	5.55~5.63	2023~2024	1,322,701	5.50~5.90	2022	1,201,000
Bonds – secured*	3.15~5.37	2023~2024	4,439,882	3.15~4.23	2022~2023	1,255,760
Bonds – unsecured*	2.63~5.19	2023~2026	39,315,422	3.10~5.19	2022~2025	45,574,265
			104,185,173			98,360,630
Convertible bonds – host debts (Note 32)	3.21~4.45	2025~2026	3,321,086	3.15~4.45	2025	2,924,074
			230,200,742			205,216,155

NOTES TO FINANCIAL STATEMENTS

31 December 2021

31. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

	2021	2020
	RMB'000	RMB'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	55,663,151	50,936,965
In the second year	29,884,530	27,979,657
In the third to fifth years, inclusive	23,522,319	18,829,398
Beyond five years	1,570,201	1,013,797
	110,640,201	98,759,817
Loans from subsidiaries of the ultimate holding company of a shareholder repayable:		
Within one year or on demand	-	10,000
In the second year	-	10,000
In the third to fifth years, inclusive	-	183,270
	-	203,270
Other borrowings repayable:		
Within one year or on demand	67,031,332	52,984,486
In the second year	37,388,274	28,873,605
In the third to fifth years, inclusive	15,140,935	24,394,977
	119,560,541	106,253,068
	230,200,742	205,216,155

- (a) As at 31 December 2021, the Group's bank and other borrowings were secured by the pledge of or the transfer of certain of the Group's lease receivables and long-term receivables amounting to RMB24,124,737,000 (31 December 2020: RMB16,502,850,000) and RMB5,029,352,000 (31 December 2020: RMB3,806,937,000), respectively.
- (b) As at 31 December 2021, the Group's bank borrowings amounting to RMB108,836,000 (31 December 2020: RMB142,005,000) were secured by the pledge of cash.
- (c) As at 31 December 2021, the Group's bank and other borrowings, secured by the Group's leasehold land, and property, plant and equipment, amounted to RMB5,872,434,000 (31 December 2020: RMB1,765,797,000). The Group had not provided any guarantees for other entities (31 December 2020: Nil).

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31 December 2021

32. CONVERTIBLE BONDS

On 8 July 2020, Universe Trek Limited, a wholly-owned subsidiary of the Company issued 2.5 percent guaranteed convertible bonds with a nominal value of USD\$300,000,000 (the “300 million 2.5 percent Bonds”). The 300 million 2.5 percent Bonds will be unconditionally and irrevocably guaranteed by the Company. There was no movement in the number of these convertible bonds during the year. The 300 million 2.5 percent Bonds are convertible at the option of the bondholders into ordinary shares of the Company with the initial conversion price of HK\$8.33 per share at any time on or after 18 August 2020 and up to the close of business on the date falling ten days prior to 8 July 2025. The number of Shares issuable upon conversion of any Bond shall be determined by dividing the principal amount of the Bond to be converted translated into Hong Kong dollars at the fixed rate of HK\$7.7503 = US\$1.00 by the Conversion Price in effect on the relevant Conversion Date. The conversion price of the 300 million 2.5 percent Bonds was adjusted from HK\$8.33 per share to HK\$7.92 per share with effect from 31 July 2020 as a result of the declaration of the final dividend for the year ended 31 December 2019, and was further adjusted from HK\$7.92 per share to HK\$7.58 per share with effect from 30 June 2021 as a result of the declaration of the final dividend for the year ended 31 December 2020. The 300 million 2.5 percent Bonds are redeemable at the option of the bondholders at 100.00 percent of its principal amount on 8 July 2023. Any 300 million 2.5 percent Bonds not converted will be redeemed on 8 July 2025 at 100.00 percent of its principal amount. The 300 million 2.5 percent Bonds carry interest at a rate of 2.5 percent per annum, which is payable semi-annually in arrears on 8 July and 8 January.

On 4 December 2020, Universe Trek Limited issued zero coupon guaranteed convertible bonds with a nominal value of USD\$200,000,000 (the “200 million zero coupon Bonds I”). The 200 million zero coupon Bonds will be unconditionally and irrevocably guaranteed by the Company. During the year, all the outstanding 200 million zero coupon Bonds have been fully converted into ordinary shares of the Company in accordance with the terms and conditions of the 200 million zero coupon Bonds.

On 15 June 2021, Universe Trek Limited issued zero coupon guaranteed convertible bonds with a nominal value of USD\$250,000,000 (the “250 million zero coupon Bonds”). The 250 million zero coupon Bonds will be unconditionally and irrevocably guaranteed by the Company. There was no movement in the number of these convertible bonds during the year. The 250 million zero coupon Bonds are convertible at the option of the bondholders into ordinary shares of the Company with the initial conversion price of HK\$10.20 per share at any time on or after 26 July 2021 and up to the close of business on the date falling ten days prior to 15 June 2026. The number of shares issuable upon conversion of any Bond shall be determined by dividing the principal amount of the Bond to be converted translated into Hong Kong dollars at the fixed rate of HK\$7.7614 = US\$1.00 by the conversion price in effect on the relevant conversion date. The conversion price of the 250 million zero coupon Bonds was adjusted from HK\$10.20 per share to HK\$9.76 per share with effect from 30 June 2021 as a result of the declaration of the final dividend for the year ended 31 December 2020. The 250 million zero coupon Bonds are redeemable at the option of the bondholders at 106.15 percent of its principal amount on 15 June 2024. Any 250 million zero coupon Bonds not converted will be redeemed on 15 June 2026 at 110.46 percent of its principal amount.

On 5 August 2021, Universe Trek Limited issued zero coupon guaranteed convertible bonds with a nominal value of USD\$200,000,000 (the “200 million zero coupon Bonds II”). The 200 million zero coupon Bonds will be unconditionally and irrevocably guaranteed by the Company. During the year, all the outstanding 200 million zero coupon Bonds have been fully converted into ordinary shares of the Company in accordance with the terms and conditions of the 200 million zero coupon Bonds.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

32. CONVERTIBLE BONDS (continued)

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

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

	2021	2020
	RMB'000	RMB'000
Nominal value of convertible bonds issued at 31 December	3,506,635	3,416,350
Equity component	(233,750)	(338,050)
Direct transaction costs attributable to the equity component	(2,660)	(3,161)
Direct transaction costs attributable to the liability component	(38,914)	(30,489)
Liability component at the issuance date	3,231,311	3,044,650
Interest expense	118,442	42,993
Exchange realignment	(28,667)	(163,569)
Liability component at 31 December (Note 31)	3,321,086	2,924,074

NOTES TO FINANCIAL STATEMENTS

31 December 2021

33. DEFERRED REVENUE

	Government special subsidies	
	2021	2020
	RMB'000	RMB'000
At the beginning of year	1,064,019	1,054,306
Additions during the year	884,917	674,915
Amortised to the statement of profit or loss	(483,742)	(665,202)
At the end of year	1,465,194	1,064,019

(i) Government special subsidies

For the year ended 31 December 2021, the Group received a government special subsidy of RMB209,862,000 (2020: RMB177,067,000), which was mainly granted in accordance with the policies on the Shanghai Pudong New Area government financial subsidy and the financial support funds for economic development. In addition, the Group also received a government special subsidy of RMB610,270,000 (2020: RMB354,490,000) due to policies to support the finance lease industry of the Tianjin Dongjiang bonded port area. In addition, the Group received a government special subsidy of RMB62,250,000 (2020: RMB104,020,000) due to policies of Putuo District to upgrade and develop the industry support fund of enterprises. Those special subsidies are granted for certain purposes only. The amortisation of those special subsidies reduced the expense to which it related or reduced the amortisation charges of the related assets.

34. SHARE CAPITAL

	Number of shares	Amounts
		HK\$
Issued and fully paid ordinary shares:		
At 31 December 2020 (Note (i))	3,977,655,290	13,220,189,000
At 31 December 2021 (Note (i))	4,313,987,786	16,404,418,000

Note:

- (i) The Company purchased its own shares through a trust under a share award scheme (Note 36), which were presented as shares held for the share award scheme.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

34. 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 2021 and 31 December 2020	3,977,655,290	13,220,189	10,397,104
Share options exercised (Note (ii))	9,953,058	82,480	69,090
Conversion shares issued (Note (iii))	326,379,438	3,101,749	2,576,669
As at 31 December 2021	4,313,987,786	16,404,418	13,042,863

Notes:

- (ii) The subscription rights attaching to 786,475, 930,283, 3,106,115, 2,038,602, 1,357,379, 1,180,756 and 553,448 share options were exercised at the subscription price of HK\$5.86, HK\$7.17, HK\$5.714, HK\$6.82, HK\$7.36, HK\$7.618 and HK\$6.7 per share, respectively (Note 35), resulting in the issue of 9,953,058 shares for a total cash consideration, after expenses, of HK\$65,624,000. An amount of HK\$16,856,000 was transferred from the share option reserve to share capital upon the exercise of the share options.
- (iii) During the year, there were two conversions of the Convertible Bonds in the principal amount of US\$200,000,000, US\$200,000,000 with the corresponding equity component of US\$27,462,000, US\$9,790,000 and liability component of US\$171,738,000, US\$188,856,000. The Company has issued a total of 326,379,438 conversion shares to the bondholders at the conversion price of HK\$8.56, HK\$10.7 per conversion share.

