



遠東宏信  
FEHORIZON

# 2024 | INTERIM REPORT

Incorporated in Hong Kong with limited liability

Stock Code: 03360.HK

遠東  
宏信  
FAH EAST  
HORIZON





遠東宏信有限公司  
FAR EAST HORIZON LIMITED



**Persevere and  
push forward with all strength**





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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Chairman and Executive Director

Mr. KONG Fanxing  
(Chairman, Chief Executive Officer)

#### Executive Directors

Mr. WANG Mingzhe  
(Chief Financial Officer)

Mr. CAO Jian  
(Senior Vice President)

#### Non-Executive Directors

Mr. CHEN Shumin  
(Vice Chairman)

Ms. WEI Mengmeng

Mr. LIU Haifeng David

Mr. KUO Ming-Jian

Mr. John LAW

#### Independent Non-executive Directors

Mr. HAN Xiaojing

Mr. LIU Jialin

Mr. YIP Wai Ming

Mr. WONG Ka Fai Jimmy

### 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. WONG Ka Fai Jimmy

#### Environmental, Social and Governance Committee

Mr. WONG Ka Fai Jimmy  
(Chairman)

Mr. HAN Xiaojing

Mr. John LAW

### COMPANY SECRETARY

Ms. YUEN Wing Yan Winnie

### AUTHORISED REPRESENTATIVES

Mr. KONG Fanxing

Ms. YUEN Wing Yan Winnie

### 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)

(As the auditors for the financial year  
since 2009)

### LEGAL ADVISER

Baker & McKenzie

### COMPANY'S WEBSITE

[www.fehorizon.com](http://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 industry development” 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 backed by the mainland and headquartered in Hong Kong with influence extended to reach Southeast Asia 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, Tianjin and Guangzhou, 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 (the “Stock Exchange”) on 30 March 2011.





## OFFICE LAYOUT NATIONWIDE

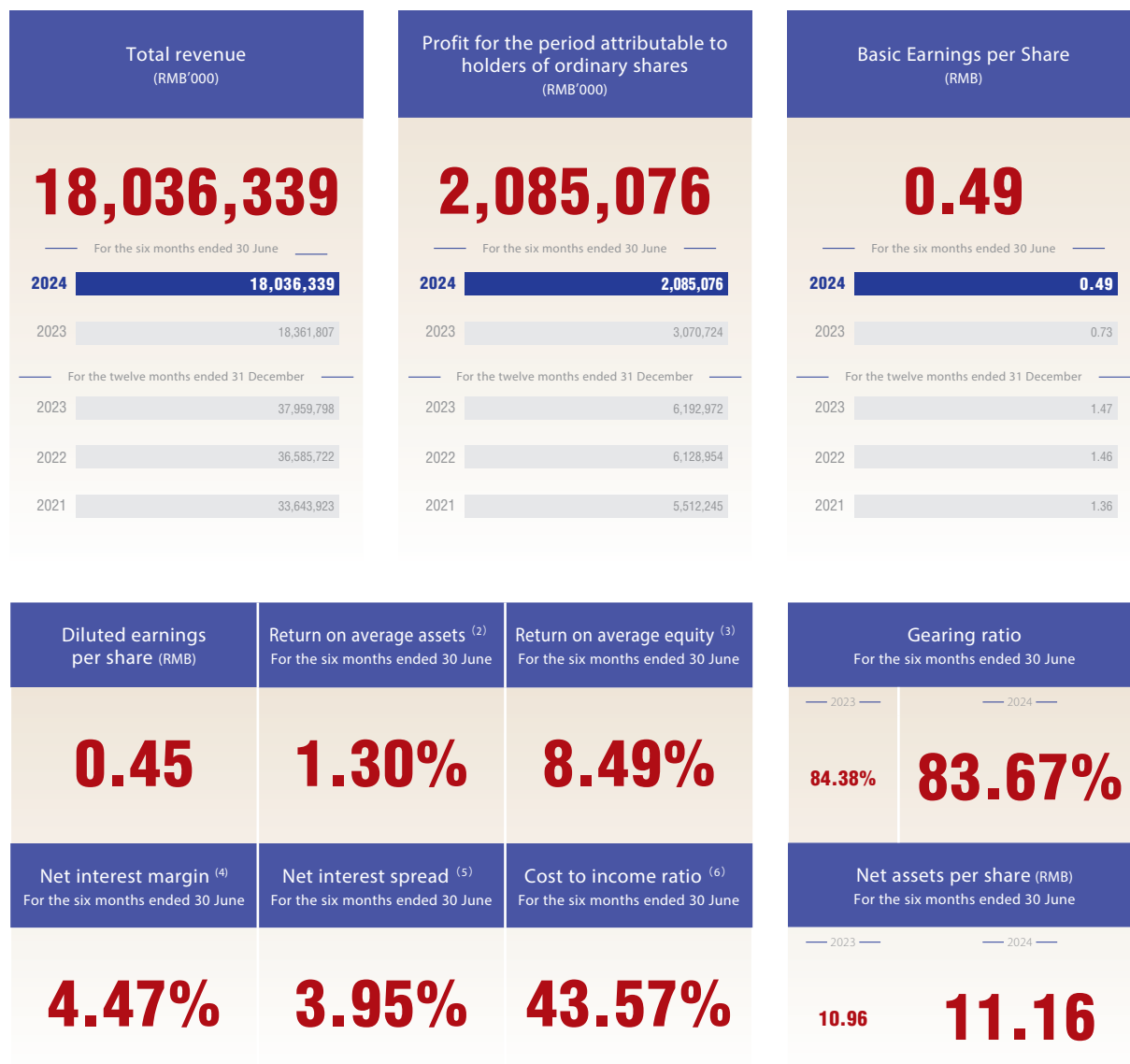




## BUSINESS OVERVIEW

For the six months ended 30 June

2024





## BUSINESS OVERVIEW

	For the six months ended 30 June		For the year ended 31 December		
	2024	2023	2023	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Operating results</b>					
Total revenue	18,036,339	18,361,807	37,959,798	36,585,722	33,643,923
Financial services (interest income)	10,699,938	11,084,837	22,467,103	21,677,501	19,168,370
Advisory services (fee income)	162,101	472,509	896,331	1,822,575	3,178,894
Revenue from industrial operation	7,244,246	6,890,244	14,739,271	13,232,942	11,434,721
Tax and surcharges	(69,946)	(85,783)	(142,907)	(147,296)	(138,062)
Cost of sales	(9,914,209)	(9,909,226)	(19,958,815)	(18,127,725)	(16,431,419)
Borrowing costs	(4,799,138)	(5,008,769)	(9,982,081)	(9,007,594)	(8,937,086)
Costs for industrial operation	(5,115,071)	(4,900,457)	(9,976,734)	(9,120,131)	(7,494,333)
Pre-provision operation profit <sup>(1)</sup>	4,651,728	5,282,515	10,614,851	12,438,003	13,143,618
Profit before tax	4,007,621	4,990,390	10,425,260	10,318,605	10,013,298
Operating profit before tax <sup>(2)</sup>	4,228,713	4,783,397	10,222,518	10,105,319	9,414,187
Profit for the year attributable to holders of ordinary shares of the Company	2,085,076	3,070,724	6,192,972	6,128,954	5,512,245
Basic earnings per share (RMB)	0.49	0.73	1.47	1.46	1.36
Diluted earnings per share (RMB)	0.45	0.66	1.33	1.33	1.25
<b>Profitability indicators</b>					
Return on average assets <sup>(3)</sup>	1.30%	1.97%	1.98%	1.93%	1.96%
Return on average equity <sup>(4)</sup>	8.49%	13.27%	12.99%	14.13%	14.57%
Net interest margin <sup>(5)</sup>	4.47%	4.42%	4.58%	4.67%	4.06%
Net interest spread <sup>(6)</sup>	3.95%	3.81%	3.98%	3.94%	3.21%
Cost to income ratio <sup>(7)</sup>	43.57%	41.76%	45.12%	36.79%	35.29%



## BUSINESS OVERVIEW

	30 June 2024	30 June 2023	31 December 2023	31 December 2022	31 December 2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Assets and liabilities</b>					
Total assets	<b>361,642,055</b>	361,362,852	351,483,236	346,995,497	335,880,288
Net interest-earning assets	<b>266,379,098</b>	278,786,745	269,084,739	270,600,890	258,378,834
Total liabilities	<b>302,589,203</b>	304,900,349	293,913,636	294,554,075	282,826,178
Interest-bearing bank and other borrowings	<b>264,864,268</b>	268,197,588	255,636,145	251,327,480	230,200,742
Gearing ratio	<b>83.67%</b>	84.38%	83.62%	84.89%	84.20%
Total equity	<b>59,052,852</b>	56,462,503	57,569,600	52,441,422	53,054,110
Equity attributable to holders of ordinary shares of the Company	<b>48,193,906</b>	47,327,470	50,099,369	45,248,875	41,522,550
Net assets per share (RMB)	<b>11.16</b>	10.96	11.61	10.49	9.63



## BUSINESS OVERVIEW

	30 June 2024	30 June 2023	31 December 2023	31 December 2022	31 December 2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Duration matching of assets and liabilities</b>					
Financial assets	<b>312,935,088</b>	315,071,697	306,682,291	300,812,935	288,725,308
Financial liabilities	<b>295,968,163</b>	300,482,502	285,025,325	285,798,663	272,024,528
<b>Quality of interest-earning assets</b>					
Non-performing asset ratio <sup>(8)</sup>	<b>1.04%</b>	1.05%	1.04%	1.05%	1.06%
Provision coverage ratio <sup>(9)</sup>	<b>227.21%</b>	234.87%	227.59%	239.97%	241.75%
Write-off of non-performing assets ratio <sup>(10)</sup>	<b>11.85%</b>	21.10%	49.41%	50.14%	40.32%
Overdue interest-earning assets (over 30 days) ratio <sup>(11)</sup>	<b>0.90%</b>	0.91%	0.91%	0.91%	0.94%



## BUSINESS OVERVIEW

### Notes:

- (1) Pre-provision operating profit = profit before tax + provision for assets;
- (2) Operating profit before tax: To better reflect the key operating performance of the Group's current principal business, the calculation of operating profit before tax excluded the investment gains and loss of certain financial equity investment projects (including investments in provincial asset management companies and investments in private equity funds);
- (3) Return on average assets = profit for the year or the period/average balance of assets at the beginning and end of the period, presented on an annualized basis;
- (4) Return on average equity = profit for the year or the period attributable to holders of ordinary shares of the Company/average balance of equity attributable to holders of ordinary shares of the Company at the beginning and end of the period, presented on an annualized basis;
- (5) Net interest margin = net interest income/average balance of interest-earning assets, presented on an annualized basis;
- (6) Net interest spread = average yield of interest-earning assets – average cost rate of interest-bearing liabilities, presented on an annualized basis;
- (7) Cost to income ratio = selling and administrative expense/gross profit;
- (8) Non-performing asset ratio = net non-performing assets/net interest-earning assets;
- (9) Provision coverage ratio = provision for interest-earning assets/net non-performing assets;
- (10) Write-off of non-performing assets ratio = written-off and disposal of non-performing assets/non-performing assets at the end of the previous period;
- (11) Overdue interest-earning assets (over 30 days) ratio = overdue interest-earning assets (over 30 days)/net interest-earning assets;





## MANAGEMENT DISCUSSION AND ANALYSIS

### 1. ECONOMY ENVIRONMENT

#### 1.1 Macro-economy

In the first half of 2024, China's gross domestic product (GDP) was RMB61.68 trillion on a constant price basis, representing a year-on-year increase of 5.0%. On industry level, the added value of the primary industry was RMB3.07 trillion, representing a year-on-year increase of 3.5% and a contribution to economic growth of 3.8%; the added value of the secondary industry was RMB23.65 trillion, representing a year-on-year increase of 5.8% and a contribution to economic growth of 43.6%; and the added value of the tertiary industry was RMB34.96 trillion, representing a year-on-year increase of 4.6% and a contribution to economic growth of 52.6%. Taking into consideration the price factor, the GDP deflator recorded a year-on-year decrease of 0.89%, of which the primary industry deflator decreased by 2.55%, the secondary industry deflator decreased by 1.80%, and the tertiary industry deflator decreased by 0.11%.

On the demand side, in respect of exports in the first half of 2024, total import and export of goods amounted to RMB21.17 trillion, representing a year-on-year increase of 6.2%. Among which, export of goods amounted to RMB12.13 trillion, representing a year-on-year increase of 6.9%; and import of goods amounted to RMB9.04 trillion, representing a year-on-year increase of 5.2%. The trade surplus was RMB3.09 trillion after offsetting the exports against the imports. In respect of consumption, the total sales of social consumer goods amounted to RMB23.60 trillion, representing a year-on-year increase of 3.7%. Among which, the sales of urban consumer goods amounted to RMB20.46 trillion, representing a year-on-year increase of 3.6%; and the sales of rural consumer goods amounted to RMB3.14 trillion, representing a year-on-year increase of 4.5%. In respect of investment, the investment in fixed assets (excluding rural households) amounted to RMB24.54 trillion, representing a year-on-year increase of 3.9%. Among which, infrastructure investment grew by 7.7%; investment in the manufacturing sector grew by 9.5%; and investment in real estate development dropped by 10.1%.

On the supply side, in the first half of 2024, the added value of the industrial industry above a designated size nationwide increased by 6.0% year on year, of which the first and second quarters increased by 6.1% and 5.9% respectively. Among the three major industries, the added value of the manufacturing industry increased by 6.5%, representing a growth rate 0.5 percentage point higher than that of all industries above designated size; the added value of the electricity, heat, gas and water production and supply industries increased by 6.0%, representing a growth rate the same as that of all industries above designated size; and the added value of the mining industry increased by 2.4%.





## MANAGEMENT DISCUSSION AND ANALYSIS

In respect of fiscal policy, in the first half of 2024, the national general public budget expense was RMB13.66 trillion, increased by 2.0% as compared to last year. The increase was mainly driven by expenses in urban and rural communities, agriculture, forestry and water, and social security and employment, which grew by 8.0%, 6.8% and 4.2%, respectively. The national general public budget revenue was RMB11.59 trillion, decreased by 2.8% as compared to last year. Among which, tax revenue amounted to RMB9.41 trillion, decreased by 5.6% as compared to last year. Non-tax revenue amounted to RMB2.18 trillion, increased by 11.7% as compared to last year.

In respect of monetary policy, the balance of the broad measure of money supply (M2) increased by 6.2% year on year during the first half of 2024, while the outstanding social financing increased by 8.1% year on year. In January, the People's Bank of China lowered the interest rates on agricultural and small business re-financing and re-discounting loans by 0.25 percentage point. In February, the People's Bank of China lowered the reserve requirement ratio by 0.50 percentage point. While lowering the reserve requirement ratio and interest rates, the People's Bank of China maintained liquidity at a reasonable and sufficient level by fully making use of re-financing, medium-term lending facilities, open market operations and other means that can boost liquidity.

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

### 1.2 Industry Environment

In the first half of 2024, the added value of the industrial industry above a designated size nationwide increased by 5.3% year on year.

From the perspective of various industry sectors served by the Group, in respect of urban public utility, infrastructure investment (excluding electricity) grew by 5.4% year on year in the first half of 2024, of which investment in water conservancy, environment and public facilities management increased by only 0.7%. In respect of engineering construction, in the first half of 2024, the total output of China's construction industry increased by 4.8% year on year, with a growth rate decreased by 2.9 percentage points as compared with the corresponding period of last year. In respect of culture & tourism, tourism consumption has obviously recovered. According to data from the Ministry of Culture and Tourism, in the first half of 2024, the number of domestic outbound tourist trips was 2.725 billion, increased by 14.3% year on year. Domestic tourists spent a total of RMB2.73 trillion on travel, increased by 19.0% year on year. In respect of healthcare, investment in the health and social sector decreased by 10.6% year on year in the first half of 2024. In respect of transportation and logistics, goods transportation remained stable, while passenger flow gradually rebounded. In the first half of 2024, China's goods transport volume grew by 4.2% as compared with the corresponding period of last year, while passenger volume grew by 13.3% as compared with the corresponding period of last year. In respect of public consumption, industries highly related to people's livelihood grew steadily. In the first half of 2024, the added value of the food manufacturing industry grew by 5.5% as compared with the corresponding period of last year, and the added value of the alcohol, beverage and refined tea manufacturing industry grew by 6.1% as compared with the corresponding period of last year. In respect of machinery, China's automobile sales volume reached 14,047,000 units in the first half of 2024, increased by 6.1% as compared with the corresponding period of last year, driving a year-on-year increase of 6.5% in fixed asset investment in the automobile manufacturing industry. In respect of chemical and medicine, the fine chemical industry maintained growth. In the first half of 2024, the added value of chemical raw material and chemical product manufacturing industry grew by 10.5% as compared with the corresponding period of last year. The added value of the pharmaceutical manufacturing industry grew by 2.0% as compared with the corresponding period of last year. In respect of electronic information, the energy electronics industry declined, while the consumer electronics sector recovered. In the first half of 2024, the growth rate of fixed asset investment in electrical machinery and equipment related to new photovoltaic power was 4.7%, representing a decrease of 11 percentage points as compared with the corresponding period of last year; the growth rate of fixed asset investment in electronic equipment manufacturing was 13.3%, representing an increase of 13.3 percentage points as compared with the corresponding period of last year.

Source: National Bureau of Statistics of China, Ministry of Transport, Ministry of Culture and Tourism, General Administration of Customs, China Association of Automobile Manufacturers

## MANAGEMENT DISCUSSION AND ANALYSIS

### 1.3 Leasing Industry

According to the China Financial Leasing Industry Development Report for the First Quarter of 2024 (《2024第一季度中國融資租賃業發展報告》), as of the end of March 2024, there were approximately 8,791 financial leasing enterprises in China, representing a decrease of about 60 or 0.68% from 8,851 at the end of last year. The balance of financial leasing contracts in China amounted to approximately RMB5.615 trillion, representing a decrease of approximately RMB25.0 billion or 0.44% from RMB5.64 trillion as at the end of 2023.

In the first half of 2024, financial supervision continued to intensify. Financial supervision and management departments in various cities issued industry development guidance and implementation plans, while continuing to sort out and clean up non-operating enterprises. With further clarified regulatory guidance, 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)

### 1.4 Company's Solutions

In the first half of 2024, in response to the continuously complex and ever-changing international environment and the challenges of the domestic macro-economy, the Group consolidated its development foundation through continuous upgrading and innovation at strategic and operational levels while focusing on internationalization, marketization and specialization and adhering to the “finance + industry” strategy based on the mission of “Integrating global resources and promoting industry development”.

Financial services: in the face of a complex market environment, the Group carried out a new round of upgrading and optimization to its operating model, with a more agile organization, where employee deployment has been upgraded from a regional station approach to flexible collaboration, which reactivated internal marketization. Focusing on the quality of development, the Group prioritized asset quality and liquidity security, and maintained a high quality customer base, while liquidity remained stable and abundant. At the same time, the Group focused on five major areas – technology finance, green finance, inclusive finance, pension finance, and digital finance, constantly innovating and enriching its connotation to provide high-quality financial services for the real economy and social development.

Technology finance: Based upon its profound industry foundation, combined with its own resource endowment, and giving full play to its operating mechanism acclaimed for flexibility, the Group established a new value evaluation system for technology and innovation enterprises, which focused on specialized and sophisticated high-tech enterprises that produce new and unique products. By tapping into the true value and future development potential of enterprises, the Group increased financial support and innovated financial service models, which not only improved the coverage and inclusiveness of the service provision for technology and innovation enterprises, but also formed a virtuous cycle of “technology-industry-finance”.



## MANAGEMENT DISCUSSION AND ANALYSIS

**Green finance:** By formulating policies to restrict business cooperation with high-polluting and high-emission enterprises, the Group reduced the carbon emissions of its investment portfolio. In accordance with the requirements of the Catalog for Guiding the Transition of Industries to Green and Low-carbon Energy (綠色低碳轉型產業目錄) and the Catalog for Green Bonds (綠色債券目錄), the Group encouraged financial businesses, including financial leasing, to invest in green and sustainable industries, helping enterprises to achieve green and low-carbon transformation and development.

**Inclusive finance:** The Group further increased support for inclusive finance. Through innovative business models, simplified business procedures, professional technology empowerment, personalized solutions, and coverage of long-tail customer base, the Group provided more convenient financial services to micro, small and medium-sized enterprises. The Group served nearly 15,000 micro, small and medium-sized enterprises, granting loans of over RMB40 billion.

**Pension finance:** The Group continued to increase its investment in the elderly care industry. Horizon Healthcare, a subsidiary of Far East Horizon, is a large social medical platform in China, with 26 member hospitals, covering 13 provinces and nearly 30 counties and cities nationwide. Focusing on the “medical + elderly care” service model, Horizon Healthcare established a standardized “medical, health, nursing and elderly care” operation and management system to provide “friendly, respectable, reliable and trustworthy” healthcare and elderly care services for the elderly.

**Digital finance:** The Group launched a new generation of core business systems, which greatly enhanced the availability of financial services by accurately identifying and proactively reaching out to customers in need through big data technology. The Group further improved service efficiency by using electronic contracts, video interviews, remote video due diligence, automatic invoice recognition and verification, automatic asset ownership verification and registration, and automatic contract text recognition and comparison.

In addition, the Group fully integrated environmental, social and governance (ESG) elements into its corporate management and business operations, continuously optimized corporate governance, deepened climate risk management, established “dual carbon” targets, and implemented carbon reduction measures. In the meantime, the Company incorporated ESG standards into its financial services system to promote sustainable economic and environmental development. The Company also supported real enterprises, promoted inclusive finance, and strengthened the development of talent diversity and protection of rights and interests. The Company’s ESG practices continued to be recognized by international institutions. The Company has been awarded grade A by MSCI ESG Rating since 2022, its CDP climate change rating advanced to B- in 2023, and its S&P CSA score increased to 40 points year by year, all of which are at the leading level in the domestic industry, demonstrating the Company’s responsibility and commitment. In July this year, S&P Global released the Sustainability Yearbook (China Edition) 2024. The Group was included in the Yearbook with a CSA score ranking third in the financial and capital market services industry, and was awarded the special recognition of “Industry Mover”. The Company has once again been internationally recognized for its exploration and practice in ESG and sustainable development over the years.

## MANAGEMENT DISCUSSION AND ANALYSIS

In terms of industrial operations, Horizon Construction Development and Horizon Healthcare gave full play to their own advantages, and achieved steady operations. Meanwhile, in line with the national vision of coordinated regional development and the building of a healthy China, they 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.

Horizon Construction Development firmly implemented its established strategies as always to realize its vision of becoming “a top global company” in pursuit of high-quality and sustainable development. In view of the severe external environment, Horizon Construction Development insisted on stepping up efforts in its principal market in China by expanding its network layout, continuing to develop and deepen the cultivation in the regions with gaps to fill in and areas with low market share in China. As at 30 June 2024, the number of outlets reached 515, covering over 200 cities in mainland China and Hong Kong of China. At the same time, Horizon Construction Development continued to make efforts in expanding its overseas markets. While accelerating the development of its existing Southeast Asian markets, Horizon Construction Development continued to explore the potential markets in the Middle East, and made steady progress in expanding its presence and business in international markets such as Malaysia, Vietnam, Indonesia, Thailand, Saudi Arabia, the United Arab Emirates and Turkey. As at the end of the first half of 2024, Horizon Construction Development had 35 outlets in overseas regions. In addition to developing markets at home and abroad, Horizon Construction Development strived to develop product offerings with various categories and customer services for various industries, providing one-stop services for construction customers such as spider cranes, telescopic forklifts, glass suction cup trucks, and automotive cranes. Meanwhile, Horizon Construction Development also made progress in new industries such as mining machinery, offshore shipyards and petrochemical industry. As at the end of the first half of 2024, Horizon Construction Development continued to rank the 14th place among the top 100 lessors in the world.

Striving to becoming a platform with distinctive specialty features and the largest healthcare service population at the county-level in China, Horizon Healthcare developed basic medical care, consumer medical care, integrated medical and elderly care and other businesses by switching its approach from disease-centered to health-centered, from strong reliance on medical insurance to non-medical insurance extension, and taking its affiliated hospitals as service platforms, in order to develop value-creation capability in various dimensions. For the first half of 2024, in the face of tightening regulation on medical insurance, declining willingness of residents to pay, and intensified competition in the industry, Horizon Healthcare actively engaged in strategic upgrading, on the one hand, to increase the number of patients to hedge against the pressure of controlled medical insurance expenses, and on the other hand, to actively expand its new businesses such as consumer medical care and healthcare business. In addition, by expanding the proportion of centralized procurement of drugs and consumables to reduce the operating costs of hospitals, the overall profit level in the first half of 2024 maintained growth over the same period last year.

Source: IRN



## MANAGEMENT DISCUSSION AND ANALYSIS

### 2. ANALYSIS OF PROFIT AND LOSS

#### 2.1 Analysis of Profit and Loss (Overview)

In the first half of 2024, the Group prioritized safe and stable operations and adhered to a prudent operating strategy. In spite of the complicated and ever-changing macro environment, the Group continued to adhere to the operational philosophy of “finance + industry” and took various business initiatives out of prudence on the basis of strengthening risk management and control, thus maintaining safe and stable operation as a whole. Revenues were generally stable, with a slight year-on-year decrease. Operating profit before tax amounted to RMB4,228,713,000, representing a year-on-year decrease of 11.60% from the corresponding period of the previous year. As affected by the change in fair value of certain non-operating financial assets, as well as the one-off cross-border income tax, the profit attributable to holders of ordinary shares during the period was RMB2,085,076,000, representing a decrease of 32.10% as compared with the corresponding period of the previous year. The following table sets forth the comparative figures for the six months ended 30 June 2023.

	For the six months ended 30 June		
	2024	2023	Change %
	RMB'000	RMB'000	
Revenue	18,036,339	18,361,807	-1.77%
Cost of sales	(9,914,209)	(9,909,226)	0.05%
Gross profit	8,122,130	8,452,581	-3.91%
Other income/gains <sup>(1)</sup>	608,672	688,125	-11.55%
Selling and administrative expenses	(3,538,985)	(3,529,882)	0.26%
Other expenses and losses <sup>(1)</sup>	(41,997)	(47,269)	-11.15%
Finance costs	(581,489)	(532,069)	9.29%
Gains and loss on investment in joint ventures/associates	83,397	251,029	-66.78%
Pre-provision operating profit	4,651,728	5,282,515	-11.94%
Provision for assets	(644,107)	(292,125)	120.49%
Profit before tax	4,007,621	4,990,390	-19.69%
Operating profit before tax <sup>(2)</sup>	4,228,713	4,783,397	-11.60%
Income tax expense	(1,696,585)	(1,501,331)	13.01%
Profit for the period <sup>(3)</sup>	2,311,036	3,489,059	-33.76%
Attributable to:			
Holders of ordinary shares of the Company	2,085,076	3,070,724	-32.10%
Holders of perpetual securities	31,390	64,935	-51.66%
Non-controlling interests	194,570	353,400	-44.94%

## MANAGEMENT DISCUSSION AND ANALYSIS

### Notes:

- (1) There is a difference in terms of caliber 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 and financial liabilities here are included in "other income/gains" (net gain) or in "other expenses and losses" (net loss) on a net basis. In the consolidated statement of profit or loss, the gain on change in fair value of financial assets and financial liabilities is included in "other income and gains", and the loss on changes in fair value is included in "other expenses".
- (2) Operating profit before tax: To better reflect the key operational performance of current major operations of the Group, the calculation of operating profit before tax has excluded the investment gain or loss on certain financial equity investment projects (including the investments in provincial asset management companies and investments in private equity funds);
- (3) The year-on-year decrease in the profit for the period of the Group in the first half of 2024 was mainly attributable to:
  - (i) The size of interest-earning assets decreased, with the average balance decreasing by 3.91% from RMB274,693,818,000 for the first half of 2023 to RMB263,959,174,000 for the first half of 2024, resulting in the decrease in the interest income from financial services, revenue from advisory services, and gross profit. In the first half of 2024, the financial and advisory segment achieved revenue and gross profit of RMB10,862,039,000 and RMB6,062,901,000, representing a decrease of RMB695,307,000 and RMB485,676,000, respectively, as compared with the corresponding period of the previous year. For detailed analysis, please refer to paragraphs 2.2.1, 2.2.2 and 2.4.1 of this section;
  - (ii) The industrial operation business remained stable, with revenue and profit before tax of the equipment operation segment amounting to RMB4,872,421,000 and RMB406,890,000, representing an increase of RMB666,450,000 and RMB69,194,000, respectively, as compared with the corresponding period of the previous year. Revenue and profit before tax of the hospital operation segment amounted to RMB2,126,120,000 and RMB211,890,000, representing an increase of RMB7,120,000 and RMB26,120,000, respectively, as compared with the corresponding period of the previous year. For detailed analysis, please refer to paragraphs 12 and 13 of this section;
  - (iii) The investment gains of certain financial equity investment projects (including investments in provincial asset management companies and investments in private equity funds) decreased by RMB428,086,000, which was mainly attributable to the decrease in gains on investment in joint ventures/associates and other gains (gains on change in fair value) of RMB280,022,000 and RMB138,608,000, respectively;
  - (iv) In view of the overseas capital needs of the Group, domestic companies distributed cross-border dividends to overseas companies in the first half of 2024, and the income tax actually paid was RMB315,855,000. For detailed analysis, please refer to paragraph 2.11 of this section.



## MANAGEMENT DISCUSSION AND ANALYSIS

### 2.2 Revenue

In the first half of 2024, the Group realized revenue of RMB18,036,339,000, representing a slight decrease of 1.77% from RMB18,361,807,000 in the corresponding period of the previous year. In particular, revenue (before taxes and surcharges) of the financial and advisory segment was RMB10,862,039,000, accounting for 59.99% of the total revenue (before taxes and surcharges) and representing a decrease of 6.02% as compared with the corresponding period of the previous year. The Group also continued to develop the industrial operation business with revenue derived from industrial operation growing by 5.14% as compared with the corresponding period of the previous year.

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

For the six months ended 30 June					
	2024		2023		
	RMB'000	% of total	RMB'000	% of total	Change %
Financial and advisory segment	10,862,039	59.99%	11,557,346	62.65%	-6.02%
Financial services (interest income)	10,699,938	59.10%	11,084,837	60.09%	-3.47%
Advisory services (fee income)	162,101	0.89%	472,509	2.56%	-65.69%
Industrial operation segment	7,244,246	40.01%	6,890,244	37.35%	5.14%
Total	18,106,285	100.00%	18,447,590	100.00%	-1.85%
Taxes and surcharges	(69,946)		(85,783)		-18.46%
Revenue (after taxes and surcharges)	18,036,339		18,361,807		-1.77%

In the first half of 2024, the Group realized revenue of RMB18,036,339,000, representing a slight decrease of 1.77% from RMB18,361,807,000 in the corresponding period of the previous year. Facing the complex environment, the Group has placed a greater emphasis on the quality of operations since 2024, insisting on taking safe and stable operations as its top priority and prudently pushing ahead various operational initiatives. In particular, the development of financial services became more steady and prudent with stricter pre-lease reviews, maintaining a high quality customer base as well as safe and sound assets. At the same time, the Group regarded the industrial operation segment as a key driver of maintaining stable performance in general to fully make use of its advantages in industrial operations and to further expand the market size and business contribution of the industrial operation segment.

## MANAGEMENT DISCUSSION AND ANALYSIS

Revenue (before taxes and surcharges) from the financial and advisory segment was RMB10,862,039,000, accounting for 59.99% of the total revenue (before taxes and surcharges). In particular, interest income contribution from the inclusive finance business amounted to RMB648 million (first half of 2023: RMB502 million), representing 3.58% of the total revenue (first half of 2023: 2.72%). For details, please refer to the discussion and analysis in paragraph 14 of this section. Revenue derived from advisory services decreased by 65.69% mainly due to the active adjustment and continuous optimization of the Company's service structure in response to customers' needs after changes in the external operating environment.

Revenue from the industrial operation segment sustained continuous growth. The industrial operation segment, which comprises of Horizon Construction Development, Horizon Healthcare and others, realized a total revenue of RMB7,244 million, representing an increase of 5.14% from the corresponding period of the previous year. Of which, Horizon Construction Development realized a revenue of RMB4,872 million, representing an increase of 15.85% from the corresponding period of the previous year; Horizon Healthcare realized a revenue of RMB2,126 million, representing an increase of 0.34% from the corresponding period of the previous year.

In the first half of 2024, the Group's revenue from non-interest income accounting for 40.90% of the total revenue (before taxes and surcharges), representing an increase from 39.91% in the corresponding period of the previous year. In particular, revenue from the industrial operation segment accounted for 40.01% (first half of 2023: 37.35%) of the total revenue.



## MANAGEMENT DISCUSSION AND ANALYSIS

### 2.2.1 Financial Services (Interest Income)

The interest income (before taxes and surcharges) from the financial and advisory segment of the Group decreased by 3.47% from RMB11,084,837,000 for the first half of 2023 to RMB10,699,938,000 for the first half of 2024, accounting for 59.10% 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 for the periods indicated.

For the six months ended 30 June						
	2024			2023		
	Average balance <sup>(1)</sup>	Interest income <sup>(2)</sup>	Average yield <sup>(3)</sup>	Average balance <sup>(1)</sup>	Interest income <sup>(2)</sup>	Average yield <sup>(3)</sup>
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Interest-earning assets	263,959,174	10,699,938	8.11%	274,693,818	11,084,837	8.07%

**Notes:**

- (1) Calculated based on the average balance of interest-earning assets at the beginning and end of the indicated periods.
- (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, presented on an annualized basis.
- (4) Interest-earning assets include net financial leasing receivable, entrusted loans, mortgage loans, long-term receivables, factoring receivables and respective interest accrued but not received.
- (5) In the first half of 2024, the average balance of the Group's interest-earning assets of the inclusive finance, business amounted to RMB13,218 million, representing an increase of 22.20% as compared with the average balance of interest-earning assets of RMB10,817 million as at the end of 2023. For the details of the inclusive finance business, please refer to the discussion and analysis in paragraph 14 of this section.

#### ***Analysis according to average balance of interest-earning assets***

The average balance of interest-earning assets of the Group decreased by 3.91% from RMB274,693,818,000 for the first half of 2023 to RMB263,959,174,000 for the first half of 2024. The Group has been committed to serving high-caliber customers in the real industry with a long-term and stable development direction, continued to increase customer coverage in various related industries, and provided service products that met personalized needs of customers. In the first half of 2024, the development of financial services of the Group became more steady and prudent with stricter pre-lease reviews. At the same time, asset turnover accelerated and duration shortened, and thus the average balance of asset size decreased.

## MANAGEMENT DISCUSSION AND ANALYSIS

### *Analysis according to average yield*

In the first half of 2024, the average yield of the Group was 8.11%, representing an increase from 8.07% in the corresponding period of the previous year, which was mainly due to the combination of the following: (i) in the first half of 2024, the Group maintained a stable and flexible personalized product and service strategy, responded to customer needs in a timely manner, and maintained basically stable pricing by improving overall efficiency of products and services; (ii) the Group enhanced the promotion of comprehensive financial services such as inclusive finance, and maintained a higher return pricing.

