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遠東宏信有限公司
FAR EAST HORIZON LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 3360)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

The board of directors (the “**Board**”) of Far East Horizon Limited (the “**Company**”) hereby announces the unaudited interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2023, together with the comparative figures for the six months ended 30 June 2022. This announcement, containing the full text of the 2023 interim report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in relation to information to accompany preliminary announcement of interim results.

By Order of the Board
Far East Horizon Limited
KONG Fanxing

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 9 August 2023

As at the date of this announcement, the executive directors of the Company are Mr. KONG Fanxing (Chairman), Mr. WANG Mingzhe and Mr. CAO Jian, the non-executive directors of the Company are Mr. CHEN Shumin, Ms. WEI Mengmeng, Mr. LIU Haifeng David, Mr. KUO Ming-Jian and Mr. John LAW, and the independent non-executive directors of the Company are Mr. HAN Xiaojing, Mr. LIU Jialin, Mr. YIP Wai Ming and Mr. WONG Ka Fai Jimmy.

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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)
(appointed on 24 February 2023)*

Non-Executive Directors

Mr. NING Gaoning
*(former non-executive Director,
resigned on 24 February 2023)*

Mr. YANG Lin
*(former non-executive Director,
resigned on 24 February 2023)*

Mr. CHEN Shumin
*(Vice Chairman)
(appointed on 24 February 2023)*

Ms. WEI Mengmeng
(appointed on 24 February 2023)

Mr. LIU Haifeng David

Mr. KUO Ming-Jian

Mr. John LAW

Independent Non-executive Directors

Mr. CAI Cunqiang
*(former independent non-executive
Director, resigned on 7 June 2023)*

Mr. HAN Xiaojing

Mr. LIU Jialin

Mr. YIP Wai Ming

Mr. WONG Ka Fai Jimmy
(appointed on 7 June 2023)

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
(appointed on 7 June 2023)

Mr. CAI Cunqiang
*(former member, resigned on
7 June 2023)*

Environmental, Social and Governance Committee

Mr. WONG Ka Fai Jimmy
(Chairman, appointed on 7 June 2023)

Mr. HAN Xiaojing

Mr. John LAW

Mr. CAI Cunqiang
*(former Chairman, resigned
on 7 June 2023)*

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

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.