35. SHARE OPTION SCHEME

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.

The Company operates the Share Option Scheme for the purpose of providing incentives and rewards to eligible participants and certain qualified participants who contribute to the success of the Group's operations. Eligible participants of the Share Option Scheme include senior and middle management personnel, as well as other key employees of the Company or any subsidiary (the "Grantees"). The total number of new shares in respect of which options may be granted under the Share Option Scheme shall not exceed 4% of the Company's issued share capital as at the date of approval of the Share Option Scheme by the shareholders at the General Meeting, which is 131,696,000 shares. The Share Option Scheme will be valid for 10 years from the date of its adoption.

Since the total share options under the 2014 Share Option Scheme have been fully granted, the Company adopted a New Share Option Scheme which was approved by the Shareholders at the Annual General Meeting on 5 June 2019. The total number of new Shares in respect of which the Share Options may be granted under the New Share Option Scheme shall not exceed 4% of the Company's issued shares as at the date of approval of the New Share Option Scheme by the shareholders, which is 158,167,904 shares.

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35. SHARE OPTION SCHEME (continued)

The offer of a grant of share options (“Share Options”) may be accepted upon payment of a nominal consideration of HK\$1 in total by the Grantees subject to any early termination, and the share option scheme will remain in force for a period of 10 years commencing on the date on which the share option scheme is approved by the shareholders of the Company. The vesting of the share options is mainly subject to fulfilment of the Company’s performance targets, the Grantees remaining at all times after the offer date and on each vesting date as an employee of the Group, as well as the Grantees achieving a specified level in annual personal performance evaluations.

The exercise price in respect of any option shall be such price as determined by the Board or the Administration Committee of the Share Option Scheme and notified to the Grantees and which shall not be less than the higher of: (i) the closing price of the shares on the Stock Exchange as stated in the Stock Exchange’s daily quotation sheet on the offer date; and(ii) the average of the closing prices of the shares on the Stock Exchange as stated in the Stock Exchange’s daily quotation sheets for the five trading days immediately preceding the Offer Date. The Shares do not carry nominal value.

On 26 July 2021, the Board announced that, the Company has resolved the eighth offer to grant Share Options to the Grantees under the Share Option Scheme to subscribe for a total of 33,847,932 ordinary shares in the capital of the Company.

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

Expiry date	Exercise price*		Number of share options	
	per share option		2021	2020
	HK\$			
11 July 2024	5.86	4,256,643	5,044,475	
3 July 2025	7.17	7,978,819	8,948,403	
15 June 2026	5.714	12,799,021	16,109,896	
20 June 2027	6.82	14,607,996	19,404,581	
18 July 2028	7.36	16,952,183	22,641,629	
19 July 2029	7.618	16,521,715	21,962,154	
23 July 2030	6.7	20,871,143	23,066,258	
26 July 2031	8.4	33,079,659	–	
		127,067,179	117,177,396	

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

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35. SHARE OPTION SCHEME (continued)

Exercise price per share option (HK\$)	Date of grant 2020	Outstanding as at 1 January 2020	Granted during the year ended 31 December 2020	Forfeited during the year ended 31 December 2020	Exercised during the year ended 31 December 2020	Outstanding as at 31 December 2021	Granted during the year ended 31 December 2021	Forfeited during the year ended 31 December 2021	Exercised during the year ended 31 December 2021	Outstanding as at 31 December 2021
5.86	11 July 2014	7,838,563	-	(88,664)	(2,705,424)	5,044,475	-	(1,357)	(786,475)	4,256,643
7.17	3 July 2015	13,273,029	-	(2,002,961)	(2,321,665)	8,948,403	-	(39,301)	(930,283)	7,978,819
5.714	15 June 2016	26,459,987	-	(3,217,891)	(7,132,200)	16,109,896	-	(204,760)	(3,106,115)	12,799,021
6.82	20 June 2017	29,099,616	-	(6,504,725)	(3,190,310)	19,404,581	-	(2,757,983)	(2,038,602)	14,607,996
7.36	18 July 2018	32,096,814	-	(8,538,836)	(916,349)	22,641,629	-	(4,332,067)	(1,357,379)	16,952,183
7.618	19 July 2019	30,422,016	-	(7,889,546)	(570,316)	21,962,154	-	(4,259,683)	(1,180,756)	16,521,715
6.70	23 July 2020	-	24,990,529	(1,924,271)	-	23,066,258	-	(1,641,667)	(553,448)	20,871,143
8.40	26 July 2021	-	-	-	-	-	33,847,932	(768,273)	-	33,079,659
Total number at the end of the year		139,190,025	24,990,529	(30,166,894)	(16,836,264)	117,177,396	33,847,932	(14,005,091)	(9,953,058)	127,067,179
Weighted average exercise price (HK\$)		6.89	6.70	7.08	6.30	6.88	8.40	7.29	6.59	7.27

4,256,643 (2020: 5,044,475), 7,978,819 (2020: 8,948,403), 12,799,021 (2020: 16,109,896), 14,607,996 (2020: 11,690,472), 10,087,171 (2020: 6,182,803), 9,774,236 (2020: 6,082,073) and 6,573,226 (2020: nil) share options which were granted on 11 July 2014, 3 July 2015, 15 June 2016 and 20 June 2017, 18 July 2018, 19 July 2019 and 23 July 2020, respectively, were vested and exercisable, but not yet exercised during the year.

The fair value (measured as at the grant dates) of the Share Options that were outstanding as at 31 December 2021 was RMB188,561,000 (31 December 2020: RMB171,197,000). The weighted average fair values were RMB1.40, RMB1.47, RMB1.50 and RMB1.57 per option for each of the four tranches with one-year, two-year, three-year and four-year (31 December 2020: The weighted average fair values were RMB1.27, RMB1.43, RMB1.48 and RMB1.58 per option for each of the four tranches with one-year, two-year, three-year and four-year) vesting periods, respectively. The Group recognised a share option expense of RMB28,567,000 (2020: RMB29,856,000) during the year ended 31 December 2021 in employee benefit expense.

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35. SHARE OPTION SCHEME (continued)

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

	2021	2020
Expected dividend yield (%)	4.29	5.09
Expected volatility (%)	33.14	33.53
Risk-free interest rate (%)	1.07	0.38
Validity period of the share options (year)	10	10
Share price (HK\$ per share)	8.40	6.48
Expected exercise trigger multiple	2.00	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 the limitation of the model. The expected volatility is based on the historical volatility reflecting the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. The expected exercise trigger multiple is also estimated and is not necessarily indicative of the exercise patterns that may occur.

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

At 31 December 2021, the Company had 60,990,067 (31 December 2020: 63,119,274) non-vested share options (including 12,978,897 (31 December 2020: 12,569,591) non-vested share options granted to certain executive directors, 21,597,515 (31 December 2020: 20,026,399) non-vested share options granted to certain employees among five highest paid employees and 28,680,555 (31 December 2020: 22,670,877) non-vested share options granted to certain key management personnel) outstanding under the Share Option Scheme. Should all of them be vested, the exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 60,990,067 (31 December 2020: 63,119,274) additional ordinary shares of the Company.

At the date of approval of these financial statements, the Company had 127,067,179 (2020: 117,177,396) share options outstanding under the Share Option Scheme, which represented approximately 3.03% (2020: 3.05%) of the Company's shares in issue as at that date.

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36. RESTRICTED SHARE AWARD SCHEME

On 11 June 2014, the Board announced that it has adopted a share award scheme (the "Share Award Scheme"), under which some restricted shares (the "Restricted Shares") will be held on trust for the relevant selected grantees (the "Selected Grantees") until such Restricted Shares are vested with the relevant Selected Grantees in accordance with the rules of the Share Award Scheme. The number of Restricted Shares under the Share Award Scheme shall not exceed 197,544,000, representing 6% of the Company's issued share capital as at the date of approval of the Share Award Scheme by the Board. The Share Award Scheme shall be effective from its adoption until it is terminated by the Board or shareholders in a general meeting.

Pursuant to the rules of the Share Award Scheme, the Company has set up a trust, and a third party company acts as the trustee (the "Trustee"). The Company's shares may be purchased by the Trustee from the market out of cash contributed by the Group and be held in trust for the Selected Grantees until such shares are vested with the Selected Grantees in accordance with the provisions of the Share Award Scheme.