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

For the six months ended 30 June				
	2024		2023	
	RMB'000	% of total	RMB'000	% of total
Northeast China	322,229	3.01%	477,316	4.31%
Northern China	1,085,425	10.14%	1,254,360	11.32%
Eastern China	4,375,076	40.89%	4,159,013	37.52%
Southern China	635,990	5.94%	769,289	6.94%
Central China	1,886,375	17.63%	1,864,261	16.82%
Northwest China	753,330	7.04%	769,438	6.94%
Southwest China	1,641,513	15.35%	1,791,160	16.15%
Total	10,699,938	100.00%	11,084,837	100.00%

### 2.2.2 Advisory Services (Fee Income)

In the first half of 2024, fee income (before taxes and surcharges) from the financial and advisory segment of the Group decreased by 65.69% from RMB472,509,000 for the first half of 2023 to RMB162,101,000 for the first half of 2024, accounting for 0.89% of the total revenue (before taxes and surcharges) of the Group. In recent years, due to changes in the external environment, the industries and target customer groups subject to expansion by the Company have basically stabilized, so the demand for advisory services as a source of income has declined. At the same time, the Company also actively expanded and provided additional products and services other than advisory services based on its understanding of the needs of the target industries and customer groups, so as to maintain the stable growth of the Company's overall revenue.



## MANAGEMENT DISCUSSION AND ANALYSIS

### 2.2.3 Revenue from the Industrial Operation Segment

Revenue from the industrial operation segment (before taxes and surcharges) of the Group increased by RMB354,002,000 from RMB6,890,244,000 for the first half of 2023 to RMB7,244,246,000 for the first half of 2024, accounting for 40.01% of the total revenue of the Group (before taxes and surcharges).

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

For the six months ended 30 June					
	2024		2023		
	RMB'000	% of total	RMB'000	% of total	Change %
Revenue from the industrial operation segment	7,244,246	100.00%	6,890,244	100.00%	5.14%
Including:					
Revenue from equipment operation <sup>(1)</sup>	4,872,421	67.26%	4,205,971	61.04%	15.85%
Revenue from hospital operation <sup>(2)</sup>	2,126,120	29.35%	2,119,000	30.75%	0.34%

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 schools within the Group, so as to cultivate outstanding students with social contribution, scientific innovation and international competitiveness.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 2.3 Cost of Sales

In the first half of 2024, cost of sales of the Group increased by 0.05% from RMB9,909,226,000 in the corresponding period of the previous year to RMB9,914,209,000, of which the cost of the financial and advisory segment was RMB4,799,138,000, accounting for 48.41% of the total cost and representing a decrease of 4.19% from RMB5,008,769,000 in the corresponding period of the previous year, mainly due to the decrease in cost of domestic financing and debt issuance causing the decrease in the interest expenditure of the financial and advisory segment. The cost of the industrial operation segment was RMB5,115,071,000, accounting for 51.59% of the total costs and representing an increase of 4.38% from RMB4,900,457,000 in the corresponding period of the previous year. In particular, Horizon Construction Development continued to adopt strategies to deepen market development at home and abroad to achieve large-scale output by expanding its nationwide operating network, steadily expanding overseas business layout and improving its professional operating capabilities, resulting in faster growth in cost of sales of operation with operating costs amounting to RMB3,313,096,000, representing an increase of 19.61% from the corresponding period of the previous year. Horizon Healthcare continued to optimize its asset structure and stayed focused on its differentiated layout, maintaining steady growth in operating income while adopting various measures to enhance management, reduce cost and improve efficiency, with operating costs of RMB1,661,590,000 incurred, representing a decrease of 3.20% from the corresponding period of the previous year. 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 segment for the periods indicated.

For the six months ended 30 June					
	2024		2023		Change %
	RMB'000	% of total	RMB'000	% of total	
Cost of the finance and advisory segment	4,799,138	48.41%	5,008,769	50.55%	-4.19%
Cost of the industrial operation segment	5,115,071	51.59%	4,900,457	49.45%	4.38%
Cost of sales	9,914,209	100.00%	9,909,226	100.00%	0.05%



## 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 for the periods indicated.

For the six months ended 30 June						
	2024			2023		
	Average balance <sup>(1)</sup>	Interest expense	Average cost rate <sup>(2)</sup>	Average balance <sup>(1)</sup>	Interest expense	Average cost rate <sup>(2)</sup>
	RMB'000	RMB'000		RMB'000	RMB'000	
Interest-bearing liabilities	230,638,741	4,799,138	4.16%	234,901,881	5,008,769	4.26%

Notes:

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

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

The cost of sales of the financial and advisory segment decreased by RMB209,631,000 from RMB5,008,769,000 for the first half of 2023 to RMB4,799,138,000 for the first half of 2024. The average cost rate of the Group decreased to 4.16% for the first half of 2024 as compared with the first half of 2023, mainly due to:

(i) the principle of 2023 monetary policy continued in the first half of 2024, and domestic financing costs slightly decreased. New domestic financing withdrawals caused an average cost rate to decrease by 0.04 percentage point as compared to the first half of 2023; (ii) relatively high interest rates in overseas markets continued, and new overseas withdrawals caused an average cost rate to increase by 0.03 percentage point as compared to the first half of 2023; (iii) in the first half of 2024, domestic bond market continued to improve, and the Company successively completed the issuance of various products such as corporate bonds, medium-term notes, super-short financial bonds and asset securitization, which caused the average cost rate to decrease by 0.04 percentage point as compared to the first half of 2023; and (iv) the decrease in stock cost. Due to the expiry of certain existing high-cost loans in the first half of 2024, the average cost rate decreased by 0.05 percentage point as compared with that for the first half of 2023.

## 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 for the periods indicated.

For the six months ended 30 June					
	2024		2023		
	RMB'000	% of total	RMB'000	% of total	Change %
Cost of the industrial operation segment	5,115,071	100.00%	4,900,457	100.00%	4.38%
Of which:					
Cost of equipment operation <sup>(1)</sup>	3,313,096	64.77%	2,769,819	56.52%	19.61%
Cost of hospital operation <sup>(2)</sup>	1,661,590	32.48%	1,716,560	35.03%	-3.20%

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 the first half of 2024 decreased by RMB330,451,000 or 3.91% to RMB8,122,130,000 from RMB8,452,581,000 in the corresponding period of the previous year. For the first half of 2024 and the first half of 2023, the gross profit margin of the Group was 45.03% and 46.03%, 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. The following table sets forth the interest income, interest expense, net interest income, net interest spread and net interest margin for the periods indicated.

For the six months ended 30 June			
	2024	2023	
	RMB'000	RMB'000	Change %
Interest income <sup>(1)</sup>	10,699,938	11,084,837	-3.47%
Interest expense <sup>(2)</sup>	4,799,138	5,008,769	-4.19%
Net interest income	5,900,800	6,076,068	-2.88%
Net interest spread <sup>(3)</sup>	3.95%	3.81%	0.14%
Net interest margin <sup>(4)</sup>	4.47%	4.42%	0.05%

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 balance of interest-earning assets, presented on an annualized basis. The average cost rate is calculated by dividing interest expense by the average balance of the interest-bearing liabilities, presented on an annualized basis.
- (4) Calculated by dividing net interest income by the average balance of interest-earning assets, presented on an annualized basis.



## MANAGEMENT DISCUSSION AND ANALYSIS

Net interest spread of the Group for the first half of 2024 increased by 14 basis points to 3.95% as compared with the corresponding period of the previous year, which was primarily due to the decrease of 10 basis points in respect of the average cost rate on interest-bearing liabilities of the Group and the increase of 4 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 the first half of 2024, the Group placed a greater emphasis on the quality of operations, insisting on taking safe and stable operations as its top priority and prudently pushing ahead various operational initiatives, and thus interest income decreased by RMB384,899,000 year on year. Meanwhile, due to the decrease in cost of domestic financing and debt issuance, interest expense decreased significantly by RMB209,631,000 year on year, and thus net interest income decreased by 2.88% as compared with the corresponding period of the previous year. At the same time, the average balance of interest-earning assets of the Group decreased by 3.91% year on year, and thus the net interest margin of the Group increased by 5 basis points to 4.47% for the first half of 2024 as compared with 4.42% for the first half of 2023.

### 2.4.2 Gross Profit of the Industrial Operation Segment

For the six months ended 30 June					
	2024		2023		
	RMB'000	% of total	RMB'000	% of total	Change %
Gross profit of industrial operation segment	2,129,175	100.00%	1,989,787	100.00%	7.01%
Of which:					
Gross profit of equipment operation <sup>(1)</sup>	1,559,325	73.24%	1,436,152	72.18%	8.58%
Gross profit of hospital operation <sup>(2)</sup>	464,530	21.82%	402,440	20.23%	15.43%

Notes:

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 six months ended 30 June			
	2024	2023	
	RMB'000	RMB'000	Change %
Income from the holdings of off-balance-sheet assets <sup>(1)</sup>	45,521	185,651	-75.48%
Bank interest income	71,618	119,181	-39.91%
Gains from structured financial products	17,691	8,162	116.75%
Government grants <sup>(2)</sup>	104,929	104,852	0.07%
Equity and debt investment income <sup>(3)</sup>	281,872	149,350	88.73%
Of which: financial investments related to private equity funds	(122,973)	15,635	-886.52%
Other income <sup>(4)</sup>	87,041	120,929	-28.02%
Total	608,672	688,125	-11.55%

Notes:

- (1) For the holdings of off-balance-sheet assets of the Group, the income of the period was recognized according to the expected yield and expected loss rate of such holdings. 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 period mainly consisted of gains on additional VAT tax credit and special funds for corporate development of Horizon Construction Development of approximately RMB70 million.
- (3) The Group's equity and debt investment income was mainly gain on change in fair value of and transfer of equity and debt investment. Starting from 2024, the infrastructure investment projects have been transferred from long-term receivables to financial assets at fair value through profit or loss, with a corresponding gain from change in fair value of RMB230 million.
- (4) The Group's other income for the period mainly consisted of foreign exchange gains of RMB40 million and gains from disposal of fixed assets of RMB20 million.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 2.6 Selling and Administrative Expenses

Selling and administrative expenses of the Group for the first half of 2024 were RMB3,538,985,000, representing an increase of RMB9,103,000 or 0.26% from the corresponding period of the previous year. The increase in selling and administrative expenses was mainly due to the proactive market expansion strategy adopted by the Group to promote business growth.

Cost to income ratio of the Group for the first half of 2024 was 43.57%, which increased as compared to 41.76% in the corresponding period of the previous year.

### 2.7 Other Expenses and Losses

Other expenses and losses of the Group for the first half of 2024 amounted to RMB41,997,000, representing a decrease of 11.15% as compared with RMB47,269,000 in the corresponding period of the previous year, which was mainly due to the decrease in incidental expenses such as donation expenses.

### 2.8 Finance Costs

Finance costs of the Group for the first half of 2024 amounted to RMB581,489,000, representing an increase of 9.29% as compared to RMB532,069,000 in the corresponding period of the previous year. The finance costs were mainly financing-related costs for the Group's industrial operation segment.

### 2.9 Pre-provision Operating Profit

Pre-provision operation profit of the Group for the first half of 2024 amounted to RMB4,651,728,000, representing a decrease of RMB630,787,000 or 11.94% as compared with the corresponding period of the previous year. Pre-provision operating profit decreased mainly due to: (i) for the financial and advisory segment, a decrease in gross profit of RMB175,268,000 or 2.88% as compared with the corresponding period of the previous year due to the lower interest income, a decrease in service fee income of RMB310,408,000 or 65.69% as compared with the corresponding period of the previous year, a decrease in the income from the holdings of off-balance-sheet assets of RMB140,130,000 or 75.48% as compared with the corresponding period of the previous year, and a decrease in gains on investment in joint ventures and associates of RMB167,632,000 or 66.78%. The financial and advisory segment remained safe and stable in general; (ii) for the industrial operation segment, an increase in pre-provision operating profit of RMB100,290,000 or 13.55% as compared with the corresponding period of the previous year due to the higher profitability of Horizon Construction Development and Horizon Healthcare due to significantly effective expense control.

The Group will continue to proactively adopt prudent and stable development strategies. It is expected that with the gradual stabilization of the external market environment in the future, the gradual expansion of the size of industrial operation and the improvement in internal operating efficiency, the pre-provision operation profit of the Group will maintain steady growth.



## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 six months ended 30 June					
	2024		2023		
	RMB'000	% of total	RMB'000	% of total	Change %
Provision for interest-earning assets	369,763	57.41%	698,295	239.05%	-47.05%
Reversal of interest-earning assets after write-off	(22,061)	-3.43%	(18,090)	-6.19%	21.95%
Provision for accounts receivable <sup>(1)</sup>	205,685	31.93%	133,523	45.71%	54.04%
Provision for other receivables <sup>(1)</sup>	28,785	4.47%	85,854	29.39%	-66.47%
Provision for fixed assets <sup>(2)</sup>	–	–	(549,832)	-188.22%	–
Provision for investment in joint ventures/associates	157,734	24.49%	–	–	–
Provision for credit commitments <sup>(3)</sup>	(76,568)	-11.89%	(49,795)	-17.06%	53.77%
Other provisions	(19,231)	-2.98%	(7,830)	-2.68%	145.61%
Total	644,107	100.00%	292,125	100.00%	120.49%

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 assets of subsidiaries in the industrial operation segment it owns.
- (3) 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 2.11 Income Tax Expense

Income tax expense of the Group for the first half of 2024 was RMB1,696,585,000, representing an increase of RMB195,254,000 or 13.01% from the corresponding period of the previous year, which was primarily due to an increase in the cross-border business withholding income tax of the Group.

Effective income tax rate of the Group for the first half of 2024 was 42.3%, which increased as compared with the corresponding period of the previous year. The following table sets forth a breakdown of the income tax rate of the Group for the periods indicated:

For the six months ended 30 June			
	2024	2023	Change %
Domestic statutory tax rate	25.0%	25.0%	–
Cross-border business withholding income tax <sup>(1)</sup>	8.9%	0.9%	8.0%
Of which: income tax actually paid on cross-border dividends	7.9%	–	7.9%
Others	8.4%	4.2%	4.2%
Total	42.3%	30.1%	12.2%

Note:

- (1) Cross-border business withholding tax is mainly the relevant withholding income tax burden arising from dividend distribution to overseas companies by domestic companies of the Group based on regulatory requirements and the Group's overseas capital needs. As the Group distributed large cross-border dividends in the first half of 2024, the income tax on cross-border business increased significantly.

### 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 period attributable to holders of ordinary shares of the Company was RMB2,085,076,000, representing a decrease of RMB985,648,000 or 32.10% from the corresponding period of the previous year.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 2.13 Basic Earnings per Share

Basic earnings per share for the current period amounted to RMB0.49, representing a decrease of RMB0.24 or 32.88% from the corresponding period of the previous year.

For the six months ended 30 June			
	2024	2023	Change %
Profit for the period attributable to holders of ordinary shares of the Company (RMB'000)	2,085,076	3,070,724	-32.10%
Weighted average number of ordinary shares outstanding during the period (share)	4,213,904,994	4,187,416,901	0.63%
Basic earnings per share (RMB)	0.49	0.73	-32.88%

As a result of the increase in the number of ordinary shares of the Company, the decrease in the Group's basic earnings per share for the first half of 2024 as compared with the corresponding period of the previous year was slightly higher than the decrease in profit for the period.

It is expected that the Group will maintain the safe and steady development of the traditional financial businesses through continuous efforts on deepening its foothold in nine major industries and achieve rapid growth in the industrial operation and innovative financial business by following national development and enriching its services, which will lead to a steady increase in the Group's return on average equity.

## 3. ANALYSIS OF FINANCIAL POSITION

### 3.1 Assets (Overview)

As at 30 June 2024, the total assets of the Group increased by RMB10,158,819,000 or 2.89% from the end of the previous year to RMB361,642,055,000. Net interest-earning assets decreased by RMB2,705,641,000 or 1.01% from the end of the previous year to RMB266,379,098,000.



## MANAGEMENT DISCUSSION AND ANALYSIS

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

	30 June 2024		31 December 2023		Change %
	RMB'000	% of total	RMB'000	% of total	
Loans and accounts receivable	266,853,918	73.79%	270,766,843	77.04%	-1.45%
Of which: interest-earning assets	257,190,488	71.12%	259,510,752	73.83%	-0.89%
Cash and cash equivalents	22,945,585	6.34%	18,852,540	5.36%	21.71%
Restricted deposits	2,863,605	0.79%	3,149,062	0.90%	-9.06%
Holding of asset-backed securities/notes	283,815	0.08%	369,172	0.11%	-23.12%
Assets with continuing involvement	283,815	0.08%	369,172	0.11%	-23.12%
Prepayment and other accounts receivable	4,593,500	1.27%	4,374,919	1.24%	5.00%
Deferred tax assets	5,920,903	1.64%	6,052,352	1.72%	-2.17%
Property, plant and equipment	26,611,106	7.36%	23,513,055	6.69%	13.18%
Investment in joint ventures/associates	8,725,906	2.41%	9,105,237	2.59%	-4.17%
Financial assets at fair value through profit or loss	16,397,499	4.53%	8,841,595	2.52%	85.46%
Of which: interest-earning assets	2,886,714	0.80%	3,219,255	0.92%	-10.33%
Financial assets at fair value through other comprehensive income	191,414	0.05%	372,228	0.11%	-48.58%
Derivative financial instruments	1,803,897	0.50%	2,133,982	0.61%	-15.47%
Inventories	417,031	0.12%	409,681	0.12%	1.79%
Contract assets	946,685	0.26%	383,863	0.11%	146.62%
Goodwill	182,185	0.05%	171,523	0.05%	6.22%
Right-of-use assets	2,393,524	0.66%	2,388,496	0.66%	0.21%
Investment property	103,972	0.03%	107,767	0.03%	-3.52%
Other assets	123,695	0.04%	121,749	0.03%	1.60%
Total assets	361,642,055	100.00%	351,483,236	100.00%	2.89%

## MANAGEMENT DISCUSSION AND ANALYSIS

### 3.2 Interest-Earning Assets

The main component of the Group's assets was interest-earning assets, which accounted for 71.92% of the Group's total assets as at 30 June 2024. In the first half of 2024, 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 its interest-earning assets at a basically stable size.

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

	30 June 2024		31 December 2023		Change %
	RMB'000	% of total	RMB'000	% of total	
Net interest-earning assets					
Included in loans and accounts receivable	263,441,812	98.90%	265,834,404	98.79%	-0.90%
Included in financial assets at fair value through profit or loss	2,937,286	1.10%	3,250,335	1.21%	-9.63%
Total net interest-earning assets	266,379,098	100.00%	269,084,739	100.00%	-1.01%
Provision for loans and accounts receivables	(6,251,324)		(6,323,652)		-1.14%
Provision for financial assets at fair value through profit or loss	(50,572)		(31,080)		62.72%
Less: total provision for interest-earning assets	(6,301,896)		(6,354,732)		-0.83%
Net interest-earning assets	260,077,202		262,730,007		-1.01%

## MANAGEMENT DISCUSSION AND ANALYSIS

### 3.2.1 Loans and Accounts Receivable

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

	30 June 2024		31 December 2023		Change %
	RMB'000	% of total	RMB'000	% of total	
Net interest-earning assets included in loans and accounts receivable	257,190,488	96.38%	259,510,752	95.84%	-0.89%
Others <sup>(1)</sup>	9,663,430	3.62%	11,256,091	4.16%	-14.15%
Net loans and accounts receivable	266,853,918	100.00%	270,766,843	100.00%	-1.45%

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<sup>(1)</sup>.

	30 June 2024		31 December 2023		
	RMB'000	% of total	RMB'000	% of total	Change %
Healthcare	19,402,455	7.28%	21,925,524	8.15%	-11.51%
Culture & tourism	30,704,396	11.53%	25,263,239	9.39%	21.54%
Engineering construction	33,804,507	12.69%	36,703,882	13.64%	-7.90%
Machinery	15,742,632	5.91%	14,813,080	5.50%	6.28%
Chemical & medicine	13,429,010	5.04%	11,553,955	4.29%	16.23%
Electronic information	9,671,880	3.63%	8,893,903	3.31%	8.75%
Public consuming	28,246,685	10.60%	22,788,579	8.47%	23.95%
Transportation & logistics	20,685,230	7.77%	20,000,073	7.43%	3.43%
Urban public utility	94,692,303	35.55%	107,142,504	39.82%	-11.62%
Total	266,379,098	100.00%	269,084,739	100.00%	-1.01%

#### Notes:

- (1) Interest-earning assets for culture & tourism, chemical & medicine, public consuming and other industries among the target industries of the Group maintained faster growth in the first half of 2024, 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 30 June 2024, 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 30 June 2024, the net interest-earning assets of the Group's inclusive finance business amounted to RMB13,959 million, which maintained stable growth as compared to RMB12,476 million as at 31 December 2023. For the details of the inclusive finance business, please refer to the discussion and analysis in paragraph 14 of this section.
- (4) In December 2023, taking into comprehensive account of the changes in policies and adjustments to its own business plans, the Group decided not to pursue held-to-maturity infrastructure investment projects with characteristics such as long payback periods in the future, and accelerated and took the initiative to dispose of such existing assets. Pursuant to the relevant HKAS provisions, from 1 January 2024, the Group has reclassified the abovementioned financial assets measured at amortized cost into financial assets at fair value through profit or loss, which ceased to be accounted for as interest-earning assets out of prudence. As at 30 June 2024, the balance of the above assets was RMB7,721 million.



## MANAGEMENT DISCUSSION AND ANALYSIS

### 3.2.3 Net Interest-earning Assets by Region

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

	30 June 2024		31 December 2023	
	RMB'000	% of total	RMB'000	% of total
Northeast China	6,830,608	2.56%	7,582,575	2.82%
Northern China	27,979,209	10.50%	26,582,312	9.88%
Eastern China	115,461,829	43.34%	112,032,722	41.63%
Southern China	15,259,703	5.73%	16,675,126	6.20%
Central China	43,972,033	16.51%	45,507,907	16.91%
Northwest China	18,167,979	6.82%	18,277,483	6.79%
Southwest China	38,707,737	14.54%	42,426,614	15.77%
Total	266,379,098	100.00%	269,084,739	100.00%

The table below sets forth net interest-earning assets of the urban public utility industry by region as of the dates indicated.

	30 June 2024		31 December 2023	
	RMB'000	% of total	RMB'000	% of total
Northeast China	872,726	0.92%	965,455	0.90%
Northern China	8,410,779	8.88%	9,212,842	8.60%
Eastern China	41,920,953	44.27%	43,657,780	40.75%
Southern China	3,507,926	3.70%	5,402,237	5.04%
Central China	14,521,778	15.34%	18,562,531	17.33%
Northwest China	6,342,042	6.70%	7,388,908	6.90%
Southwest China	19,116,099	20.19%	21,952,751	20.48%
Total	94,692,303	100.00%	107,142,504	100.00%

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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.

	30 June 2024		31 December 2023		
	RMB'000	% of total	RMB'000	% of total	Change %
Net interest-earning assets					
Within 1 year	158,590,052	59.54%	153,089,508	56.89%	3.59%
1 to 2 years	60,608,279	22.75%	65,854,541	24.47%	-7.97%
2 to 3 years	29,343,134	11.02%	29,562,786	10.99%	-0.74%
3 years and beyond	17,837,633	6.69%	20,577,904	7.65%	-13.32%
Total	266,379,098	100.00%	269,084,739	100.00%	-1.01%

Net interests-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 30 June 2024, net interest-earning assets within one year as set out in the table above represented 59.54% of net interest-earning assets of the Group, which increased as compared to the end of the previous year, indicating that the Group still maintained steady growth capacity of interest-earning assets.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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.

	30 June 2024		31 December 2023		Change %
	RMB'000	% of total	RMB'000	% of total	
Maturity date					
Within 1 year	162,671,071	61.07%	163,709,067	60.84%	-0.63%
1 to 2 years	71,751,196	26.94%	69,286,837	25.75%	3.56%
2 to 3 years	27,005,686	10.14%	26,339,847	9.79%	2.53%
3 years and beyond	4,951,145	1.85%	9,748,988	3.62%	-49.21%
Total	266,379,098	100.00%	269,084,739	100.00%	-1.01%

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 at 30 June 2024, the proportion of the net interest-earning assets due within 1 year increased in the net interest-earning assets due within the respective period as set forth in the table above, while the proportion of the net interest-earning assets with long maturities of 3 years and beyond significantly decreased. This indicated that the recovery period of the net interest-earning assets of the Group was shortened, which reduced the impact of long cycles and can better adapt to the complex external environment.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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.

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.



## MANAGEMENT DISCUSSION AND ANALYSIS

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 view of the complex and volatile internal and external environment, the Group continued to take prudent operation as its principle while actively adjusting and optimizing its management model and operation strategy in the first half of 2024. By redesigning the organizational structure in charge of asset matters, establishing asset management teams that encompass better expertise and efficiency, as well as optimizing and upgrading its post-lease operation system, the Group accomplished accurate identification of and effective prevention and control on various types of risks. During the reporting period, the total asset size of the Group slightly decreased, but the overall stability of asset quality has not been undermined. Leveraging effective asset management and risk prevention and control measures, the Group was not significantly affected by the changing external environment, and its asset quality presented a sound and healthy trend in general.

### *Redesigning the organizational structure in charge of asset matters in all aspects to address the changes in asset situation and enhance the efficiency of asset management*

In the first half of 2024, the Group redesigned the organizational structure in charge of asset matters in all aspects to facilitate the efficient mitigation of distressed assets with the strongest systematic protection. Faced with the complicated asset situation, the Group took quick actions in establishing a new organizational structure featured flattening and de-administration to ensure efficient decision-making and strong execution. Customer monitoring and disposal of assets at risk have been divided into two separate but synergistic segments. Under this model, each team would be able to focus on its own core tasks of customer monitoring and asset disposal, which strengthened the capabilities of customer monitoring and asset disposal, allowed precise execution of strategies and swift response to market changes, achieved effective risk isolation, and accelerated the process of eliminating non-performing assets, thereby laying a solid foundation for the steady development of the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS

Under this new framework, firstly, the Group has established the asset disposal department by deploying staff with the greatest competence in disposal, pooling expert resources from all directions, and establishing lean, efficient, flexible and agile professional teams. The department is specialized in handling distressed assets and firmly implements the strategic objectives of “disposal, recovery and mitigation for real” in pursuit of maximizing risk mitigation. Secondly, the Group has newly set up a customer monitoring department to establish a more stringent and efficient risk monitoring system. The department focuses on capturing and evaluating risk signals, and pursues accurate and timely risk identification through close monitoring by dedicated staff. Meanwhile, it conducted deeper industry research and analysis to build an all-encompassing industry risk-resistant barrier to safeguard the assets of the Group. Lastly, the Group optimized and upgraded its post-lease operation system in all aspects. Integrating “disposal strategy, decision-making, operation execution, data monitoring, and system optimization”, the system gets past the information barriers and create a one-stop, compact and efficient “command center” by accelerating the decision-making process, strengthening the execution of solutions, closely tracking asset data, and promoting system iteration in real time, striving to ensure the efficient disposal of assets at risk.

In the first half of 2024, the Group made remarkable progress in asset disposal based upon its newly established organization structure in charge of asset matters, and successfully explored and implemented various innovative disposal strategies, including but not limited to the effective disposal of collaterals and pledges, the flexible assignment of debts, the establishment of a strategy to “initiate legal actions before negotiations, and facilitate negotiations through legal actions” with legal means, the in-depth investigation of property clues to execute seizure and other initiatives, thus optimizing asset management and maximizing value.

### ***Setting great store by talent cultivation as well as optimizing and upgrading the incentive mechanism to unleash the potential for asset disposal***

In the first half of 2024, the Group optimized and upgraded its assessment and incentive mechanism, designed incentive plans based on asset differences, allocated resources towards value creators, and quantified contribution value for precise management, which not only strengthened process monitoring but also ensured the achievement of results, as well as tapped and unleashed the maximum disposal value and potential of assets. Meanwhile, the Group implemented an integrated personnel training system to build up a professional risk management team, and assigned personnel nationwide in order to ensure geographical coverage, rapid response to customer needs, efficient handling of risky events, and fully utilize its advantages in resource deployment. In addition, through regular reviews and correction mechanisms, the Group ensured that all team members are fully aware of their work focuses, and continued to explore and innovate disposal strategies in order to optimize risk disposal and build a solid line of defense for the asset safety of the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

	30 June 2024		31 December 2023		31 December 2022		31 December 2021	
	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total
Pass	248,119,666	93.15%	250,225,686	92.99%	248,827,143	91.95%	234,737,048	90.85%
Special mention	15,485,788	5.81%	16,066,847	5.97%	18,942,410	7.00%	20,890,374	8.09%
Substandard	1,320,501	0.50%	1,484,565	0.55%	1,410,969	0.52%	1,541,604	0.60%
Doubtful	1,453,143	0.54%	1,307,641	0.49%	1,420,368	0.53%	1,209,808	0.46%
Loss	–	–	–	–	–	–	–	–
Net interest-earning assets	266,379,098	100.00%	269,084,739	100.00%	270,600,890	100.00%	258,378,834	100.00%
Non-performing assets	2,773,644		2,792,206		2,831,337		2,751,412	
Non-performing asset ratio	1.04%		1.04%		1.05%		1.06%	

The Group has established a prudent asset quality control policy and adhered to a stringent and conservative asset classification policy. As at 30 June 2024, the Group's assets under special mention accounted for 5.81% of its net interest-earning assets, representing a decrease of 0.16 percentage point from 5.97% at the end of 2023. During the reporting period, the quality of assets continued to be further optimized.

## MANAGEMENT DISCUSSION AND ANALYSIS

The assets under special mention in the urban public utility industry accounted for 38.50% of the total assets under special mention. The proportion of assets under special mention in the segment was 6.30%, which was slightly higher than the proportion of the overall assets under special mention of the Company, but the size of assets under special mention was basically the same as compared with the previous year, maintaining stable performance as a whole. The segment mainly involves water supply, electricity supply, heat supply, public transportation and other urban infrastructure customers with strong operational stability. However, taking into account that the segment has a relatively long cycle from capital investment to capital return, along with the continuous development of artificial intelligence, it is necessary to continue to increase project investment in advance infrastructure facilities for constant updating and iterating with the market. At the same time, as domestic demand was weaker than external demand in the first half of the year, infrastructure investment saw a trend of slowing down month by month, and some of the enterprises were affected in terms of operation and financing to a certain extent and encountered periodic financial constraints. 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 20.09% of the total assets under special mention. The proportion of assets under special mention in the segment was 10.13%, which was higher than the proportion of the overall assets under special mention of the Company. In the current market environment, the number of tourist trips and tourism revenue during holidays increased in the first half of the year, but the overall economy was under pressure of consumption downgrading and the average spending on travel decreased. At the same time, the intense industry competition among the scenic spots with similar features affected the healthy development of the industry as a whole. As the tourism industry is more dependent on holidays and government policies, the recovery of the tourism industry in the post-pandemic era still requires long-term and continuous attention. The Group prudently adjusted more of the assets of the segment to assets under special mention.

The assets under special mention in the engineering construction industry accounted for 14.79% of the total assets under special mention. The proportion of assets under special mention in the segment was 6.78%, which was slightly higher than the proportion of the overall assets under special mention of the Company. The government has increased investment in infrastructure construction in recent years. However, in view of the slow project progress and difficulties in payment collection in the engineering construction industry due to the overall economic environment, unravelling industry players, and debt pressure on local governments, some of the enterprises with insufficient capital have experienced short-term capital constraints. Meanwhile, the appealing of the engineering construction industry to talents continued to decline, bringing concerns to the staff team building. The Group prudently adjusted more of the assets of the segment to assets under special mention.



## MANAGEMENT DISCUSSION AND ANALYSIS

The assets under special mention in the healthcare industry accounted for 11.39% of the total assets under special mention. The proportion of assets under special mention in the segment was 9.09%, which was slightly higher than the proportion of the overall assets under special mention of the Company. Most of the customers in the segment maintained sound operation. However, the ongoing reform of medical insurance payment method led to a decline in the revenue from medical services of some hospitals. Some of the medical enterprises encountered overcapacity, leading to a drop in product prices, which in turn affected their profits. Population aging and rising number of patients with chronic diseases led to changes in the structure of demand for medical care, and the failure of some medical institutions to make timely adjustments to their service structures also led to difficulties in their operations. Accordingly, in order to pay further attention to the subsequent operation and development of the segment, 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 as of the dates indicated.

	30 June 2024		31 December 2023		31 December 2022	
	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total
Healthcare	1,763,291	11.39%	1,919,083	11.94%	2,735,765	14.44%
Culture & tourism	3,110,590	20.09%	2,553,524	15.89%	2,287,101	12.07%
Engineering construction	2,290,286	14.79%	2,725,642	16.96%	1,712,231	9.04%
Machinery	604,163	3.90%	554,452	3.45%	583,837	3.08%
Chemical & medicine	281,119	1.82%	370,822	2.31%	365,250	1.93%
Electronic information	291,032	1.88%	372,936	2.32%	504,386	2.66%
Public consuming	430,959	2.78%	501,377	3.12%	411,021	2.18%
Transportation & logistics	751,572	4.85%	1,103,719	6.87%	1,312,134	6.93%
Urban public utility	5,962,776	38.50%	5,965,292	37.14%	9,030,685	47.67%
Total	15,485,788	100.00%	16,066,847	100.00%	18,942,410	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.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

	<b>30 June 2024</b>	30 June 2023	31 December 2023	31 December 2022	31 December 2021
	% of total	% of total	% of total	% of total	% of total
Pass	–	–	–	0.07%	0.27%
Special mention	<b>65.85%</b>	72.45%	46.28%	51.64%	52.99%
Substandard	<b>5.99%</b>	3.37%	5.37%	4.98%	2.42%
Doubtful	<b>1.04%</b>	0.40%	1.42%	2.35%	0.96%
Loss	<b>0.79%</b>	2.33%	5.58%	3.69%	2.71%
Recovery	<b>26.33%</b>	21.45%	41.35%	37.27%	40.65%
Total	<b>100.00%</b>	100.00%	100.00%	100.00%	100.00%

As at 30 June 2024, the size of non-performing assets was RMB2,774 million, which slightly decreased as compared with the end of last year, and the non-performing asset ratio was 1.04%, which remained the same as compared with the end of last year. The overall asset quality remained safe and under control. For the non-performing assets of the inclusive finance business of the Group, please refer to the discussion and analysis in paragraph 14 of this section.

The non-performing assets of the urban public utility industry accounted for 45.70% of the total non-performing assets. The proportion of non-performing assets in the segment was 1.34%. The overall size of the segment declined as compared with last year, while the size of non-performing assets slightly increased as compared with last year. In the first half of the year, the urban public utility segment achieved breakthroughs in the disposal of non-performing assets through mortgages and pledges as well as pressuring with legal means. However, the non-performing payments slightly increased as some customers with large lump-sum payments made in previous years encountered certain capital constraints which led to overdue payments. For example, some customers failed to attract investment as expected in high-tech construction projects such as "smart cities" or urban infrastructure projects that had already been constructed, but they over-invested in the early stage, and it took a long time for capital return. As such, they encountered periodic financial constraints and were unable to push ahead project construction, leading to overdue payments. But the overall asset quality is stable at present. The Group prudently reclassified the assets of the segment into substandard and doubtful assets.

## MANAGEMENT DISCUSSION AND ANALYSIS

The non-performing assets of the transportation & logistics industry accounted for 18.90% of the total non-performing assets. The proportion of non-performing assets in the segment was 2.53%. Despite that the overall asset quality of the segment did not significantly deteriorate, the non-performing asset ratio of the segment presented an upward trend, which was mainly due to the increase in the size of non-performing assets of the segment because some individual customers newly as risk had a relatively large size and some customers were affected by the volatility of the cross-border logistics industry and encountered periodic capital constraints. Some customers were affected by financing and have tight capital flows, resulting in overdue debts. Although their core assets have recently been seized and disposed of, it still takes time to take in the disposals. 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 10.52% of the total non-performing assets. The proportion of non-performing assets in the segment was 0.95%. The non-performing asset ratio of the segment significantly decreased as compared with the previous period. With the gradual recovery of the tourism industry, some existing non-performing customers have their cash flows eased off with recovering operations, and have gradually made rent payment recently. However, the overall tourism and education industries have still been facing knock-on effects and pressures caused by consumption downgrades. Some tourism industry players lack customer appeal due to their monotonous tourism products or failure to adjust their strategies in a timely manner during tourism peaks and troughs. Some education and training industry players and kindergartens have been facing problems such as insufficient enrolment and teacher turnover, and some of them will only be able to pay their rents after the start of school year in autumn or receipt of summer payment. The Group prudently reclassified the assets of the segment into substandard and doubtful assets.