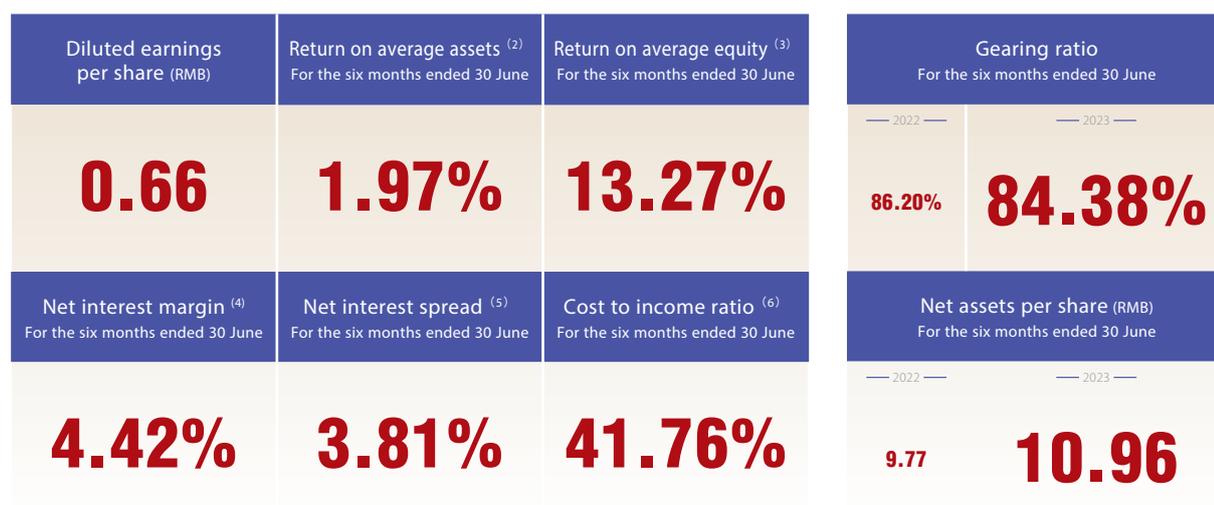
OFFICE LAYOUT NATIONWIDE



Business Overview

For the six months ended 30 June

2023



Business Overview

| | For the six months ended 30 June | | For the year ended 31 December | | |
|--|-------------------------------------|-------------|-----------------------------------|--------------|--------------|
| | 2023 | 2022 | 2022 | 2021 | 2020 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Operating results | | | | | |
| Total revenue | 18,361,807 | 17,715,854 | 36,585,722 | 33,643,923 | 29,041,801 |
| Financial services (interest income) | 11,084,837 | 10,517,904 | 21,677,501 | 19,168,370 | 16,521,643 |
| Advisory services (fee income) | 472,509 | 1,078,481 | 1,822,575 | 3,178,894 | 3,836,492 |
| Revenue from industrial operation | 6,890,244 | 6,197,942 | 13,232,942 | 11,434,721 | 8,811,129 |
| Tax and surcharges | (85,783) | (78,473) | (147,296) | (138,062) | (127,463) |
| Cost of sales | (9,909,226) | (8,808,716) | (18,127,725) | (16,431,419) | (14,076,166) |
| Borrowing costs | (5,008,769) | (4,425,675) | (9,007,594) | (8,937,086) | (8,069,641) |
| Costs for industrial operation | (4,900,457) | (4,383,041) | (9,120,131) | (7,494,333) | (6,006,525) |
| Pre-provision operation profit ⁽¹⁾ | 5,282,515 | 5,543,280 | 12,438,003 | 13,143,618 | 11,248,938 |
| Profit before tax | 4,990,390 | 4,559,280 | 10,318,605 | 10,013,298 | 7,507,546 |
| Profit for the period/year attributable to holders of ordinary shares of the Company | 3,070,724 | 2,838,309 | 6,128,954 | 5,512,245 | 4,575,751 |
| Basic earnings per share (RMB) | 0.73 | 0.68 | 1.46 | 1.36 | 1.20 |
| Diluted earnings per share (RMB) | 0.66 | 0.61 | 1.33 | 1.25 | 1.16 |
| Profitability indicators | | | | | |
| Return on average assets ⁽²⁾ | 1.97% | 1.80% | 1.93% | 1.96% | 1.80% |
| Return on average equity ⁽³⁾ | 13.27% | 13.58% | 14.13% | 14.57% | 14.24% |
| Net interest margin ⁽⁴⁾ | 4.42% | 4.49% | 4.67% | 4.06% | 3.83% |
| Net interest spread ⁽⁵⁾ | 3.81% | 3.75% | 3.94% | 3.21% | 2.85% |
| Cost to income ratio ⁽⁶⁾ | 41.76% | 44.70% | 36.79% | 35.29% | 33.88% |

Business Overview

| | 30 June 2023 | 30 June 2022 | 31 December 2022 | 31 December 2021 | 31 December 2020 |
|--|-------------------------|-----------------|---------------------|---------------------|---------------------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Assets and liabilities | | | | | |
| Total assets | 361,362,852 | 358,485,563 | 346,995,497 | 335,880,288 | 299,926,788 |
| Net interest-earning assets | 278,786,745 | 284,076,759 | 270,600,890 | 258,378,834 | 235,414,093 |
| Total liabilities | 304,900,349 | 309,020,789 | 294,554,075 | 282,826,178 | 254,659,655 |
| Interest-bearing bank and other borrowings | 268,197,588 | 261,870,494 | 251,327,480 | 230,200,742 | 205,216,155 |
| Gearing ratio | 84.38% | 86.20% | 84.89% | 84.20% | 84.91% |
| Total equity | 56,462,503 | 49,464,774 | 52,441,422 | 53,054,110 | 45,267,133 |
| Equity attributable to holders of ordinary shares of the Company | 47,327,470 | 42,180,697 | 45,248,875 | 41,522,550 | 34,119,452 |
| Net assets per share (RMB) | 10.96 | 9.77 | 10.49 | 9.63 | 8.58 |