Since the number of the Restricted Shares administered by the Trustee has reached the maximum limit as stipulated in the Share Award Scheme, the Board has resolved to make certain amendments to the Share Award Scheme. The Board resolved to refresh the maximum limit of the Shares as Restricted Shares under the Restricted Share Award Scheme (the "Maximum Award Scheme Limit") to the sum of the following numbers of the Shares: (a) 6% of the total number of issued Shares as at the date of approval of the Restricted Share Award Scheme by the Board on 11 June 2014, being 197,544,000 Shares; and (b) 6% of the total number of issued Shares as at the date of approval of the amendments to the Restricted Share Award Scheme by the Board on 20 March 2019, being 237,251,856 Shares.

The vesting of the Restricted Shares under the Share Award Scheme is mainly subject to the fulfilment of the Company's performance targets, Selected Grantees remaining as an employee of the Group, as well as Selected Grantees achieving a specified level in annual personal performance evaluations.

The following Restricted Shares were outstanding under the Share Award Scheme during the year:

	Number of Restricted Shares
At 1 January 2020	92,866,665
Granted	37,485,793
Vested	(28,704,663)
Forfeited	(30,884,149)
At 31 December 2020 and 1 January 2021	70,763,646
Granted	50,771,897
Vested	(20,844,449)
Forfeited	(19,462,524)
At 31 December 2021	81,228,570

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31 December 2021

36. RESTRICTED SHARE AWARD SCHEME (continued)

20,844,449 (31 December 2020: 28,704,663) Restricted Shares were vested during the year. The vesting periods of the Restricted Shares outstanding as at the end of the reporting period are as follows:

2021

Number of Restricted Shares	Vesting period
10,121,196	19 July 2019 to 19 July 2022
10,723,438	23 July 2020 to 23 July 2022
10,723,438	23 July 2020 to 23 July 2023
16,553,499	26 July 2021 to 26 July 2022
16,553,499	26 July 2021 to 26 July 2023
16,553,500	26 July 2021 to 26 July 2024
81,228,570	

2020

Number of Restricted Shares	Vesting period
12,344,155	18 July 2018 to 18 July 2021
11,910,052	19 July 2019 to 19 July 2021
11,910,052	19 July 2019 to 19 July 2022
11,533,129	23 July 2020 to 23 July 2021
11,533,129	23 July 2020 to 23 July 2022
11,533,129	23 July 2020 to 23 July 2023
70,763,646	

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31 December 2021

36. RESTRICTED SHARE AWARD SCHEME (continued)

At 31 December 2021, the Company had 81,228,570 (31 December 2020: 70,763,646) non-vested Restricted Shares (including 18,684,414 (31 December 2020: 14,446,951) non-vested Restricted Shares granted to certain executive directors, 30,163,581 (31 December 2020: 23,297,342) non-vested Restricted Shares granted to certain employees among five highest paid employees and 39,849,053 (31 December 2020: 26,414,504) non-vested Restricted Shares granted to certain key management personnel) outstanding under the Share Award Scheme.

Under the Share Award Scheme, there were shares of 115,803,918 (31 December 2020: 136,648,367) in total amounting to RMB731,556,000 (31 December 2020: RMB866,947,000), i.e. at a weighted average price of RMB6.32 (2020: RMB6.34), held by the trust at 31 December 2021. The movements of the shares held for the Share Award Scheme are as follows:

	Number of shares	Amount
		RMB'000
At 1 January 2020	165,353,030	1,070,078
Purchase of shares under Share Award Scheme	–	–
Vested	(28,704,663)	(203,131)
At 31 December 2020 and 1 January 2021	136,648,367	866,947
Purchase of shares under Share Award Scheme	–	–
Vested	(20,844,449)	(135,391)
At 31 December 2021	115,803,918	731,556

The fair value (measured as at the grant dates) of the Restricted Shares that were outstanding as at 31 December 2021 was RMB487,968,000 (31 December 2020: RMB391,168,000). The weighted average fair values were RMB6.71, RMB5.97 and RMB5.72 per share (31 December 2020: RMB5.56, RMB5.64 and RMB5.45 per share) for each of the three tranches with one-year, two-year and three-year vesting periods (31 December 2020: for three tranches with one-year, two-year and three-year vesting periods), respectively. The Group recognised an amount of RMB71,194,000 (2020: RMB132,990,000) in employee benefit expense during the year ended 31 December 2021.

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36. RESTRICTED SHARE AWARD SCHEME (continued)

The fair value of the Restricted Shares granted during the year was estimated as at their respective dates of grant, using a no-arbitrage model, taking into account the terms and conditions upon which the restricted shares were granted. The following table lists the main inputs to the model used:

	2021	2020
Expected dividend yield (%)	4.29	5.09
Share price (HK\$ per share)	8.40	6.48

37. RESERVES

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

The Group's capital reserve represents the excess of the carrying amounts of capital and capital reserve of the subsidiaries acquired pursuant to the reorganisation 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 the 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 dividends to shareholders.

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

The share-based compensation reserve of the Group comprises the recognition of the equity-settled share-based payments under the Share Option Scheme and the Share Award Scheme which are yet to be exercised. The amount will be transferred to share capital or shares held for the Share Award Scheme when the related Share Options are exercised or when the Restricted Shares are vested.

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38. PERPETUAL SECURITIES

On 14 June 2017, the Company issued US\$300,000,000 perpetual capital securities (the "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 (the "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 Capital Securities have no fixed maturity date and are callable at the Company's option in whole on 14 June 2022 (the "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 be reset, (i) in respect of the period from, and including, the Issue Date to, but excluding, 14 June 2022 (the "First Call Date") at 4.35% per annum (the "Initial Distribution Rate"); and (ii) in respect of the period (A) from, and including, the First Call Date to, but excluding, the immediately following reset date (the "Reset Date") and (B) from, and including, each Reset Date falling after the First Call Date to, but excluding, the day immediately following the Reset Date. The relevant reset distribution rate shall be the specified US treasury rate as at each relevant Reset Date plus the initial spread 2.62% plus 5.00% per annum.

On 4 December 2017, King Talent Management Limited ("King Talent"), a wholly-owned subsidiary of the Company, issued US\$400,000,000 guaranteed subordinated perpetual capital securities (the "Guaranteed Perpetual Securities") at an initial distribution rate of 5.60% per annum. The Company has guaranteed, on a subordinated basis, all sums falling due under the terms of the Guaranteed Perpetual Securities.

The Company may, at its sole discretion, elect to defer (in whole or in part) a Distribution which is otherwise scheduled to be paid by King Talent on a Distribution Payment Date (i.e. 4 June and 4 December of each year, starting from 4 June, 2018) to the next Distribution Payment Date prior to the relevant Distribution Payment Date, unless a compulsory distribution payment event (including distributions to ordinary shareholders of the Company) has occurred.

The Guaranteed Perpetual Securities have no fixed maturity date, which may be redeemed at the option of King Talent in whole, but not in part, on the First Reset Date or on any Distribution Payment Date thereafter at their principal amount together with all outstanding arrears of distribution and any Additional Distribution Amounts (if any) and any Distribution accrued to the date fixed for redemption. The distribution rate will be reset for the period (A) from and including the Issue date to, but excluding 4 December 2022 (the "First Reset Date"), the initial distribution rate; (B) for each reset distribution period from and including the First Reset Date to, but excluding 4 December 2037, the relevant reset distribution rate; and (C) for each reset distribution period from and including 4 December 2037 to, but excluding the redemption date of the securities, if any, the relevant reset distribution rate plus 5.00 percent per annum. The relevant reset distribution rate shall be the specified US treasury rate as at each relevant Reset Date plus the initial spread of 3.521%.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

38. PERPETUAL SECURITIES (continued)

On 24 July 2019, Far Eastern Leasing completed the issuance of perpetual trusted loans (the “Perpetual Loans”) in an amount of RMB49,850,000 in the PRC. The basic term of the Perpetual Loans will be 5 years (Far Eastern Leasing is entitled to exercise its renewable option at the end of the stipulated basic term and at the end of each renewal period), with a coupon distribution rate of 6.0% per annum.

Distributions of the Perpetual Loans may be paid annually in arrears on 24 July of each year and may be deferred at the discretion of Far Eastern Leasing unless a compulsory distribution payment event (including distributions to shareholders of Far Eastern Leasing) has occurred. Following a deferral, arrears of distributions are cumulative.

On 18 February 2020, Far Eastern Leasing completed the issuance of renewable corporate bonds (Epidemic Prevention and Control Securities) (the “Renewable Corporate Bonds”) (Phase One) in an amount of RMB2,000,000,000 in the PRC. The Renewable Corporate Bonds (Phase One) consist of Variety One and Variety Two. The issue size of Variety One was RMB1,500,000,000 and the basic term will be 2 years (Far Eastern Leasing is entitled to exercise its renewable option at the end of the stipulated basic term and at the end of each renewal period), with a coupon distribution rate of 3.87% per annum. The issue size of Variety Two was RMB500,000,000 and the basic term will be 3 years (Far Eastern Leasing is entitled to exercise its renewable option at the end of the stipulated basic term and at the end of each renewal period), with a coupon distribution rate of 4.13% per annum.