The non-performing assets of the machinery industry accounted for 6.47% of the total non-performing assets. The proportion of non-performing assets in the segment was 1.14%. The non-performing asset ratio of the segment slightly decreased as compared with the previous period. The segment involves certain upstream and downstream real estate manufacturing industries (such as new materials, aluminium profiles, and kitchen and bathroom fixtures), which have been affected by the industry, resulting in a drop in orders and prices, a decline in revenues and profits, and short-term capital constraints. However, the overall performance of the segment was relatively stable, with the non-performing level basically remaining stable. The Group prudently reclassified the assets of the segment into substandard and doubtful assets.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

	30 June 2024		31 December 2023		31 December 2022	
	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total
Healthcare	174,641	6.30%	328,650	11.77%	354,178	12.51%
Culture & tourism	291,701	10.52%	425,997	15.26%	854,461	30.18%
Engineering construction	162,089	5.84%	388,711	13.92%	453,283	16.01%
Machinery	179,470	6.47%	177,741	6.37%	134,529	4.75%
Chemical & medicine	13,097	0.47%	18,265	0.65%	5,300	0.19%
Electronic information	6,197	0.22%	–	0.00%	296	0.01%
Public consuming	154,786	5.58%	62,366	2.23%	132,097	4.67%
Transportation & logistics	524,157	18.90%	262,764	9.41%	251,827	8.89%
Urban public utility	1,267,506	45.70%	1,127,712	40.39%	645,366	22.79%
Total	2,773,644	100.00%	2,792,206	100.00%	2,831,337	100.00%

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

	30 June 2024		31 December 2023		31 December 2022	
	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total
Healthcare	69,568	5.27%	269,428	18.15%	9,041	0.64%
Culture & tourism	11,350	0.86%	38,686	2.61%	462,773	32.80%
Engineering construction	6,679	0.51%	84,368	5.68%	105,987	7.51%
Machinery	128,032	9.70%	103,793	6.99%	107,045	7.59%
Chemical & medicine	5,100	0.39%	6,440	0.43%	4,806	0.34%
Electronic information	6,197	0.47%	–	0.00%	–	0.00%
Public consuming	99,079	7.50%	20,463	1.38%	87,575	6.21%
Transportation & logistics	309,658	23.45%	83,230	5.61%	49,761	3.53%
Urban public utility	684,838	51.85%	878,157	59.15%	583,981	41.38%
Total	1,320,501	100.00%	1,484,565	100.00%	1,410,969	100.00%



## MANAGEMENT DISCUSSION AND ANALYSIS

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

	30 June 2024		31 December 2023		31 December 2022	
	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total
Healthcare	105,073	7.23%	59,222	4.53%	345,137	24.30%
Culture & tourism	280,351	19.29%	387,311	29.62%	391,688	27.58%
Engineering construction	155,410	10.69%	304,343	23.27%	347,296	24.45%
Machinery	51,438	3.54%	73,948	5.66%	27,484	1.93%
Chemical & medicine	7,997	0.55%	11,825	0.90%	494	0.03%
Electronic information	–	0.00%	–	0.00%	296	0.02%
Public consuming	55,707	3.83%	41,903	3.20%	44,522	3.13%
Transportation & logistics	214,499	14.76%	179,534	13.73%	202,066	14.23%
Urban public utility	582,668	40.11%	249,555	19.09%	61,385	4.33%
Total	1,453,143	100.00%	1,307,641	100.00%	1,420,368	100.00%

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

	30 June 2024		31 December 2023		31 December 2022	
	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total
Healthcare	–	–	–	–	–	–
Culture & tourism	–	–	–	–	–	–
Engineering construction	–	–	–	–	–	–
Machinery	–	–	–	–	–	–
Chemical & medicine	–	–	–	–	–	–
Electronic information	–	–	–	–	–	–
Public consuming	–	–	–	–	–	–
Transportation & logistics	–	–	–	–	–	–
Urban public utility	–	–	–	–	–	–
Total	–	–	–	–	–	–

## MANAGEMENT DISCUSSION AND ANALYSIS

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

	30 June 2024	31 December 2023	31 December 2022
	RMB'000	RMB'000	RMB'000
At the beginning of the period/ year	2,792,206	2,831,337	2,751,412
Downgrades <sup>(1)</sup>	1,381,610	2,831,194	3,103,634
Upgrades	(54,608)	(116,055)	(950,021)
Recoveries	(1,014,686)	(1,355,168)	(694,035)
Write-off/disposal	(330,878)	(1,399,102)	(1,379,653)
At the end of the period/year	2,773,644	2,792,206	2,831,337
Non-performing assets ratio	1.04%	1.04%	1.05%
Non-performing loan formation ratio <sup>(2)</sup>	0.12%	0.51%	0.57%

Notes:

- (1) Represents downgrades of interest-earning assets classified as pass 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 period – the balance of non-performing loan at the beginning of period + write-off/disposal of non-performing loan for the period)/(net pass interest-earning assets at the beginning of period + net interest-earning assets under special mention at the beginning of period)

## MANAGEMENT DISCUSSION AND ANALYSIS

### 3.2.6.2 Interest-earning Assets Provisions

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

	30 June 2024		31 December 2023		31 December 2022		31 December 2021	
	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	1,653,661	26.24%	1,683,143	26.49%	1,460,084	21.49%	1,154,550	17.36%
Provision for pass and special mention assets	4,648,235	73.76%	4,671,589	73.51%	5,334,328	78.51%	5,496,973	82.64%
Total	6,301,896	100.00%	6,354,732	100.00%	6,794,412	100.00%	6,651,523	100.00%
Non-performing assets	2,773,644		2,792,206		2,831,337		2,751,412	
Provision coverage ratio	227.21%		227.59%		239.97%		241.75%	
Credit cost ratio <sup>(1)</sup>	0.13%		0.13%		0.51%		0.37%	

Note:

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### 3.2.6.3 Write-offs of Interest-earning Assets

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

	30 June 2024	31 December 2023	31 December 2022	31 December 2021
	RMB'000	RMB'000	RMB'000	RMB'000
Write-off/disposal of non-performing assets	330,878	1,399,102	1,379,653	1,044,316
Non-performing assets as at the end of last year	2,792,206	2,831,337	2,751,412	2,589,888
Write-off ratio <sup>(1)</sup>	11.85%	49.41%	50.14%	40.32%

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.

As at 30 June 2024, according to the requirements of the accounting standards, the Group wrote off bad debts of RMB330,878,000 (of which RMB112,232,000 were written off for inclusive finance), which were mainly distributed in transportation & logistics, urban public utility, machinery, public consuming, engineering construction and other industries, accounting for RMB75,823,000, RMB61,716,000, RMB58,496,000, RMB40,142,000 and RMB39,008,000, respectively. The Group's write-off ratio has remained basically stable over the years. In particular, due to its business characteristics, inclusive finance is expected to maintain a relatively high write-off ratio in the coming years. Despite the Group's effort in collection through judicial means, actionable assets were unable to cover risk exposure of projects at the moment. Although at the moment 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 first half of 2024, the written-off bad debts amounted to RMB7,627,700,000 and RMB1,739,579,000 had been recovered.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 3.2.6.4 Status of Interest-earning Assets (Overdue for More than 30 Days)

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

	30 June 2024	31 December 2023	31 December 2022	31 December 2021
Overdue ratio (over 30 days)	0.90%	0.91%	0.91%	0.94%

The Group adhered to the prudent strategies of risk control and asset management. The Group's overdue ratio (over 30 days) was 0.90% as at 30 June 2024, which decreased by 0.01 percentage point from the end of 2023.

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

	30 June 2024		31 December 2023	
	RMB'000	% of total	RMB'000	% of total
Healthcare	144,137	6.03%	187,799	7.67%
Culture & tourism	135,342	5.66%	438,699	17.91%
Engineering construction	243,545	10.18%	443,652	18.11%
Machinery	193,129	8.08%	182,951	7.47%
Chemical & medicine	27,282	1.14%	36,846	1.50%
Electronic information	32,768	1.37%	12,666	0.52%
Public consuming	194,653	8.14%	126,969	5.18%
Transportation & logistics	500,918	20.95%	337,375	13.77%
Urban public utility	919,522	38.45%	683,038	27.87%
Total	2,391,296	100.00%	2,449,995	100.00%



## MANAGEMENT DISCUSSION AND ANALYSIS

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

	30 June 2024		31 December 2023	
	RMB'000	% of total	RMB'000	% of total
Pass	–	–	–	–
Special mention	679,415	28.41%	1,049,573	42.84%
Substandard	494,061	20.66%	392,683	16.03%
Doubtful	1,217,820	50.93%	1,007,739	41.13%
Loss	–	–	–	–
Total	2,391,296	100.00%	2,449,995	100.00%

## MANAGEMENT DISCUSSION AND ANALYSIS

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

In the first half of 2024, the Group did not sell interest-earning assets by issuing asset-backed securities/notes.

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 of the dates indicated.

	30 June 2024		31 December 2023		Change %
	RMB million	% of total	RMB million	% of total	
Healthcare	–	–	16	0.97%	-100.00%
Culture & tourism	76	9.16%	145	8.79%	-47.59%
Engineering construction	25	3.01%	44	2.67%	-43.18%
Machinery	3	0.36%	15	0.91%	-80.00%
Chemical & medicine	28	3.37%	46	2.79%	-39.13%
Electronic information	61	7.35%	125	7.58%	-51.20%
Public consuming	53	6.39%	96	5.82%	-44.79%
Transportation & logistics	39	4.70%	173	10.49%	-77.46%
Urban public utility	545	65.66%	989	59.98%	-44.89%
Total	830	100.00%	1,649	100.00%	-49.67%

As at 30 June 2024, the balance of the holding of asset-backed securities/notes-related assets items amounted to RMB283,815,000, representing a decrease of 23.12% as compared to RMB369,172,000 as at 31 December 2023, mainly due to the fact that the off-balance sheet assets in previous years became mature one after another in 2023. 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 in the first half of 2024 with no significant anomalies of asset quality.

The balance of assets with continuing involvement of the Group amounted to RMB283,815,000, representing a decrease of 23.12% as compared to RMB369,172,000 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 3.4 Other Assets

As at 30 June 2024, the cash and cash equivalents of the Group amounted to RMB22,945,585,000. The Group started to reserve relatively sufficient cash to sustain the business development and ensure the capital liquidity safety of the Group. Restricted deposits of the Group amounted to RMB2,863,605,000.

The balance of prepayments and other receivables of the Group amounted to RMB4,593,500,000, comprised of mainly prepayments for suppliers of machinery and equipment and deductible value-added tax, etc.

The balance of deferred tax assets of the Group amounted to RMB5,920,903,000, 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 RMB26,611,106,000, comprised mainly of equipment, tools and plant for equipment operation business amounting to RMB21,500,000,000, the buildings and medical equipment of its affiliated hospitals amounting to RMB3,400,000,000, and the main office building of the Group.

The balance of investments in joint ventures/associates of the Group amounted to RMB8,725,906,000, mainly including the equity investments of the Group in provincial asset management companies amounting to RMB4,346,056,000 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., infrastructure investment and the invested hospitals.

The balance of financial assets at fair value through profit or loss of the Group was RMB16,397,499,000, mainly due to the infrastructure investment projects, interest-earning assets and financial equity investment invested by the Group, among which the balance of infrastructure investment projects, interest-earning assets and other debt investments as at 30 June 2024 was RMB7,720,000,000, RMB2,890,000,000 and RMB2,920,000,000, respectively.

The balances of assets and liabilities corresponding to the Group's derivative financial instruments amounted to RMB1,803,897,000 and RMB240,978,000, 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 RMB182,185,000, which was mainly the goodwill recognized by the Group for the acquisition of medical institutions.

The balances of the Group's right-of-use assets amounted to RMB2,393,524,000, 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 30 June 2024, total liabilities of the Group amounted to RMB302,589,203,000, representing an increase of RMB8,675,567,000 or 2.95% 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 87.53% of the total, which increased by 0.55 percentage point as compared to 86.98% as at the end of last year.

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

	30 June 2024		31 December 2023		
	RMB'000	% of total	RMB'000	% of total	Change %
Interest-bearing bank and other borrowings	264,864,268	87.53%	255,636,145	86.98%	3.61%
Other payables and accruals	23,955,924	7.92%	23,985,577	8.16%	-0.12%
Liabilities for continuing involvement	283,815	0.09%	369,172	0.13%	-23.12%
Trade and bills payables	10,274,429	3.40%	9,509,889	3.24%	8.04%
Tax payables	479,434	0.16%	1,437,537	0.49%	-66.65%
Derivative financial instruments	240,978	0.08%	215,481	0.07%	11.83%
Deferred tax liabilities	837,626	0.28%	860,952	0.29%	-2.71%
Deferred revenue	620,150	0.20%	911,238	0.31%	-31.94%
Lease liabilities	1,032,579	0.34%	987,645	0.33%	4.55%
Total liabilities	302,589,203	100.00%	293,913,636	100.00%	2.95%

### 3.6 Interest-bearing Bank and Other Borrowings

Being faced with the complicated and ever-changing financial environment domestically and overseas, the Group adhered to the established strategy of "finance + industry", continued to consolidate reliable financing resources, optimized the debt structure, and thus made good progress in both direct financing and indirect financing, supporting the effective advancement of the Company's overall strategy.

## MANAGEMENT DISCUSSION AND ANALYSIS

With respect to direct financing market, the Group further expanded its issuance offerings, gave play to the unique characteristics of its assets, and optimized its product structure. Since 2024, the Group has launched asset securitization products with themes including “small-and-micro enterprise high-quality development”, “supporting industrial upgrading” and “Yangtze River Delta integration” to fully implement the national strategy of high-quality development and support small-and-micro enterprises and regional economies in pursuit of high-quality development. The issuance of US\$500 million three-year senior unsecured bonds was again presented in the international bond market with a high subscription rate, enhancing the ability to access global resources.

With respect to indirect financing market, the Group continued to strengthen its strategic cooperation relationship with various financial institutions in the financial and industrial segments, as well as in the domestic and offshore markets, in accordance with the strategic needs of the Company and in line with the policy directions of green, inclusive and technological innovation. In the first half of the year, the Company withdrew “green” syndicated loans of EUR160 million and “sustainable development” syndicated loans of US\$150 million, which would be used to support renewable energy, sewage treatment and energy efficiency upgrading.

In conclusion, the Group had increasingly diverse financing methods with a continuously improving liability structure, and was able to secure its needs for resources in a sustainable and stable manner through flexible deployment across various channels, products and markets. Looking forward to the future, the Group is confident that with the robust operation momentum and profound financial market cooperation foundation, and can further improve its competitiveness on liability side.



## MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2024, the total sum of the Group's interest-bearing bank and other borrowings amounted to RMB264,864,268,000, representing an increase of 3.61% as compared with RMB255,636,145,000 as at the end of last year. The Group's borrowings were mainly denominated in RMB and US\$.

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

	30 June 2024		31 December 2023		Change %
	RMB'000	% of total	RMB'000	% of total	
Current	127,070,044	47.98%	132,389,989	51.79%	-4.02%
Non-current	137,794,224	52.02%	123,246,156	48.21%	11.80%
Total	264,864,268	100.00%	255,636,145	100.00%	3.61%

As at 30 June 2024, 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 47.98%, which decreased as compared to the end of the previous year, mainly because the Group further optimized its maturity structure by increasing long-term borrowings as appropriate, while adhering to a prudent financing strategy, ensuring liquidity security, and taking cost into account.

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

	30 June 2024		31 December 2023		Change %
	RMB'000	% of total	RMB'000	% of total	
Secured	55,821,036	21.08%	45,682,595	17.87%	22.19%
Unsecured	209,043,232	78.92%	209,953,550	82.13%	-0.43%
Total	264,864,268	100.00%	255,636,145	100.00%	3.61%

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group carefully managed its funding risk in the first half of 2024. As at 30 June 2024, the proportion of the Group's interest-bearing bank and other borrowings that were unsecured accounted for 78.92% of the Group's total interest-bearing bank and other borrowings, which decreased as compared to the end of the previous year, mainly because the Group obtained more funds at lower costs through asset pledge.

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.

	30 June 2024		31 December 2023		
	RMB'000	% of total	RMB'000	% of total	Change %
Bank loans	170,793,852	64.48%	155,602,434	60.87%	9.76%
Other loans	94,070,416	35.52%	100,033,711	39.13%	-5.96%
Total	264,864,268	100.00%	255,636,145	100.00%	3.61%

As at 30 June 2024, the Group's bank loans as a percentage to the Group's total bank and other borrowings increased as compared to the end of last year, mainly because the Group continuously deepened its cooperation with banks, demonstrating its stable and diverse financing strategies.

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

	30 June 2024		31 December 2023		
	RMB'000	% of total	RMB'000	% of total	Change %
Domestic	219,417,860	82.84%	216,234,434	84.59%	1.47%
Overseas	45,446,408	17.16%	39,401,711	15.41%	15.34%
Total	264,864,268	100.00%	255,636,145	100.00%	3.61%

## MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2024, the proportion of the Group's domestic borrowings and other borrowings as a percentage to the Group's total borrowings was 82.84%, which decreased as compared with that at the end of last year as the Group moderately balanced between domestic and overseas financing channels to satisfy the funding needs.

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

	30 June 2024		31 December 2023		Change %
	RMB'000	% of total	RMB'000	% of total	
RMB	217,281,616	82.04%	207,954,618	81.35%	4.49%
US\$	16,126,022	6.09%	17,080,464	6.68%	-5.59%
Borrowings in other currencies	31,456,630	11.87%	30,601,063	11.97%	2.80%
Total	264,864,268	100.00%	255,636,145	100.00%	3.61%

As at 30 June 2024, the Group's activities in RMB accounted for 82.04% of its total interest-bearing bank and other borrowings, representing an increase from the end of last year as the Group continued to promote and consolidate 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.

	30 June 2024		31 December 2023		Change %
	RMB'000	% of total	RMB'000	% of total	
Direct financing	69,806,498	26.36%	77,531,692	30.33%	-9.96%
Indirect financing	195,057,770	73.64%	178,104,453	69.67%	9.52%
Total	264,864,268	100.00%	255,636,145	100.00%	3.61%

As at 30 June 2024, Group's direct borrowings accounted for 26.36% of the total, which decreased as compared to the end of last year. The Group continued to deepen the development of the credit market so as to further consolidate the resource base required for future development.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 3.7 Shareholders' Equity

As at 30 June 2024, the total equity of the Group was RMB59,052,852,000, representing an increase of RMB1,483,252,000 or 2.58% from the end of last year. During the year, the Company maintained safe and sound operation, ensuring the steady increase in the equity attributable to ordinary shareholders of the Company. At the same time, the distribution of a special dividend by way of distribution in specie of the shares of the Company's subsidiary Horizon Construction Development also contributed to the significant increase in non-controlling interests.

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

	30 June 2024		31 December 2023		
	RMB'000	% of total	RMB'000	% of total	Change %
Share capital	13,097,946	22.18%	13,066,292	22.70%	0.24%
Equity component of convertible bonds	144,785	0.25%	228,432	0.40%	-36.62%
Reserve	34,951,175	59.18%	36,804,645	63.93%	-5.04%
Equity attributable to ordinary shareholders of the Company <sup>(1)</sup>	48,193,906	81.61%	50,099,369	87.03%	-3.80%
Perpetual securities <sup>(2)</sup>	1,564,819	2.65%	1,573,876	2.73%	-0.58%
Non-controlling interests	9,294,127	15.74%	5,896,355	10.24%	57.62%
Total equity	59,052,852	100.00%	57,569,600	100.00%	2.58%

Notes:

- (1) The following table sets forth the change in the equity attributable to the ordinary shareholders of the Company in the first half of 2024.

	Equity attributable to the ordinary shareholders of the Company
31 December 2023	50,099,369
Profit for the year	2,085,076
Other comprehensive income	586,793
Dividend distribution	(4,487,436)
Other changes in equity	(89,896)
30 June 2024	48,193,906

The final dividend of HK\$0.50 per share for the year ended 31 December 2023 was approved at the annual general meeting on 5 June 2024 and paid on 28 June 2024.

## MANAGEMENT DISCUSSION AND ANALYSIS

As stated in the announcement of the Company dated 30 April 2024, the Board proposed the Company to distribute a special dividend by way of distribution of shares of Horizon Construction Development in specie on the pro-rata basis of 10 shares of Horizon Construction Development for every 54 shares held by shareholders whose names appear on the register of members of the Company on the Record Date (i.e. 14 June 2024). Approximately 799 million shares of Horizon Construction Development were distributed, representing approximately 25% of the total issued shares of Horizon Construction Development as at 30 April 2024. The aforesaid resolution on distribution of a special dividend by way of distribution in specie was voted and approved at the annual general meeting convened on 5 June 2024. The share certificates for the distributed shares of Horizon Construction Development in respect of the distribution in specie were despatched to the qualifying shareholders at their respective addresses shown on the register of members of the Company by post on 28 June 2024. Upon the completion of distribution in specie, the Company directly owned a total of 1,333,247,413 shares of Horizon Construction Development (representing approximately 41.69% of the total number of issued shares of Horizon Construction Development as at 28 June 2024), and was entitled to control the exercise of voting rights in respect of 176,600,000 shares of Horizon Construction Development held by Farsighted Wit Limited (representing approximately 5.52% of the total number of issued shares of Horizon Construction Development as at 28 June 2024) at the general meetings of Horizon Construction Development. Following completion of distribution in specie, Horizon Construction Development remains a subsidiary of the Company, and its results will continue to be consolidated in the financial statements of the Company.

For details on distribution in specie, please refer to the announcements of the Company dated 30 April 2024, 5 June 2024 and 28 June 2024, as well as the circular dated 2 May 2024.

- (2) 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 <sup>(iii)</sup>	Date of redemption
Perpetual medium-term <sup>(i)</sup>	6 July 2022	RMB	1,000,000	4.2%	2 years	N/A
Renewable corporate bonds <sup>(ii)</sup>	2 September 2022	RMB	500,000	4.2%	2 years	N/A

**Notes:**

- (i) The basic term of the perpetual medium-term notes is 2 years. 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. The initial spread is the difference between the coupon rate and the initial benchmark interest rate. The prevailing benchmark interest rate is the arithmetic mean of the yields of treasury bonds with a maturity of 2 years in the 5 working days before the reset date of the coupon rate. Thereafter, the coupon rate will be reset every two years based on the prevailing benchmark interest rate plus the initial spread plus 300 basis points.
- (ii) The basic term of the renewable corporate bonds is 2 years. 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. 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 difference between the coupon rate for the first cycle and the initial benchmark interest 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.
- (iii) 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.
- (iv) The Group may formulate future issuance plans based on market conditions and the Group's financing needs.
- (v) On 28 June 2024, the Board has updated the medium term note and perpetual securities programme. The Company may offer and issue notes and/or perpetual securities in series, with the aggregate nominal amount of notes and perpetual securities which may be outstanding at any time of up to US\$4,000,000,000 (or its equivalent in other currencies). Application has been made to the Stock Exchange for the listing of the programme for 12 months after 28 June 2024 whereby notes and/or perpetual securities may be issued by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")) only. For other details of the aforesaid offering and issuance of notes and/or perpetual securities in series, please refer to the relevant announcement and offering circular of the Company dated 28 June 2024.



## MANAGEMENT DISCUSSION AND ANALYSIS

### 3.8 Completion of the Issuance of Guaranteed Convertible Bonds under General Mandate

As at 30 June 2024, 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 placees (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 on 30 June 2021 due to the payment of dividend; the conversion price was further adjusted to HK\$7.11 per conversion share on 30 June 2022 due to the payment of dividend; the conversion price was further adjusted to HK\$6.59 per conversion share on 30 June 2023 due to the payment of dividend; the conversion price was further adjusted to HK\$6.48 per conversion share on 22 January 2024 due to the payment of special dividend; the conversion price was further adjusted to HK\$5.96 per conversion share on 17 June 2024 due to the payment of dividend. As at the end of 2021, the Company had used all net proceeds for working capital and general corporate purposes, consistent with the use of proceeds disclosed in the announcement of the Company dated 18 June 2020. Approximately US\$169.5 million was used for domestic business operations and approximately US\$127.1 million was used for working capital and other general corporate purposes. As at 30 June 2024, the outstanding principal amount of such convertible bonds was US\$290,000,000.

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 placees (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 on 30 June 2021 due to the payment of dividend; the conversion price was further adjusted to HK\$9.16 per conversion share on 30 June 2022 due to the payment of dividend; the conversion price was further adjusted to HK\$8.50 per conversion share on 30 June 2023 due to the payment of dividend; the conversion price was further adjusted to HK\$8.35 per conversion share on 22 January 2024 due to the payment of special dividend; the conversion price was further adjusted to HK\$7.69 per conversion share on 17 June 2024 due to the payment of dividend. As at the end of 2021, the Company had used all net proceeds for working capital and general corporate purposes, consistent with the use of proceeds disclosed in the announcement of the Company dated 27 May 2021, approximately US\$95 million was used for repayment of bank loans and approximately US\$151 million was used for repayment of the US\$ floating rate notes issued in 2018. On 15 June 2024, the Company received a notice of exercise of the put option amounting to US\$249,100,000, and redeemed the relevant convertible bonds for a consideration equivalent to 106.15% of their principal amount according to the terms. As at 30 June 2024, the outstanding principal amount of such convertible bonds was US\$900,000.

## MANAGEMENT DISCUSSION AND ANALYSIS

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 US\$200,000 each and integral multiples of US\$1,000 in excess thereof. 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 abovementioned convertible bonds, please refer to the relevant announcements of the Company dated 17 June, 18 June, 19 June, 8 July, 21 July, 24 November, 4 December and 7 December 2020, 27 May, 15 June, 16 June, 24 June, 20 July, 5 August, 6 August and 29 October 2021, 24 June and 28 October 2022, 20 June 2023, and 22 January and 17 June 2024.

### (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	28 June 2024	HK\$8.35	HK\$7.69	17 June 2024	Adjust the conversion price based on the 2023 final dividend payment
Convertible bonds issued in July 2020	28 June 2024	HK\$6.48	HK\$5.96	17 June 2024	Adjust the conversion price based on the 2023 final dividend payment

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

As at 30 June 2024, 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 378,020,268 shares, representing approximately 8.75% of the issued share capital of the Company as at 30 June 2024 and approximately 8.04% 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 of the Company (having referred to the Company's shareholding structure as at 30 June 2024 and assuming no further shares would be issued by the Company):

Name of shareholder	As of 30 June 2024		Immediately following the full conversion of all convertible bonds	
	Number of shares	Approximate percentage of total issued shares <sup>(i)</sup>	Number of shares	Approximate percentage of total issued shares <sup>(i)</sup>
Sinochem Group Co., Ltd	919,914,440	21.29%	919,914,440	19.58%
KONG Fanxing <sup>(i)</sup>	905,299,133	20.95%	905,299,133	19.27%
The holders of the Convertible Bonds issued on 8 July 2020	—	—	377,111,912	8.02%
The holders of the Convertible Bonds issued on 15 June 2021	—	—	908,356	0.01%
Other shareholders	2,494,693,580	57.74%	2,494,693,580	53.10%
Total	4,319,907,153	100.00%	4,697,927,421	100.00%

Notes:

(i) As at 30 June 2024, these interests include (i) 1,670,000 shares held by Mr. KONG Fanxing; (ii) 34,681,236 vested restricted shares; and (iii) 868,947,897 shares whose voting rights Idea Prosperous Limited were entrusted to exercise, and Idea Prosperous Limited is a wholly-owned company of Mr. KONG Fanxing.

(ii) There may be a difference between the total and the sum of the sub-items due to rounding down to two decimal places.

Please refer to Note 8 to the financial statements for the impact on earnings per share as if the convertible bonds had been fully converted on 30 June 2024.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

As at 30 June 2024, 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 30 June 2024, 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 2024 to 2025 were as below:

	As of 31 December	
	2024	2025
Share price of the convertible bonds issued on 8 July 2020 (HK\$)	5.96	N/A
Share price of the convertible bonds issued on 15 June 2021 (HK\$)	8.25	8.42

### 3.9 Events after the reporting period

On 5 July 2024, the conversion price of the convertible bonds issued in July 2020 was further adjusted to HK\$5.72 per conversion share due to the payment of special dividend, and the conversion price of the convertible bonds issued in June 2021 was further adjusted to HK\$7.38 per conversion share due to the payment of special dividend. If the conversion rights attaching to the above convertible bonds were fully exercised in accordance with relevant conditions, the Company would have issued 393,881,302 shares. For other details of the above conversion prices, please refer to the relevant announcement of the Company dated 7 July 2024.

## MANAGEMENT DISCUSSION AND ANALYSIS

On 3 July 2024, the Board has considered and approved the proposal pertaining to payment of referable amount to the trustee under the 2024 Restricted Share Award Scheme, pursuant to which the Company or the person designated by the Company (including the subsidiaries of the Company) will pay the trustee a maximum amount of HK\$1.1 billion in cash for covering the purchase price or the required expenses in respect of the share(s) to be granted under the 2024 Restricted Share Award Scheme. The referable amount will be paid in tranches by the Company or the person designated by the Company (including the subsidiaries of the Company) with its own funds, which will constitute the part of the trust assets. The Company has appointed Equiom Fiduciary Services (Hong Kong) Limited as the trustee of the 2024 Restricted Share Award Scheme and the alternate trustee of the 2014 Restricted Share Award Scheme. Given that the aggregate interests of connected persons of the Company under the 2014 Restricted Share Award Scheme and the 2024 Restricted Share Award Scheme exceed 30%, pursuant to Rule 14A.12(1)(b) of the Listing Rules, the trustee becomes an associate of the connected persons of the Company and the payment of referable amount to the trustee by the Company or a designated person of the Company (including a subsidiary of the Company) constitutes a connected transaction of the Company. As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) exceeds 0.1% but is less than 5%, payment of the referable amount to the trustee is subject to the reporting, annual review and announcement requirements under the Listing Rules, but is exempted from independent Shareholders' approval requirements. For details of the above connected transaction, please refer to the relevant announcement of the Company dated 3 July 2024.

### 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 the first half of 2024, 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 of the dates indicated:

	30 June 2024	31 December 2023
	RMB'000	RMB'000
Total assets (A)	361,642,055	351,483,236
Total liabilities (B)	302,589,203	293,913,636
Total equity	59,052,852	57,569,600
Gearing ratio (C=B/A)	83.67%	83.62%

In the first half of 2024, 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 30 June 2024, the Group's gearing ratio was 83.67%.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 30 June 2024, 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., Far Eastern Horizon Financial Leasing Co., Ltd. and Far East Horizon Financial Leasing (Guangdong) Co., Ltd. were 4.34, 4.25, 1.79 and 5.15, 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 resources.

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

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

	30 June 2024	31 December 2023
	RMB'000	RMB'000
Total assets	206,117,933	201,099,590
Less: Cash	11,054,526	10,774,280
Total assets at risk	195,063,407	190,325,310
Equity	44,909,682	41,566,768
Ratio of assets at risk to equity	4.34	4.58



## MANAGEMENT DISCUSSION AND ANALYSIS

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

	30 June 2024	31 December 2023
	RMB'000	RMB'000
Total assets	77,657,855	81,829,951
Less: Cash	6,867,282	4,822,575
Total assets at risk	70,790,573	77,007,376
Equity	16,658,457	22,066,068
Ratio of assets at risk to equity	4.25	3.49

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

	30 June 2024	31 December 2023
	RMB'000	RMB'000
Total assets	6,511,797	8,507,313
Less: Cash	111,549	93,908
Total assets at risk	6,400,248	8,413,405
Equity	3,572,042	5,374,582
Ratio of assets at risk to equity	1.79	1.57

## MANAGEMENT DISCUSSION AND ANALYSIS

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

	30 June 2024	31 December 2023
	RMB'000	RMB'000
Total assets	11,807,494	9,412,044
Less: Cash	325,429	189,468
Total assets at risk	11,482,065	9,222,576
Equity	2,230,713	2,124,838
Ratio of assets at risk to equity	5.15	4.34

### 5. CAPITAL EXPENDITURES

The Group's capital expenditure was RMB3,744,986,000 in the first half of 2024, 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 the first half of 2024, the Company upheld a comprehensive, prudent, proactive and forward-looking risk philosophy, insisted on the goal of achieving stable business growth, and upgraded three-pronged risk management consisting of industries, regions and customers. Adhering to the principle of risk reduction and value creation through compliance, we placed key controls on key personnel, key matters and key processes, and improved regular and long-term mechanisms, in order to enhance the quality and compliance of operations. We continued to improve the quality of risk management by constantly employing financial technology means, and created a digital and intelligent management middle office to enhance the precision and effectiveness of risk management on an ongoing basis.

In the first half of 2024, we continued to optimize our asset structure and put effective risk prevention and control measures in place, and thus sustained stable asset quality in general and better secured the foundation for high-quality development.

## MANAGEMENT DISCUSSION AND ANALYSIS

### I. Upheld a comprehensive, prudent, proactive and forward-looking risk management philosophy

Upholding the principle of “full-process, all-round, multi-dimension and uninterrupted” as always in pursuit of comprehensive, prudent, proactive and forward-looking risk management, the Company continuously improved its risk management system featured clear responsibilities, independent functions, well-balanced risks and specialized roles for consistent enhancement in risk management.

**Comprehensive:** The Company continued to strengthen the management of all employees, all segments, all products and all processes. We insisted on placing equal emphasis on traditional and innovative businesses, managing leasing and non-leasing products in a coordinated manner, and covering all on- and off-balance-sheet assets. With an all-round layout, full-process management, multi-dimension reviews and uninterrupted monitoring of various risk indicators, we continued to improve the framework of comprehensive risk management and further developed management.

**Prudent:** We maintained a prudent risk appetite. Adhering to the management philosophy of putting safety first, we conducted business operations only when we could identify and manage risks. We continued to optimize our asset allocation to strengthen our ability to tide over cycles and achieve sustainable development. We also continued to foster the risk culture of prudence, independence and accountability, and reinforced four lines of defense covering before, during and after credit approval, as well as audit and internal control review.

**Proactive:** We prepared and published annual guidelines on safe development in a timely manner to establish our risk budget targets and risk control strategies so as to guide the direction of risk management and control throughout the year. We conducted semi-annual reviews and quarterly evaluations to adjust our policies as needed. We strengthened the proactive and preventive management of risks at the first and second lines of defense for credit approval. We focused on the risk management of key industries, key regions and key customer groups to strengthen the effectiveness of management measures. We made concerted efforts in joint prevention and control, and motivated all employees to actively participate in risk management on their own initiative.

**Forward-looking:** We highlighted the guiding role of research in risk management. We strived to understand the underlying logic and rules of macro-economic development, gain insights into the pattern of development of different industries and regions at the meso level, and keep abreast of the survival and operational changes of enterprises at the micro level. In particular, we strengthened research at the macro and meso levels to anticipate the direction and trend of systemic and structural development, formulate effective management and control strategies, and improved management tools, such that we could make proactive efforts to get prepared in advance to achieve earlier risk warning and safeguard our business development.