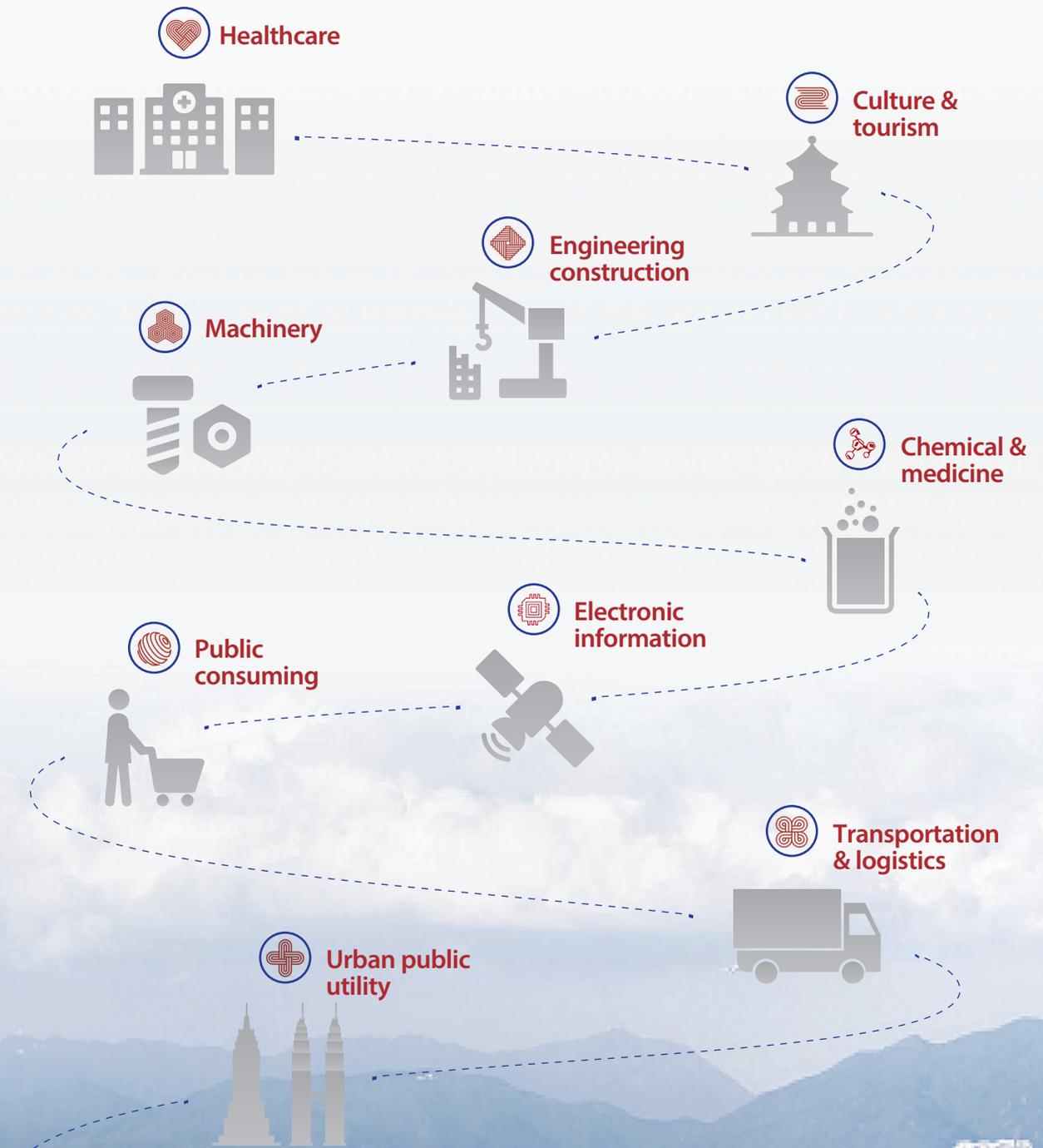
Business Overview

| | 30 June 2023 | 30 June 2022 | 31 December 2022 | 31 December 2021 | 31 December 2020 |
|--|-------------------------|-----------------|---------------------|---------------------|---------------------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Duration matching of assets and liabilities | | | | | |
| Financial assets | 315,071,697 | 311,859,390 | 300,812,935 | 288,725,308 | 259,849,382 |
| Financial liabilities | 300,482,502 | 300,257,277 | 285,798,663 | 270,661,557 | 241,556,177 |
| Quality of interest-earning assets | | | | | |
| Non-performing asset ratio ⁽⁷⁾ | 1.05% | 1.06% | 1.05% | 1.06% | 1.10% |
| Provision coverage ratio ⁽⁸⁾ | 234.87% | 236.30% | 239.97% | 241.75% | 252.20% |
| Write-off of non-performing assets ratio ⁽⁹⁾ | 21.10% | 18.18% | 50.14% | 40.32% | 52.92% |
| Overdue interest-earning assets (over 30 days) ratio ⁽¹⁰⁾ | 0.91% | 0.92% | 0.91% | 0.94% | 0.99% |