Distributions of the Renewable Corporate Bonds (Phase One) may be paid annually in arrears on 18 February of each year and may be deferred at the discretion of Far Eastern Leasing unless a compulsory distribution payment event (including distributions to shareholders of Far Eastern Leasing) has occurred. Following a deferral, arrears of distributions are cumulative.

On 18 June 2020, Far Eastern Leasing completed the issuance of renewable corporate bonds (the “Renewable Corporate Bonds”) (Phase Two) in an amount of RMB700,000,000 in the PRC. The basic term of the Renewable Corporate Bonds (Phase Two) will be 2 years (Far Eastern Leasing is entitled to exercise its renewable option at the end of the stipulated basic term and at the end of each renewal period), with a coupon distribution rate of 3.98% per annum.

Distributions of the Renewable Corporate Bonds (Phase Two) may be paid annually in arrears on 18 June of each year and may be deferred at the discretion of Far Eastern Leasing unless a compulsory distribution payment event (including distributions to shareholders of Far Eastern Leasing) has occurred. Following a deferral, arrears of distributions are cumulative.

On 25 December 2020, Far Eastern Leasing completed the issuance of perpetual trusted loans (the “Perpetual Trust Loans”) in an amount of RMB970,000,000 in the PRC. The basic term of the Perpetual Trust Loan will be 1 year (Far Eastern Leasing is entitled to exercise its renewable option at the end of the stipulated basic term and at the end of each renewal period), with a coupon distribution rate of 5.65% per annum.

Distributions of the Perpetual Trust Loan may be paid every three months in arrears on and after 21 March of each year and may be deferred at the discretion of Far Eastern Leasing unless a compulsory distribution payment event (including distributions to shareholders of Far Eastern Leasing) has occurred. Following a deferral, arrears of distributions are cumulative. The distribution rate will be reset every year. The relevant reset distribution rate shall be the higher of (A) the coupon distribution rate of 5.65% per annum plus 3%, and (B) the specified arithmetic average of the yields of PRC treasury bonds plus the initial spread plus 3%. The Perpetual Trust Loans have been fully redeemed on 23 December 2021.

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38. PERPETUAL SECURITIES (continued)

In the opinion of the directors, the Group is able to control the delivery of cash or other financial assets to the holders of the Perpetual Capital Securities, the Guaranteed Perpetual Securities, the Perpetual Loans, the Renewable Corporate Bonds and the Perpetual Trust Loans other than an unforeseen liquidation of the Company.

The direct transaction costs attributable to the Perpetual Capital Securities, the Guaranteed Perpetual Securities, the Perpetual Loans, the Renewable Corporate Bonds and the Perpetual Trust Loan amounted to RMB5,451,000, RMB16,309,000, RMB64,000, RMB6,000,000 and nil, respectively.

For the year ended 31 December 2021, the profits attributable to holders of the Perpetual Capital Securities, the Guaranteed Perpetual Securities, the Perpetual Loans, the Renewable Corporate Bonds and the Perpetual Trust Loan (collectively "Perpetual Securities"), based on the applicable distribution rates, were RMB84,358,000 (2020: RMB86,569,000), RMB148,620,000 (2020: RMB154,433,000), RMB2,785,000 (2020: RMB2,869,000), RMB71,313,000 (2020: RMB65,538,000), RMB25,794,000 (2020: RMB14,383,000) and RMB51,212,000 (2020: RMB1,005,000), respectively, and the distribution made by the Group to the holders of the Perpetual Securities was RMB377,769,000 (2020: RMB499,070,000).

39. DISPOSAL OF SUBSIDIARIES

In January 2021, the Group disposed of 60% of the voting shares of Jinhua Rehabilitation Hospital Co., Ltd. ("Jinhua Rehabilitation"), 60% of the voting shares of Jinhua Baikun Health care Pension Service Co. Ltd ("Jinhua Health care") and 60% of the voting shares of Jinhua Hongyue Women & Children Hospital Co., Ltd. ("Jinhua Hongyue").

In May 2021, the Group disposed of 100% of the voting shares of Qingdao Montessori Academy Co., Ltd ("Qingdao Montessori"), 100% of the voting shares of Montessori Academy Qingdao Campus ("Qingdao Campus") and 100% of the voting shares of Tianjin Taolesi Education Consulting Co., Ltd ("Tianjin Taolesi").

In June 2021, the Group disposed of 100% of the voting shares of Changsha Yuhua Green Olive Kinder Garden ("Changsha Garden").

In August 2021, the Group disposed of 80% of the voting shares of Dongying Baikun Rehabilitation Hospital Co., Ltd ("Dongying Rehabilitation"), 80% of the voting shares of Ever Joy Home of Dong Ying Co., Ltd ("Dong Ying Ever Joy Home").

In September 2021, the Group disposed of 100% of the voting shares of Shanghai Teamally Enterprise Management Co., Ltd. ("Shanghai Teamally"), 100% of the voting shares of Shanghai Hongwen School ("Shanghai Hongwen") and 100% of the voting shares of Hongwen School Chengdu Dayi Campus ("Dayi Campus").

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39. DISPOSAL OF SUBSIDIARIES (continued)

Disposal of Qingdao Montessori, Qingdao Campus, Tianjin Taolesi, Changsha Garden, Shanghai Teamally, Shanghai Hongwen, and Dayi Campus (“Education Industry related companies”)

Net assets of Education Industry related companies as at the date of disposal and cancellation were as follows:

	2021
	RMB'000
Net assets disposed of:	
Cash and cash equivalents	55,622
Loans and accounts receivables	15,223
Prepayments, other receivables and other assets	48,887
Property, plant and equipment	4,810
Other intangible assets	258
Right-of-use assets	47,028
Investments in subsidiaries	259
Goodwill	86
Trade and bills payables	(5,872)
Other payables and accruals	(107,887)
Interest-bearing bank and other borrowings	(7,918)
Lease liabilities	(55,709)
Non-controlling interests	(4,474)
	(9,687)
Gain on disposal of subsidiaries	15,883
	6,196
Satisfied by:	
Cash	6,196
Analysis of cash flows on disposal:	
Cash consideration	6,196
Cash and cash equivalents disposed of	(55,622)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	(49,426)

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39. DISPOSAL OF SUBSIDIARIES (continued)

Disposal of Jinhua Rehabilitation, Jinhua Health care, Jinhua Hongyue, Dongying Rehabilitation, and Dong Ying Ever Joy Home ("Hospital Industry related companies")

Net assets of Hospital Industry related companies as at the date of disposal and cancellation were as follows:

	2021
	RMB'000
Net assets disposed of:	
Cash and cash equivalents	2,143
Loans and accounts receivables	31,684
Prepayments, other receivables and other assets	11,787
Inventories	4,119
Property, plant and equipment	132,970
Other intangible assets	1,597
Right-of-use assets	80,373
Trade and bills payables	(22,525)
Other payables and accruals	(105,354)
Interest-bearing bank and other borrowings	(119,360)
Lease liabilities	(154,421)
Non-controlling interests	67,721
	(69,266)
Gain on disposal of subsidiaries	112,766
	43,500
Satisfied by:	
Cash	43,500
Analysis of cash flows on disposal:	
Cash consideration	43,500
Cash and cash equivalents disposed of	(2,143)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	41,357

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31 December 2021

40. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB147,551,000 (2020: RMB155,427,000) and RMB147,551,000 (2020: RMB155,427,000), respectively, in respect of lease arrangements for plant and equipment.

(b) Changes in liabilities arising from financing activities

2021

	Bank and other loans	Bonds	Lease liabilities	Convertible Bonds	Payables to non- controlling interests of consolidated structured entities
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	111,040,291	93,360,268	820,592	2,924,074	222,013
Issue of shares upon conversion of convertible bond	-	-	-	(2,578,353)	-
Changes from financing cash flows	14,886,281	11,170,880	(186,395)	2,908,605	1,784,521
Equity component of convertible bonds	-	-	-	(138,925)	-
New leases	-	-	147,551	-	-
Foreign exchange movement	(997,963)	53,750	-	(28,667)	-
Interest expense	9,470,568	116,513	37,229	234,352	-
Interest paid classified as operating cash flows	(9,702,448)	(124,049)	-	-	-
Fair value losses	-	-	-	-	(552,603)
Reassessment and revision of lease terms	-	-	(1,832)	-	-
Decrease arising from disposal of subsidiaries	(127,278)	-	(210,130)	-	-
At 31 December 2021	124,569,451	104,577,362	607,015	3,321,086	1,453,931

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31 December 2021

40. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)**(b) Changes in liabilities arising from financing activities (continued)**

2020

	Bank and other loans	Bonds	Lease liabilities	Convertible Bonds	Payables to non- controlling interests of consolidated structured entities
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	95,853,376	68,248,110	1,873,077	–	–
Changes from financing cash flows	16,904,277	25,539,954	(962,182)	3,382,700	179,564
Equity component of convertible bonds	–	–	–	(338,050)	–
New leases	–	–	155,427	–	–
Foreign exchange movement	(2,255,961)	(424,290)	–	(163,569)	–
Interest expense	8,398,887	123,096	56,610	42,993	–
Interest paid classified as operating cash flows	(7,933,826)	(126,602)	–	–	–
Fair value losses	–	–	–	–	42,449
Reassessment and revision of lease terms	–	–	(80,830)	–	–
Increase arising from acquisition of subsidiaries	73,538	–	32,981	–	–
Decrease arising from disposal of subsidiaries	–	–	(254,491)	–	–
At 31 December 2020	111,040,291	93,360,268	820,592	2,924,074	222,013

(c) Total cash outflow for leases

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

	2021
	RMB'000
Within financing activities	(186,395)

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41. CONTINGENT LIABILITIES

At 31 December 2021, contingent liabilities that are not provided for in the financial statements were as follows:

	2021	2020
	RMB'000	RMB'000
Claimed amounts	83,686	6,310

42. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans and other borrowings are included in Notes 13, 14, 23, 27 and 31, respectively, to the financial statements.