## MANAGEMENT DISCUSSION AND ANALYSIS

### II. Persisted in three-pronged risk management consisting of industries, regions and customers

We persisted in serving the real economy with the financial sector, and optimized our asset allocation by selecting prioritized industries and regions. We also persisted in maintaining a high quality customer base and continued to improve our review mechanism to further enhance the quality of our reviews.

**Optimized industrial asset allocation:** We encouraged the introduction of industries with good stability, high prosperity and key national supports. We motivated building presence in medical care, education, public transportation, water, electricity and gas and other domestic demand-oriented and livelihood-oriented fundamental industries, and supported infrastructure construction such as railways, highways, airports and ports. We bolstered investment in the field of energy, supply chain and industry chain security, advocated participation in the urbanization of new urban agglomerations and Yangtze River economic belts, supported the participation in infrastructure construction for rural revitalization, and facilitated participation in three major project construction fields, namely subsidized housing, urban village redevelopment, and public infrastructure that can accommodate both normal use and emergency needs. We boosted building presence in high-end, intelligent and green manufacturing and upgrading fields, sustained the introduction of advantageous import alternative industries, and spurred the participation in basic consumption, cultural tourism and other consumption upgrading and transformation industries, as well as the digital service business of the related encouraged industries. We fostered engagement in the sectors benefitted from the policies on equipment and facilities upgrades and trade-in of consumer goods. We actively explored investment opportunities in the low-altitude economy. We actively participated in the five major national areas of technology finance, green finance, inclusive finance, pension finance and digital finance.

**Optimized regional asset allocation:** The Company built and continuously optimized the urban energy level model, and carried out hierarchical and classified management of regional economic capacity and vitality. We adhered to the combination of qualitative and quantitative analysis, and conducted customer development and cooperation in prioritized regions. We adhered to prioritizing development prospects and economic benefits, focused on national key core economic belts and core cities, and then gradually extended influences to second- and third-tier cities, thus forming a large asset allocation strategy along rivers and coasts. We allocated our assets in prioritized areas with dynamic economy, large economy output, fast growth and abundant resources.

**Insisted on the strategy to maintain a high quality customer base:** The Company intensified its efforts to sort out the target customer groups, and further focused on the management, maintenance and quality improvement of effective customer bases. Horizontally, we stretched along the industrial chain to identify target customers. Vertically, we dug deep in certain regions, targeted customers according to local conditions, and continuously improved customer management archives. We continuously improved the quality of our effective customer bases, and focused on future viable customers who have long been rooted in their industries, keep focusing on market demand, cut across industry life cycle, possess core competitive advantages and brand power, and generate outstanding operating cash flows.

## MANAGEMENT DISCUSSION AND ANALYSIS

Improved the accuracy of customer reviews: In order to improve the overall quality of our customer base, we enhanced the effectiveness of systematic feedback and improved the sensitivity and responsiveness of the system. We strengthened the large group customer review process and effectiveness management, reinforced the overall risk control, and carried out unified and expert evaluation. We strengthened the application and effectiveness management of negative list and cross-validation for certain corporate customers with strong attributes and sufficient risk exposure in market-oriented industries.

1. Enhanced the effectiveness of systematic feedback. Based on the unified risk management of the Group, we assigned operations managers to business departments, who would participate in customer screening and preliminary review at an early stage, which ensured faster receipt of external information, perception of market changes and enhancement in the sensitivity of the system. Accordingly, we improved our credit management system, and made timely corrections and proactive adjustments to problems, thus effectively enhancing the agility of the system.
2. Differentiated review on key customers. We conducted expert reviews for large group customers as well as detailed and differentiated reviews for regular enterprises. For large group customers, we launched a joint evaluation mode of collective consultation by multi-industry evaluation experts, with unified credit line management and control, single credit standard, multi-link and full-angle review, and information sharing among multiple departments to ensure complete, clear and accurate view. In view of the high information asymmetry risk and weak risk tolerance of certain enterprises, we adhered to the use of negative lists before credit granting, strengthened customer screening, and specified the red line for customer inclusion and bottom line for customer admission. The Company fortified the upstream and downstream cross-verification mechanism, insisted on declaring to customers before credit granting, carried out random inspection during credit granting, review and supervision after credit granting, and ensured the whole process management and strict risk control.
3. Improved the regional risk view. We made full use of our nation-wide operation offices, cooperated with local fund providers, customers' upstream and downstream enterprises, customers' peers, customers' employees and managers, local residents, and local government agencies to fully understand customers' credit status, performance, business reality, development history, professional ability, tax payment and compliance operation, and constantly improved customers' 360° risk maps.

Three-pronged closed-loop risk management: We conducted three-pronged risk management consisting of industries, regions and customers. Industry and regional risk characteristics can be verified and applied in customer reviews, thereby forming a closed loop in customer reviews. At the same time, research and communication at the customer level further deepened our understanding of industry and regional changes, thus continuously improving our control on industry and regional risks.

## MANAGEMENT DISCUSSION AND ANALYSIS

### III. Adhered to long-term systematic management of key personnel, key matters and key processes

Adhering to the principle of risk reduction and value creation through compliance, we strengthened the management and supervision of key personnel, key matters and key processes, reinforced the performance of duties and constraints, standardized management, and established regular and long-term mechanisms for management enhancement, in order to continuously enhance the quality of operations.

**Strengthened the management of key personnel:** We strengthened the supervision of duty performance by managers, and carried out evaluation feedback and operation quality improvement activities of managers. When conducting evaluation, we bound the operation by operators with the operation by managers to improve the front-line operation quality as a whole. We strengthened the awareness and skills improvement among new recruits to prevent operation quality problems due to lack of knowledge. We focused on strengthening the remainder and rectification of the inertia of our existing employees in thinking and operating, and endowed our jobs with new connotation through various means. For key professional groups, we improved their rational thinking to ensure their independence.

**Strengthened the management of key matters:** In particular, we continued to strengthen the due diligence before credit granting, evaluation during credit granting and asset inspection after credit granting as three lines of defense, especially improving the operational quality of the front-line due diligence before credit granting. We continued to consolidate the standard system of position responsibilities, job contents and operation process before, during and after credit granting, and strengthened the self-inspection on operation and the check and correction of the previous process by the latter.

**Strengthened the supervision of key processes:** We strengthened supervision and checks, and reinforced the whole process checks and balances and supervision and management of incompatible positions. We intensified the regular sorting and duty specification of incompatible posts, and put an end to the supervision dead ends. We fortified the whole-process walk-through test and key-link supervision and inspection. For illegal operations, we improved the feedback mechanism and reporting channel construction for all employees during the whole process.

**Established long-term mechanisms for enhancement:** We strengthened the implementation of management and control measures such as the suspension and restoration of business qualifications, the penalty cards for operational quality, and the targeted publication of operational reminder letters, and reinforced the linkage between operational quality and performance, so as to enhance the effectiveness of linking personnel and matters. We launched management enhancement activities on a regular basis, and inspected and made up for the shortcomings in a systematic manner. We strengthened the mechanism for tracing back the root causes of risks, and fortified the communication mechanism for complicated cross-post operation problems. We also continued to conduct all-staff training and communication on the positive and negative cases, focused on the old and new problems during operation, and applied the problem reflection and improvement measures to future management and operation.



## MANAGEMENT DISCUSSION AND ANALYSIS

### IV. Insisted on continuous system iteration to enhance digital and intelligent risk control

The Company insisted on continuous iteration of its business systems and facilitated the promotion and application of financial technology on an ongoing basis, and thus further enhanced the management capacity, precision and efficiency of its digital and intelligent risk control middle office.

Continuous iterated our core business systems: The Company achieved iterative upgrading and comprehensive switching of its core business systems across all segments, which offered more standardized modules and multi-dimensional report statistics functions for customers' accurate evaluation, further enriched the risk information source channels, and provided greater guarantee for effective risk identification and further evaluation quality improvement.

Enhanced the capabilities of our digital and intelligent risk control middle office: We further facilitated the digital and intelligent transformation of risk management. We established a unified risk map to serve as an effective tool for credit risk management. We continued to explore new digital and intelligent risk control models, strengthened the application of financial technology, such as big data platforms, generative AI and other technologies, and improved the analysis of correlation charts, customer profiling and compliance checking, so as to enhance the ability of risk identification, evaluation and effective control. We also strived to form closed-loop online risk management. At the same time, we expanded our risk control operations and increased investment in upgrading and developing our mobile APP applications. We developed and continuously upgraded our digital and intelligent risk management middle office to enhance our precise and forward-looking risk management capabilities.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 6.2 Interest Rate Risk

Interest rate risk is the risk that the 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 30 June 2024	As of 31 December 2023
	RMB'000	RMB'000
Variable interest-earning assets	838,334	1,889,670
Variable interest-bearing liabilities	(106,093,699)	(104,378,061)
Monetary funds and others	25,809,944	21,959,952
Derivative financial instruments	59,356,495	57,085,251
Net exposure	(20,088,926)	(23,443,188)

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 (such as the RMB loan market quoted 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 30 June 2024	As of 31 December 2023
	RMB'000	RMB'000
Change in basis points		
+ 100 basis points	(12,194)	(42,814)
– 100 basis points	22,782	44,389

## MANAGEMENT DISCUSSION AND ANALYSIS

### 6.3 Foreign Exchange Risk

Foreign exchange 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. The Group adopted prudent foreign exchange 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 30 June 2024, the Group's actual exposure to foreign exchange risk approximately amounted to approximately US\$5,442 million, hedges against foreign exchange exposure amounted to approximately US\$5,706 million with the hedge ratio (percentage of the aforesaid two items) of approximately 104.85% (approximately 99.97% as at 31 December 2023). The Group's actual exposure to foreign exchange risk is limited.

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

		Increase/(decrease) in equity interest of the Group	
	Change in RMB exchange rate	As of 30 June 2024	As of 31 December 2023
		RMB'000	RMB'000
Effect on the profit before tax	+1%	(18,798)	143

The effect above was based on the assumption that the Group's foreign exchange exposures as at 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 following table sets forth the Group's liquidity-related indicators as of the dates indicated.

	30 June 2024	31 December 2023
Liquidity coverage ratio <sup>(1)</sup>	240.63%	229.36%
Proportion of short-term liabilities <sup>(2)</sup>	48.53%	52.62%
Liabilities/total credit lines <sup>(3)</sup>	57.98%	54.50%

Notes:

- (1) Liquidity coverage ratio = (position + collection of lease payments within one month)/rigid payment outflows within one month;
- (2) Proportion of short-term liabilities = (interest-bearing liabilities due within one year + bills payable due within one year)/(interest-bearing liabilities + bills payable + convertible bonds);
- (3) Total liabilities/credit lines = (interest-bearing liabilities + bills payable + convertible bonds)/total credit lines.

## MANAGEMENT DISCUSSION AND ANALYSIS

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
<b>As at 30 June 2024</b>							
Total financial assets	25,125,765	62,549,989	132,023,772	116,804,355	2,864,567	2,789,682	342,158,130
Total financial liabilities	610,298	50,951,695	100,881,119	155,922,482	4,963,320	–	313,328,914
Net liquidity gap	24,515,467	11,598,294	31,142,653	(39,118,127)	(2,098,753)	2,789,682	28,829,216
<b>As at 31 December 2023</b>							
Total financial assets	21,660,472	60,795,194	134,409,741	114,383,710	2,291,252	2,787,072	336,327,441
Total financial liabilities	884,196	54,759,626	99,545,274	138,763,993	4,231,502	–	298,184,591
Net liquidity gap	20,776,276	6,035,568	34,864,467	(24,380,283)	(1,940,250)	2,787,072	38,142,850

### 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 RMB40,902,497,000, long-term receivables of RMB492,036,000, financial asset at fair value through profit or loss of RMB7,720,619,000, cash of RMB583,782,000, property, plant and equipment of RMB8,782,117,000, investment properties of RMB31,491,000 and right-of-use assets (the original prepaid land lease payments) of RMB788,376,000 as at 30 June 2024 in order to secure or pay the bank borrowings, cash of RMB483,506,000 was pledged for bank acceptances, letter of credit and etc.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 8. MATERIAL INVESTMENTS, ACQUISITIONS AND DISPOSALS

In the first half of 2024, the number of hospitals controlled by the Group was 26 with the actual number of beds available amounting to approximately 10,000. A nationwide hospital operation network covering Eastern China, Southern China, Northern China, Southwest China, and Northeast China has been formed. The Group continued to adjust its business structure, optimize asset efficiency, and accelerate strategic upgrading and transformation, and completed the equity acquisition of Yexian No.2 People's Hospital in the first half of 2024. Under the operation of "One system, One network, One hospital" and for the future operation vision, the Group will include the above hospital in the unified operation and management model, and under the main theme of discipline development and construction, efforts will be made to increase the core competitiveness of the hospitals and achieve higher income. For further details, please refer to the discussion and analysis in paragraph 13.1 of this section.

In the first half of 2024, the Group operates two non-compulsory schools. The Company insists on a high-quality positioning of school operations, and takes the responsibility of cultivating elites for the society. Its high schools have formed a good brand in the local area and are widely recognized by parents. Two of its high schools attained excellent results regarding further studies, with an admission rate of over 80% for the top 100 universities in the world, and have helped outstanding students to enter top schools such as Oxford, Cambridge and Ivy League for successive years.

In the first half of 2024, the Group did not conduct any material investment as defined under Paragraph 32(4A) of Appendix D2 of the Listing Rules.

### 9. HUMAN RESOURCES

As of 30 June 2024, the Group had 19,862 full-time employees, an increase of 525 full-time employees as compared to 19,337 as at the end of 2023.

The Group believes it has a high quality work force with specialized industry expertise. As at 30 June 2024, approximately 50.8% of the Group's employees had bachelor's degrees or above, and approximately 7.4% had master's degrees or above.



## MANAGEMENT DISCUSSION AND ANALYSIS

### 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, 2019 and 2024.

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 announcements of the Company dated 11 June 2014, 2 June 2016 and 20 March 2019.

As all restricted shares and all share options under the 2014 Restricted Share Award Scheme and the 2019 Share Option Scheme have been fully granted, the Company has adopted a new restricted share award scheme (the “2024 Restricted Share Award Scheme”) on 13 March 2024, and a new share option scheme (the “2024 Share Option Scheme”) on 5 June 2024. For details of the 2024 Restricted Share Award Scheme, please refer to the announcement of the Company dated 13 March 2024. For details of the 2024 Share Option Scheme, please refer to the announcements of the Company dated 13 March 2024 and 5 June 2024, as well as the circular dated 2 May 2024.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 9.1.1 2014 Share Option Scheme

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 reporting period is as follows:

Grantee	Date of grant	Vesting period (Note 1)	Exercise period (Note 2)	Exercise price per share HK\$ (Notes 3 to 7)	Outstanding as at 1 January 2024	Number of share options				Outstanding as at 30 June 2024
						Granted (Note 9)	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	-	1,316,000	-	-	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
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	-	460,000	-	-	936
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
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
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
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
CAO Jian, Senior Vice President and executive Director	11 July 2014	11 July 2016 - 11 July 2018	11 July 2016 - 11 July 2024	5.86	135,936	-	135,000	-	-	936

## MANAGEMENT DISCUSSION AND ANALYSIS

Grantee	Date of grant	Vesting period (Note 1)	Exercise period (Note 2)	Exercise price per share HK\$ (Notes 3 to 7)	Outstanding as at 1 January 2024	Number of share options				Outstanding as at 30 June 2024
						Granted (Note 9)	Exercised (Note 8)	Lapsed	Cancelled	
CAO Jian, Senior Vice President and executive Director	3 July 2015	3 July 2017 - 3 July 2019	3 July 2017 - 3 July 2025	7.17	594,212	-	-	-	-	594,212
CAO Jian, Senior Vice President and executive Director	15 June 2016	15 June 2018 - 15 June 2020	15 June 2018 - 15 June 2026	5.714	831,568	-	591,000	-	-	240,568
CAO Jian, Senior Vice President and executive Director	20 June 2017	20 June 2019 - 20 June 2021	20 June 2019 - 20 June 2027	6.82	897,106	-	-	-	-	897,106
CAO Jian, Senior Vice President 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
<b>SUBTOTAL FOR DIRECTORS</b>					<b>20,923,127</b>	<b>-</b>	<b>2,502,000</b>	<b>-</b>	<b>-</b>	<b>18,421,127</b>
Employees	11 July 2014	11 July 2016 - 11 July 2018	11 July 2016 - 11 July 2024	5.86	1,841,085	-	1,594,761	-	-	246,324
Employees	3 July 2015	3 July 2017 - 3 July 2019	3 July 2017 - 3 July 2025	7.17	3,720,854	-	-	-	-	3,720,854
Employees	15 June 2016	15 June 2018 - 15 June 2020	15 June 2018 - 15 June 2026	5.714	4,967,388	-	581,875	-	339	4,385,174
Employees	20 June 2017	20 June 2019 - 20 June 2021	20 June 2019 - 20 June 2027	6.82	8,388,906	-	-	-	30,730	8,358,176
Employees	18 July 2018	18 July 2020 - 18 July 2022	18 July 2020 - 18 July 2028	7.36	9,117,275	-	-	-	17,055	9,100,220
<b>TOTAL</b>					<b>48,958,635</b>	<b>-</b>	<b>4,678,636</b>	<b>-</b>	<b>48,124</b>	<b>44,231,875</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

**Note 1:** Subject to the rules of the 2014 Share Option Scheme, the options granted 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. The closing price of shares immediately before the date on which the options were granted is HK\$5.87 per share.

**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. The closing price of shares immediately before the date on which the options were granted is HK\$6.80 per share.

**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. The closing price of shares immediately before the date on which the options were granted is HK\$5.58 per share.

**Note 6:** The exercise price is not less than the higher of (i) the closing price of HK\$6.82 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\$6.80 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:** In respect of the exercise of options by Mr. KONG Fanxing during the reporting period, the weighted average closing price of shares immediately before the date on which the options were exercised is HK\$6.25. In respect of the exercise of options by Mr. WANG Mingzhe during the reporting period, the weighted average closing price of shares immediately before the date on which the options were exercised is HK\$6.23. In respect of the exercise of options by Mr. CAO Jian during the reporting period, the weighted average closing price of shares immediately before the dates on which the options were exercised is HK\$6.2859. In respect of the exercise of options by the employees during the reporting period, the weighted average closing price of shares immediately before the dates on which the options were exercised is HK\$6.2463.

**Note 9:** No option is available for grant under the 2014 Share Option Scheme as at the beginning and the end of the reporting period. During the reporting period, the Company did not grant any share options under all share option schemes (including the 2014 Share Option Scheme, the 2019 Share Option Scheme and the 2024 Share Option Scheme). Therefore, the disclosure of the number of shares that may be issued in respect of the share options granted under all the share option schemes of the Company during the reporting period divided by the weighted average number of shares in issue for the reporting period as required under Rule 17.07(3) of the Listing Rules is not applicable.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 9.1.2 2019 Share Option Scheme

During the reporting period, no options were granted under the 2019 Share Option Scheme. A summary of the movements of the outstanding share options under the 2019 Share Option Scheme during the reporting period is as follows:

Grantee	Date of grant	Vesting period (Note 1)	Exercise period (Note 2)	Exercise price per share HK\$ (Notes 3-7)	Outstanding as at 1 January 2024	Number of share options				Outstanding as at 30 June 2024
						Granted (Note 9)	Exercised (Notes 8)	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
KONG Fanxing, CEO and executive Director	27 July 2022	27 July 2023 - 27 July 2025	27 July 2023 - 27 July 2032	6.378	4,315,460	-	-	-	-	4,315,460
KONG Fanxing, CEO and executive Director	10 August 2023	10 August 2024 - 10 August 2026	10 August 2024 - 10 August 2033	5.58	4,317,610	-	-	-	-	4,317,610
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
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
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
WANG Mingzhe, CFO and executive Director	27 July 2022	27 July 2023 - 27 July 2025	27 July 2023 - 27 July 2032	6.378	2,258,366	-	-	-	-	2,258,366
WANG Mingzhe, CFO and executive Director	10 August 2023	10 August 2024 - 10 August 2026	10 August 2024 - 10 August 2033	5.58	2,247,493	-	-	-	-	2,247,493
CAO Jian, Senior Vice President and executive Director	19 July 2019	19 July 2020 - 19 July 2022	19 July 2020 - 19 July 2029	7.618	996,458	-	-	-	-	996,458
CAO Jian, Senior Vice President 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
CAO Jian, Senior Vice President 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

## MANAGEMENT DISCUSSION AND ANALYSIS

Grantee	Date of grant	Vesting period (Note 1)	Exercise period (Note 2)	Exercise price per share HK\$ (Notes 3-7)	Outstanding as at 1 January 2024	Number of share options				Outstanding as at 30 June 2024
						Granted (Note 9)	Exercised (Notes 8)	Lapsed	Cancelled	
CAO Jian, Senior Vice President and executive Director	27 July 2022	27 July 2023 - 27 July 2025	27 July 2023 - 27 July 2032	6.378	2,258,366	-	-	-	-	2,258,366
CAO Jian, Senior Vice President and executive Director	10 August 2023	10 August 2024 - 10 August 2026	10 August 2024 - 10 August 2033	5.58	2,247,493	-	-	-	-	2,247,493
SUBTOTAL FOR DIRECTORS					38,657,475	-	-	-	-	38,657,475
Employees	19 July 2019	19 July 2020 - 19 July 2022	19 July 2020 - 19 July 2029	7.618	8,936,508	-	-	-	22,143	8,914,365
Employees	23 July 2020	23 July 2021 - 23 July 2023	23 July 2021 - 23 July 2030	6.70	12,479,507	-	-	-	-	12,479,507
Employees	26 July 2021	26 July 2022 - 26 July 2024	26 July 2022 - 26 July 2031	8.40	21,540,744	-	-	-	-	21,540,744
Employees	27 July 2022	27 July 2023 - 27 July 2025	27 July 2023 - 27 July 2032	6.378	24,367,177	-	92,651	-	-	24,274,526
Employees	10 August 2023	10 August 2024 - 10 August 2026	10 August 2024 - 10 August 2033	5.58	25,035,334	-	-	-	-	25,035,334
Total					131,016,745	-	92,651	-	22,143	130,901,951



## MANAGEMENT DISCUSSION AND ANALYSIS

- Note 1:** Subject to the rules of the 2019 Share Option Scheme, the options granted 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.
- 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. The closing price of shares immediately before the date on which the options were granted is HK\$7.38 per share.
- Note 4:** The exercise price is not less than the higher of (i) the closing price of HK\$6.48 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. The closing price of shares immediately before the date on which the options were granted is HK\$6.55 per share.
- Note 5:** The exercise price is not less than the higher of (i) the closing price of HK\$8.40 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\$8.202 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. The closing price of shares immediately before the date on which the options were granted is HK\$8.32 per share.
- Note 6:** The exercise price is not less than the higher of (i) the closing price of HK\$6.34 per share on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on 27 July 2022 (i.e. the grant date); and (ii) the average closing price of HK\$6.378 per share on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding 27 July 2022. The Share does not carry nominal value. The closing price of shares immediately before the date on which the options were granted is HK\$6.42 per share.
- Note 7:** The exercise price is not less than the higher of (i) the closing price of HK\$5.39 per share on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on 10 August 2023 (i.e. the grant date); and (ii) the average closing price of HK\$5.58 per share on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding 10 August 2023. The Share does not carry nominal value. The closing price of shares immediately before the date on which the options were granted is HK\$5.55 per share.
- Note 8:** The weighted average closing price of shares immediately before the dates on which the options were exercised by employees during the reporting period is HK\$6.2500. No option has been exercised by directors during the reporting period.
- Note 9:** No option is available for grant under the 2019 Share Option Scheme at the beginning and the end of the financial year. During the reporting period, the Company did not grant any share options under all share option schemes (including the 2014 Share Option Scheme, the 2019 Share Option Scheme and the 2024 Share Option Scheme). Therefore, the disclosure of the number of shares that may be issued in respect of the share options granted under all the share option schemes of the Company during the reporting period divided by the weighted average number of shares in issue for the reporting period as required under Rule 17.07(3) of the Listing Rules is not applicable.

## MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2024, the aggregated fair value of the share options granted on 10 August 2023 under the 2019 Share Option Scheme was RMB25,780,000. The estimated value of the share options granted on that date to Mr. KONG Fanxing, Mr. WANG Mingzhe, Mr. CAO Jian and other eligible employees was RMB3,288,000, RMB1,712,000, RMB1,712,000 and RMB19,068,000, respectively.

Grantee	Date of grant	Total number granted	Fair value of share options granted
			RMB'000
KONG Fanxing	10 August 2023	4,317,610	3,288
WANG Mingzhe	10 August 2023	2,247,493	1,712
CAO Jian	10 August 2023	2,247,493	1,712
Employees	10 August 2023	25,035,334	19,068
<b>Total</b>		<b>33,847,930</b>	<b>25,780</b>

### 9.1.3 2024 Share Option Scheme

The 2024 Share Option Scheme has been approved and adopted by the shareholders at the annual general meeting convened by the Company on 5 June 2024. The number of shares to be issued in respect of which share options may be granted under the 2024 Share Option Scheme shall not exceed 4% of the Company's total issued shares as at the date of approval and adoption of the 2024 Share Option Scheme at the general meeting (5 June 2024), i.e. 172,770,846 shares. The maximum number of shares which are issued and to be issued upon exercise of share options (including exercised and unexercised share options) by any participant within any 12-month period must not exceed 1% of the issued shares from time to time. In the event that any further share options will be granted to such participant, which will result in the total number of shares issued and to be issued under all share options and awards granted or to be granted to him/her (excluding the lapsed options and awards under the terms of the scheme) within the 12-month period up to and inclusive of the date of such further grant in excess of 1% of the issued shares, such grant shall be subject to certain regulations as stipulated under the Listing Rules and the 2024 Share Option Scheme. On 13 March 2024, the Board has approved the grant of share options exercisable into 34,521,086 Shares in 2024.

During the reporting period and as at 30 June 2024, no share options were granted under the 2024 Share Option Scheme. The number of share options available for grant under the 2024 Share Option Scheme at the end of the reporting period was 172,770,846. During the reporting period, the Company did not grant any share options under all share option schemes (including the 2014 Share Option Scheme, the 2019 Share Option Scheme and the 2024 Share Option Scheme). Therefore, the disclosure of the number of shares that may be issued in respect of the share options granted under all the share option schemes of the Company during the reporting period divided by the weighted average number of shares in issue for the reporting period as required under Rule 17.07(3) of the Listing Rules is not applicable.

### 9.1.4 2014 Restricted Share Award Scheme

During the reporting period, the Company did not grant or vest any Shares under the 2014 Restricted Share Award Scheme. As at 30 June 2024, there were no more Shares to be granted under the 2014 Restricted Share Award Scheme. The grantee under the Award Scheme is not required to pay any amount for accepting the restricted share award granted.

## MANAGEMENT DISCUSSION AND ANALYSIS

The changes in the unvested restricted shares under the 2014 Restricted Share Award Scheme during the reporting period are summarized as follows:

Grantee	Date of grant	Vesting period (Note 1)	Not yet vested as at 1 January 2024	Changes in the number of restricted shares during the reporting period				Not yet vested as at 30 June 2024
				Granted (Notes 2, 5)	Vested (Note 3)	Lapsed	Cancelled	
KONG Fanxing, CEO and executive Director	19 July 2019	19 July 2020 – 19 July 2022	–	–	–	–	–	–
KONG Fanxing, CEO and executive Director	23 July 2020	3 July 2021 – 23 July 2023	–	–	–	–	–	–
KONG Fanxing, CEO and executive Director	26 July 2021	26 July 2022 – 26 July 2024	2,610,525	–	–	–	–	2,610,525
KONG Fanxing, CEO and executive Director	27 July 2022	27 July 2023 – 27 July 2025	5,302,943	–	–	–	–	5,302,943
KONG Fanxing, CEO and executive Director	10 August 2023	10 August 2024 – 10 August 2026	8,032,654	–	–	–	–	8,032,654
WANG Mingzhe, CFO and executive Director	19 July 2019	19 July 2020 – 19 July 2022	–	–	–	–	–	–
WANG Mingzhe, CFO and executive Director	23 July 2020	23 July 2021 – 23 July 2023	–	–	–	–	–	–
WANG Mingzhe, CFO and executive Director	26 July 2021	26 July 2022 – 26 July 2024	1,136,655	–	–	–	–	1,136,655
WANG Mingzhe, CFO and executive Director	27 July 2022	27 July 2023 – 27 July 2025	2,182,852	–	–	–	–	2,182,852
WANG Mingzhe, CFO and executive Director	10 August 2023	10 August 2024 – 10 August 2026	3,252,796	–	–	–	–	3,252,796
CAO Jian, Senior Vice President and executive Director	19 July 2019	19 July 2020 – 19 July 2022	–	–	–	–	–	–
CAO Jian, Senior Vice President and executive Director	23 July 2020	23 July 2021 – 23 July 2023	–	–	–	–	–	–
CAO Jian, Senior Vice President and executive Director	26 July 2021	26 July 2022 – 26 July 2024	1,136,655	–	–	–	–	1,136,655

## MANAGEMENT DISCUSSION AND ANALYSIS

Grantee	Date of grant	Vesting period (Note 1)	Not yet vested as at 1 January 2024	Changes in the number of restricted shares during the reporting period				Not yet vested as at 30 June 2024
				Granted (Notes 2, 5)	Vested (Note 3)	Lapsed	Cancelled	
CAO Jian, Senior Vice President and executive Director	27 July 2022	27 July 2023 – 27 July 2025	2,182,852	–	–	–	–	2,182,852
CAO Jian, Senior Vice President and executive Director	10 August 2023	10 August 2024 – 10 August 2026	3,252,796	–	–	–	–	3,252,796
<b>SUBTOTAL FOR DIRECTORS</b>			<b>29,090,728</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>29,090,728</b>
Employees	19 July 2019	19 July 2020 – 19 July 2022	–	–	–	–	–	–
Employees	23 July 2020	23 July 2021 – 23 July 2023	–	–	–	–	–	–
Employees	26 July 2021	26 July 2022 – 26 July 2024	<b>10,440,373</b>	–	–	–	–	<b>10,440,373</b>
Employees	27 July 2022	27 July 2023 – 27 July 2025	23,591,615	–	–	–	–	23,591,615
Employees	10 August 2023	10 August 2024 – 10 August 2026	36,233,652	–	–	–	–	36,233,652
<b>SUBTOTAL FOR EMPLOYEES</b>			<b>70,265,640</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>70,265,640</b>
<b>TOTAL</b>			<b>99,356,368</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>99,356,368</b>
Five highest paid employees	19 July 2019	19 July 2020 – 19 July 2022	–	–	–	–	–	–
Five highest paid employees	23 July 2020	23 July 2021 – 23 July 2023	–	–	–	–	–	–
Five highest paid employees	26 July 2021	26 July 2022 – 26 July 2024	6,315,180	–	–	–	–	6,315,180
Five highest paid employees	27 July 2022	27 July 2023 – 27 July 2025	12,455,980	–	–	–	–	12,455,980
Five highest paid employees	10 August 2023	10 August 2024 – 10 August 2026	18,699,322	–	–	–	–	18,699,322
<b>TOTAL (FIVE HIGHEST PAID EMPLOYEES)</b>			<b>37,470,482</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>37,470,482</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

**Note 1:** Subject to the rules of the Award Scheme, the restricted shares will be vested to the grantees at the first, second and third anniversary of the date of grant at an average amount. The rules of the Award Scheme do not stipulate the exercise period of the restricted shares granted.

**Note 2:** According to the rules of the Award Scheme, the Board shall consider certain matters when determining the grant of such restricted shares to the grantees, including but not limited to: i. the current and expected contribution of the grantees to the Group's profits; ii. the general financial status of the Group; iii. the overall business objectives and future development plans of the Group; and iv. any other matters deemed relevant by the Board or the administration committee.

**Note 3:** No share has been vested under the Award Scheme during the reporting period. Therefore, the weighted average closing price of shares immediately before the date(s) on which the shares were vested during the reporting period is not applicable.

**Note 4:** As at 1 January 2024 and 30 June 2024, the number of shares available for grant under the Award Scheme was 0.

**Note 5:** The 2014 Restricted Share Award Scheme does not involve the issuance of new shares. Therefore, the disclosure of the number of shares that may be issued in respect of the restricted shares granted under the 2014 Restricted Share Award Scheme during the reporting period divided by the weighted average number of shares in issue for the reporting period as required under Rule 17.07(3) of the Listing Rules is not applicable.

As at 30 June 2024, the aggregated fair value of the restricted shares granted on 10 August 2023 under the 2014 Restricted Share Award Scheme was RMB209,427,000. The estimated value of the restricted shares granted on that date to Mr. KONG Fanxing, Mr. WANG Mingzhe, Mr. CAO Jian, other eligible employees and the five highest paid employees was RMB33,134,000, RMB13,417,000, RMB13,417,000, RMB149,459,000 and RMB77,132,000, respectively.

Grantee	Date of grant	Total number granted	Fair value of restricted shares granted
			RMB'000
KONG Fanxing	10 August 2023	8,032,654	33,134
WANG Mingzhe	10 August 2023	3,252,796	13,417
CAO Jian	10 August 2023	3,252,796	13,417
Employees	10 August 2023	36,233,652	149,459
<b>Total</b>		<b>50,771,898</b>	<b>209,427</b>
Five highest paid employees	10 August 2023	18,699,322	77,132

## MANAGEMENT DISCUSSION AND ANALYSIS

### 9.1.5 2024 Restricted Share Award Scheme

The 2024 Restricted Share Award Scheme has been considered, approved and adopted by the Board on 13 March 2024. The scheme limit of restricted shares granted under the 2024 Restricted Share Award Scheme shall be 6% of the total number of shares of the Company in issue on 13 March 2024, the date on which of the 2024 Restricted Share Award Scheme has been approved and adopted by the Board, i.e., 258,908,151 shares. The trustee is prohibited from purchasing any shares pursuant to the 2024 Restricted Share Award Scheme if such purchase would result in number of shares under the 2024 Restricted Share Award Scheme exceeding the scheme limit. The Company is also prohibited from paying the trustee any fund for share purchase. On 13 March 2024, the Board has approved to grant 51,781,630 restricted shares in 2024.

During the reporting period and as at 30 June 2024, no shares were granted or vested under the 2024 Restricted Share Award Scheme. The number of shares available for grant under the 2024 Restricted Share Award Scheme at the end of the reporting period was 258,908,151. The 2024 Restricted Share Award Scheme does not involve issue of new shares. Therefore, the disclosure of the number of shares that may be issued in respect of the restricted shares granted under the 2024 Restricted Share Award Scheme during the reporting period divided by the weighted average number of shares in issue for the reporting period as required under Rule 17.07(3) of the Listing Rules is not applicable.

### 9.2 Employee Benefits

In accordance with applicable PRC regulations, the Group has made contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for our employees. The Group also provides supplemental commercial medical insurance, property insurance and safety insurance in addition to those required under the PRC regulations. As of 30 June 2024, the Group complied with all statutory social insurance and housing fund obligations applicable to the Group under the PRC laws in all material aspects.



## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 30 June 2024	As of 31 December 2023
	RMB'000	RMB'000
Legal proceedings:		
Claimed amounts	22,216	11,345

#### 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 30 June 2024	As of 31 December 2023
	RMB'000	RMB'000
Contracted, but not provided for:		
Capital expenditure for acquisition of property, plant and equipment	406,478	111,281
Irrevocable credit commitment <sup>(1)</sup>	6,465,622	26,883,670

Note:

(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

Facing a complex macroeconomic environment, the Group will firmly adhere to its development drive of model innovation and its corporate vision of value creation. Closely following the “finance + industry” two-wheel drive strategy, the Group will accelerate innovation and iteration, adapt to the environment, and strengthen the advancement and effectiveness of its own business model. The Group will continue to pay close attention to the domestic and international development environment, and will also strive to accelerate strategic upgrades and systemic reforms in line with its established strategy, aiming to create new incremental value for its shareholders, customers, creditors, the government, and its employees amid a complex external environment. Meanwhile, the Group will continue to implement the sustainable development philosophy of “value sharing and harmonious development”. Undertaking the important mission of being a forerunner and innovator in the field of ESG and sustainable development amongst Chinese enterprises, the Group will deepen the practice of sustainable actions in key areas, continue to explore innovative approaches, strengthen the collaboration and exchange with various parties, striving to achieve the goals of carbon peaking and carbon neutrality, thus contributing to the construction of an ecological civilization and an environmentally friendly society.

In terms of financial business, the Group will take “serving the upgrading ambition of industries and cities” as its overall direction. Based itself on the international layout, the Group will give full play to its marketization advantages, enhance its professional capability, continuously explore and innovate its implementation paths, and fully utilize its inherent characteristics to realize its differentiated competitive advantages, and will continue to focus on five key areas: technology finance, green finance, inclusive finance, pension finance, and digital finance. At the strategic level, the Group will implement the strategy of maintaining a high quality customer base, and identify top-tier and high-quality companies with enduring vitality and the ability to tide over cycles as its target customers through segmentation research. The Group will explore in depth the comprehensive service needs of such customer base, and continue to improve its comprehensive service capability, so as to explore the value of its customers in multiple dimensions by providing various services.

## MANAGEMENT DISCUSSION AND ANALYSIS

In terms of industrial operation, with the vision of becoming a “top global company”, Horizon Construction Development will adapt to the new development trends of “new infrastructure projects” and “three major projects”, seize the development opportunities in advanced manufacturing as part of “new quality productive forces”, and follow various policies of China’s “Belt and Road Initiative” to go global. It will continuously expand the reach of its services and dip deep in the domestic regional markets, and constantly explore and meet equipment operation service needs across various industries, keeping pace with the development and changing demands of the times and market, by working together with upstream equipment suppliers and downstream service partners. For the domestic regional markets, Horizon Construction Development will continue to refine its operations and management, empowering each outlet with specialized management tools and operation methods to enhance operational efficiency, and better serve all customers within its reach, creating value for them. On the basis of lean management, it will steadfastly develop new products and new industry demands, seeking more methods and channels to satisfy customers’ needs. For the overseas regional markets, it will persistently implement its overseas development strategy to realize the continuous exploration and operations in Southeast Asian and Middle East markets. Meanwhile, it will also continue to enhance its engineering and asset management expertise, consolidate its domestic business advantages, and improve its overall operation and management efficiency through digital and technological means.

Horizon Healthcare will actively respond to the national strategies of “Healthy China” and “Actively Responding to Aging Population”, and continue to focus on its layout in third-, fourth-, and fifth-tier cities and counties with relatively weak medical resources. With the mission of “good medical care not far away”, it will strengthen the professional and service capabilities of basic medical care, and accelerate the replication of consumer medical business. At the same time, it will continue to promote the expansion and implementation of the major healthcare business, fully activate the operation and management efficiency of each hospital around the standardized and intensive operation management system, and help iterative business upgrades. With the goal of improving the medical and health levels of counties and reducing the growth rate of medical insurance expenditures, it will fully meet the needs of counties for specialty specialties, consumer medical care and healthcare services, and build the largest county health service platform in China 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 six months ended 30 June			
	2024	2023	
	RMB million	RMB million	Change %
Total revenue	4,872.42	4,205.97	15.85%
Revenue from operating lease	1,895.62	2,505.62	-24.35%
Revenue from engineering and technical services	1,946.26	1,140.63	70.63%
Revenue from asset management and others	1,030.54	559.72	84.12%
Total cost	(3,313.10)	(2,769.82)	19.61%
Cost of operating lease	(1,192.85)	(1,515.15)	-21.27%
Cost of engineering and technical services	(1,420.77)	(904.52)	57.07%
Cost of asset management and others	(699.48)	(350.15)	99.77%
Gross profit	1,559.32	1,436.15	8.58%
Gross profit of operating lease	702.77	990.47	-29.05%
Gross profit of engineering and technical services	525.49	236.11	122.56%
Gross profit of asset management and others	331.06	209.57	57.97%
Administrative and selling expenses <sup>(1)</sup>	(694.65)	(557.61)	24.58%
Provision for assets <sup>(1)</sup>	(162.72)	(167.42)	-2.81%
Other profit	87.04	81.20	7.19%
Profit before interest and tax	788.99	792.32	-0.42%
Finance costs	(382.10)	(454.62)	-15.95%
Profit before tax	406.89	337.70	20.49%
Income tax expense	(138.66)	(100.56)	37.89%
Profit for the period	268.23	237.14	13.11%
EBITDA profit margin (a non-HKFRS measure) <sup>(2)</sup>	41.1%	46.7%	-5.6%

## MANAGEMENT DISCUSSION AND ANALYSIS

- (1) There is a difference in terms of calibre between the amount of administrative and selling expenses and provision for assets and the consolidated statement of profit or loss in the financial report under the equipment operation segment. The selling and administrative expenses did not include the asset impairment for debt repayment under administrative expenses in the consolidated statement of profit or loss. Provision for assets included the net expected credit losses and the asset impairment for debt repayment under administrative expenses in the consolidated statement of profit or loss.

To supplement the consolidated results of the equipment operation segment which are prepared and presented in accordance with the Hong Kong Financial Reporting Standards (HKFRS), EBITDA profit margin is used as an additional financial measure, which is not presented in accordance with HKFRS. The difference between the non-HKFRS measure and the most directly comparable HKFRS financial measure is as follows:

- (2) EBITDA profit margin (a non-HKFRS measure) = EBITDA (a non-HKFRS measure)/total revenue during the period. EBITDA (a non-HKFRS measure) = profit for the period – bank interest income + income tax expenses + finance costs + depreciation and amortization (including depreciation of property, plant and equipment, depreciation of right-of-use assets and amortization of other intangible assets). As of 30 June 2024, bank interest income amounted to RMB10 million, compared with RMB8 million in last year; as of 30 June 2024, depreciation and amortization amounted to RMB1,225 million, compared with RMB1,181 million in last year.

### 12.2 Asset Analysis of Equipment Operation Segment

	30 June 2024	31 December 2023	
	RMB million	RMB million	Change %
Cash and bank balances	1,939.10	2,166.80	-10.51%
Accounts receivables, bill and contract assets	7,370.46	6,650.42	10.83%
Prepayments and other receivables	2,891.19	2,684.81	7.69%
Inventories	188.86	170.21	10.96%
Fixed assets and other intangible assets	21,475.12	18,224.85	17.83%
Right-of-use assets	1,004.02	978.43	2.62%
Deferred income tax assets	400.92	348.59	15.01%
Other assets	0.23	12.67	-98.18%
Total assets	35,269.90	31,236.78	12.91%

## MANAGEMENT DISCUSSION AND ANALYSIS

### Note:

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.

On 25 May 2023, Horizon Construction Development was officially listed on the Main Board of the Stock Exchange (stock code: 9930). This listing will further enhance the publicity and brand image of Horizon Construction Development, and enhance its market competitiveness and global influence.

In 2024, Horizon Construction Development ranked the 14th place in IRN World's Top 100 Rental Companies, which is awarded by KHL Group, one of the world's largest international building information providers. As at 30 June 2024, Horizon Construction Development, a leader in the equipment operation service market for aerial work platforms, neo-excavation support systems, neo-formwork systems and other equipment, managed approximately 205,000 pieces of aerial work platform equipment and approximately 2,361,000 tons of materials, with the total original value of its operating assets leading in the equipment service market. Meanwhile, it coordinated the development aerial work platforms, neo-excavation support systems and neo-formwork systems, and incubated and operated a wide range of products and services such as electric power equipment, pavement equipment, telescopic forklifts, glass sucker trucks, automobile cranes, forklift trucks, truck-mounted high-altitude vehicles and mining machinery.

As at 30 June 2024, Horizon Construction Development continued its strategy of developing overseas and domestic markets. The total number of outlets had further expanded, reaching 550 in aggregate. It had 515 outlets in over 200 cities in mainland China and Hong Kong of China, covering China nationwide, and providing high quality and convenient services for its corporate customers. Horizon Construction Development has been gradually establishing a diversified, high-quality, and stable customer base, covering a wide range of fields such as municipal construction, housing construction, transportation construction, marine engineering, industrial manufacturing, green energy, warehousing and logistics, culture and art, commercial entertainment, and mining. The number of customers has simultaneously achieved strong growth. As at 30 June 2024, the cumulative number of customers served (in terms of individual customer) was approximately 271,000. In recent years, Horizon Construction Development has steadily expanded its overseas business layout, deepened cooperation with upstream and downstream partners, continuously improved its international development and enhanced its global competitiveness. It steadily promoted overseas operations. At present, there are 35 outlets in overseas region, covering Malaysia, Vietnam, Indonesia, Thailand, Saudi Arabia, the United Arab Emirates and Turkey.

As at 30 June 2024, the total income of Horizon Construction Development was RMB4,872 million, representing year-on-year growth of 15.85%, and the gross profit and total profit before interest and taxes rose steadily. The main reasons were:

- (1) Leveraging its years of in-depth development in the industry, Horizon Construction Development has established a diverse, stable and high-quality customer base, with a stable asset utilization efficiency. It achieved total revenue from operating lease of RMB1,895 million, representing a year-on-year decrease of 24.35%, due to market price adjustments in some product lines. By digitally empowering the business operations to hedge against the fluctuations in market rental prices, the gross profit margin of the operating leasing business remained basically stable.
- (2) Beyond equipment, Horizon Construction Development provides a range of customized comprehensive engineering and technical services, empowered by digital service platforms and based on effective synergy and connection among its three product lines. Centered around the pre – and post-construction phases, it builds an integrated operation service system focusing on “lifecycle management” of engineering machinery, thereby contributing to the creation of green and high-quality projects. As at 30 June 2024, Horizon Construction Development achieved revenue of RMB1,946 million from engineering and technical services, with year-on-year growth of 70.63%. As Horizon Construction Development has continued to enhance its engineering and technical service capabilities and provide customized construction solutions to its customers in recent years to increase its market reputation and share, the contracted amount of orders for both neo-excavation support systems and neo-formwork systems in the first half of the year increased significantly year-on-year.
- (3) Horizon Construction Development continues to strengthen the integration of resources, meets more business needs by integrating external operating assets, and manages external equipment and materials by exporting its asset custody capabilities, expanding the scale of revenue from asset management and others (formerly “revenue from platforms and others”), superimposing the sales of operating lease equipment, materials and spare parts to diversify the sources of income. As at 30 June 2024, the revenue from asset management and others reached RMB1,030 million, representing year-on-year growth of 84.12%. The decrease in the gross profit margin of the asset management and others business for the reporting period was mainly due to adjustments in market rental prices for the class of assets entrusted for management.



## MANAGEMENT DISCUSSION AND ANALYSIS

### 13. HOSPITAL OPERATION SEGMENT REPORT

#### 13.1 Profit Statement Analysis of Hospital Operation Segment

For the six months ended 30 June			
	2024	2023	
	RMB million	RMB million	Change %
Total revenue	2,126.12	2,119.00	0.34%
Revenue from hospital operation <sup>(1)</sup>	2,123.21	2,114.45	0.41%
Other relevant revenue from hospital operation	2.91	4.55	-36.04%
Total cost	(1,665.01)	(1,722.46)	-3.34%
Cost from hospital operation <sup>(2)</sup>	(1,661.59)	(1,716.56)	-3.20%
Other cost	(3.42)	(5.90)	-42.03%
Gross profit	461.11	396.54	16.28%
Gross profit from hospital operation	464.53	402.44	15.43%
Others	(3.42)	(5.90)	-42.03%
Labor cost <sup>(3)</sup>	(67.80)	(58.77)	15.36%
Other administrative and selling expenses <sup>(3)</sup>	(122.07)	(117.44)	3.94%
Finance costs	(15.13)	(10.88)	39.06%
Provision for assets	(58.68)	(49.00)	19.76%
Other profit	14.46	25.32	-42.89%
Profit before tax	211.89	185.77	14.06%
Income tax expense	(58.88)	(61.12)	-3.66%
Profit for the period	153.01	124.65	22.75%

## MANAGEMENT DISCUSSION AND ANALYSIS

### Note:

In the first half of 2024, the number of hospitals controlled by the Group was 26<sup>(1)</sup> with the actual number of beds available amounting to approximately 10,000. A nationwide hospital operation network covering Eastern China, Southern China, Northern China, Southwest China, and Northeast China has been formed. The Group will adhere to the differentiated layout, and fully promote the “Hundred Counties Plan” to “take root” in various regions in China with a positive and steady momentum. In the first half of 2024, the Group completed the acquisition of equity interests in Yexian No.2 People’s Hospital. In 2024, the Group continued to optimize its asset structure, adhered to the differentiated layout, further innovated the “medical + hospital” model with a positive and steady momentum, and help counties achieve “two improvements and one reduction” (i.e. improving the medical care and health levels of counties, and reducing the growth rate of medical insurance expenditures) through operational upgrades and management enhancements, aiming at “building a long-living Horizon Healthcare brand that the government is pleased to see, the industry recognizes and in which people have confidence”.

By keeping up with the trend of the times, maintaining an innovative mindset, and optimizing and enhancing its management model, Horizon Healthcare continued to strengthen the service link between high-quality medical resources in first- and second-tier cities and patients in disease origin, and promoted the construction of a hospital-centered healthcare ecosystem so that people in the region can enjoy diverse and multi-level medical and healthcare services nearby. The introduction of cutting-edge medical concepts and resources further enabled Horizon Healthcare to enhance its medical services and expand its international perspective.

(1) The revenue from hospital operation of the Group mainly comprises revenues from outpatient, inpatient and medical checkups and other revenues. Adhering to its “five major concepts of hospital operation”, Horizon Healthcare differentiates its layout, takes root in counties and operates locally while focusing on the healthcare needs of millions of residents in counties, and providing full-cycle, one-stop comprehensive services from medical care to health. The Group fully utilized its advantages as a group, and the member hospitals exerted their functions as a supplementary medical service provider in the local medical market, sustaining growth in revenue over the same period.

(2) The costs of hospital operation shown in the Group’s consolidated financial statements of the first half of 2024 decreased from approximately RMB1,717 million of the first half of 2023 to RMB1,662 million. Cost of hospital operation of the Group, which primarily includes labor costs, pharmaceutical supplies, inspection costs and other costs, decreased comparing to the same period last year as result of management enhancement and cost reduction and efficiency initiatives.

The Group focused on process management and control, empowering the improvement of discipline connotation. Through measures such as enhancing professional technology, introducing expert resources and building flagship hospitals, the Group set benchmarks and led development. The Group also promoted centralized procurement empowerment, dug deep into digital work effects, established a quality management system, constructed a patient safety management model, optimized the quality management operation mechanism, adhered to the bottom line of legal compliance, and continued to consolidate the baseline of hospital compliance and healthy development, constructing a medical quality management system with the Group’s characteristics to advance the high-quality development of hospitals.

(3) The Group continued to strengthen the construction of medical teams, improve the professional quality of medical staff, enhance the integrated management level, optimize management structure, and support development of clinical business. Labor expenses increased along with business expansion and increased number of the Group’s member hospitals. Meanwhile, the Group actively promoted cooperation and exchanges, extended business boundaries, facilitated the development of member hospitals and created new models of hospital empowerment. On the whole, other administrative and selling expenses overall increased due to the Group’s new member hospital and the expansion of operation scale.

(4) This analysis of hospital operation segment profit statement has not taken into account the impact of shareholders’ borrowings, goodwill and impairment of fixed assets.

(5) Taking into consideration of the impacts of equity disposal in 2023, the scope of the hospital operation segment for the period excludes the comparative data of five hospitals including Zhengzhou Renji Hospital and Zhoushan Dinghai Hospital.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 13.2 Asset Analysis of Hospital Operation Segment

	30 June 2024		31 December 2023		
	RMB million	% of total	RMB million	% of total	Change %
Monetary fund	67.93	1.04%	92.46	1.45%	-26.53%
Amount of the Group's cash pool	676.24	10.37%	777.59	12.17%	-13.03%
Accounts receivables	891.31	13.67%	739.04	11.56%	20.60%
Prepayments <sup>(1)</sup>	131.29	2.01%	83.85	1.31%	56.58%
Other receivables	143.43	2.20%	187.64	2.94%	-23.56%
Entrusted loans	35.06	0.54%	35.06	0.55%	0.00%
Inventories	222.71	3.42%	232.29	3.63%	-4.12%
Fixed assets and intangible assets <sup>(2)</sup>	3,573.94	54.81%	3,459.61	54.13%	3.30%
Goodwill <sup>(3)</sup>	182.16	2.79%	171.52	2.68%	6.20%
Investments in joint ventures/associates <sup>(4)</sup>	0.19	0.00%	–	0.00%	0.00%
Deferred income tax assets	93.21	1.43%	102.02	1.60%	-8.64%
Right-of-use assets <sup>(5)</sup>	503.28	7.72%	508.36	7.95%	-1.00%
Other assets	0.20	0.00%	1.41	0.03%	-85.82%
Total assets	6,520.95	100.00%	6,390.85	100.00%	2.04%

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;
- (4) Investments in joint ventures/associates mainly comprised of the investments in Hangzhou Dental Group;
- (5) Right-of-use assets mainly comprised of the rent for hospital sites.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 14. INCLUSIVE FINANCE SEGMENT REPORT

For the six months ended 30 June			
	2024	2023	
	RMB million	RMB million	Change %
Interest income	647.59	502.42	28.89%
Average yield on assets <sup>(1)</sup>	9.80%	10.06%	-0.26%

	30 June 2024	31 December 2023	
	RMB million	RMB million	Change %
Net interest-earning assets	13,959.27	12,476.40	11.89%
Net non-performing assets	183.36	178.77	2.57%
Non-performing asset ratio	1.31%	1.43%	-0.12%
Write-off of non-performing assets	112.23	49.69	125.88%

Note:

- (1) Average yield represents the quotient of interest income as divided by average balance of interest-earning assets at the beginning and end of the periods, presented on an annualized basis.

As the segment specialized in the financial leasing business of micro, small and medium-sized enterprises in the Group, the inclusive finance segment provides a wide range of financial products and services, such as equipment leaseback, online small amount leasing and commercial factoring, to effectively address the various funding needs of micro, small and medium-sized enterprises, such as the purchase of equipment, investment in research and development, and replenishment of liquidity, thereby assisting these enterprises to develop steadily and injecting vitality into the real economy. As at 30 June 2024, the Group had set up nearly 40 inclusive finance business outlets in more than 20 provinces across the country, forming a relatively comprehensive customer service network, which enables the Group to respond to customers promptly and provide customers with efficient and convenient funding solutions and related services.

Since its establishment in 2019, the inclusive finance segment has dug deep into the machinery, public consuming, and culture & tourism industries, serving nearly 15,000 micro, small and medium-sized enterprises and gaining wide recognition within and outside the industry. The inclusive finance segment was awarded the “Soaring Prize” in China’s financial leasing for four consecutive years from 2020 to 2023 by the Competitiveness Forum of the Global Leasing Industry, It was also awarded the “Leading Enterprise of Inclusive Leasing” in 2020, the “Leading Enterprise of Serving the Real Economy” in 2021, the “Most Influential Financial Leasing Company” from 2022 to 2023, and “Enterprise of the Year Award for Excellence” by the 11th China Leasing Annual Conference in 2023.

## MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2024, total interest income from the inclusive finance business of the Group amounted to RMB648 million, representing an increase of 28.89% from RMB502 million in the corresponding period of the previous year, continuously contributing to the improvement in the average yield on assets.

The Group continued to promote the online, intelligent and automated construction of its inclusive finance business processes, and deepened the concept of efficient operation in serving micro, small and medium-sized enterprises, forming an industry-leading operation system through such technological means as online intelligent import, remote due diligence, model decision-making, electronic contracting, and direct bank-business connection. While ensuring efficient operations, the Group also established a comprehensive risk management system for inclusive finance: on the business entry side, it adhered to the basic principle of risk-based pricing and built an effective credit management system targeting small, medium and micro customers through the management of industrial, regional and operational risks; on the post-lease management side, it established a nationwide post-lease management team, and ensured stable business operation through the combination of online and offline means of asset forewarning, collection and disposal.

As at 30 June 2024, the net interest-earning assets of the inclusive finance business of the Group amounted to RMB13,959 million, representing an increase of 11.89% as compared with the interest-earning assets of RMB12,476 million as at the end of 2023. While the size of interest-earning assets maintained steady growth, the Group adhered to its stringent and prudent asset management policy. As at 30 June 2024, the size of non-performing assets of the inclusive finance business amounted to RMB183 million, which was basically stable as compared to RMB179 million as at the end of 2023. The non-performing asset ratio of the inclusive finance business decreased from 1.43% as at the end of 2023 to 1.31% as at 30 June 2024, maintaining optimized asset quality. The non-performing asset ratio of the inclusive finance business was slightly higher than the overall non-performing asset ratio of the Group, and as the inclusive finance business of the Group is under rapid growth, the gradual expansion of its non-performing asset size may increase the amount and proportion of the Group's overall non-performing assets. The Group will continue to adhere to its robust operational strategies and prudent asset control measures to ensure that the overall asset quality is safe and sound.

The Group will continue to enhance the comprehensive service capability of its inclusive finance business through its specialized operation to meet the diversified needs of small, medium and micro customers, and continue to expand the market size and operating contribution of the inclusive finance segment.

## DISCLOSURE OF INTERESTS

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at 30 June 2024, 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:

#### Interests in the shares/underlying shares of the Company

Name of director	Capacity/nature of interest	Number of ordinary shares <sup>(1)</sup>	Approximate percentage of the issued share capital of the Company
KONG Fanxing	Beneficial owner	83,860,620(L) <sup>(2)</sup>	1.94%
	Interest in a controlled corporation	868,947,897(L) <sup>(3)</sup>	20.11%
WANG Mingzhe	Beneficial owner	32,990,801(L) <sup>(4)</sup>	0.76%
LIU Haifeng David	Interest in a controlled corporation	365,842,100(L) <sup>(5)</sup>	8.46%
LIU Jialin	Beneficial owner	125,000(L)	0.00%
	Interest of spouse	125,000(L)	0.00%
CAO Jian	Beneficial owner	31,438,112(L) <sup>(6)</sup>	0.72%

## DISCLOSURE OF INTERESTS

### Notes:

- (1) The letter "L" denotes the person's long position in the shares of the Company.
- (2) The interest includes 11,853,599 underlying shares in respect of the share options granted pursuant to the Company's 2014 Share Option Scheme, 19,709,663 underlying shares in respect of the share options granted pursuant to the Company's 2019 Share Option Scheme and 50,627,358 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 1,670,000 ordinary shares of the Company as at 30 June 2024. For details of those schemes, please refer to the 2023 annual report of the Company.
- (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, 197,945,000 shares held directly by Energon HK Limited and an aggregate of 90,866,835 shares held directly by certain employees of the Company. 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 3,760,264 underlying shares in respect of the share options granted pursuant to the Company's 2014 Share Option Scheme, 9,473,906 underlying shares in respect of the share options granted pursuant to the Company's 2019 Share Option Scheme and 19,170,631 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 30 June 2024. For details of those schemes, please refer to the 2023 annual report of the Company.
- (5) The interest 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.
- (6) The interest includes 2,807,264 underlying shares in respect of the share options granted pursuant to the Company's 2014 Share Option Scheme, 9,473,906 underlying shares in respect of the share options granted pursuant to the Company's 2019 Share Option Scheme and 19,156,942 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. CAO Jian is not interested in the ordinary shares of the Company as at 30 June 2024. For details of those schemes, please refer to the 2023 annual report of the Company.



## DISCLOSURE OF INTERESTS

### Interests in the shares/underlying shares of associated corporations of the Company

Name of director	Name of associated corporation	Capacity/nature of interest	Number of ordinary shares <sup>(1)</sup>	Approximate percentage of the issued share capital of the associated corporation
KONG Fanxing	Horizon Construction Development Limited	Beneficial owner	8,078,052(L) <sup>(2)</sup>	0.25%
WANG Mingzhe	Horizon Construction Development Limited	Beneficial owner	2,929,848(L) <sup>(2)</sup>	0.09%
LIU Haifeng David	Horizon Construction Development Limited	Interest in a controlled corporation	81,298,244(L) <sup>(2)(3)</sup>	2.54%
LIU Jialin	Horizon Construction Development Limited	Beneficial owner	27,777(L) <sup>(2)</sup>	0.00%
		Interest of spouse	27,777(L) <sup>(2)</sup>	0.00%
CAO Jian	Horizon Construction Development Limited	Beneficial owner	2,796,585(L) <sup>(2)</sup>	0.08%

#### Notes:

- (1) The letter "L" denotes the person's long position in the shares of the associated corporation.
- (2) The shares of associated corporations of the Company were held as a result of the distribution of a special dividend by way of distribution of shares of Horizon Construction Development in specie by the Company.
- (3) Please refer to Form 3B – Director/Chief Executive Notice – Interests in Shares of Associated Corporation for the relevant event on 28 June 2024 for further details of the shareholding structure.

Save as disclosed above, as at 30 June 2024, none of the directors or the chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he/she is taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register kept by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## DISCLOSURE OF INTERESTS

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES

Based on the information available to the directors of the Company, as at 30 June 2024 (including such information as was available on the website of the Stock Exchange) or so far as they are aware of, as at 30 June 2024, 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 <sup>(1)</sup>	Approximate percentage of the issued share capital of the Company
Sinochem Capital Investment Management (Hong Kong) Limited <sup>(2)</sup>	Beneficial owner	919,914,440(L)	21.29%
Sinochem Capital Investment Management Limited <sup>(2)</sup>	Interest in a controlled corporation	919,914,440(L)	21.29%
Sinochem Corporation <sup>(2)</sup>	Interest in a controlled corporation	919,914,440(L)	21.29%
Sinochem Group Co., Ltd <sup>(2)</sup>	Interest in a controlled corporation	919,914,440(L)	21.29%
The State-owned Assets Supervision and Administration Commission of the State Council <sup>(2)</sup>	Interest in a controlled corporation	919,914,440(L)	21.29%
KONG Fanxing	Beneficial owner	83,860,620(L) <sup>(3)</sup>	1.94%
	Interest in a controlled corporation	868,947,897(L) <sup>(4)</sup>	20.11%
Idea Prosperous Limited <sup>(4)</sup>	Entrusted to exercise voting rights	868,947,897(L)	20.11%
Aim Future Limited <sup>(5)</sup>	Interest in a controlled corporation	505,844,000(L)	11.70%
Gold Stone Enterprise Limited <sup>(5)</sup>	Interest in a controlled corporation	505,844,000(L)	11.70%
Cantrust (Far East) Limited <sup>(5)</sup>	Trustee	505,844,000(L)	11.70%
UBS Group AG <sup>(6)</sup>	Interest in a controlled corporation	460,613,487(L)	10.66%
		83,510,130(S)	1.93%
Sunshine Trust Company Limited <sup>(7)</sup>	Trustee	272,237,062(L)	6.30%
LIU Haifeng David	Interest in a controlled corporation	365,842,100(L) <sup>(8)</sup>	8.46%
Capital Rise Limited <sup>(8)</sup>	Beneficial owner	314,775,100(L)	7.28%
Capital Bridge Limited <sup>(8)</sup>	Interest in a controlled corporation	364,775,100(L)	8.44%

## DISCLOSURE OF INTERESTS

Name of shareholder	Capacity/nature of interest	Number of ordinary shares <sup>(1)</sup>	Approximate percentage of the issued share capital of the Company
DCP Capital Partners L.P. <sup>(8)</sup>	Interest in a controlled corporation	364,775,100(L)	8.44%
DCP General Partner, Ltd <sup>(8)</sup>	Interest in a controlled corporation	364,775,100(L)	8.44%
DCP, Ltd. <sup>(8)</sup>	Interest in a controlled corporation	364,775,100(L)	8.44%
Julian Juul WOLHARDT <sup>(8)</sup>	Interest in a controlled corporation	364,775,100(L)	8.44%
HSBC Holdings plc <sup>(9)</sup>	Interest in a controlled corporation	18,390,408(L)	0.42%
	Trustee	378,020,268(L)	8.75%
	Custodian (other than an exempt custodian interest)	10,719,711(L)	0.24%

### 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.
- (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 sub-section headed "Interests in the shares/underlying shares of the Company" under 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 sub-section headed "Interests in the shares/underlying shares of the Company" under 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) 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.
- (6) Please refer to Form 2 – Corporate Substantial Shareholder Notice for the relevant event on 21 June 2024 for further details of the shareholding structure.
- (7) The interest is held directly by Idea Delicacy Limited, which is 100% controlled by Sunshine Trust Company Limited.
- (8) Please refer to Note (5) of the sub-section headed "Interests in the shares/underlying shares of the Company" under 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.
- (9) Please refer to Form 2 – Corporate Substantial Shareholder Notice for the relevant event on 28 June 2024 for further details of the shareholding structure.

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

## CORPORATE GOVERNANCE

### CORPORATE GOVERNANCE CODE

The Company has applied the principles and code provisions as set out in the Corporate Governance Code (the “CG Code”) as contained in Appendix C1 of the Listing Rules.

The Company has complied with the code provisions of the CG Code throughout the period from 1 January 2024 to 30 June 2024, except for code provisions C.2.1 and F.2.2 as explained below.

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

During the period from 1 January 2024 to 30 June 2024, the Company has deviated from code provision C.2.1 with the positions of the chairman of the Board (the “Chairman”) and the chief executive officer of the Company (the “Chief Executive Officer”) being held by Mr. KONG Fanxing.

The Board however believes that it is in the interests of the Company to vest the roles of both the Chairman and the Chief Executive Officer in the same person, so as to provide consistent leadership within the Group and facilitate the prompt execution of the Group’s business strategies and boost operation effectiveness. The Board also believes that the balance of power and authority under this arrangement will not be impaired, as all major decisions must be made in consultation with the Board as a whole, together with relevant Board committees, which comprise experienced and high caliber individuals, with four independent non-executive Directors who are in the position to provide independent insights to the Board and monitor the management and operation of the Company. The Board will periodically review and consider the effectiveness of this arrangement by taking into account the circumstances of the Group as a whole.

Code provision F.2.2 of the CG Code stipulates that, among others, the chairman of the board should attend the annual general meeting and invite 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 attend and be available to answer questions at the annual general meeting.

At the annual general meeting of the Company held on 5 June 2024 (the “2024 AGM”), Mr. YIP Wai Ming (the chairman of the Audit and Risk Management Committee), Mr. LIU Jialin (the chairman of the Remuneration and Nomination Committee), Mr. LIU Haifeng, David (the chairman of the Strategy and Investment Committee), Mr. WONG Ka Fai Jimmy (the chairman of the Environmental, Social and Governance Committee and the member of the Strategy and Investment Committee), Mr. HAN Xiaojing (the member of each of the Audit and Risk Management Committee, the Remuneration and Nomination Committee and the Environmental, Social and Governance Committee), Mr. KUO Ming-Jian (the member of the Remuneration and Nomination Committee) and Mr. John LAW (the member of each of the Audit and Risk Management Committee and the Environmental, Social and Governance Committee) were unable to attend due to other important business engagements. To ensure relevant matters can be smoothly handled at the 2024 AGM, Mr. KONG Fanxing (the Chairman and the member of the Strategy and Investment Committee) attended and chaired the 2024 AGM to answer questions where necessary.

## CORPORATE GOVERNANCE

### MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has devised its own code of conduct regarding Directors' dealings in the Company's securities (the "Code of Conduct") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Listing Rules.

Specific enquiry has been made to all the Directors and the Directors have confirmed that they have complied with the Code of Conduct throughout the six months ended 30 June 2024.

The Company has also established written guidelines (the "Employees Written Guidelines") no less exacting than the required standard set out in the Model Code for securities transactions by employees who are likely to be in possession of unpublished inside information of the Company. No incident of non-compliance with the Employees Written Guidelines by the employees was noted by the Company for the six months ended 30 June 2024.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

During the period from 1 January 2024 to 30 June 2024, the board of directors had been in compliance with Rule 3.10(1) of the Listing Rules, which requires a company to maintain at least three independent non-executive directors in the board of directors; with Rule 3.10(2) of the Listing Rules, which requires one of those independent non-executive directors to be specialized in accounting or relevant financial management; and with Rule 3.10A of the Listing Rules, which requires independent non-executive directors representing at least one-third of the board of directors.

### AUDIT AND RISK MANAGEMENT COMMITTEE

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

The Audit and Risk Management Committee has reviewed, with the management and the external auditors, the condensed consolidated financial statements for the six months ended 30 June 2024 of the Group, including the accounting principles and practices adopted by the Group.

## OTHER INFORMATION

### IMPLEMENTATION OF DISTRIBUTION OF 2023 FINAL DIVIDEND

According to the proposal in relation to dividend distribution, which was considered and passed at the 2024 AGM on 5 June 2024, the Group has paid a dividend of HK\$0.50 per share to shareholders whose names appear on the register of members of the Company on 14 June 2024, thereby resulting in a total dividend payment amount of HK\$2,108,788,000.

### DISTRIBUTION OF SPECIAL DIVIDENDS BY WAY OF DISTRIBUTION IN SPECIE

The Company completed the distribution of a special dividend by way of distribution of shares of Horizon Construction Development in specie on 16 January 2024. For details, please refer to paragraph 3.7 Shareholders' Equity under Management Discussion and Analysis of the 2023 annual report.

The Company completed the distribution of a special dividend by way of distribution of shares of Horizon Construction Development in specie on 28 June 2024. For details, please refer to paragraph 3.7 Shareholders' Equity under Management Discussion and Analysis of this report.

### INTERIM DIVIDEND

The Board approved the payment of a interim dividend of HK\$0.25 per share in respect of the six months ended 30 June 2024 to shareholders whose names appear on the register of members of the Company on Wednesday, 2 October 2024. The interim dividend will be paid on Wednesday, 16 October 2024.

### CLOSURE OF SHARE REGISTER

The date of payment of the interim dividend is expected to be Wednesday, 16 October 2024. For determining the entitlement to the interim dividend, the register of members of the Company will be closed from Friday, 27 September 2024 to Wednesday, 2 October 2024, both days inclusive, during which period no transfer of shares will be registered. The record date on which the shareholders are qualified to receive the interim dividend is Wednesday, 2 October 2024. In order to qualify for the interim 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 Thursday, 26 September 2024, being the last registration date.

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any shares of the Company for the six months ended 30 June 2024.

### TREASURY SHARES

The Company is a company incorporated in Hong Kong with limited liability, and is subject to Companies Ordinance (Chapter 622 of the laws of Hong Kong) and relevant laws and regulations in Hong Kong. According to provisions under the Companies Ordinance currently in force, the Company cannot hold any treasury share. As at the end of the reporting period, the Company did not hold (or hold through CCASS or deposit in CCASS) any treasury share. Hence, disclosure requirements in respect of treasury shares under the Listing Rules are not applicable.