Business Overview

Notes:

- (1) Pre-provision operating profit = profit before tax + provision for assets;
- (2) Return on average assets = profit for the year or the period/average balance of assets at the beginning and end of the period, presented on an annualized basis;
- (3) Return on average equity = profit for the year or the period attributable to holders of ordinary shares of the Company/average balance of equity attributable to holders of ordinary shares of the Company at the beginning and end of the period, presented on an annualized basis;
- (4) Net interest margin = net interest income/average balance of interest-earning assets, presented on an annualized basis;
- (5) Net interest spread = average yield of interest-earning assets – average cost rate of interest-bearing liabilities, presented on an annualized basis;
- (6) Cost to income ratio = selling and administrative expense/gross profit;
- (7) Non-performing asset ratio = net non-performing assets/net interest-earning assets;
- (8) Provision coverage ratio = provision for interest-earning assets/net non-performing assets;
- (9) Write-off of non-performing assets ratio = written-off and disposal of non-performing assets/non-performing assets at the end of the previous period;
- (10) Overdue interest-earning assets (over 30 days) ratio = overdue interest-earning assets (over 30 days)/net interest-earning assets;
- (11) Pursuant to the relevant requirement of amendments to HKAS 12 – Income Taxes, the Group adjusted the total equity at the beginning of 2023 and equity attributable to holders of ordinary shares of the Company by RMB1,909,000, and adjusted the profit for the year/period in 2022 and the first half of 2022 by RMB2,520,000 and RMB3,936,000;
- (12) In April 2021, certain investors entered into an equity purchase agreement with Horizon Construction Development, a subsidiary of the Group, to subscribe for a total of 6,651 shares at a total consideration of approximately US\$205 million. As these investors were granted redemption rights and other special rights, the aforementioned total consideration was presented as “liabilities” in the consolidated statement of financial position of the Group for prior year. After the listing of Horizon Construction Development on the main board of the Stock Exchange in May 2023, these rights no longer exist, and the Group presented the aforementioned total consideration as “equity”.



MANAGEMENT DISCUSSION AND ANALYSIS

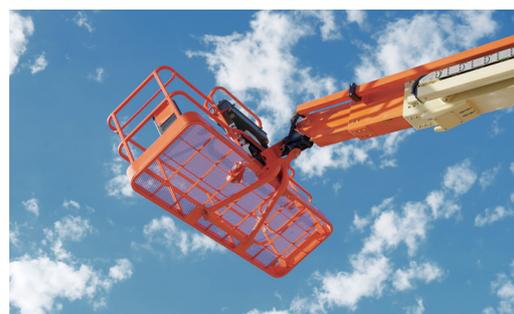
1. ECONOMY ENVIRONMENT

1.1 Macro-economy

In the first half of 2023, China's gross domestic product (GDP) was RMB59.30 trillion on a constant price basis, representing a year-on-year increase of 5.5%. On industry level, the added value of the primary industry was RMB3.04 trillion, a year-on-year increase of 3.7%; the added value of the secondary industry was RMB23.07 trillion, a year-on-year increase of 4.3%; and the added value of the tertiary industry was RMB33.19 trillion, a year-on-year increase of 6.4%. On a quarterly basis, GDP recorded year-on-year growth of 4.5% and 6.3% in the first quarter and second quarter, respectively.

On the demand side, in respect of export in the first half of the year, total import and export of goods amounted to RMB20.10 trillion, representing a year-on-year increase of 2.1%. Among which, export of goods amounted to RMB11.46 trillion, representing a year-on-year increase of 3.7%; and import of goods amounted to RMB8.64 trillion, representing a year-on-year decrease of 0.1%. The trade surplus was RMB2.82 trillion after offsetting the export against the import. In respect of consumption, the total sales of social consumer goods amounted to RMB22.76 trillion, up by 8.2% year on year. Among which, the sales of urban consumer goods amounted to RMB19.75 trillion, up by 8.1% year on year; and the sales of rural consumer goods amounted to RMB3.01 trillion, up by 8.4% year on year. In respect of investment, the investment in fixed assets (excluding rural households) amounted to RMB24.31 trillion, up by 3.8% compared to last year. Among which, infrastructure investment grew by 7.2% year on year; investment in manufacture sector grew by 6.0% year on year; and investment in real estate development dropped by 7.9% year on year.