43. COMMITMENTS

(a) Capital commitments

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

	2021	2020
	RMB'000	RMB'000
Contracted, but not provided for:		
Capital expenditure for acquisition of property, plant and machinery	224,729	324,921

(b) Credit commitments

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

	2021	2020
	RMB'000	RMB'000
Irrevocable credit commitments	14,124,845	8,101,274

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

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44. 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 the 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

BlueStar New Chemical Materials Guangxi Branch

Shenyang Chemical Co., Ltd.

Joint ventures

Guangzhou Kangda Industrial Technology Co., Ltd.

Kunming Broadhealthcare (Group) Co., Ltd. ****

Teamway Shipping Limited

Gold Chance Shipping Limited

Fengyang Qianmen Hospital Co., Ltd.

Tian Jin Grand Flight Hooyoung Asset Management Co., Ltd.***

Grand Flight Investment Management Co., Ltd.

Suzhou Gaoxin Rehabilitation Hospital Co., Ltd.

Guangzhou Yimei Tiancheng Decoration Engineering Co., Ltd.

Shanghai Shengjiang Investment Management Co., Ltd.*

Shanghai Jinghong Yuanyu Apartment Management Co., Ltd.**

Associates

Tianjin FIS Asset Management Co., Ltd.

Shanghai Yijia Construction Development Co., Ltd.

Hangzhou Guoya Stomatological Hospital Co., Ltd.

* No longer jointly controlled by the Group since 26 August 2021

** No longer jointly controlled by the Group since 1 August 2021

*** Tian Jin Grand Flight Hooyoung Asset Management Co., Ltd. is the subsidiary of Grand Flight Investment Management Co., Ltd.

**** Formerly known as Kunming Broadhealthcare Investment Co., Ltd.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

44. RELATED PARTY TRANSACTIONS (continued)

In addition to the transactions and balances disclosed in Notes 23, 24, 27, 29, 30 and 31 to the financial statements, the Group had the following material transactions with related parties during the year:

(i) Interest income from cash at banks

	2021	2020
	RMB'000	RMB'000
Sinochem Finance Co., Ltd.	3,869	3,667

The interest income was earned at rates ranging from 0.35% to 1.495% (2020: 0.35% to 1.495%) per annum.

(ii) Service fee income

	2021	2020
	RMB'000	RMB'000
Guangzhou Kangda Industrial Technology Co., Ltd.	–	31
Kunming Broadhealthcare (Group) Co., Ltd.	189	–
Suzhou Gaoxin Rehabilitation Hospital Co., Ltd.	1,528	2,067
Fengyang Qianmen Hospital Co., Ltd.	–	86
Hangzhou Guoya Stomatological Hospital Co., Ltd.	448	–
	2,165	2,184

Services were provided based on prices mutually agreed between the parties.

(iii) Interest expenses on borrowings

	2021	2020
	RMB'000	RMB'000
Sinochem Finance Co., Ltd.	10,914	30,744

The interest expenses were charged at rates ranging from 3.8% to 4.185% (2020: 3.6% to 4.185%) per annum.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

44. RELATED PARTY TRANSACTIONS (continued)

(iv) Interest expenses

	2021	2020
	RMB'000	RMB'000
Tian Jin Grand Flight Hooyoung Asset Management Co., Ltd.	29	29
Grand Flight Investment Management Co., Ltd.	288	426
Suzhou Gaoxin Rehabilitation Hospital Co., Ltd.	78	58
Guangzhou Yimei Tiancheng Decoration Engineering Co., Ltd.	-	1,300
	395	1,813

The interest expenses were charged at a rate of 1.485% (2020: 1.485%) per annum.

(v) Consultancy service fee and other financial service fee

	2021	2020
	RMB'000	RMB'000
Sinochem Finance Co., Ltd.	580	10,433

(vi) Rentals paid as a lessee (rental expenses)

	2021	2020
	RMB'000	RMB'000
Beijing Chemsunny Property Co., Ltd.	8,563	8,140
Sinochem Jinmao Property Management (Beijing) Co., Ltd.	687	562
	9,250	8,702

These rentals were charged based on rates mutually agreed between the parties.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

44. RELATED PARTY TRANSACTIONS (continued)

(vii) Interest income from loans and accounts receivables

	2021	2020
	RMB'000	RMB'000
Guangzhou Kangda Industrial Technology Co., Ltd.	25,767	7,053
Kunming Broadhealthcare (Group) Co., Ltd.	4,287	3,417
Tianjin FIS Asset Management Co., Ltd.	20,866	44,524
Suzhou Gaoxin Rehabilitation Hospital Co., Ltd.	5,123	3,886
Shanghai Shengjiang Investment Management Co., Ltd.	-	1,396
BlueStar New Chemical Materials Guangxi Branch	590	-
Shenyang Chemical Co., Ltd.	5,489	-
Hangzhou Guoya Stomatological Hospital Co., Ltd.	609	-
	62,731	60,276

(viii) Sales of goods

	2021	2020
	RMB'000	RMB'000
Suzhou Gaoxin Rehabilitation Hospital Co., Ltd.	-	4,558

(ix) Decoration fee

	2021	2020
	RMB'000	RMB'000
Shanghai Yijia Construction Development Co., Ltd.	7,596	7,951

NOTES TO FINANCIAL STATEMENTS

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44. RELATED PARTY TRANSACTIONS (continued)

(x) Administrative fee

	2021	2020
	RMB'000	RMB'000
Grand Flight Investment Management Co., Ltd.	42,720	–

(xi) Compensation of key management personnel of the Group

	2021	2020
	RMB'000	RMB'000
Short term employee benefits	134,706	96,462

During 2021, certain members of key management personnel of the Group were granted share options and restricted shares in respect of their services to the Group under the share option scheme and the restricted share award scheme of the Company, further details of which are set out in Note 35 and Note 36 to the financial statements.

Further details of directors' emoluments are set out in Note 8 to the financial statements.

The related party transactions in respect of items (i), (iii), (v) and (vi) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

45. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2021

Financial assets

	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Hedging instruments designated in cash flow hedges	Debt investment at fair value through other comprehensive income	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Loans and accounts receivables	252,218,007	-	-	-	252,218,007
Financial assets included in prepayments, other receivables and other assets	3,126,777	-	-	-	3,126,777
Restricted deposits	4,239,760	-	-	-	4,239,760
Derivative financial instruments designated as hedging instruments in cash flow hedges	-	-	22,331	-	22,331
Financial assets at fair value through profit or loss	-	12,760,358	-	-	12,760,358
Debt investment at fair value through other comprehensive income	-	-	-	699,039	699,039
Cash and cash equivalents	15,659,036	-	-	-	15,659,036
	275,243,580	12,760,358	22,331	699,039	288,725,308

NOTES TO FINANCIAL STATEMENTS

31 December 2021

45. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2021 (continued)

Financial liabilities

	Financial liabilities at amortised cost	Financial liabilities at fair value through profit or loss	Hedging instruments designated in cash flow hedges	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payables	13,890,322	–	–	13,890,322
Financial liabilities included in other payables and accruals	22,140,683	–	–	22,140,683
Interest-bearing bank and other borrowings*	226,879,656	–	–	226,879,656
Convertible bonds – host debts	3,321,086	–	–	3,321,086
Lease liabilities	607,015	–	–	607,015
Derivative financial instruments	–	6,908	–	6,908
Hedging instruments designated as cash flow hedges	–	–	2,361,956	2,361,956
Other non-current liabilities	–	1,453,931	–	1,453,931
	266,838,762	1,460,839	2,361,956	270,661,557