## INDEPENDENT REVIEW REPORT



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Quarry Bay, Hong Kong

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

### INTRODUCTION

We have reviewed the interim financial information set out on pages 117 to 208, which comprises the condensed consolidated statement of financial position of Far East Horizon Limited (the “Company”) and its subsidiaries (the “Group”) as at 30 June 2024 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### CONCLUSION

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

Ernst & Young  
Certified Public Accountants  
Hong Kong  
9 August 2024



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

		2024	2023
		(Unaudited)	(Unaudited)
	Notes	RMB'000	RMB'000
Interest Income	4	10,699,938	11,084,837
Revenue from operating leases	4	2,639,880	2,809,358
Revenue from contracts with customers	4	4,766,467	4,553,395
Tax and surcharges	4	(69,946)	(85,783)
Cost of sales		(9,914,209)	(9,909,226)
Other income and gains	4	826,178	1,432,126
Selling and distribution costs		(1,609,498)	(1,560,228)
Administrative expenses		(1,910,256)	(1,969,654)
Impairment losses on financial and contract assets		(525,451)	(722,695)
(Losses)/gains on derecognition of financial assets measured at amortised cost		(5,707)	4,130
Other expenses		(391,683)	(364,830)
Finance costs		(581,489)	(532,069)
Share of net profits of:			
Associates		33,940	165,224
Share of net profits of:			
Joint ventures		49,457	85,805
PROFIT BEFORE TAX	5	4,007,621	4,990,390
Income tax expense	6	(1,696,585)	(1,501,331)
PROFIT FOR THE PERIOD		2,311,036	3,489,059
Attributable to:			
Ordinary shareholders of the Company		2,085,076	3,070,724
Holders of perpetual securities	22	31,390	64,935
Non-controlling interests		194,570	353,400
		2,311,036	3,489,059
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	8	RMB	RMB
Basic			
– Earnings per share		0.49	0.73
Diluted			
– Earnings per share		0.45	0.66

Details of the dividends payable and proposed for the period are disclosed in Note 7 to the interim condensed consolidated financial information.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
PROFIT FOR THE PERIOD	2,311,036	3,489,059
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 period	904,648	1,392,278
Reclassification adjustment for losses included in the consolidated statement of profit or loss	(273,251)	(1,346,409)
Income tax effect	(18,107)	10,345
	613,290	56,214
Exchange differences:		
Exchange differences on translation of foreign operations	(21,696)	(179,159)
	(21,696)	(179,159)
Net other comprehensive income that will be reclassified to profit or loss in subsequent periods	591,594	(122,945)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	591,594	(122,945)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2,902,630	3,366,114
Attributable to:		
Ordinary shareholders of the Company	2,671,869	2,947,688
Holders of perpetual securities	31,390	64,935
Non-controlling interests	199,371	353,491
	2,902,630	3,366,114

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

30 June 2024

		30 June 2024	31 December 2023
		(Unaudited)	(Audited)
	Notes	RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	26,611,106	23,513,055
Investment properties		103,972	107,767
Right-of-use assets		2,393,524	2,388,496
Goodwill		182,185	171,523
Other intangible assets		123,695	121,749
Investments in joint ventures	12	3,922,220	3,572,175
Investments in associates	13	4,803,686	5,533,062
Financial assets at fair value through profit or loss	15	13,497,645	7,105,741
Derivative financial instruments	11	536,970	922,674
Loans and accounts receivables	10	98,576,609	100,463,939
Prepayments, other receivables and other assets		1,281,782	1,219,577
Deferred tax assets	19	5,920,903	6,052,352
Restricted deposits	14	1,560,000	1,560,000
Total non-current assets		159,514,297	152,732,110
CURRENT ASSETS			
Inventories		417,031	409,681
Loans and accounts receivables	10	168,277,309	170,302,904
Contract assets		946,685	383,863
Prepayments, other receivables and other assets		3,879,348	3,893,686
Debt investments at fair value through other comprehensive income		191,414	372,228
Financial assets at fair value through profit or loss	15	2,899,854	1,735,854
Derivative financial instruments	11	1,266,927	1,211,308
Restricted deposits	14	1,303,605	1,589,062
Cash and cash equivalents	14	22,945,585	18,852,540
Total current assets		202,127,758	198,751,126

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2024

		30 June 2024	31 December 2023
		(Unaudited)	(Audited)
	Notes	RMB'000	RMB'000
CURRENT LIABILITIES			
Trade and bills payables	16	10,274,429	9,509,889
Other payables and accruals		12,417,758	13,466,682
Derivative financial instruments	11	16,314	5,928
Interest-bearing bank and other borrowings	17	127,070,044	132,389,989
Lease liabilities	17	285,918	280,495
Income tax payable		479,434	1,437,537
Total current liabilities		150,543,897	157,090,520
NET CURRENT ASSETS		51,583,861	41,660,606
TOTAL ASSETS LESS CURRENT LIABILITIES		211,098,158	194,392,716
NON-CURRENT LIABILITIES			
Convertible bonds – host debts	18	2,035,193	3,806,952
Interest-bearing bank and other borrowings	17	135,759,031	119,439,204
Lease liabilities	17	746,661	707,150
Derivative financial instruments	11	224,664	209,553
Deferred tax liabilities	19	837,626	860,952
Other payables and accruals		10,039,374	9,054,119
Deferred revenue		620,150	911,238
Other non-current liabilities		1,782,607	1,833,948
Total non-current liabilities		152,045,306	136,823,116
Net assets		59,052,852	57,569,600

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2024

		30 June 2024	31 December 2023
		(Unaudited)	(Audited)
	Notes	RMB'000	RMB'000
EQUITY			
Equity attributable to ordinary shareholders of the parent			
Share capital	20	13,097,946	13,066,292
Equity component of convertible bonds		144,785	228,432
Reserves	21	34,951,175	36,804,645
		48,193,906	50,099,369
Holders of perpetual securities	22	1,564,819	1,573,876
Non-controlling interests		9,294,127	5,896,355
Total equity		59,052,852	57,569,600

Kong Fanxing  
Director

Wang Mingzhe  
Director

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

Attributable to ordinary shareholders of the parent															
	Equity component of			Shares held for the share award scheme			Shares held for the share award compensation reserve			Shares held for the share award scheme of a subsidiary			Shares held for the share award scheme of a subsidiary		
	Share capital	Convertible bonds	Capital reserve	Share-based compensation scheme	Share-based compensation reserve	Special reserve	Hedging reserve	Exchange fluctuation reserve	Retained profits	Total securities	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		
(Note 20)	(Note 18)	(Note 21)	(Note 21)	(Note 21)	(Note 21)	(Note 21)	(Note 21)	(Note 21)	(Note 21)	(Note 22)	(Note 22)	(Note 22)	(Note 22)		
At 1 January 2024	13,066,292	228,432	2,712,708	(576,508)	431,106	-	91,780	121,913	(286,166)	561,165	34,248,667	50,099,369	1,573,876	5,096,355	57,569,600
Profit for the period	-	-	-	-	-	-	-	-	-	-	2,085,076	2,085,076	31,390	194,570	2,311,036
Other comprehensive income for the period:															
Cash flow hedges net of tax	-	-	-	-	-	-	-	608,489	-	-	608,489	-	-	4,801	613,290
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	(21,696)	-	(21,696)	-	-	-	(21,696)
Total comprehensive income	-	-	-	-	-	-	-	608,489	(21,696)	2,085,076	2,671,869	31,390	199,371	2,902,630	
Final 2023 dividend declared (net of dividends received from shares held for the share award scheme) (Note 7)	-	-	-	-	-	-	-	-	(1,919,777)	(1,919,777)	-	-	-	-	(1,919,777)
Special dividend	-	-	(15,18,147)	-	-	-	-	-	(1,049,512)	(2,367,659)	-	3,332,420	-	664,761	
Transfer of Share option reserve upon exercise of Share options	31,654	-	-	(6,326)	-	-	-	-	-	25,328	-	-	-	25,328	
Recognition of equity-settled share-based payments	-	-	-	-	123,171	-	-	-	-	123,171	-	-	-	123,171	
Special reserve – safety fund appropriation	-	-	-	-	-	14,516	-	-	(34,228)	(19,712)	-	19,712	-	-	
Capital injection by non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	21,610	-	21,610	
Purchase of non-controlling interests	-	-	(4,632)	-	-	-	-	-	-	(4,632)	-	(59,744)	-	(64,376)	
Share of other reserves of investments accounted for using the equity method	-	-	(53,306)	-	-	-	-	-	-	(53,306)	-	-	-	(53,306)	
Dividends declared to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(60,695)	-	(60,695)	
Redemption of perpetual securities (Note 22)	-	-	-	-	-	-	-	-	-	-	(40,447)	-	-	(40,447)	
Redemption of convertible bonds (Note 18)	-	(83,647)	(70,052)	-	-	-	-	-	-	-	(153,699)	-	-	(153,699)	
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	37,936	-	37,936	
Repurchase of shares of a subsidiary	-	-	-	-	-	(3,933)	-	-	-	(3,933)	-	(1,951)	-	(5,884)	
Others	-	-	(9,113)	-	-	-	-	-	-	(9,113)	-	9,113	-	-	
At 30 June 2024 (Unaudited)	13,097,946	144,785	557,488*	(576,508)*	553,951*	(3,933)*	106,276*	121,913*	322,232*	539,469*	33,330,286*	48,193,906	1,564,819	9,394,127	59,052,832

These reserve accounts comprise the consolidated reserves of RMB34,951,175,000 (31 December 2023: RMB36,804,645,000) in the consolidated statement of financial position.

## For the six months ended 30 June 2024

## INTERIM REPORT



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

		2024	2023
		(Unaudited)	(Unaudited)
	Notes	RMB'000	RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>4,007,621</b>	4,990,390
Adjustments for:			
Finance costs		<b>5,359,943</b>	5,531,679
Bank interest income	4	<b>(71,618)</b>	(119,181)
Share of net profits of associates		<b>(33,940)</b>	(165,224)
Share of net profits of joint ventures		<b>(49,457)</b>	(85,805)
Gains on unlisted debt investments, at fair value	4	<b>(17,691)</b>	(8,162)
Gains on disposal of property, plant and equipment, net		<b>(10,666)</b>	(5,634)
Gains on disposal of subsidiaries	4	<b>(854)</b>	(82,727)
Depreciation of property, plant and equipment		<b>1,268,171</b>	1,399,312
Depreciation of investment properties		<b>3,795</b>	–
Depreciation of right-of-use assets		<b>214,363</b>	85,521
Provision for impairment of loans and accounts receivables	5	<b>573,234</b>	686,636
Impairment of prepayments, other receivables and other assets	5	<b>28,785</b>	85,854
Impairment of an investment in joint ventures	5	<b>30,000</b>	–
Reversal of credit commitments	5	<b>(76,568)</b>	(49,795)
Impairment of an investment in an associate	5	<b>127,734</b>	–
Reversal of impairment of property, plant and equipment	5	<b>–</b>	(549,832)
Reversal of impairment of other assets	5	<b>(19,231)</b>	(7,830)
Amortisation of intangible assets and other assets	5	<b>5,807</b>	20,075
Equity-settled share-based payment expenses	5	<b>129,171</b>	141,925
Foreign exchange gains, net	5	<b>(35,428)</b>	(17,442)
Interest expense on lease liabilities		<b>20,683</b>	9,159
Realised gains on derecognition of financial assets at fair value through profit or loss	4	<b>(126,908)</b>	(119,798)
Fair value gains from financial liabilities at fair value through profit or loss	4	<b>(61,437)</b>	(85,050)
Fair value (gains)/losses from financial assets at fair value through profit or loss	5	<b>(84,458)</b>	206,766
Dividends of financial assets at fair value through profit or loss	4	<b>(28,916)</b>	(24,177)
		<b>11,152,135</b>	11,836,660

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

		2024	2023
		(Unaudited)	(Unaudited)
	Notes	RMB'000	RMB'000
(Increase)/Decrease in inventories		(569)	10,965
Increase in contract assets		(562,822)	(85,055)
Increase in loans and accounts receivables		(3,772,383)	(10,506,719)
Decrease in prepayments, other receivables and other assets		721,439	839,236
Decrease in restricted cash		238,671	456,110
Decrease in trade and bills payables		(1,232,503)	(2,374,979)
Increase/(decrease) in other payables and accruals		1,055,971	(624,370)
Decrease in other liabilities		(289,321)	(73,622)
Net cash flows from/(used in) operating activities before tax and interest		7,310,618	(521,774)
Interest paid		(5,828,918)	(5,640,418)
Interest received		71,618	119,181
Income tax paid		(2,564,687)	(2,605,122)
Net cash flows used in operating activities		(1,011,369)	(8,648,133)
CASH FLOWS FROM INVESTING ACTIVITIES			
Gains on unlisted debt investments, at fair value	4	17,691	8,162
Proceeds from disposal of property, plant and equipment		304,960	578,128
Purchase of items of property, plant and equipment, intangible assets and other long-term assets		(3,369,597)	(1,206,876)
Proceeds from disposal of a associate		625,000	–
Purchase of shareholdings of joint ventures		(377,569)	(184,378)
Dividend received from associates		5,556	8,757
Dividend received from financial assets at fair value through profit or loss	4	28,916	24,177
Realised gains on derecognition of financial assets at fair value through profit or loss	4	126,908	119,798
Proceeds from disposal of financial assets at fair value through profit or loss		1,455,511	743,873
Acquisition of subsidiaries		2,180	–
Disposal of subsidiaries		854	121,902
Purchase of financial assets at fair value through profit or loss		(1,637,662)	(391,793)
Net cash flows used in investing activities		(2,817,252)	(178,250)

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

		2024	2023
		(Unaudited)	(Unaudited)
	Notes	RMB'000	RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received from exercise of share options		25,328	11,005
Capital injection from non-controlling shareholders		21,610	1,508,966
Purchase of non-controlling shareholders		(61,943)	–
Cash received from borrowings		122,305,521	106,094,584
Repayments of borrowings		(113,365,869)	(91,115,353)
Principal portion of lease payments		(239,194)	(91,183)
Decrease in pledged deposits		46,785	338,914
Distribution paid to holders of perpetual securities		–	(16,303)
Redemption of perpetual capital securities		(40,447)	(501,445)
Dividends paid to non-controlling shareholders		(104,691)	(62,434)
Repurchase of shares of a subsidiary		(5,884)	–
Realised fair value gains/(losses) from derivative financial instruments in hedges for borrowings		1,247,573	(31,952)
Dividends paid to ordinary equity holders		(1,919,777)	(1,871,222)
Net cash flows from financing activities		7,909,012	14,263,577
NET INCREASE IN CASH AND CASH EQUIVALENTS		4,080,391	5,437,194
Cash and cash equivalents at beginning of period		18,852,540	15,903,843
Effect of exchange rate changes on cash and cash equivalents		12,654	41,347
CASH AND CASH EQUIVALENTS AT END OF PERIOD	14	22,945,585	21,382,384

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

## 1. CORPORATE INFORMATION

Far East Horizon Limited (the “Company”) is a limited liability company which was incorporated in Hong Kong on 15 May 2008. Pursuant to the special resolutions dated 15 October 2008 and 29 November 2010 respectively, the Company changed its name from Fully Ascent Limited to Far Eastern Hong Xin Co., Limited, and then Far East Horizon Limited. The registered office 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. BASIS OF PREPARATION AND ACCOUNTING POLICIES

### 2.1 Basis of preparation

The interim condensed consolidated financial information for the six months ended 30 June 2024 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2023.

The financial information relating to the year ended 31 December 2023 that is included in the interim condensed consolidated statement of financial position as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2023 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance. The Company’s auditors have reported on the financial statements for the year ended 31 December 2023. The auditor’s report was unqualified; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

The interim condensed consolidated financial information is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand (“RMB’000”) except when otherwise indicated.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

#### 2.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the "2020 Amendments")</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the "2022 Amendments")</i>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

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

- (a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.
- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

#### 2.2 Changes in accounting policies and disclosures (continued)

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

- (c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. The Group is assessing the amendments impact and expects the amendments will not have significant impact on the Group's consolidated financial information.

#### 2.3 Changes in accounting estimates

Horizon Construction Development Limited ("HCD"), one subsidiary of the Group made the following changes in accounting estimate on 1 January 2024.

HCD's neo-formwork system is mainly comprised of hot-dip galvanised scaffolds using high-strength and high-hardness structural steel as material, and mainly adopts hot-dip galvanising with thickness of 55-70/um, which makes the steel pipes corrosion-resistant and the galvanised layer uneasy to fall off and be physically damaged. In addition, the "cold zinc-spraying" process recently introduced by HCD can continuously repair the galvanised layer, which effectively extend the useful life of such assets. Meanwhile, the China Formwork and Scaffold Association announced an Expert Evaluation of "Useful Life of Ringlock Scaffolds" at the beginning of 2024, demonstrating the useful life of hot-dip galvanised scaffolds can reach 20 years or more, under normal maintenance and usage.

HCD conducted a review of the useful life of its hot-dip galvanised scaffolds in the neo-formwork system taking into account the years of use, current state of use, technological trends and maintenance. Meanwhile, with reference to the scrap steel transaction prices (exclusive of tax and disposal expense) in open market for the last five years, the net residual value of HCD's hot-dip galvanised scaffolds equivalents to 30% of the original cost.

Pursuant to the review result, since 1 January 2024, HCD has adjusted the estimated useful life of its hot-dip galvanised scaffolds in the neo-formwork system from 10 years to 20 years and adjusted the net residual value from 10% to 30%, so as to fairly reflect the actual condition of HCD's hot-dip galvanised scaffolds and to improve the quality of accounting information. The change in accounting estimate will be applied prospectively.

The aforesaid changes resulted in a decrease of depreciation cost of HCD by RMB135,976,000 for the six months ended 30 June 2024, and an increase of the profit of HCD for the period by RMB103,627,000. Consequently, the aforesaid changes of estimation resulted in the same impact on the Group's consolidated financial statements.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 3. 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 internal reporting system:

- The financial, lease and advisory business comprises primarily (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) 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 INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 3. OPERATING SEGMENT INFORMATION (CONTINUED)

As at and for the six months ended 30 June 2024 (Unaudited)

	Financial, lease and advisory	Industrial operation and management	Adjustments and eliminations	Total
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Segment revenue: (Note 4)</b>				
Sales to external customers	15,693,833	2,342,506	–	18,036,339
Intersegment sales	66,144	1,828	(67,972)	–
Cost of sales	(8,121,664)	(1,792,545)	–	(9,914,209)
Other income and gains	832,127	44,376	(50,325)	826,178
Selling and distribution costs and administrative expenses	(3,271,062)	(252,983)	4,291	(3,519,754)
Other expenses	(355,360)	(36,323)	–	(391,683)
Finance costs	(591,785)	(103,710)	114,006	(581,489)
Impairment losses on financial and contract assets	(462,210)	(63,241)	–	(525,451)
Losses on disposal of financial assets measured at amortised cost	(5,707)	–	–	(5,707)
Share of profits/(losses) of associates	35,466	(1,526)	–	33,940
Share of profits/(losses) of joint ventures	146,962	(97,505)	–	49,457
Profit before tax	3,966,744	40,877	–	4,007,621
Income tax expense	(1,652,134)	(44,451)	–	(1,696,585)
Profit after tax	2,314,610	(3,574)	–	2,311,036
<b>Segment assets</b>	<b>366,295,040</b>	<b>14,285,810</b>	<b>(18,938,795)</b>	<b>361,642,055</b>
<b>Other segment information:</b>				
Impairment losses recognised in the statement of profit or loss	600,713	63,241	–	663,954
Depreciation and amortisation	1,164,304	189,377	–	1,353,681
Capital expenditure	2,984,627	760,359	–	3,744,986

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 3. OPERATING SEGMENT INFORMATION (CONTINUED)

As at and for the six months ended 30 June 2023 (Unaudited)

	Financial, lease and advisory	Industrial operation and management	Adjustments and eliminations	Total
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Segment revenue: (Note 4)</b>				
Sales to external customers	15,692,549	2,669,258	–	18,361,807
Intersegment sales	89,827	1,161	(90,988)	–
Cost of sales	(7,785,167)	(2,124,059)	–	(9,909,226)
Other income and gains	663,806	813,526	(45,206)	1,432,126
Selling and distribution costs and administrative expenses	(3,255,220)	(277,723)	3,061	(3,529,882)
Other expenses	(186,875)	(177,964)	9	(364,830)
Finance costs	(521,895)	(143,298)	133,124	(532,069)
Impairment losses on financial and contract assets	(690,601)	(32,094)	–	(722,695)
Gains on disposal of financial assets measured at amortised cost	4,130	–	–	4,130
Share of profits/(losses) of associates	183,536	(18,312)	–	165,224
Share of profits of joint ventures	78,666	7,139	–	85,805
Profit before tax	4,272,756	717,634	–	4,990,390
Income tax expense	(1,442,503)	(58,828)	–	(1,501,331)
Profit after tax	2,830,253	658,806	–	3,489,059
<b>Segment assets</b>	<b>358,173,580</b>	<b>15,989,363</b>	<b>(12,800,091)</b>	<b>361,362,852</b>
<b>Other segment information:</b>				
Impairment losses recognised/(reversed) in the statement of profit or loss	683,612	(518,581)	–	165,031
Depreciation and amortisation	1,335,787	169,122	–	1,504,909
Capital expenditure	1,040,096	388,140	–	1,428,236

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 3. OPERATING SEGMENT INFORMATION (CONTINUED)

#### Geographical information

##### (a) Revenue from external customers

For the six months ended 30 June		
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Chinese Mainland	17,973,325	18,242,281
Hong Kong	39,018	50,505
Other countries or regions	23,996	69,021
Total	18,036,339	18,361,807

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

##### (b) Non-current assets

	30 June 2024	31 December 2023
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Chinese Mainland	38,501,639	35,582,240
Hong Kong	314,553	454,960
Total	38,816,192	36,037,200

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 period (six months ended 30 June 2023: Nil).

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 4. INTEREST INCOME, REVENUE FROM OPERATING LEASES, REVENUE FROM CONTRACTS WITH CUSTOMERS AND OTHER INCOME AND GAINS

An analysis of interest income, revenue from operating leases, revenue from contracts with customers and other income and gains is as follows:

For the six months ended 30 June			
		2024	2023
		(Unaudited)	(Unaudited)
	Note	RMB'000	RMB'000
Interest income			
Interest income from finance leases, factoring and loans		10,616,037	10,968,709
Interest income from financial assets at fair value through profit or loss		83,901	116,128
Revenue from operating leases		2,639,880	2,809,358
Revenue from contracts with customers	(i)	4,766,467	4,553,395
Tax and surcharges		(69,946)	(85,783)
Total		18,036,339	18,361,807

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 4. INTEREST INCOME, REVENUE FROM OPERATING LEASES, REVENUE FROM CONTRACTS WITH CUSTOMERS AND OTHER INCOME AND GAINS (CONTINUED)

#### Revenue from contracts with customers

##### (i) Disaggregated revenue information

For the six months ended 30 June 2024

	Financial, lease and advisory	Industrial operation and management	Total
	(Unaudited)	(Unaudited)	(Unaudited)
Segments	RMB'000	RMB'000	RMB'000
<b>Types of goods or services</b>			
Sale of goods	284,018	–	284,018
Construction services	1,946,261	–	1,946,261
Service fee income	162,101	–	162,101
Healthcare service income	–	2,112,215	2,112,215
Education service income	–	110,662	110,662
Chartering and brokerage income	–	51,632	51,632
Other income	27,511	72,067	99,578
Total	2,419,891	2,346,576	4,766,467
<b>Geographical markets</b>			
Hong Kong	4,763	31,572	36,335
Chinese Mainland	2,409,725	2,297,764	4,707,489
Other countries or regions	5,403	17,240	22,643
Total	2,419,891	2,346,576	4,766,467
<b>Timing of revenue recognition</b>			
Goods or services transferred at a point in time	306,827	919,200	1,226,027
Services transferred over time	2,113,064	1,427,376	3,540,440
Total	2,419,891	2,346,576	4,766,467

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 4. INTEREST INCOME, REVENUE FROM OPERATING LEASES, REVENUE FROM CONTRACTS WITH CUSTOMERS AND OTHER INCOME AND GAINS (CONTINUED)

#### Revenue from contracts with customers (continued)

##### (i) Disaggregated revenue information (continued)

For the six months ended 30 June 2023

	Financial, lease and advisory	Industrial operation and management	Total
	(Unaudited)	(Unaudited)	(Unaudited)
Segments	RMB'000	RMB'000	RMB'000
<b>Types of goods or services</b>			
Sale of goods	259,096	–	259,096
Construction services	1,140,625	–	1,140,625
Service fee income	472,509	–	472,509
Healthcare service income	–	2,416,974	2,416,974
Education service income	–	84,873	84,873
Chartering and brokerage income	–	91,338	91,338
Other income	5,792	82,188	87,980
<b>Total</b>	<b>1,878,022</b>	<b>2,675,373</b>	<b>4,553,395</b>
<b>Geographical markets</b>			
Hong Kong	22,881	14,341	37,222
Chinese Mainland	1,847,889	2,599,263	4,447,152
Other countries or regions	7,252	61,769	69,021
<b>Total</b>	<b>1,878,022</b>	<b>2,675,373</b>	<b>4,553,395</b>
<b>Timing of revenue recognition</b>			
Goods or services transferred at a point in time	344,361	1,055,747	1,400,108
Services transferred over time	1,533,661	1,619,626	3,153,287
<b>Total</b>	<b>1,878,022</b>	<b>2,675,373</b>	<b>4,553,395</b>

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 4. INTEREST INCOME, REVENUE FROM OPERATING LEASES, REVENUE FROM CONTRACTS WITH CUSTOMERS AND 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 six months ended 30 June 2024

	Financial, lease and advisory	Industrial operation and management	Total
	(Unaudited)	(Unaudited)	(Unaudited)
Segments	RMB'000	RMB'000	RMB'000
<b>Revenue from contracts with customers</b>			
External customers	2,419,891	2,346,576	4,766,467
Intersegment sales	2,924	1,828	4,752
	2,422,815	2,348,404	4,771,219
Intersegment adjustments and eliminations	(2,924)	(1,828)	(4,752)
<b>Total</b>	<b>2,419,891</b>	<b>2,346,576</b>	<b>4,766,467</b>

For the six months ended 30 June 2023

	Financial, lease and advisory	Industrial operation and management	Total
	(Unaudited)	(Unaudited)	(Unaudited)
Segments	RMB'000	RMB'000	RMB'000
<b>Revenue from contracts with customers</b>			
External customers	1,878,022	2,675,373	4,553,395
Intersegment sales	3,066	1,242	4,308
	1,881,088	2,676,615	4,557,703
Intersegment adjustments and eliminations	(3,066)	(1,242)	(4,308)
<b>Total</b>	<b>1,878,022</b>	<b>2,675,373</b>	<b>4,553,395</b>



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 4. INTEREST INCOME, REVENUE FROM OPERATING LEASES, REVENUE FROM CONTRACTS WITH CUSTOMERS AND OTHER INCOME AND GAINS (CONTINUED)

For the six months ended 30 June			
		2024	2023
		(Unaudited)	(Unaudited)
	Note	RMB'000	RMB'000
<b>Other income and gains</b>			
Bank interest income		71,618	119,181
Gains on unlisted debt investments, at fair value		17,691	8,162
Gains on disposal of property, plant and equipment		19,223	6,351
Government grants	4a	104,929	104,852
Gains on disposal of subsidiaries		854	82,727
Interest income from continuing involvement in transferred assets		45,521	185,651
Fair value gains from financial assets at fair value through profit or loss		282,117	110,795
Fair value gains from financial liabilities at fair value through profit or loss		61,437	85,050
Dividends of financial assets at fair value through profit or loss		28,916	24,177
Realised gains on financial assets at fair value through profit or loss		126,908	119,798
Foreign exchange gains, net		35,428	17,442
Reversal of impairment of property, plant and equipment		–	557,663
Others		31,536	10,277
<b>Total</b>		<b>826,178</b>	<b>1,432,126</b>

#### 4a. GOVERNMENT GRANTS

For the six months ended 30 June			
		2024	2023
		(Unaudited)	(Unaudited)
		RMB'000	RMB'000
Government special subsidies		104,929	104,852

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 5. PROFIT BEFORE TAX

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

For the six months ended 30 June		
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cost of borrowings included in cost of sales	4,799,138	5,008,769
Cost of inventories sold	171,373	143,000
Cost of construction contracts	1,420,770	904,523
Cost of operating leases	1,725,028	1,724,708
Cost of chartering	33,290	63,681
Cost of healthcare service	1,664,345	1,961,852
Cost of education service	59,175	49,828
Cost of others	41,090	52,865
Depreciation of property, plant and equipment		
Current period expenditure	127,208	125,669
Less: Government grants released**	–	–
Total	127,208	125,669
Depreciation of right-of-use assets	50,949	51,957
Amortisation of intangible assets and other assets	5,807	20,075
Auditors' remuneration – other services	4,300	3,950
Employee benefit expense (including directors' remuneration)		
– Wages and salaries*		
Current period expenditure	2,725,472	2,506,635
Less: Government grants released**	(655,711)	(354,524)
Total	2,069,761	2,152,111
– Equity-settled share-based payment expenses	129,171	141,925
– Pension scheme contributions	126,979	95,760
– Other employee benefits	160,771	142,649
	2,486,682	2,532,445

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 5. PROFIT BEFORE TAX (CONTINUED)

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

For the six months ended 30 June		
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Impairment of an investment in a joint venture	30,000	–
Impairment of an investment in an associate	127,734	–
Impairment of loans and accounts receivables (Note 10)	573,234	686,636
Impairment of financial assets included in prepayments, other receivables and other assets	28,785	85,854
Reversal of impairment of credit commitments	(76,568)	(49,795)
Reversal of impairment of property, plant and equipment	–	(549,832)
Reversal of impairment of other assets	(19,231)	(7,830)
Lease payments not included in the measurement of lease liabilities	25,268	29,798
Entertainment expenses	58,942	60,579
Business travelling expenses	153,836	168,673
Consultancy fees	142,903	72,748
Office expenses	24,801	34,537
Advertising and promotion expenses	16,670	21,372
Transportation expenses	77,216	63,204
Communication expenses	30,317	27,712
Litigation expenses	31,032	18,255

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 5. PROFIT BEFORE TAX (CONTINUED)

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

	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Other miscellaneous expenses:		
Current year expenditure	206,894	284,708
Less: Government grants released**	(19,702)	(20,929)
Total	187,192	263,779
Losses on disposal of property, plant and equipment	8,557	717
Donation	2,675	14,701
Bank commission expenses	14,442	10,691
Foreign exchange gains, net:		
Derivative gain or loss recycled from equity under cash flow hedge	(49,856)	(1,488,252)
Foreign exchange losses	14,428	1,470,810
Total	(35,428)	(17,442)
Fair value losses from financial assets at fair value through profit or loss	197,659	317,561
Other expenditure	21,846	21,160
Finance costs	581,489	532,069
Losses/(gains) on derecognition of loans and accounts receivables measured at amortised cost	5,707	(4,130)
Bank interest income	(71,618)	(119,181)
Interest income from continuing involvement in transferred assets	(45,521)	(185,651)
Fair value gains from financial assets at fair value through profit or loss	(282,117)	(110,795)
Fair value gains from financial liabilities at fair value through profit or loss***	(61,437)	(85,050)
Realised gains on financial assets at fair value through profit or loss	(126,908)	(119,798)

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 5. PROFIT BEFORE TAX (CONTINUED)

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

\* The Group has adopted collective economic-gain bonus schemes (the "Schemes") since 2014. In 2022, new trust schemes (the "2022 Trust Scheme") were established in Chinese Mainland and Hong Kong, respectively. The beneficiaries of the 2022 Trust Scheme comprised certain employees of the Group (including senior management) and directors. During the six months ended 30 June 2024, no distribution (six months ended 30 June 2023: Nil) was made to senior management and directors under the aforesaid 2014 and 2022 Schemes.

During the six months ended 30 June 2024, the Group paid no bonuses (six months ended 30 June 2023: Nil) to the 2022 Trust Scheme in Chinese Mainland, while paid bonuses of USD150,000,000 (six months ended 30 June 2023: USD150,000,000) to the 2022 Trust Scheme in Hong Kong.

\*\* Government grants have been received by subsidiaries of the Company from the local government for the 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 income in the statement of financial position.

\*\*\* The fair value gains from financial liabilities 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.

### 6. INCOME TAX

For the six months ended 30 June		
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current – Hong Kong		
Charge for the period	344,129	60,919
Current – Chinese Mainland		
Charge for the period	1,238,383	1,637,768
Underprovision in prior years	24,057	12,447
Deferred tax (Note 19)	90,016	(209,803)
Total tax charge for the period	1,696,585	1,501,331

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 6. INCOME TAX (CONTINUED)

#### Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2023: 16.5%) on the estimated assessable profits arising in Hong Kong for the period.

#### Corporate Income Tax ("CIT")

The income tax provision of the Group in respect of its operations in Chinese Mainland has been calculated at the tax rate of 25% (six months ended 30 June 2023: 25%) on the estimated assessable profits for the period, based on the existing legislation, interpretations and practices in respect thereof.

The State Administration of Taxation announced that enterprises of encouraged industries in the Western Region of the PRC could use 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 fulfil the aforesaid preferential taxation policy and thus have enjoyed a preferential tax rate of 15% since 2016. Zhaotong Renan Hospital Co., Ltd. and Qiaojia Renan Hospital Co., Ltd. were recognised to fulfil the aforesaid preferential taxation policy and thus have enjoyed a preferential tax rate of 15% since 2017. Qinghai Kangle Hospital Company Ltd. was recognised to fulfil the aforesaid preferential taxation policy and thus has enjoyed a preferential tax rate of 15% since 2020.

On 30 October 2015, Shanghai Horizon Equipment & Engineering Co., Ltd. was recognised as a High and New-technology Enterprise (the "HNTE") by the Shanghai Science and Technology Commission. Since then, Shanghai Horizon Equipment & Engineering Co., Ltd. has enjoyed a preferential tax rate of 15%. Guangzhou Hongtu Equipment & Engineering Co., Ltd. was recognised as a High and New-technology Enterprise in 2020. Since then, Guangzhou Hongtu Equipment & Engineering Co., Ltd. has enjoyed a preferential tax rate of 15%.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 6. INCOME TAX (CONTINUED)

#### Corporate Income Tax ("CIT") (continued)

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

	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Profit before tax	4,007,621	4,990,390
Tax at the statutory income tax rates	1,058,438	1,322,341
Expenses not deductible for tax	332,368	361,791
Income not subject to tax	(172,580)	(316,877)
Adjustment on current income tax in respect of prior years	24,057	12,447
Utilisation of previously unrecognised tax losses	(4,771)	(35,756)
Unrecognised tax losses and deductible temporary differences	99,547	112,221
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries and interest on intra-group balances	359,526	45,164
Income tax expense as reported in the interim condensed consolidated statement of profit or loss	1,696,585	1,501,331

The share of tax attributable to associates and joint ventures amounting to approximately RMB11,313,000 (six months ended 30 June 2023: RMB55,075,000) and RMB16,368,000 (six months ended 30 June 2023: RMB27,123,000) is included in "Share of net profits of associates" and "Share of net profits of joint ventures" on the face of the interim condensed consolidated statement of profit or loss.

#### Pillar Two income taxes

The Group has assessed its potential exposure based on the information available regarding the financial performance of the Group in the current period. As such, it may not be entirely representative of future circumstances. Based on the assessment, the Pillar Two effective tax rates in most of the jurisdictions in which it operates are above 15%. There are a limited number of jurisdictions where the Pillar Two effective tax rate is slightly below 15%. The Group does not expect a material exposure to Pillar Two income taxes.



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 7. DIVIDENDS

For the six months ended 30 June		
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Dividends	1,919,777	1,871,222

Pursuant to a resolution passed at the general meeting on 5 June 2024, the Company declared a final dividend of HK\$0.50 per share in respect of the year ended 31 December 2023 to its shareholders whose names appear on the register of members of the Company on 14 June 2024. Based on the total number of outstanding ordinary shares of 4,217,576,197 (excluding the 102,330,956 shares held for the share award scheme), cash dividends declared of approximately HK\$2,108,788,000 (equivalent to RMB1,919,777,000) were recognised in the financial statements.