NOTES TO FINANCIAL STATEMENTS

31 December 2021

45. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2020

Financial assets

	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Hedging instruments designated in cash flow hedges	Debt investment at fair value through other comprehensive income	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Loans and accounts receivables	229,397,307	–	–	–	229,397,307
Financial assets included in prepayments, other receivables and other assets	5,360,263	–	–	–	5,360,263
Restricted deposits	3,474,869	–	–	–	3,474,869
Derivative financial instruments designated as hedging instruments in cash flow hedges	–	–	288,818	–	288,818
Derivative financial instruments designated as hedging instruments in fair value hedges	–	149	–	–	149
Financial assets at fair value through profit or loss	–	9,342,565	–	–	9,342,565
Debt investment at fair value through other comprehensive income	–	–	–	108,176	108,176
Cash and cash equivalents	11,877,235	–	–	–	11,877,235
	250,109,674	9,342,714	288,818	108,176	259,849,382

NOTES TO FINANCIAL STATEMENTS

31 December 2021

45. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2020 (continued)

Financial liabilities

	Financial liabilities at amortised cost	Financial liabilities at fair value through profit or loss	Hedging instruments designated in cash flow hedges	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payables	7,880,410	–	–	7,880,410
Financial liabilities included in other payables and accruals	27,561,842	–	–	27,561,842
Interest-bearing bank and other borrowings	200,292,081	–	–	200,292,081
Convertible bonds – host debts	2,924,074	–	–	2,924,074
Lease liabilities	820,592	–	–	820,592
Hedging instruments designated as cash flow hedges	–	–	1,855,165	1,855,165
Other non-current liabilities	–	222,013	–	222,013
	239,478,999	222,013	1,855,165	241,556,177

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Financial instruments not measured at fair value

Financial assets and liabilities not presented at their fair value in the statement of financial position mainly represent cash and cash equivalents, restricted deposits, loans and accounts receivables, financial assets included in deposits, other receivables and other assets, trade and bills payables, financial liabilities included in other payables and accruals, and 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, the current portion of financial assets included in deposits and other receivables, trade and bills payables, short term borrowings and the current portion of financial liabilities included in other payables and accruals

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

NOTES TO FINANCIAL STATEMENTS

31 December 2021

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Financial instruments not measured at fair value (continued)

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

Substantially all of the restricted deposits and interest-bearing bank and other borrowings, except for bonds issued and short-term borrowings, are on floating rate terms and bear interest at prevailing market interest rates and their carrying values approximate to their fair values. For loans and accounts receivables with long-term remaining maturities, the applied interest rates approximate to prevailing market interest rates and their carrying values approximate to their fair value.

Bonds issued and convertible bonds-host debts

The fair values of the bonds and host debts convertible bonds issued are calculated based on a discounted cash flow model that is used based on a current yield curve appropriate for the remaining term to maturity.

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows :

	Carrying amounts		Fair values	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities				
Bonds issued	103,410,935	92,190,752	104,632,682	92,107,786
Convertible bonds – host debts	3,321,086	2,924,074	3,499,704	3,026,531
Other non-current liabilities	1,362,971	–	1,357,130	–

Non-current portion of financial assets included in prepayments, deposits and other receivables and the 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 prepayment, deposits and other receivables and 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 the fair values of those financial assets and liabilities is not significant.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (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.

Financial assets at fair value through profit or loss

The valuations of the financial assets 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.

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2021:

Description	Fair value at 31 December 2021	Valuation technique	Unobservable input	Relationship of unobservable inputs to fair value
Financial investments at fair value through profit or loss	2,694,057	Market comparable model/Adjusted recent transaction price	Discount for lack of marketability ("DLOM")/Volatility	The higher the DLOM, the lower the fair value/ The higher the volatility, the higher the fair value

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)

NOTES TO FINANCIAL STATEMENTS

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46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (Continued)

Assets and liabilities measured at fair value

As at 31 December 2021

	Level 1 Quoted prices in active markets	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Cross-currency interest rate swaps – assets	–	11,596	–	11,596
Interest rate swaps – assets	–	10,735	–	10,735
Cross-currency interest rate swaps – liabilities	–	(2,260,523)	–	(2,260,523)
Forward currency contracts – liabilities	–	(86,806)	–	(86,806)
Interest rate swaps – liabilities	–	(14,627)	–	(14,627)
Financial assets at fair value through profit or loss	789,665	9,276,636	2,694,057	12,760,358
Debt investments at fair value through other comprehensive income	–	699,039	–	699,039
Other non-current liabilities	–	(1,453,931)	–	(1,453,931)

As at 31 December 2020

	Level 1 Quoted prices in active markets	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Cross-currency interest rate swaps – assets	–	269,809	–	269,809
Interest rate swaps – assets	–	19,158	–	19,158
Cross-currency interest rate swaps – liabilities	–	(1,756,842)	–	(1,756,842)
Forward currency contracts – liabilities	–	(72,485)	–	(72,485)
Interest rate swaps – liabilities	–	(25,838)	–	(25,838)
Financial assets at fair value through profit or loss	233,100	7,338,658	1,770,807	9,342,565
Debt investments at fair value through other comprehensive income	–	108,176	–	108,176
Other non-current liabilities	–	(222,013)	–	(222,013)

During the year ended 31 December 2021, there were transfers at fair value measurements from Level 2 to Level 1 and from Level 2 to Level 3 (year ended 31 December 2020: there were transfers at fair value measurements from Level 2 to Level 1 and from Level 2 to Level 3).

NOTES TO FINANCIAL STATEMENTS

31 December 2021

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (Continued)

Assets and liabilities measured at fair value (Continued)

The movements in fair value measurements within Level 3 during the year are as follows:

	2021	2020
	RMB'000	RMB'000
Financial assets at fair value through profit or loss		
Carrying amount at 1 January 2021	1,770,807	–
Changes in fair value recognised in profit or loss	650,074	44,320
Additions, net	273,176	1,726,487
Carrying amount at 31 December 2021	2,694,057	1,770,807

Liabilities for which fair values are disclosed

As at 31 December 2021

	Level 1 Quoted prices in active markets	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Bonds issued	–	103,410,935	–	103,410,935
Convertible bonds – host debts	–	3,321,086	–	3,321,086
Other non-current liabilities	–	1,362,971	–	1,362,971

As at 31 December 2020

	Level 1 Quoted prices in active markets	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Bonds issued	–	92,190,752	–	92,190,752
Convertible bonds – host debts	–	2,924,074	–	2,924,074

NOTES TO FINANCIAL STATEMENTS

31 December 2021

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise lease receivables, entrusted loans, trade receivables, trade payables, bank loans, other interest-bearing loans, cash and short term deposits and derivative financial instruments. The main purpose of bank loans and other interest-bearing loans is to finance the Group's operations while other financial assets and liabilities such as lease receivables, entrusted loans, trade receivables and trade payables are directly related to the Group's operating activities.

The Group also enters into derivative transactions, including principally cross-currency interest rate swaps, forward currency contracts and RMB-denominated interest rate swaps. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk, currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank and other borrowings, lease receivables and other loans. The Group aims to mitigate such risks by reducing future variability in cash flows or fair value, while balancing the cost of such risk mitigation measure. For example, the Group enters into cash flow and fair value hedges (see Note 22).

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

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 the reporting period subject to repricing within the coming year.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

	Increase/(decrease) in profit before tax As at 31 December	
	2021	2020
	RMB'000	RMB'000
Change in basis points		
+100 basis points	24,974	30,639
- 100 basis points	(20,221)	(30,639)

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

Currency risk

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

The Group conducts its businesses mainly in RMB, with certain transactions denominated in US\$, and, to a lesser extent, other currencies. The Group's exposure to treasury operations mainly arises from its transactions in currencies other than the RMB. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position. For example, the Group enters into cross currency interest rate swaps and forward currency contracts to mitigate the currency risk arising from variable cash flows of some of its foreign currency floating rate loans (see Note 22).

The exchange rate of RMB to the United States Dollar ("US\$") is managed under a floating exchange rate system. The Hong Kong Dollar ("HK\$") exchange rate has been pegged to US\$, and therefore, the exchange rate of RMB to HK\$ has fluctuated in line with the changes in the exchange rate of RMB to US\$.

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31 December 2021

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Currency risk (continued)

The table below is a sensitivity analysis of the change in the exchange rate of the currency to which the Group had significant exposure on its monetary assets and liabilities and its forecast cash flows. The analysis shows the effect of a reasonably possible movement in the currency rate against RMB, with all other variables held constant, on profit before tax. This effect, however, was based on the assumption that the Group's foreign exchange exposures as at the end of each reporting period were kept unchanged and, therefore, the analysis has not incorporated actions that would be taken by the Group to mitigate the adverse impact of this foreign exchange risk.

Group

		Increase/(decrease) in profit before tax As at 31 December	
		2021	2020
Currency	Change in currency rate	RMB'000	RMB'000
US\$	+/-1%	4,203/(4,203)	(9,475)/9,475
HK\$	+/-1%	(7,794)/7,794	(9,192)/9,192

Credit risk

Credit risk is the risk of loss arising from a lessee's or counterparty's inability to meet its obligations.

The Group enters into transactions only with recognised and creditworthy third parties. In accordance with the policy of the Group, the Group examines and verifies the credit risk of all customers that the Group has credit transactions with. Besides, the Group monitors and controls the lease receivables regularly to mitigate the risk of significant exposure from bad debts.

Other financial assets of the Group include cash and bank deposits, accounts receivable, notes receivable, derivative financial instruments, entrusted loans and subordinated tranches of asset-backed securities/notes, and debt investments at fair value through profit or loss. The credit risk of these financial assets arises from the counterparty's inability to meet its obligations. The maximum exposure to credit risk is equal to the carrying amounts of these assets.

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31 December 2021

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on the customers' creditworthiness information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

At 31 December 2021

	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL – impaired)	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Contract assets	–	–	–	276,859	276,859
Accounts receivable	–	–	–	5,029,421	5,029,421
Notes receivable*	1,810,670	0	–	–	1,810,670
Interest-earning assets	228,582,793	15,897,300	1,596,862	–	246,076,955
Financial assets included in prepayments, other receivables and other assets	3,126,777	–	–	–	3,126,777
Pledged deposits	4,239,760	–	–	–	4,239,760
Cash and cash equivalents	15,659,036	–	–	–	15,659,036
	253,419,036	15,897,300	1,596,862	5,306,280	276,219,478

* includes notes receivable classified as debt investments at fair value through other comprehensive income.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

At 31 December 2020

	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL – impaired)	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Contract assets	–	–	–	110,132	110,132
Accounts receivable	–	–	–	3,280,753	3,280,753
Notes receivable	547,837	–	–	–	547,837
Interest-earning assets	206,267,538	17,889,704	1,519,651	–	225,676,893
Financial assets included in prepayments, other receivables and other assets	5,360,263	–	–	–	5,360,263
Pledged deposits	3,474,869	–	–	–	3,474,869
Cash and cash equivalents	11,877,235	–	–	–	11,877,235
	227,527,742	17,889,704	1,519,651	3,390,885	250,327,982

Note:

The financial assets falling in stage 1 are mainly credit rated as Pass, except for an amount of interest-earning assets of RMB3,288,552,000 (2020: RMB2,655,605,000) which are credit rated as Special Mention. All of the financial assets falling in stage 2 and stage 3 are credit rated as Special Mention and Non-performing, respectively.

Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. The customer bases of the Group's financial assets are widely dispersed in different sectors and industries.

Liquidity risk

Liquidity risk is the risk that funds will not be available to meet the 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 execution of the following objectives: maintaining the stability of the leasing business, projecting cash flows and evaluating the level of current assets and liquidity of the Group, and maintaining an efficient internal fund transfer mechanism.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

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

	As at 31 December 2021						
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Undated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
FINANCIAL ASSETS:							
Loans and accounts receivables	3,227,882	49,004,670	100,171,631	127,458,745	2,430,427	-	282,293,355
Financial assets included in prepayments, other receivables and other assets	43,783	200,994	467,215	1,961,294	453,491	-	3,126,777
Restricted deposits	-	3,185,202	1,054,558	-	-	-	4,239,760
Derivative financial instruments	-	1	456	21,874	-	-	22,331
Financial assets at fair value through profit or loss	5	956,720	2,313,415	4,809,259	1,863,287	2,817,672	12,760,358
Debt investment at fair value through other comprehensive income	-	229,355	468,800	884	-	-	699,039
Cash and cash equivalents	15,659,036	-	-	-	-	-	15,659,036
Total financial assets	18,930,706	53,576,942	104,476,075	134,252,056	4,747,205	2,817,672	318,800,656
FINANCIAL LIABILITIES:							
Trade and bills payables	151,861	6,421,388	7,317,073	-	-	-	13,890,322
Financial liabilities included in other payables and accruals	603,818	6,759,461	5,469,224	9,307,108	1,072	-	22,140,683
Convertible bonds – host debts	-	-	-	3,321,086	-	-	3,321,086
Lease liabilities	-	51,391	112,247	311,133	132,244	-	607,015
Interest-bearing bank and other borrowings	-	36,905,285	92,536,710	107,978,856	2,447,775	-	239,868,626
Derivative financial instruments	-	375,606	701,505	1,291,753	-	-	2,368,864
Other non-current liabilities	-	-	-	-	1,453,931	-	1,453,931
Total financial liabilities	755,679	50,513,131	106,136,759	122,209,936	4,035,022	-	283,650,527
Net liquidity gap	18,175,027	3,063,811	(1,660,684)	12,042,120	712,183	2,817,672	35,150,129

NOTES TO FINANCIAL STATEMENTS

31 December 2021

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The tables below summarise the maturity profile of the Group's financial assets and liabilities based on the contractual undiscounted cash flows: (continued)

As at 31 December 2020							
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Undated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
FINANCIAL ASSETS:							
Loans and accounts receivables	2,858,332	39,601,266	96,973,341	116,717,226	1,567,495	–	257,717,660
Financial assets included in prepayments, other receivables and other assets	–	147,882	767,617	4,005,205	439,559	–	5,360,263
Restricted deposits	–	2,729,375	749,299	143	–	–	3,478,817
Derivative financial instruments	–	219,765	–	69,202	–	–	288,967
Financial assets at fair value through profit or loss	516,305	138,515	2,511,031	3,639,853	1,268,801	1,268,060	9,342,565
Debt investment at fair value through other comprehensive income	–	17,236	90,940	–	–	–	108,176
Cash and cash equivalents	11,877,235	–	–	–	–	–	11,877,235
Total financial assets	15,251,872	42,854,039	101,092,228	124,431,629	3,275,855	1,268,060	288,173,683
FINANCIAL LIABILITIES:							
Trade and bills payables	85,554	1,524,764	6,270,092	–	–	–	7,880,410
Financial liabilities included in other payables and accruals	53,169	5,616,117	5,940,980	15,887,762	63,814	–	27,561,842
Convertible bonds – host debts	–	–	–	2,924,074	–	–	2,924,074
Lease liabilities	–	71,526	166,018	452,002	131,046	–	820,592
Interest-bearing bank and other borrowings	–	35,494,692	70,421,107	100,103,326	921,456	–	206,940,581
Derivative financial instruments	–	19,079	278,362	1,557,724	–	–	1,855,165
Other non-current liabilities	–	–	–	–	222,013	–	222,013
Total financial liabilities	138,723	42,726,178	83,076,559	120,924,888	1,338,329	–	248,204,677
Net liquidity gap	15,113,149	127,861	18,015,669	3,506,741	1,937,526	1,268,060	39,969,006

NOTES TO FINANCIAL STATEMENTS

31 December 2021

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate benchmark reform

As at 31 December 2021, the Group had certain interest-bearing bank and other borrowings and an interest rate swap denominated in United States dollars. The interest rates of these instruments are based on the LIBOR with a tenor of one month, three months or twelve months, which will cease to be published after 30 June 2023. Replacement of the benchmark rates of these instruments from LIBOR to an RFR has yet to commence but it is expected that there will be renegotiations of terms in the future. During the transition, the Group is exposed to the following risks:

- Parties to the contract may not reach agreement in a timely manner as any changes to the contractual terms require the agreement of all parties to the contract
- Additional time may be needed for the parties to the contract to reach agreement as they may renegotiate terms which are not part of the interest rate benchmark reform (e.g., changing the credit spread of the bank borrowings due to changes in credit risk of the Group)
- The existing fallback clause included in the instruments may not be adequate to facilitate a transition to a suitable RFR

The Group will continue to monitor the development of the reform and take proactive measures for a smooth transition.

The information about financial instruments based on an interbank offered rate that has yet to transition to an alternative benchmark rate is as follows:

As at 31 December 2021

	Non-derivative financial liabilities - carrying value	Derivatives - nominal amount
	RMB'000	RMB'000
Interest-bearing bank and other borrowings		
– United States dollar LIBOR	25,091,105	–
Interest rate swap		
– United States dollar LIBOR	–	637,570
Cross-currency interest rate swap		
– United States dollar LIBOR	–	22,159,804

NOTES TO FINANCIAL STATEMENTS

31 December 2021

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate benchmark reform (continued)

As at 31 December 2020

	Non-derivative financial liabilities - carrying value	Derivatives - nominal amount
	RMB'000	RMB'000
Interest-bearing bank and other borrowings		
– United States dollar LIBOR	36,789,386	–
Interest rate swap		
– United States dollar LIBOR	–	1,957,470
Cross-currency interest rate swap		
– United States dollar LIBOR	–	26,364,329

Capital management

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

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

The Group monitors capital using a gearing ratio, which is defined by management as net debt divided by total equity plus net debt. Net debt includes bank and other borrowings. The gearing ratios as at the reporting dates were as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Bank and other borrowings (Note 31)	230,200,742	205,216,155
Total equity	53,054,110	45,267,133
Total equity and net debt	283,254,852	250,483,288
Gearing ratio	81%	82%

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31 December 2021

48. OTHER NON-CURRENT LIABILITIES

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Continuing involvement in transferred assets	2,161,894	4,064,204
Payables to non-controlling interests of consolidated structured entities	1,453,931	222,013
Put option granted to non-controlling shareholders (Note (i))	1,362,971	–
Others	607	500
	4,979,403	4,286,717

Note (i): Pursuant to the Share Purchase Agreement signed by and among the investors of Horizon Construction Development Limited ("HCD"), one subsidiary of the Group on 16 April 2021, shares shall be redeemed by HCD upon the occurrence of certain contingent events which cannot be controlled by HCD including a public offering of HCD on the Stock Exchange or another recognized international securities exchange not being completed within 36 months. The price of investors' shares to be redeemed shall be an amount that would give holders a fixed rate of 8% per annum for its investment in HCD plus all accrued but unpaid dividends.