On 16 January 2024, the Company distributed a special dividend to the shareholders of the Company in the form of a distribution of 159,819,846 shares of HCD ("First Special Dividend"). The total market value of the First Special Dividend was HK\$680,833,000 (equivalent to RMB619,081,000) which was calculated at HK\$4.26 per share on 16 January 2024.

On 28 June 2024, the Company distributed a Special Dividend to the shareholders of the Company in the form of a distribution of 799,982,759 shares of HCD ("Second Special Dividend"). The total market value of the Second Special Dividend was HK\$1,199,974,000 (equivalent to RMB1,095,192,000) which was calculated at HK\$1.50 per share on 28 June 2024.

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

The calculation of basic earnings per share for the six months ended 30 June 2024 is based on the consolidated net profit for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 4,213,904,994 (30 June 2023: 4,187,416,901) outstanding during the period.

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

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 8. 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

For the six months ended 30 June		
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	2,085,076	3,070,724
Interest on the host debt component of convertible bonds	69,976	67,438
Profit attributable to ordinary equity holders of the parent, before the above impact arising from convertible bonds	2,155,052	3,138,162

#### Shares

Number of shares For the six months ended 30 June		
	2024	2023
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares outstanding during the period, used in the basic earnings per share calculation	4,213,904,994	4,187,416,901
Effect of dilution – weighted average number of ordinary shares:		
Share options	306,380	2,701,495
Convertible bonds	607,330,880	579,602,956
Weighted average number of ordinary shares for diluted earnings per share	4,821,542,254	4,769,721,352

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group acquired items of property, plant and equipment at a total cost of RMB4,622,428,000 (six months ended 30 June 2023: RMB1,171,543,000, including those through acquisition of subsidiaries).

Property, plant and equipment with a net book value of RMB503,575,000 were disposed of by the Group during the six months ended 30 June 2024 (six months ended 30 June 2023: RMB911,407,000), resulting in a net gain of disposal of RMB10,666,000 (six months ended 30 June 2023: a net gain of RMB5,634,000).

As at 30 June 2024, the Group has not obtained the property ownership certificates for four buildings (31 December 2023: five) with a net book value of RMB139,974,000 (31 December 2023: RMB347,859,000). The Group was in the process of applying for the property ownership certificates for the above buildings as at 30 June 2024.

As at 30 June 2024, property, plant and equipment with a net carrying amount of RMB8,782,117,000 (31 December 2023: RMB7,705,295,000) were pledged to secure general banking facilities granted to the Group (Note 17(c)).

### 10. LOANS AND ACCOUNTS RECEIVABLES

	30 June 2024	31 December 2023
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Loans and accounts receivables due within 1 year	168,277,309	170,302,904
Loans and accounts receivables due after 1 year	98,576,609	100,463,939
Total	266,853,918	270,766,843

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 10. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

#### 10a. Loans and accounts receivables by nature

	30 June 2024	31 December 2023
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Lease receivables (Note 10b)*	266,622,098	259,576,065
Less: Unearned finance income	(21,460,539)	(21,674,427)
Net lease receivables (Note 10b)	245,161,559	237,901,638
Interest receivables*	2,075,951	2,141,664
Factoring receivables (Note 10g)	8,802,397	9,296,193
Entrusted loans (Note 10h)*	1,145,928	1,436,497
Long-term receivables*	6,046,415	14,885,697
Secured loans	209,562	172,715
Subtotal of interest-earning assets (Note 10c)**	263,441,812	265,834,404
Less: Provision for lease receivables	(5,635,452)	(5,448,726)
Provision for factoring receivables	(295,609)	(159,617)
Provision for entrusted loans	(141,414)	(115,225)
Provision for long-term receivables	(176,906)	(597,363)
Provision for secured loans	(1,943)	(2,721)
Provision for interest-earning assets (Note 10d)**	(6,251,324)	(6,323,652)
Notes receivable	3,256,395	5,417,060
Accounts receivable (Note 10e)*	7,918,214	7,303,040
Provision for accounts receivable (Note 10f)	(1,511,179)	(1,464,009)
Total of loans and accounts receivables	266,853,918	270,766,843

\* These balances included balances with related parties which are disclosed in Note 10j.

\*\* These balances are included in the interest-earning assets disclosed in Note 10c and Note 10d.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 10. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

**10b** (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:

	30 June 2024	31 December 2023
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Lease receivables:		
Within 1 year	157,933,082	149,932,585
1 to 2 years	60,621,435	64,839,270
2 to 3 years	29,017,439	26,677,892
3 to 5 years	19,050,142	18,126,318
Total	266,622,098	259,576,065

	30 June 2024	31 December 2023
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Net lease receivables:		
Within 1 year	145,485,642	137,846,435
1 to 2 years	55,858,691	59,527,311
2 to 3 years	26,898,888	24,696,265
3 to 5 years	16,918,338	15,831,627
Total	245,161,559	237,901,638

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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### 10. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

**10b** (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:

	30 June 2024	31 December 2023
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Lease receivables:		
Due within 1 year	165,228,548	163,700,731
Due in 1 to 2 years	72,276,833	67,213,814
Due in 2 to 3 years	25,566,949	23,883,699
Due in 3 to 5 years	3,403,365	4,477,280
Due after 5 years	146,403	300,541
Total	266,622,098	259,576,065

	30 June 2024	31 December 2023
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Net lease receivables:		
Due within 1 year	150,250,626	148,586,942
Due in 1 to 2 years	67,198,265	62,293,353
Due in 2 to 3 years	24,382,337	22,582,249
Due in 3 to 5 years	3,190,457	4,157,033
Due after 5 years	139,874	282,061
Total	245,161,559	237,901,638

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 30 June 2024, the Group's lease receivables pledged or charged as security for the Group's bank and other borrowings amounted to RMB40,902,497,000 (31 December 2023: RMB33,552,158,000) (Note 17(a)).

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 10. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

#### 10c. Analysis of interest-earning assets

	Stage I (12-month ECLs)	Stage II (Lifetime ECLs)	Stage III (Lifetime ECLs – impaired)	Total
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
<b>As at 30 June 2024</b>				
Interest-earning assets	247,520,324	13,147,844	2,773,644	263,441,812
Allowance for impairment losses	(2,204,173)	(2,393,490)	(1,653,661)	(6,251,324)
Interest-earning assets, net	245,316,151	10,754,354	1,119,983	257,190,488

	Stage I (12-month ECLs)	Stage II (Lifetime ECLs)	Stage III (Lifetime ECLs – impaired)	Total
	(Audited)	(Audited)	(Audited)	(Audited)
	RMB'000	RMB'000	RMB'000	RMB'000
<b>As at 31 December 2023</b>				
Interest-earning assets	250,012,268	13,029,930	2,792,206	265,834,404
Allowance for impairment losses	(2,446,633)	(2,193,875)	(1,683,144)	(6,323,652)
Interest-earning assets, net	247,565,635	10,836,055	1,109,062	259,510,752

#### 10d. 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 measurement of expected 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.



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 10. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

#### 10d. Movements in provision for interest-earning assets (continued)

For the six months ended 30 June 2024				
	Stage I (12-month ECLs)	Stage II (Lifetime ECLs)	Stage III** (Lifetime ECLs – impaired)	Total
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of period	2,446,633	2,193,875	1,683,144	6,323,652
Impairment losses for the period	93,520*	399,708	(125,679)	367,549
Transfer out	(91,835)	–	–	(91,835)
Conversion to Stage I	313	(313)	–	–
Conversion to Stage II	(244,572)	254,003	(9,431)	–
Conversion to Stage III	–	(453,784)	453,784	–
Disposal and write-off	–	–	(370,217)	(370,217)
Recoveries of interest-earning assets previously written off	–	–	22,061	22,061
Exchange differences	114	–	–	114
At end of period	2,204,173	2,393,489	1,653,662	6,251,324

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 10. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

#### 10d. Movements in provision for interest-earning assets (continued)

	Year ended 31 December 2023			
	Stage I	Stage II	Stage III**	Total
	(12-month ECLs)	(Lifetime ECLs)	(Lifetime ECLs – impaired)	
	(Audited)	(Audited)	(Audited)	(Audited)
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of the year	2,706,462	2,519,027	1,460,084	6,685,573
Impairment losses for the year	59,568*	18,406	145,606	223,580
Conversion to Stage I	549	(549)	–	–
Conversion to Stage II	(320,283)	340,669	(20,386)	–
Conversion to Stage III	–	(683,678)	683,678	–
Disposal and write-off	–	–	(1,224,102)	(1,224,102)
Recoveries of interest-earning assets previously written off	–	–	638,264	638,264
Exchange differences	337	–	–	337
At end of the year	2,446,633	2,193,875	1,683,144	6,323,652

\* This includes loss allowances of RMB1,053,011,000 (31 December 2023: RMB1,637,249,000) provided for newly originated interest-bearing assets, and loss allowances of RMB736,616,000 (31 December 2023: RMB1,577,681,000) 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 assets, so the finance leases are similar to secured lending. Among these interest-bearing assets, 96% (31 December 2023: 87%) of the credit-impaired assets falling into Stage III in the table above are finance lease receivables, and hence the related leased assets are owned by the Group, and such leased assets are similar to securities and constitute the main source of collection of impaired assets.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 10. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

#### 10e. An ageing 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.

	30 June 2024	31 December 2023
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Within 1 year	6,109,478	5,397,454
More than 1 year	1,808,736	1,905,586
Total	7,918,214	7,303,040

#### 10f. Movements in provision for accounts receivable

	30 June 2024	31 December 2023
	(Unaudited)	(Audited)
	RMB'000	RMB'000
At beginning of period/year	1,464,009	1,209,060
Charge for the period/year	205,685	253,732
(Write-off)/recovery	(158,515)	1,217
At end of period/year	1,511,179	1,464,009

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

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 10. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

#### 10f. Movements 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 30 June 2024

	Ageing				
	Within 1 year	1-2 years	2-3 years	3-5 years	Total
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Gross carrying amount (RMB'000)	6,109,478	1,250,306	419,012	139,418	7,918,214
Expected credit loss (RMB'000)	933,254	348,679	159,169	70,077	1,511,179
Average expected credit loss rate	15.28%	27.89%	37.99%	50.26%	

As at 31 December 2023

	Ageing				
	Within 1 year	1-2 years	2-3 years	3-5 years	Total
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
Gross carrying amount (RMB'000)	5,397,454	1,371,876	365,284	168,426	7,303,040
Expected credit loss (RMB'000)	824,503	394,311	154,040	91,155	1,464,009
Average expected credit loss rate	15.28%	28.74%	42.17%	54.12%	

10g. An ageing analysis of factoring receivables as at the end of the reporting period is as follows:

	30 June 2024	31 December 2023
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Within 1 year	6,045,144	6,766,832
More than 1 year	2,757,253	2,529,361
Total	8,802,397	9,296,193

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 10. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

**10h** (1). An ageing 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:

	30 June 2024	31 December 2023
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Entrusted loans:		
Within 1 year	87,733	83,167
1 to 2 years	70,939	904,273
2 to 3 years	709,282	386,022
3 to 5 years	277,974	63,035
Total	1,145,928	1,436,497

**10h** (2). The table below illustrates the amounts of entrusted loans which the Group expects to receive in the following five or more than five consecutive accounting years:

	30 June 2024	31 December 2023
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Entrusted loans:		
Due within 1 year	240,615	544,800
Due in 1 to 2 years	347,442	333,626
Due in 2 to 3 years	348,779	312,852
Due in 3 to 5 years	209,092	245,219
Total	1,145,928	1,436,497

#### 10i. Long-term receivables

As at 30 June 2024, the carrying value of long-term receivables pledged or charged as collateral for the Group's borrowings amounted to RMB492,036,000 (31 December 2023: RMB8,012,817,000) (Note 17(b)).

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 10. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

#### 10j. Balances with related parties

		30 June 2024	31 December 2023
		(Unaudited)	(Audited)
		RMB'000	RMB'000
Joint ventures:			
– Guangzhou Kangda Industrial Technology Co., Ltd.			
Long-term receivables	(i)	150,000	150,000
Interest receivables		250	275
– Ziyang Yuyi Construction Investment Co., Ltd.			
Long-term receivables	(i)	–	40,000
Interest receivables		–	2,087
– Guixi Hongye Infrastructure Investment Co., Ltd.			
Long-term receivables	(i)	–	31,800
Interest receivables		–	378
Associates:			
– Hangzhou Guoya Stomatological Hospital Co., Ltd.			
Lease receivables	(ii)	881	1,616
Interest receivables		5	10
– Shanghai Yijia Construction Development Co., Ltd.			
Accounts receivable		4	–

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 10. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

#### 10j. Balances with related parties (continued)

		30 June 2024	31 December 2023
		(Unaudited)	(Audited)
		RMB'000	RMB'000
Joint venture of the ultimate holding company of a shareholder with significant influence:			
– Luxi Industrial Equipment Co., Ltd.			
Accounts receivable		3	–
Subsidiary of the ultimate holding company of the shareholder with significant influence:			
– Shenyang Chemical Co., Ltd.			
Lease receivables	(ii)	–	11,778
Interest receivables		–	90
Provision		(1,349)	(2,394)
Total		149,794	235,640

(i) Balances of long-term receivables earn interest at an annual interest rate of 6% (31 December 2023: from 5.15% to 6%).

(ii) Balances of lease receivables earn interest at an annual interest rates of 9.35% (31 December 2023: from 3.73% to 9.35%).

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 11. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2024		31 December 2023	
	(Unaudited)		(Audited)	
	RMB'000		RMB'000	
	Assets	Liabilities	Assets	Liabilities
Cross-currency interest rate swaps	1,750,805	(195,215)	2,109,349	(152,731)
Forward currency contracts	38,745	(1,159)	3,555	–
Interest rate swaps	14,347	(44,604)	21,078	(62,750)
Total	1,803,897	(240,978)	2,133,982	(215,481)
Portion classified as non-current				
Cross-currency interest rate swaps	499,837	(191,618)	919,032	(151,344)
Forward currency contracts	33,953	–	3,361	–
Interest rate swaps	3,180	(33,046)	281	(58,209)
	536,970	(224,664)	922,674	(209,553)
Current portion	1,266,927	(16,314)	1,211,308	(5,928)
Total	1,803,897	(240,978)	2,133,982	(215,481)

#### Cash flow hedges under HKFRS 9

At 30 June 2024, the Group designated 101 (2023: 98) cross-currency interest rate swap contracts, 5 (2023: 3) forward currency contracts and 93 (2023: 61) interest rate swap contracts as hedges of future cash flows arising from foreign currency borrowings, details of which are as follows:

At 30 June 2024, the Group had 45 (2023: 49) cross-currency interest rate swaps in place with a notional amount of HK\$23,561,920,000 (2023: HK\$24,974,904,000) whereby the Group receives interest at floating rates on the HK\$ notional amount at HKD-HIBOR-HKAB and pays interest at fixed rates on the RMB notional amount at 4.00% to 4.96% (2023: 4.00% to 4.96%) per annum. The swaps are being used to hedge the foreign currency and interest rate exposures of 45 floating rate long-term borrowings denominated in HK\$ with the total face value of HK\$23,561,920,000 (2023: HK\$24,974,904,000).



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 11. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

#### Cash flow hedges under HKFRS 9 (continued)

At 30 June 2024, the Group had 1 (2023: 1) cross-currency interest rate swap in place with a notional amount of HK\$490,796,000 (2023: HK\$490,808,000) whereby the Group receives interest at a fixed rate on the HK\$ notional amount at 1.50% (2023: 1.50%) per annum and pays interest at a fixed rate on the RMB notional amount at 4.00% (2023: 4.00%) per annum. The swap is being used to hedge the foreign currency exposure of 1 fixed rate long-term borrowing denominated in HK\$ with the total face value of HK\$490,796,000 (2023: HK\$490,808,000).

At 30 June 2024, the Group had 17 (2023: 23) cross-currency interest rate swaps in place with a notional amount of USD573,184,000 (2023: USD1,199,639,000) whereby the Group receives interest at floating rates on the USD notional amount at USD-SOFR and pays interest at fixed rates on the RMB notional amount at 3.73% to 4.55% (2023: 3.73% to 4.45%) per annum. The swaps are being used to hedge the foreign currency and interest rate exposures of 17 floating rate long-term borrowings denominated in USD with the total face value of USD573,184,000 (2023: USD1,199,639,000).

At 30 June 2024, the Group had 19 (2023: 13) cross-currency interest rate swaps in place with a notional amount of USD1,121,984,000 (2023: USD949,199,000) whereby the Group receives interest at fixed rates on the USD notional amount at 3.38% to 7.18% (2023: 2.63% to 7.18%) per annum and pays interest at fixed rates on the RMB notional amount at 3.86% to 5.99% (2023: 3.86% to 5.99%) per annum. The swaps are being used to hedge the foreign currency exposures of 19 fixed rate long-term borrowings denominated in USD with the total face value of USD1,121,984,000 (2023: USD949,199,000).

At 30 June 2024, the Group had 3 (2023: 3) cross-currency interest rate swaps in place with a notional amount of JPY22,000,000,000 (2023: JPY22,000,000,000) whereby the Group receives interest at floating rates on the JPY notional amount at JPY-TONA and pays interest at fixed rates on the RMB notional amount at 4.67% (2023: 4.67%) per annum. The swaps are being used to hedge the foreign currency and interest rate exposures of 3 floating rate long-term borrowings denominated in JPY with the total face value of JPY22,000,000,000 (2023: JPY22,000,000,000).

At 30 June 2024, the Group had 1 (2023: 1) cross-currency interest rate swap in place with a notional amount of JPY4,300,000,000 (2023: JPY4,300,000,000) whereby the Group receives a fixed rate interest on the JPY notional amount at 1.90% (2023: 1.90%) and pays a fixed rate interest on the RMB notional amount at 4.98% (2023: 4.98%) per annum. The swap is being used to hedge the foreign currency and interest rate exposure of 1 fixed rate long-term borrowing denominated in JPY with the principal of JPY4,300,000,000 (2023: JPY4,300,000,000).

At 30 June 2024, the Group had 6 (2023: Nil) cross-currency interest rate swaps in place with a notional amount of EUR160,000,000 (2023: Nil) whereby the Group receives interest at floating rates on the EUR notional amount at EURIBOR and pays interest at fixed rates on the RMB notional amount at 3.95% to 3.99% (2023: Nil) per annum. The swaps are being used to hedge the foreign currency and interest rate exposures of 6 floating rate long-term borrowings denominated in EUR with the total face value of EUR160,000,000 (2023: Nil).

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 11. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

#### Cash flow hedges under HKFRS 9 (continued)

At 30 June 2024, the Group had 7 (2023: 8) cross-currency interest rate swaps in place with a notional amount of EUR208,648,000 (2023: EUR264,697,000) whereby the Group receives interest at fixed rates on the EUR notional amount at 3.30% to 3.95% (2023: 3.30% to 3.95%) per annum and pays interest at fixed rates on the RMB notional amount at 4.00% to 4.80% (2023: 3.90% to 4.80%) per annum. The swaps are being used to hedge the foreign currency exposure of 7 fixed rate long-term borrowings denominated in EUR with the total principal of EUR208,648,000 (2023: EUR264,697,000).

At 30 June 2024, the Group had 2 (2023: Nil) cross-currency interest rate swaps in place with a notional amount of AED527,000,000 (2023: Nil) whereby the Group receives interest at floating rates on the AED notional amount at EIBOR and pays interest at fixed rates on the RMB notional amount at 4.60% (2023: Nil) per annum. The swaps are being used to hedge the foreign currency and interest rate exposures of 2 floating rate long-term borrowings denominated in AED with the total face value of AED527,000,000 (2023: Nil).

At 30 June 2024, the Group had 3 (2023: 2) forward currency contracts with a total notional amount of USD180,000,000 (2023: USD145,000,000) as hedges of future cash flows arising from foreign currency borrowings with the total face value of USD180,000,000 (2023: USD145,000,000) which will be settled in USD.

At 30 June 2024, the Group had 1 (2023: 1) forward currency contract with a notional amount of EUR250,000 (2023: EUR500,000) as hedge of future cash flows arising from a foreign currency borrowing with the total principal of EUR250,000 (2023: EUR500,000) which will be settled in EUR.

At 30 June 2024, the Group had 1 (2023: Nil) forward currency contract with a notional amount of JPY2,972,013,000 (2023: Nil) as hedge of future cash flows arising from a foreign currency borrowing with the total principal of JPY2,972,013,000 (2023: Nil) which will be settled in JPY.

At 30 June 2024, the Group had 2 (2023: 1) interest rate swaps in place with a notional amount of USD108,750,000 (2023: USD75,000,000) whereby the Group receives interest at a floating rate on the USD notional amount at USD-SOFR and pays interest at a fixed rate on the RMB notional amount at 0.50% to 4.63% (2023: 0.50%) per annum. The swaps are being used to hedge interest rate exposures of 2 floating rate long-term borrowing denominated in USD with the total face value of USD108,750,000 (2023: USD75,000,000).

At 30 June 2024, the Group had 91 (2023: 60) interest rate swaps in place with a total notional amount of RMB31,095,977,000 (2023: RMB24,020,754,000) whereby the Group receives interest at variable rates equal to the Loan Prime Rate on the notional amount and pays interest at fixed rates on the RMB notional amount at 3.35% to 4.10% (2023: 3.42% to 4.20%) per annum. The swaps are being used to hedge interest rate exposures of 91 floating rate long-term borrowings denominated in RMB with the total face value of RMB31,095,977,000 (2023: RMB24,020,754,000).

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 11. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

#### Cash flow hedges under HKFRS 9 (continued)

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., 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

The Group holds the following cross-currency interest rate swap contracts and 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 30 June 2024							
Cross-currency interest rate swap contracts							
Notional amount (in RMB'000)	1,938,889	179,500	2,240,900	–	1,243,079	6,141,150	11,743,518
Average forward exchange rate (USD/RMB)	6.4668	7.1390	7.1178	–	7.1097	6.7032	
Notional amount (in RMB'000)	–	–	3,864,634	4,695,900	5,021,254	7,530,232	21,112,020
Average forward exchange rate (HK\$/RMB)	–	–	0.8150	0.8569	0.8918	0.9199	

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 11. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

#### Cash flow hedges under HKFRS 9 (continued)

The Group holds the following cross-currency interest rate swap contracts and forward currency contracts and interest rate swaps: (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	
Notional amount (in RMB'000)	-	-	-	-	1,131,772	215,000	1,346,772
Average forward exchange rate (JPY/RMB)	-	-	-	-	0.0518	0.0500	
Notional amount (in RMB'000)	-	-	-	365,344	1,158,590	1,273,770	2,797,704
Average forward exchange rate (EUR/RMB)	-	-	-	7.4560	7.5787	7.8766	
Notional amount (in RMB'000)	-	-	-	-	-	269,982	269,982
Average forward exchange rate (AED/RMB)	-	-	-	-	-	0.5123	
Forward currency contracts							
Notional amount (in RMB'000)	249,316	-	-	-	990,096	-	1,239,412
Average forward exchange rate (USD/RMB)	7.1233	-	-	-	6.8283	-	
Notional amount (in RMB'000)	-	1,864	-	-	-	-	1,864
Average forward exchange rate (EUR/RMB)	-	7.4560	-	-	-	-	
Notional amount (in RMB'000)	-	-	-	135,000	-	-	135,000
Average forward exchange rate (JPY/RMB)	-	-	-	0.0468	-	-	
Interest rate swaps							
Notional amount (in RMB'000)	32,098	1,862,888	1,160,000	3,381,540	11,243,170	14,191,321	31,871,017
Average interest rate (%)	3.8250	2.8408	3.7222	3.7316	3.6157	3.4016	
Hedge rate	1	1	1	1	1	1	

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 11. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

#### Cash flow hedges under HKFRS 9 (continued)

The Group holds the following cross-currency interest rate swap contracts and forward currency contracts and interest rate swaps: (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 2023							
Cross-currency interest rate swap contracts							
Notional amount (in RMB'000)	4,192,276	1,617,500	3,995,989	179,500	1,628,111	2,520,600	14,133,976
Average forward exchange rate (USD/RMB)	6.5206	6.4700	6.4668	7.1390	6.9603	6.7032	
Notional amount (in RMB'000)	1,710,038	1,300,260	–	–	12,470,308	6,615,291	22,095,897
Average forward exchange rate (HK\$/RMB)	0.8391	0.8335	–	–	0.8542	0.9114	
Notional amount (in RMB'000)	–	–	–	–	1,131,772	215,000	1,346,772
Average forward exchange rate (JPY/RMB)	–	–	–	–	0.0518	0.0500	
Notional amount (in RMB'000)	392,927	–	–	–	397,084	1,162,940	1,952,951
Average forward exchange rate (EUR/RMB)	7.3450	–	–	–	7.7821	7.4860	
Forward currency contracts							
Notional amount (in RMB'000)	–	–	–	–	990,096	–	990,096
Average forward exchange rate (USD/RMB)	–	–	–	–	6.8283	–	
Notional amount (in RMB'000)	–	–	–	3,728	–	–	3,728
Average forward exchange rate (EUR/RMB)	–	–	–	7.4560	–	–	
Interest rate swaps							
Notional amount (in RMB'000)	–	314,410	283,186	3,233,503	11,847,817	8,873,041	24,551,957
Average interest rate (%)	–	3.7827	4.0567	3.1537	3.6854	3.5193	
Hedge rate	1	1	1	1	1	1	

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 11. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

#### Cash flow hedges 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 period
	RMB'000	RMB'000		RMB'000
As at 30 June 2024				
Forward currency contracts	1,241,276	38,745	Derivative financial instruments (assets)	35,190
Forward currency contracts	135,000	(1,159)	Derivative financial instruments (liabilities)	76
Cross-currency interest rate swaps	31,237,447	1,750,805	Derivative financial instruments (assets)	122,108
Cross-currency interest rate swaps	6,032,549	(195,215)	Derivative financial instruments (liabilities)	753,874
Interest rate swaps	6,226,355	14,347	Derivative financial instruments (assets)	(6,731)
Interest rate swaps	25,644,662	(44,604)	Derivative financial Instruments (liabilities)	131

	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 2023				
Forward currency contracts	993,824	3,555	Derivative financial instruments (assets)	(24,526)
Forward currency contracts	–	–	Derivative financial instruments (liabilities)	37,359
Cross-currency interest rate swaps	30,501,814	2,096,691	Derivative financial instruments (assets)	637,772
Cross-currency interest rate swaps	9,027,782	(152,731)	Derivative financial instruments (liabilities)	324,179
Interest rate swap	1,733,203	21,078	Derivative financial instruments (assets)	(23,985)
Interest rate swap	22,818,754	(62,750)	Derivative financial Instruments (liabilities)	(43,528)

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 11. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

#### Cash flow hedges 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 period	Cash flow hedge reserve
	RMB'000	RMB'000
As at 30 June 2024		
Foreign currency bank loans amounting to RMB equivalent 40,362,840,000	904,648	322,323

	Change in fair value used for measuring hedge ineffectiveness for the year	Cash flow hedge reserve
	RMB'000	RMB'000
As at 31 December 2023		
Foreign currency bank loans amounting to RMB equivalent 43,260,071,000	907,271	(286,144)

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

## 11. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

### Cash flow hedges under HKFRS 9 (continued)

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

	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
For the six months ended 30 June 2024	Gross amount	Tax effect	Total			Gross amount	Tax effect	Total	
	RMB'000	RMB'000	RMB'000	RMB'000		RMB'000	RMB'000	RMB'000	
Forward currency contracts	35,266	10	35,276	–	N/A	1,915	(75)	1,840	Other expenses
Cross-currency interest rate swaps	875,982	(3,402)	872,580	–	N/A	(254,567)	(11,926)	(266,493)	Cost of sales/other expenses
Interest rate swaps	(6,600)	(905)	(7,505)	–	N/A	(20,599)	(1,809)	(22,408)	Cost of sales
Total	904,648	(4,297)	900,351	–	N/A	(273,251)	(13,810)	(287,061)	

	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) loss in the statement of profit or loss
Year ended 31 December 2023	Gross amount	Tax effect	Total			Gross amount	Tax effect	Total	
	RMB'000	RMB'000	RMB'000	RMB'000		RMB'000	RMB'000	RMB'000	
Forward currency contracts	12,833	(167)	12,666	–	N/A	(41,566)	(4,436)	(46,002)	Other expenses
Cross-currency interest rate swaps	961,951	(30,111)	931,840	–	N/A	(653,213)	34,792	(618,421)	Cost of sales/other expenses
Interest rate swaps	(67,513)	10,884	(56,629)	–	N/A	869	(7,726)	(6,857)	Cost of sales
Total	907,271	(19,394)	887,877	–	N/A	(693,910)	22,630	(671,280)	



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 11. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

#### Derivative financial instruments – transactions not qualifying as hedges:

As at 30 June 2024, all derivatives were designated for hedge purposes (as at 31 December 2023: cross-currency interest rate swaps with a total nominal amount of USD23,492,000 were not designated for hedge purposes and were measured at fair value through profit or loss).

### 12. INVESTMENTS IN JOINT VENTURES

	30 June 2024	31 December 2023
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Share of net assets	4,115,062	3,735,017
Excess of consideration over share of net assets acquired	17,844	17,844
Provision for impairment	(210,686)	(180,686)
Total	3,922,220	3,572,175

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/ Chinese Mainland	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\$570,000,000	PRC/ Chinese Mainland	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/ Chinese Mainland	28.36	28.36	Medical service

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 12. 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	
Grand Flight Holdings Co., Ltd. (遠翼控股有限公司)	Authorised capital of USD50,000	British Virgin Islands	70*	70	Investment holding
Grand Flight Hooyoung Investment Management Co., Ltd. (遠翼宏揚投資管理有限公司)	Authorised capital of USD50,000	Cayman Islands	70*	70	Investment holding
Grand Flight Hooyoung Investment L.P. (遠翼宏揚投資有限合夥)	USD 100,500,002	Cayman Islands	54.73*	54.73	Investment holding
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/ Chinese Mainland	35	35	Medical service
Grand Flight Investment Management Co., Ltd. (遠翼投資管理有限公司)	Registered capital of RMB50,000,000	PRC/ Chinese Mainland	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/ Chinese Mainland	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/ Chinese Mainland	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/ Chinese Mainland	49	49	Medical service

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 12. 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) (上海襄鑒企業管理合夥企業 (有限合夥))	Registered capital of RMB350,010,000	PRC/ Chinese Mainland	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/ Chinese Mainland	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/ Chinese Mainland	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/ Chinese Mainland	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/ Chinese Mainland	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/ Chinese Mainland	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/ Chinese Mainland	50	50	Investment management

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 12. 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 Zhongda Xinhong 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/ Chinese Mainland	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/ Chinese Mainland	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 RMB50,000,000	PRC/ Chinese Mainland	45	45	Infrastructure construction
Deyang Hongbo Construction Investment Co., Ltd. (德陽宏博建設投資有限公司)	Registered capital of RMB371,825,488	PRC/ Chinese Mainland	87*	87	Infrastructure construction
Ziyang Yuyi Construction Investment Co., Ltd. (資陽市昱奕建設投資有限公司)	Registered capital of RMB100,000,000	PRC/ Chinese Mainland	98.15*	98.15	Infrastructure construction
Qingdao Huizhu Zhouji Equity Investment Partnership (Limited Partnership) (青島匯鑄周濟股權投資合夥企業(有限合夥))	Registered capital of RMB500,000,000	PRC/ Chinese Mainland	50	50	Investment management
Suzhou Chenghu Ecological Environment Development Co., Ltd. (蘇州澄湖生態環境發展有限公司)	Registered capital of RMB100,000,000	PRC/ Chinese Mainland	26	26	Infrastructure construction

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 12. 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	
Tianjin Hongcheng City Development Co., Ltd. (天津宏澄城市發展有限公司)	Registered capital of RMB300,000,000	PRC/ Chinese Mainland	80*	80	Infrastructure construction
Tianjin Hongpu Enterprise Management Co., Ltd. (天津宏璞企業管理有限公司)	Registered capital of RMB127,500,000	PRC/ Chinese Mainland	94.12*	94.12	Infrastructure construction
Shanghai Jielang Enterprise Management Co., Ltd. (上海傑瑯企業管理有限公司)	Registered capital of RMB25,000,000	PRC/ Chinese Mainland	70*	70	Investment management
Chengdu Jinlanyue City Construction Development Co., Ltd. (成都錦瀾銳城市建設開發有限公司)	Registered capital of RMB20,000,000	PRC/ Chinese Mainland	31.77	31.77	Infrastructure construction
Suzhou Lancheng Rongyuan Property Development Co., Ltd. (蘇州藍城融源置業發展有限公司)	Registered capital of RMB10,000,000	PRC/ Chinese Mainland	25	25	Infrastructure construction

\* The decisions about the relevant activities that most significantly affect the returns of these investees would be subject to the consent of other parties (e.g., other shareholders or directors), and hence, the ownership interests and power 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 10j to the interim condensed consolidated financial information. There was no recent history of default and past due amounts for loans to joint ventures. As at 30 June 2024 and 31 December 2023, 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 Chinese Mainland. The aforementioned companies are accounted for using the equity method.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 12. INVESTMENTS IN JOINT VENTURES (CONTINUED)

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

	30 June 2024	31 December 2023
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Cash and cash equivalents	173,648	109,751
Other current assets	3,134,382	3,076,671
Current assets	3,308,030	3,186,422
Non-current assets	131,496	115,487
Other payables and accruals	(459,726)	(476,986)
Current liabilities	(459,726)	(476,986)
Non-current liabilities	(719,928)	(584,795)
Net assets	2,259,872	2,240,128
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 excess of consideration over share of net assets acquired	1,355,923	1,344,077
Cumulative impairment	—	—
Carrying amount of the investment	1,355,923	1,344,077

	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue	115,779	120,234
Cost of sales	(44,302)	(39,251)
Administrative expenses	(8,273)	(8,242)
Other expenses	(43,518)	(33,358)
Other income	58	58
Profit and total comprehensive income for the period	19,744	39,441

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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### 12. INVESTMENTS IN JOINT VENTURES (CONTINUED)

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

	30 June 2024	31 December 2023
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Cash and cash equivalents	4,308	4,448
Other current assets	730,696	773,289
Current assets	735,004	777,737
Net assets	735,004	777,737
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 excess of consideration over share of net assets acquired	292,943	309,975
Carrying amount of the investment	292,943	309,975

	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Other expenses	(146)	(4,887)
Other income and gains	(44,679)	22,133
(Profit)/loss and total comprehensive income for the period	(44,825)	17,246

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### 12. INVESTMENTS IN JOINT VENTURES (CONTINUED)

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

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

	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Share of the joint ventures' profits for the period	55,476	55,267
Aggregate carrying amount of the Group's investments in the joint ventures	2,273,354	1,766,258

### 13. INVESTMENTS IN ASSOCIATES

	30 June 2024	31 December 2023
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Share of net assets	4,464,162	4,992,340
Excess of consideration over share of net assets acquired	362,793	563,991
Provision for impairment	(23,269)	(23,269)
Total	4,803,686	5,533,062

As at 30 June 2024, the Group also invested in five companies which are mainly engaged in the investment holding business in Chinese Mainland, with the registered capital of RMB3,000,000,000, RMB7,100,000,000, RMB8,590,319,239, RMB1,000,000,000 and RMB3,000,000,000, respectively. The percentages of ownership interest and profit sharing of the Group in these companies are 19.50%, 8.5011%, 7.63%, 10.00% and 17.00%, respectively. The aforementioned companies are accounted for using the equity method.



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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### 13. INVESTMENTS IN ASSOCIATES (CONTINUED)

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

For the six months ended 30 June		
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Share of the associates' (loss)/profit for the period	(107,846)	58,229
Aggregate carrying amount of the Group's investments in the associates	499,576	589,719

The Group's loans and accounts receivable balances due from the associates are disclosed in Note 10j to the interim condensed consolidated financial information.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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### 14. CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS

	30 June 2024	31 December 2023
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Cash and bank balances	23,999,190	20,391,602
Time deposits	1,810,000	1,610,000
Subtotal	25,809,190	22,001,602
Less:		
Restricted time deposits	1,610,000	1,610,000
Pledged deposits	1,067,288	1,114,073
Restricted bank deposits related to asset securitisations	186,317	399,606
Restricted bank deposits related to litigation	—	25,383
Cash and cash equivalents	22,945,585	18,852,540

At 30 June 2024, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to RMB23,412,420,000 (31 December 2023: RMB20,239,510,000). The RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

As at 30 June 2024, cash of RMB583,782,000 (31 December 2023: RMB496,493,000) was pledged for bank and other borrowings (see Note 17(b)).

As at 30 June 2024, cash of RMB483,506,000 (31 December 2023: RMB617,580,000) was pledged for bank acceptances, letters of credit and others.

As at 30 June 2024, cash of RMB1,610,000,000 (31 December 2023: RMB1,610,000,000) represents a restricted time deposit without pledge or any other encumbrances.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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### 15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2024	31 December 2023
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Unlisted equity investments, at fair value	2,579,858	2,493,862
Listed equity investments, at fair value	291,198	275,210
Unlisted debt investments, at fair value	13,526,443	6,072,523
Total	16,397,499	8,841,595
Analysed into:		
Current portion	2,899,854	1,735,854
Non-current portion	13,497,645	7,105,741

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.

In December 2023, taking into account of the changes in policies and adjustments to business plans comprehensively, the Group decided not to pursue held-to-maturity infrastructure investment projects with characteristics such as long payback periods in the future, and accelerated and took the initiative to dispose of such existing assets. From 1 January 2024, the Group has reclassified the abovementioned financial assets measured at amortized cost into financial assets at fair value through profit or loss. As at 30 June 2024, the balance of the above assets was RMB7,720,619,000.

As at 30 June 2024, the fair value of financial assets at fair value through profit or loss pledged or charged as collateral for the Group's borrowings amounted to RMB7,720,619,000 (31 December 2023: nil) (Note 17(b)).

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 16. TRADE AND BILLS PAYABLES

		30 June 2024	31 December 2023
		(Unaudited)	(Audited)
	Note	RMB'000	RMB'000
Current:			
Bills payable		3,277,859	5,335,092
Trade payables		6,996,518	4,174,027
Due to related parties	16a	52	770
Total		10,274,429	9,509,889

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

	30 June 2024	31 December 2023
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Within 1 year	8,943,330	8,988,968
1 to 2 years	1,051,110	260,959
2 to 3 years	134,664	177,990
3 years and beyond	145,325	81,972
Total	10,274,429	9,509,889

#### 16a. Balances with Related Parties

	30 June 2024	31 December 2023
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Due to related parties:		
Associate:		
Shanghai Yijia Construction Development Co., Ltd.	52	770

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

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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### 17. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2024 (Unaudited)			31 December 2023 (Audited)		
	Effective annual interest rate (%)	Maturity	RMB'000	Effective annual interest rate (%)	Maturity	RMB'000
<b>Current:</b>						
Lease liabilities	3.45~4.65	2024~2025	285,918	3.64~4.90	2024	280,495
Bank loans – secured	3.10~4.00	2024~2025	6,164,695	3.80~4.00	2024	27,553
Current portion of long term bank loans – secured	3.35~5.15	2024~2025	949,370	2.90~5.40	2024	5,472,032
Bank loans – unsecured	1.45~7.18	2024~2025	23,945,806	2.90~7.18	2024	22,229,037
Current portion of long term bank loans – unsecured	1.50~7.14	2024~2025	57,994,146	1.30~5.55	2024	47,341,854
Other loans – secured	3.08~5.40	2024~2025	2,431,220	2.77~5.75	2024	2,823,051
Other loans – unsecured	4.65~8.18	2024~2025	5,386,359	3.40~5.80	2024	7,902,471
Bonds – secured	3.10~5.68	2024~2025	10,240,351	3.20~5.68	2024	9,035,406
Bonds – unsecured	2.00~5.58	2024~2025	19,958,097	2.00~6.40	2024	37,558,585
Total – current			127,355,962			132,670,484
<b>Non-current:</b>						
Lease liabilities	3.45~4.65	2025~2046	746,661	3.64~4.90	2025~2046	707,150
Bank loans – secured	3.35~5.15	2025~2044	9,407,103	3.55~5.40	2025~2045	9,493,754
Bank loans – unsecured	0.87~7.12	2025~2031	72,332,732	1.50~5.00	2025~2031	71,038,204
Other loans – secured	3.42~5.40	2025~2030	11,492,446	3.08~5.37	2025~2030	7,180,365
Other loans – unsecured	4.30~5.28	2025~2027	4,953,892	4.85~5.80	2025~2027	4,596,133
Bonds – secured	3.10~5.44	2025~2026	15,135,851	3.10~5.44	2025~2027	11,650,434
Bonds – unsecured	1.90~6.63	2025~2027	22,437,007	1.90~5.50	2025~2026	15,480,314
Subtotal – non-current			136,505,692			120,146,354
Convertible bonds – host debts (Note 18)	3.21~4.45	2025~2026	2,035,193	3.21~4.45	2025~2026	3,806,952
Total – non-current			138,540,885			123,953,306
Total			265,896,847			256,623,790

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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### 17. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

The carrying amounts of borrowings are denominated in the following currencies:

	30 June 2024	31 December 2023
	(Unaudited)	(Audited)
	RMB'000	RMB'000
HKD	26,607,684	27,412,061
RMB	218,314,195	208,942,263
USD	16,126,022	17,080,464
EUR	2,839,039	2,084,316
Other	2,009,907	1,104,686
Total	265,896,847	256,623,790
Fixed interest rate	155,255,778	152,245,728
Variable interest rate	110,641,069	104,378,062
Total	265,896,847	256,623,790

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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### 17. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

	30 June 2024	31 December 2023
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	89,054,017	75,070,475
In the second year	45,765,968	52,210,437
In the third to fifth years, inclusive	32,942,510	26,212,181
Beyond five years	3,031,358	2,109,340
Subtotal	170,793,853	155,602,433
Other borrowings repayable:		
Within one year or on demand	38,301,945	57,600,008
In the second year	37,172,466	26,269,178
In the third to fifth years, inclusive	19,403,887	16,915,398
Beyond five years	224,696	236,773
Subtotal	95,102,994	101,021,357
Total	265,896,847	256,623,790

- (a) As at 30 June 2024, the Group's bank and other borrowings secured by the pledge of the Group's lease receivables amounted to RMB32,397,167,000 (31 December 2023: RMB24,386,119,000).
- (b) As at 30 June 2024, the Group's bank and other borrowings secured by the pledge of the Group's long-term receivables and financial assets at fair value through profit or loss amounted to RMB5,535,531,000 (31 December 2023: RMB5,230,631,000).
- (c) As at 30 June 2024, the Group's bank borrowings and other borrowings amounting to RMB585,452,000 (31 December 2023: RMB546,493,000) were secured by the pledge of bank deposits.
- (d) As at 30 June 2024, the Group's bank and other borrowings secured by the Group's leasehold land, and property, plant and equipment amounted to RMB6,341,693,000 (31 December 2023: RMB5,353,619,000).

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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### 18. CONVERTIBLE BONDS

On 8 July 2020, Universe Trek Limited ("the Issuer"), a wholly-owned subsidiary of the Company issued 2.5 percent guaranteed convertible bonds with a nominal value of USD300,000,000 ("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 period. 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 = USD1.00 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 dividends 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 dividends for the year ended 31 December 2020, and then to HK\$7.11 per share with effect from 30 June 2022 as a result of the declaration of the final dividends for the year ended 31 December 2021, and then to HK\$6.59 per share with effect from 30 June 2023 as a result of the declaration of the final dividends for the year ended 31 December 2022. As a result of the distribution of the first Special Dividend on 16 January 2024 (Note 7), the conversion price was further adjusted from HK\$6.59 per share to HK \$6.48 per share with effect from 22 January 2024, and then to HK\$5.96 per share with effect from 28 June 2024 as a result of the declaration of the final dividends for the year ended 31 December 2023. According to the announcement issued by the bondholders in early June 2023, USD10,000,000 out of the 300 million 2.5 percent Bonds were requested and redeemed at 100.00 percent of its principal amount on 8 July 2023. Any convertible notes of the 290 million 2.5 percent Bonds not converted will be redeemed on 8 July 2025 at 100.00 percent of its principal amount. The 290 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 each year.

On 15 June 2021, Universe Trek Limited issued zero coupon guaranteed convertible bonds with a nominal value of USD250,000,000 ("the 250 million Zero Coupon Bonds"). The 250 million Zero Coupon Bonds will be unconditionally and irrevocably guaranteed by the Company. 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 = USD1.00 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 dividends for the year ended 31 December 2020, and was further adjusted from HK\$9.76 per share to HK\$9.16 and then to HK\$8.50 per share with effect from 30 June 2022 and 30 June 2023 respectively as a result of the declaration of the final dividends for the year ended 31 December 2021 and 31 December 2022. As a result of the distribution of the First Special Dividend (Note 7), the conversion price was further adjusted from HK\$8.50 per share to HK \$8.35 per share with effect from 22 January 2024, and then to HK\$7.69 per share with effect from 28 June 2024 as a result of the declaration of the final dividends for the year ended 31 December 2023. On 15 June 2024, USD249,100,000 out of the USD250,000,000 Zero Coupon Bonds were redeemed by the Company in accordance with the terms and conditions. The remaining convertible bonds of USD900,000 will be redeemed on 15 June 2026 at 110.46 percent of its principal amount.



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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### 19. DEFERRED TAX

The movements in deferred tax liabilities and assets of the Group during the period 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	Lease	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross deferred tax assets at at 1 January 2024	389,874	1,104,403	97,301	2,919,028	1,213,776	182,031	29,139	155,146	127,977	6,218,675
(Charged)/credited to the statement of profit or loss during the period	(117,714)	(42,545)	40,561	24,352	(43,973)	(24,192)	-	16,714	48,217	(98,580)
Charged to reserve	-	-	-	-	-	-	(18,107)	-	-	(18,107)
Gross deferred tax assets at 30 June 2024 (Unaudited)	272,160	1,061,858	137,862	2,943,380	1,169,803	157,839	11,032	171,860	176,194	6,101,988

	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	Lease	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross deferred tax assets at 31 December 2022 (Audited)	614,819	1,083,884	102,733	2,736,123	1,351,592	67,847	25,903	-	148,564	6,131,465
Effect of adoption of amendments to HKAS 12 (Note 2.2(c))	-	-	-	-	-	-	-	82,372	-	82,372
Gross deferred tax assets at at 1 January 2023 (restated)	614,819	1,083,884	102,733	2,736,123	1,351,592	67,847	25,903	82,372	148,564	6,213,837
(Charged)/credited to the statement of profit or loss during the year	(224,945)	20,519	(5,432)	182,845	(137,816)	114,158	-	72,774	(20,587)	1,516
Charged to reserve	-	-	-	-	-	-	3,236	-	-	3,236
Exchange differences	-	-	-	60	-	26	-	-	-	86
Gross deferred tax assets at 31 December 2023	389,874	1,104,403	97,301	2,919,028	1,213,776	182,031	29,139	155,146	127,977	6,218,675

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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### 19. DEFERRED TAX (CONTINUED)

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

#### Deferred tax liabilities

	Asset revaluation	Fair value adjustments arising from financial assets at fair value through profit or loss	Withholding income tax	Lease	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross deferred tax liabilities at 1 January 2024	128,000	148,340	544,413	166,322	40,200	1,027,275
(Credited)/charged to the statement of profit or loss during the period	(7,315)	(16,373)	10,245	11,175	(6,296)	(8,564)
Gross deferred tax liabilities at 30 June 2024 (Unaudited)	120,685	131,967	554,658	177,497	33,904	1,018,711

	Asset revaluation	Fair value adjustments arising from financial assets at fair value through profit or loss	Withholding income tax	Lease	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross deferred tax liabilities at 31 December 2022 (Audited)	134,274	168,106	593,027	–	22,243	917,650
Effect of adoption of amendments to HKAS 12 (Note 2.2(c))	–	–	–	80,463	–	80,463
Gross deferred tax liabilities at 1 January 2023 (restated)	134,274	168,106	593,027	80,463	22,243	998,113
(Credited)/charged to the statement of profit or loss during the year	(6,274)	(19,766)	(48,614)	85,859	17,957	29,162
Gross deferred tax liabilities at 31 December 2023	128,000	148,340	544,413	166,322	40,200	1,027,275

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 19. DEFERRED TAX (CONTINUED)

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

	30 June 2024	31 December 2023
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	5,920,903	6,052,352
Net deferred tax liabilities recognised in the consolidated statement of financial position	837,626	860,952

As at 30 June 2024, the Group had tax losses arising in Hong Kong of RMB84,142,000 (31 December 2023: RMB84,142,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose and the Group had tax losses arising in Chinese Mainland of RMB541,825,000 (31 December 2023: RMB638,594,000) 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 30 June 2024, the Group did not recognise deferred tax assets arising in Chinese Mainland and Hong Kong in respect of unutilised tax losses of RMB3,089,373,000 (31 December 2023: RMB2,812,276,000) and RMB2,081,391,000 (31 December 2023: RMB1,925,425,000), respectively, due to uncertainty in their recoverability.

Pursuant to the resolution of the Company, part of the Chinese Mainland subsidiaries' profits generated from 2012 onwards will be retained by the Chinese Mainland 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. During the six months ended 30 June 2024, the Group charged withholding taxes of RMB10,245,000 (During the year ended 31 December 2023, the Group credited withholding taxes of RMB48,614,000), the aggregate amount of unrecognised deferred tax liabilities (i.e. withholding taxes relating to such temporary differences) was approximately RMB1,820,964,000 (31 December 2023: RMB1,820,964,000).

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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### 20. SHARE CAPITAL

	Number of shares	Amounts
		HK\$
Issued and fully paid ordinary shares:		
At 31 December 2023 (Audited) (Note (i))	4,315,135,866	16,431,771,000
At 30 June 2024 (Unaudited) (Note (i))	4,319,907,153	16,467,448,000

Notes:

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

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

	Number of shares in issue	Share capital	Share capital equivalent to
		HK\$'000	RMB'000
At 1 January 2024 and 31 December 2023	4,315,135,866	16,431,771	13,066,292
Share options exercised (Note (ii))	4,771,287	35,677	31,654
As at 30 June 2024 (Unaudited)	4,319,907,153	16,467,448	13,097,946

Notes:

- (ii) The subscription rights attaching to 3,505,761, 1,172,875 and 92,651 share options were exercised at the subscription prices of HK\$5.86, HK\$5.174 and HK\$6.378 per share, respectively, resulting in the issue of 4,771,287 shares for a total cash consideration, after expenses, of HK\$27,837,000. An amount of HK\$7,840,000 was transferred from the share option reserve to share capital upon the exercise of the share options.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 21. RESERVES

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

The Group's capital reserve represents the excess of the carrying amounts of capital and capital reserve of the subsidiaries acquired pursuant to the 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 the 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.

Special reserve mainly represents funds set aside for the purpose of certain safety production activities. Pursuant to certain regulations issued by the State Administration of Work Safety of the PRC and other relevant regulatory bodies, the subsidiaries, Shanghai Horizon Construction Engineering Equipment Co., Ltd. And 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.

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 Restricted Shares are vested.

#### Shares held for the share award scheme of HCD

The Board of HCD approved the adoption of the restricted share award scheme (the "2024 Restricted Share Award Scheme") on 12 March 2024. Subject to the approval of the Board of HCD, the number of restricted shares to be granted under the 2024 Restricted Share Award Scheme shall not exceed 3.5% of the total number of issued Shares of HCD as at the date of approval and adoption of the 2024 Restricted Share Award Scheme by the Board of HCD, namely 111,903,540 shares. The Board of HCD also approved the grant of not more than 55,951,770 restricted shares within the year of 2024 on 12 March 2024.

As of 30 June 2024, no shares had been granted or vested pursuant to the 2024 Restricted Share Award Scheme and therefore the total number of shares available for grant under the 2024 Restricted Share Award Scheme was 111,903,540 shares as of 12 March 2024 (the date of adoption of the 2024 Restricted Share Award Scheme) and 30 June 2024.

Pursuant to the rules of the 2024 Restricted Share Award Scheme, HCD set up two trusts, and each using a third-party company as the trustee (the "Trustees"). The restricted shares under the 2024 Restricted Share Award Scheme will be shares purchased in the secondary market by the Trustees out of HCD's own funds to the Trustees, and will be held in trusts on behalf of the grantees until such restricted shares are vested to the grantees in accordance with the 2024 Restricted Share Award Scheme.

The vesting of the Restricted Shares under the 2024 Restricted Share Award Scheme is mainly subject to the fulfilment of HCD's performance targets, as well as selected grantees remaining as an employee of HCD Group.

For the six months ended 30 June 2024, 3,335,000 ordinary shares of HCD have been repurchased at a price ranging from HKD1.78 to HKD2.00 per share. The total amount paid for the repurchase was approximately HKD6,459,000 (equivalent to RMB5,884,000). By 30 June 2024, no shares repurchased have been cancelled.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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### 22. PERPETUAL SECURITIES

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. The Perpetual Loans have been fully redeemed by 30 June 2024.

On 6 July 2022, Far Eastern Leasing completed the issuance of the Fifth Medium-term Notes (the “Medium-term Notes”) in an amount of RMB1,000,000,000 in the PRC. The basic term of the Medium – term notes will be 2 years (Under the terms of the issue, there is no maturity date for the Medium-term Notes until they are agreed to be redeemed, and the notes mature when redeemed by Far Eastern Leasing), with an initial distribution rate of 4.2% per annum.

Distributions of the Medium-term notes may be paid annually in arrears on 6 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 2 September 2022, Far Eastern Leasing completed the issuance of renewable corporate bonds (the “Renewable Bonds”) (Phase One) in an amount of RMB500,000,000 in the PRC. The basic term of the Renewable Corporate Bonds (Phase One) 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 4.20% per annum.

Distributions of the Renewable Bonds (Phase One) may be paid annually in arrears on 2 September 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.

In the opinion of the directors, the Group is able to control the distribution of cash or other financial assets to the holders of the Guaranteed Perpetual Securities, the Perpetual Loans and the Renewable Corporate Bonds other than an unforeseen liquidation of the Company.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 22. PERPETUAL SECURITIES (CONTINUED)

The direct transaction costs attributable to the Perpetual Loans, the Medium-term Notes, and the Renewable Bonds amounted to RMB64,000, RMB3,000,000 and RMB3,500,000, respectively.

For the six months ended 30 June 2024, the profits attributable to the holders of the Perpetual Loans, the Medium-term Notes and the Renewable Bonds (collectively the “Perpetual Securities”) based on the applicable distribution rates were RMB1,349,000 (six months ended 30 June 2023: RMB1,419,000), RMB20,202,000 (six months ended 30 June 2023: RMB28,913,000) and RMB9,839,000 (six months ended 30 June 2023: RMB10,199,000), respectively.

### 23. CONTINGENT LIABILITIES

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

	30 June 2024	31 December 2023
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Claimed amounts	22,216	11,345

On 20 June 2022, a subsidiary of the Company and a bank entered into a guarantee agreement, pursuant to which the subsidiary of the Company will provide a guarantee of no more than RMB1,000,000,000 for the outstanding loans provided by the bank to borrowers which are third parties to the Group. As at 30 June 2024, the balance of guaranteed bank loans was RMB661,011,100 (31 December 2023: RMB803,306,100). In the opinion of the directors of the Company, the amount of expected credit losses on the guaranteed bank loans is not expected to be significant.

### 24. PLEDGE OF ASSETS

Details of the Group’s pledged assets for the Group’s bank loans and other borrowings are included in Notes 9, 10, 14 and 17, to the interim condensed consolidated financial information.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 25. COMMITMENTS

#### (a) Capital commitments

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

	30 June 2024	31 December 2023
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Contracted, but not provided for:		
Capital expenditure for acquisition of property, plant and machinery	406,478	111,281

#### (b) Credit commitments

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

	30 June 2024	31 December 2023
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Irrevocable credit commitments	6,465,622	26,883,670

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



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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### 26. RELATED PARTY TRANSACTIONS

Relationship between the Group and its related parties:

**The ultimate holding company of a shareholder with significant influence**

Sinochem Group

**Subsidiaries of the ultimate holding company of a shareholder with significant influence**

Sinochem Finance Co., Ltd.

Beijing Chemsunny Property Co., Ltd.

Sinochem Jinmao Property Management (Beijing) Co., Ltd.

Shenyang Chemical Co., Ltd.

**Joint ventures of the ultimate holding company of a shareholder with significant influence**

Sinochem Environment Air Pollution Control Co., Ltd.

Luxi Industrial Equipment

**Joint ventures**

Guangzhou Kangda Industrial Technology Co., Ltd.

Kunming Broadhealthcare (Group) Co., Ltd.\*

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.

Ziyang Yuyi Construction Investment Co., Ltd.

Tianjin Shuishi Enterprise Management Co., Ltd.

**Associates**

Tianjin FIS Asset Management Co., Ltd.

Shanghai Yijia Construction Development Co., Ltd.

Hangzhou Guoya Stomatological Hospital Co., Ltd.

Guangzhou Wealth Healthy Electronics Co., Ltd.

\* Formerly known as Kunming Broadhealthcare Investment Co., Ltd.

\*\* Tian Jin Grand Flight Hooyoung Asset Management Co., Ltd. is the subsidiary of Grand Flight Investment Management Co., Ltd.

\*\*\* No longer a joint venture of the Group since November 2023

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 26. RELATED PARTY TRANSACTIONS (CONTINUED)

- a. In addition to the balances in Notes 10, 14, 16 and 17 to the interim condensed consolidated financial information, at the end of the reporting period, the Group had the following balances with its related parties:

- (i) Prepayments, other receivables and other assets

	30 June 2024	31 December 2023
	(Unaudited)	(Audited)
	RMB'000	RMB'000
<b>Due from related parties</b>		
Fengyang Qianmen Hospital Co., Ltd.	565	565
Shanghai Yijia Construction Development Co., Ltd.	3,223	2,010
Ziyang Yuyi Construction Investment Co., Ltd.	40,000	–
<b>Total</b>	<b>43,788</b>	<b>2,575</b>

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

- (ii) Other payables and accruals

	30 June 2024	31 December 2023
	(Unaudited)	(Audited)
	RMB'000	RMB'000
<b>Due to related parties</b>		
Tianjin FIS Asset Management Co., Ltd.	12,550	–
Tianjin Shuishi Enterprise Management Co., Ltd.	1,877	–
Shenyang Chemical Co., Ltd.	–	10,000
Fengyang Qianmen Hospital Co., Ltd.	268	268
Kunming Broadhealthcare (Group) Co., Ltd.	1	1
Grand Flight Investment Management Co., Ltd.	27,201	44,661
Tian Jin Grand Flight Hooyoung Asset Management Co., Ltd.	843	63
Shanghai Yijia Construction Development Co., Ltd.	100	150
Guangzhou Kangda Industrial Technology Co., Ltd.	30	30
Guangzhou Yimei Tiancheng Decoration Engineering Co., Ltd.	50	–
<b>Total</b>	<b>42,920</b>	<b>55,173</b>

Except for the amounts due to Tianjin FIS Asset Management Co., Ltd., Tianjin Shuishi Enterprise Management Co., Ltd., Fengyang Qianmen Hospital Co., Ltd., Kunming Broadhealthcare (Group) Co., Ltd., Guangzhou Kangda Industrial Technology Co., Ltd., Guangzhou Yimei Tiancheng Decoration Engineering Co., Ltd. and Grand Flight Investment Management Co., Ltd., Tian Jin Grand Flight Hooyoung Asset Management Co., Ltd., which bear interest at an interest rate of 1.485%, amounts due to other related parties are unsecured and non-interest-bearing.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 26. RELATED PARTY TRANSACTIONS (CONTINUED)

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

**(i) Interest income from cash at banks**

For the six months ended 30 June		
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Sinochem Finance Co., Ltd.	–	1

Interest rate was 0.55% per annum for the six months ended 30 June 2024 and 30 June 2023.

**(ii) Service fee income**

For the six months ended 30 June		
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Suzhou Gaoxin Rehabilitation Hospital Co., Ltd.	–	459

The service fees were charged based on prices mutually agreed between the parties.

**(iii) Equipment lease income**

For the six months ended 30 June		
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Luxi Industrial Equipment Co., Ltd.	6	–
Shanghai Yijia Construction Development Co., Ltd.	6	–
Sinochem Environment Air Pollution Control Co., Ltd.	3	–
Total	15	–

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 26. RELATED PARTY TRANSACTIONS (CONTINUED)

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

**(iv) Interest expenses on other payables**

For the six months ended 30 June		
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Grand Flight Investment Management Co., Ltd.	241	228
Tian Jin Grand Flight Hooyoung Asset Management Co., Ltd.	16	1
Tianjin FIS Asset Management Co., Ltd.	54	–
Tianjin Shuishi Enterprise Management Co., Ltd.	7	–
Suzhou Gaoxin Rehabilitation Hospital Co., Ltd.	–	35
Guangzhou Yimei Tiancheng Decoration Engineering Co., Ltd.	–	1
Total	318	265

The interest expenses were charged at a rate of 1.485% per annum (31 December 2023: 1.485%).

**(v) Rental as a lessee**

For the six months ended 30 June		
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Beijing Chemsunny Property Co., Ltd.	–	800
Sinochem Jinmao Property Management (Beijing) Co., Ltd.	–	47
Total	–	847

These rentals were charged based on rates mutually agreed between the parties.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 26. RELATED PARTY TRANSACTIONS (CONTINUED)

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

**(vi) Interest income from loans and accounts receivables**

	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Guangzhou Kangda Industrial Technology Co., Ltd.	4,292	4,785
Kunming Broadhealthcare (Group) Co., Ltd.	–	950
Suzhou Gaoxin Rehabilitation Hospital Co., Ltd.	–	3,016
Hangzhou Guoya Stomatological Hospital Co., Ltd.	52	385
Shenyang Chemical Co., Ltd.	28	1,138
Guangzhou Wealth Healthy Electronics Co., Ltd.	–	306
Ziyang Yuyi Construction Investment Co., Ltd.	–	3,094
Total	4,372	13,674

**(vii) Administrative fee**

	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Grand Flight Investment Management Co., Ltd.	–	22,200

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 26. RELATED PARTY TRANSACTIONS (CONTINUED)

#### c. Compensation of key management personnel of the Group

For the six months ended 30 June		
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Employee benefits	67,820	75,837

The above employee benefits have not taken into consideration the employees' potential entitlement under the collective economic-gain bonus schemes (Note 5) during the six months ended 30 June 2024 and 2023.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 27. FINANCIAL INSTRUMENTS BY CATEGORY

	As of 30 June 2024	As of 31 December 2023
	(Unaudited)	(Audited)
	RMB'000	RMB'000
<b>Financial assets as per the statement of financial position</b>		
<b>Financial assets at amortised cost:</b>		
Loans and accounts receivables	266,853,918	270,766,843
Financial assets included in prepayments, other receivables and other assets	1,879,170	2,566,041
Restricted deposits	2,863,605	3,149,062
Cash and cash equivalents	22,945,585	18,852,540
<b>Financial assets at fair value through profit or loss:</b>		
Financial assets at fair value through profit or loss	16,397,499	8,841,595
Derivative financial instruments not designated as hedging instruments	–	12,657
<b>Financial assets at fair value through other comprehensive income:</b>		
Debt investments at fair value through other comprehensive income	191,414	372,228
<b>Hedging instruments designated in cash flow hedges:</b>		
Derivative financial instruments designated as hedging instruments in cash flow hedges	1,803,897	2,121,325
<b>Total</b>	<b>312,935,088</b>	<b>306,682,291</b>

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 27. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	As of 30 June 2024	As of 31 December 2023
	(Unaudited)	(Audited)
	RMB'000	RMB'000
<b>Financial liabilities as per the statement of financial position</b>		
<b>Financial liabilities at amortised cost:</b>		
Trade and bills payables	10,274,429	9,509,889
Financial liabilities included in other payables and accruals	18,057,787	17,118,372
Interest-bearing bank and other borrowings	262,829,075	251,829,193
Convertible bonds – host debts	2,035,193	3,806,952
Lease liabilities	1,032,579	987,645
<b>Financial liabilities at fair value through profit or loss:</b>		
Other non-current liabilities	1,498,122	1,557,793
<b>Hedging instruments designated in cash flow hedges:</b>		
Derivative financial instruments designated as hedging instruments in cash flow hedges	240,978	215,481
<b>Total</b>	<b>295,968,163</b>	<b>285,025,325</b>



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 28. FAIR VALUE HIERARCHY

#### **Financial instruments not measured at fair value**

Financial assets and liabilities not presented at fair value on the statement of financial position mainly represent cash and cash equivalents, restricted deposits, loans and accounts receivables, financial assets included in deposits, 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 instruments as far as practicable:

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

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

#### **Loans and accounts receivables, interest-bearing bank and other borrowings except for bonds issued, 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.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 28. FAIR VALUE HIERARCHY (CONTINUED)

#### Financial instruments not measured at fair value (continued)

##### 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	
	30 June 2024 (Unaudited)	31 December 2023 (Audited)	30 June 2024 (Unaudited)	31 December 2023 (Audited)
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Financial liabilities</b>				
Bonds issued	67,771,305	73,724,739	68,721,279	76,176,598
Convertible bonds – host debts	2,035,193	3,806,952	2,073,186	3,995,778

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

The fair values of the non-current portion of financial assets included in prepayments, deposits and other receivables and the 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 INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 28. FAIR VALUE HIERARCHY (CONTINUED)

#### Financial instruments measured at fair value

##### Non-deliverable cross-currency swaps and interest rate swaps

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

##### 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 30 June 2024 and 31 December 2023:

Description	Fair value at 30 June 2024	Valuation technique	Unobservable input	Relationship of unobservable inputs to fair value
RMB'000				
Financial investments at fair value through profit or loss	11,433,557	Market comparable model/Adjusted recent transaction price/ Discounted cash flow	Discount for lack of marketability ("DLOM")/Volatility/ Discount rate	The higher the DLOM, the lower the fair value/ The higher the volatility, the higher the fair value/ The higher the discount rate, the lower the fair value
Other non-current liabilities	(1,498,122)	Market comparable model/Adjusted recent transaction price	Discount for lack of marketability ("DLOM")/Volatility	The higher the DLOM, the higher the fair value/ The higher the volatility, the lower the fair value

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 28. FAIR VALUE HIERARCHY (CONTINUED)

#### Financial instruments measured at fair value (continued)

#### Financial assets at fair value through profit or loss (Continued)

Description	Fair value at 31 December 2023	Valuation technique	Unobservable input	Relationship of unobservable inputs to fair value
RMB'000				
Financial investments at fair value through profit or loss	3,753,048	Market comparable model/Adjusted recent transaction price	Discount for lack of market ability ("DLOM")/Volatility	The higher the DLOM, the lower the fair value/ The higher the volatility, the higher the fair value
Other non-current liabilities	(1,557,793)	Market comparable model/Adjusted recent transaction price	Discount for lack of market ability ("DLOM")/Volatility	The higher the DLOM, the higher the fair value/ The higher the volatility, the lower 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 INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 28. FAIR VALUE HIERARCHY (CONTINUED)

#### Assets and liabilities measured at fair value

As at 30 June 2024

	Level 1 Quoted prices in active markets	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
Cross-currency interest rate swaps – assets	–	1,750,805	–	1,750,805
Forward currency contracts – assets	–	38,745	–	38,745
Interest rate swaps – assets	–	14,347	–	14,347
Cross-currency interest rate swaps – liabilities	–	(195,215)	–	(195,215)
Forward currency contracts – liabilities	–	(1,159)	–	(1,159)
Interest rate swaps – liabilities	–	(44,604)	–	(44,604)
Financial assets at fair value through profit or loss	381,898	4,582,044	11,433,557	16,397,499
Debt investments at fair value through other comprehensive income	–	191,414	–	191,414
Other non-current liabilities	–	–	(1,498,122)	(1,498,122)

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 28. FAIR VALUE HIERARCHY (CONTINUED)

#### Assets and liabilities measured at fair value (continued)

As at 31 December 2023

	Level 1 Quoted prices in active markets (Audited)	Level 2 Significant observable inputs (Audited)	Level 3 Significant unobservable inputs (Audited)	Total (Audited)
	RMB'000	RMB'000	RMB'000	RMB'000
Cross-currency interest rate swaps – assets	–	2,096,691	–	2,096,691
Forward currency contracts – assets	–	3,555	–	3,555
Interest rate swaps – assets	–	21,078	–	21,078
Cross-currency interest rate swaps – liabilities	–	(152,731)	–	(152,731)
Interest rate swaps – liabilities	–	(62,750)	–	(62,750)
Financial assets at fair value through profit or loss	486,910	4,601,637	3,753,048	8,841,595
Debt investments at fair value through other comprehensive income	–	372,228	–	372,228
Other non-current liabilities	–	–	(1,557,793)	(1,557,793)

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 28. FAIR VALUE HIERARCHY (CONTINUED)

#### Assets and liabilities measured at fair value (continued)

The movements in fair value measurements within Level 3 during the period are as follows:

	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Financial assets at fair value through profit or loss		
Carrying amount at 1 January	3,753,048	4,031,831
Changes in fair value recognised in profit or loss	325,919	(57,883)
Additions	8,554,131	74,761
Disposals	(1,202,480)	(392,861)
Transfers to Level 1*	–	(49,000)
Exchange differences	2,939	1,497
Carrying amount at 30 June	11,433,557	3,608,345

\* During the six months ended 30 June 2024, no financial instruments were transferred from Level 3 to Level 1 (six months ended 30 June 2023: The Group transferred certain financial instruments from Level 3 to Level 1 of the fair value hierarchy due to the fact that fair value determination had changed from fair value measurement using significant unobservable inputs to quoted prices in active markets).

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 28. FAIR VALUE HIERARCHY (CONTINUED)

#### Liabilities for which fair values are disclosed

As at 30 June 2024

	Level 1 Quoted prices in active markets	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
Bonds issued	–	68,721,279	–	68,721,279
Convertible bonds – host debts	–	2,073,186	–	2,073,186

As at 31 December 2023

	Level 1 Quoted prices in active markets	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
	(Audited)	(Audited)	(Audited)	(Audited)
	RMB'000	RMB'000	RMB'000	RMB'000
Bonds issued	–	76,176,598	–	76,176,598
Convertible bonds – host debts	–	3,995,778	–	3,995,778

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 for both financial assets and financial liabilities (six months ended 30 June 2023: Nil).



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 29. EVENTS AFTER THE REPORTING PERIOD

The conversion price of the USD290 million 2.5 percent Bonds was adjusted from HK\$5.96 per share to HK\$5.72 per share and the conversion price of the USD900,000 Zero Coupon Bonds was adjusted from HK\$7.69 per share to HK\$7.38 per share with effect from 5 July 2024 as a result of the declaration of the “Second Special Dividend” on 28 June 2024.

The Group has fully redeemed the perpetual securities of the Medium-term Notes of RMB1 billion on 6 July 2024, and announced on 16 July 2024 to fully redeem the Renewable Bonds (Phase One) of RMB0.5 billion on 2 September 2024.

### 30. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information is approved and authorised for issue by the Board on 9 August 2024.



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