Presentation and classification:

The option granted to non-controlling shareholders gives rise to financial liabilities, which are measured at present value of the redemption amount. These investors subscribed for an aggregate of 6,651 shares of HCD at a total consideration of USD204,910,000, initially equivalent to RMB1,326,185,000, with certain conditional terms. As at 31 December 2021, the amount of put option granted to non-controlling shareholders was RMB1,362,971,000.

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2021

49. TRANSFERS OF FINANCIAL ASSETS AND INTERESTS IN THE UNCONSOLIDATED STRUCTURED ENTITIES (Continued)

During the year ended 31 December 2021 and the year ended 31 December 2020, the Group did not transfer loans and accounts receivable to third parties, consequently, no such assets were qualified for full derecognition. The Group did not provide liquidity support to these unconsolidated structured entities, and thus there was no exposure to losses.

The Group also transferred loans and accounts receivables to unconsolidated structured entities, where the Group held some subordinated tranches, and hence, it retained continuing involvement in the transferred assets (i.e. loans and accounts receivables amounting to RMB45,617,928,000 as at 31 December 2021). As a result, as at 31 December 2021, the balance of subordinated tranches of asset-backed securities/notes held by the Group amounted to RMB2,858,774,000 (31 December 2020: RMB4,499,118,000). In addition, the balances of continuing involvement in transferred assets and associated liabilities both amounted to RMB2,858,774,000 (31 December 2020: both RMB4,499,118,000), which approximate the maximum exposure to losses from its involvement in such securitisation arrangements and the unconsolidated structured entities.

During the year ended 31 December 2021, as a result of the securitisation transactions, the Group recognised gains of RMB7,349,000 (2020: gains of RMB1,285,000) from transfers of loans and accounts receivables.

50. EVENTS AFTER THE REPORTING PERIOD

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

51. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

52. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	31 December 2021	31 December 2020
	RMB'000	RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	3	7
Right-of-use assets	5,268	–
Investments in subsidiaries	65,456,191	54,714,295
Deferred tax assets	–	110,551
Loans and accounts receivables	21,217,716	18,839,980
Derivative financial instruments	21,406	50,193
Total non-current assets	86,700,584	73,715,026
CURRENT ASSETS		
Loans and accounts receivables	988,839	1,316,705
Prepayments, other receivables and other assets	13,204,510	9,920,864
Dividend receivable from subsidiaries	12,108	12,391
Derivative financial instruments	–	196,402
Restricted deposits	169,210	223,658
Cash and cash equivalents	804,618	684,832
Total current assets	15,179,285	12,354,852
CURRENT LIABILITIES		
Other payables and accruals	2,109,279	3,985,904
Derivative financial instruments	883,217	193,771
Income tax payable	(16)	(78)
Interest-bearing bank and other borrowings	14,943,234	18,625,023
Total current liabilities	17,935,714	22,804,620
NET CURRENT LIABILITIES	(2,756,429)	(10,449,768)
TOTAL ASSETS LESS CURRENT LIABILITIES	83,944,155	63,265,258

NOTES TO FINANCIAL STATEMENTS

31 December 2021

52. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Information about the statement of financial position of the Company at the end of the reporting period is as follows:
(continued)

	31 December 2021	31 December 2020
	RMB'000	RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES	83,944,155	63,265,258
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	38,996,530	25,686,277
Derivative financial instruments	1,209,665	1,399,084
Lease liabilities	5,293	–
Total non-current liabilities	40,211,488	27,085,361
Net assets	43,732,667	36,179,897
EQUITY		
Share capital	13,042,863	10,397,104
Reserves (Note 37)	28,648,786	23,742,826
	41,691,649	34,139,930
Holder of perpetual securities	2,041,018	2,039,967
Total equity	43,732,667	36,179,897

Kong Fanxing
Director

Wang Mingzhe
Director

NOTES TO FINANCIAL STATEMENTS

31 December 2021

52. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Equity component of convertible bonds	Capital reserve	Shares held for the share award scheme	Share-based compensation reserve ¹	Special reserve	Reserve fund	Hedging reserve	Exchange fluctuation reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	-	1,535,462	(1,070,078)	407,015	8,346	121,913	(311,956)	611,888	18,390,618	19,693,208
Profit for the year	-	-	-	-	-	-	-	-	4,750,245	4,750,245
Other comprehensive income for the year:										
Cash flow hedges, net of tax	-	-	-	-	-	-	57,667	-	-	57,667
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	141,931	-	141,931
Total comprehensive income	-	-	-	-	-	-	57,667	141,931	4,750,245	4,949,843
Final 2019 dividend declared (net of dividends received from shares held for the share award scheme)	-	-	-	-	-	-	-	-	(1,143,486)	(1,143,486)
Shares vested under the restricted share award scheme	-	-	203,131	(166,840)	-	-	-	-	(36,291)	-
Transfer of share option reserve upon exercise of share options	-	-	-	(23,798)	-	-	-	-	-	(23,798)
Recognition of equity-settled share-based payments	-	-	-	162,846	-	-	-	-	-	162,846
Special reserve – safety fund appropriation	-	-	-	-	16,568	-	-	-	(18,063)	(1,495)
Capital injection by non-controlling shareholders	-	4,182	-	-	-	-	-	-	-	4,182
Purchase of non-controlling interests	-	(236,524)	-	-	-	-	-	-	-	(236,524)
Issue of convertible bonds	338,050	-	-	-	-	-	-	-	-	338,050
At 31 December 2020	338,050	1,303,120	(866,947)	379,223	24,914	121,913	(254,289)	753,819	21,943,023	23,742,826

NOTES TO FINANCIAL STATEMENTS

31 December 2021

52. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note: (continued)

A summary of the Company's reserves is as follows: (continued)

	Equity component of convertible bonds	Capital reserve	Shares held for the share award scheme	Share-based compensation reserve [#]	Special reserve	Reserve fund	Hedging reserve	Exchange fluctuation reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	338,050	1,303,120	(866,947)	379,223	24,914	121,913	(254,289)	753,819	21,943,023	23,742,826
Profit for the year	-	-	-	-	-	-	-	-	5,660,866	5,660,866
Other comprehensive income for the year:										
Cash flow hedges, net of tax	-	-	-	-	-	-	212,318	-	-	212,318
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	83,280	-	83,280
Total comprehensive income	-	-	-	-	-	-	212,318	83,280	5,660,864	5,956,464
Final 2020 dividend declared (net of dividends received from shares held for the share award scheme)	-	-	-	-	-	-	-	-	(1,205,585)	(1,205,585)
Shares vested under the restricted share award scheme	-	-	135,391	(118,503)	-	-	-	-	(16,888)	-
Transfer of share option reserve upon exercise of share options	-	-	-	(14,314)	-	-	-	-	-	(14,314)
Recognition of equity-settled share-based payments	-	-	-	99,761	-	-	-	-	-	99,761
Special reserve - safety fund appropriation	-	-	-	-	21,259	-	-	-	(26,261)	(5,002)
Capital injection by non-controlling shareholders	-	488,434	-	-	-	-	-	-	-	488,434
Disposal of subsidiaries	-	84,262	-	-	-	-	-	-	(84,262)	-
Purchase of non-controlling interests	-	138,564	-	-	-	-	-	-	-	138,564
Issue of convertible bonds	138,925	-	-	-	-	-	-	-	-	138,925
Issue of shares upon conversion of convertible bonds	(243,225)	-	-	-	-	-	-	-	-	(243,225)
Put option granted to non-controlling shareholders	-	(448,062)	-	-	-	-	-	-	-	(448,062)
At 31 December 2021	233,750	1,566,318	(731,556)	346,167	46,173	121,913	(41,971)	837,099	26,270,893	28,648,786

The reserve of the Company represents the recognition of the equity-settled share-based payments of the Share Options which are yet to be exercised and the Restricted Shares which are yet to be vested. The amount will be transferred to share capital or shares held for the share award scheme when the related Share Options are exercised or Restricted Shares are vested.

53. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 16 March 2022.



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