On the supply side, in the first half of 2023, the added value of the industrial industry above a designated size increased by 3.8% over the previous year. Among which, the added value of the mining industry increased by 1.7% year on year; the added value of the manufacturing industry increased by 4.2% year on year; the added value of the electricity, heat, gas and water production and supply industries increased by 4.1% year on year; and the added value of the equipment manufacturing industry increased by 6.5% year on year. In the first half of the year, the added value of the service industry increased by 6.4% over the previous year. Among which, the added value of hospitality and catering industry, information transmission, software and information technology services, rental and commercial services, financial industry and wholesale and retail industry increased by 15.5%, 12.9%, 10.1%, 7.3% and 6.6% year on year, respectively.



MANAGEMENT DISCUSSION AND ANALYSIS

In respect of fiscal policy, in the first half of 2023, the national general public budget expense was RMB13.39 trillion, increased by 3.9% as compared to last year. The increase was mainly driven by the increase in expenses for social security and employment support, healthcare and education, which grew by 7.9%, 6.9% and 5.0% year on year, respectively. The national general public budget revenue was RMB11.92 trillion, increased by 13.3% as compared to last year. Among which, tax revenue amounted to RMB9.97 trillion, increased by 16.5% as compared to last year, which was mainly attributable to the higher credit refund and the lower base in the corresponding period of last year. Non-tax revenue amounted to RMB1.95 trillion, decreased by 0.6% as compared to last year.

In respect of monetary policy, in the first half of 2023, the balance of the broad measure of money supply (M2) increased by 11.3% year on year, while the outstanding social financing increased by 9.0% year on year. In March 2023, the People's Bank of China lowered the reserve requirement ratio by 0.25 percentage point. In June 2023, the People's Bank of China lowered the 7-day reverse repurchase rate, medium-term lending facility rate and 1-year and 5-year loan prime rate by 0.1 percentage point, 0.1 percentage point and 0.1 percentage point, respectively. While lowering the 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

The economy was recovering. However, the internal momentum remained sluggish with low demand. In the first half of 2023, the added value of the industrial industry above a designated size increased by 3.8% over the previous year. In terms of industrial categories, the added values of 26 industries out of 41 major industries maintained year-on-year growth. In terms of product categories, the production volume of 331 products out of 620 products recorded year-on-year growth.

From the perspective of various industry sectors served by the Group, in respect of urban public utility, urban upgrades and renewal created stable industrial demands. In the first half of 2023, the investments in fixed assets for water conservancy and environment and public facilities grew by 3.0% and 2.1%, respectively, which generally remained stable. In respect of engineering construction, infrastructure investments supported economic growth and boosted the continuous industry growth. In the first half of 2023, the investment in fixed assets for infrastructure construction grew by 7.2%, which was significantly higher than the growth in overall investment in fixed assets of 3.8%. In respect of culture and tourism, the tourism consumption has obviously recovered. In the first half of 2023, the total number of tourists visiting China was 2.384 billion, up by 929 million or 63.9% as compared to last year. The box office revenue in China grew by over 50% as compared to last year, while catering revenue grew by 21.4% as compared to last year. In respect of healthcare, in the first half of 2023, China's per capita healthcare expenditure amounted to RMB1,421, grew by 17.1% as compared to the corresponding period of last year. In respect of transportation and logistics, the passenger flow has significantly rebounded, while goods transportation remained stable. In the first half of 2023, China's operating passenger volume increased by 56.3% year on year, while the total value of goods carried by the logistics sector increased by 4.8% year on year. In respect of chemical and medicine, the high-end development in energy and chemical industry went smoothly. In the first half of 2023, the added value of chemical raw material and chemical product manufacturing industry grew by 7.4% as compared to last year.

MANAGEMENT DISCUSSION AND ANALYSIS

In respect of electronic information, the consumer electronics industry was relatively weak, but green energy electronics still developed rapidly and was full of opportunities. In the first half of 2023, new photovoltaic power generation installed capacity amounted to 78.42GW, up by 154% as compared to last year. In respect of machinery, the materials and machinery industries declined, and the automobile industry was basically stable, but the new energy vehicle market was booming. In the first half of 2023, automobile production increased by 6% as compared to last year, including an increase of the new energy vehicle production by 35% as compared to last year. In respect of public consuming, the food and beverage industries, which were highly related to people's livelihood, still grew steadily. In the first half of 2023, the added value of the food manufacturing industry grew by 2.7% as compared to last year.

Source: National Bureau of Statistics of China, General Administration of Customs

1.3 Leasing Industry

According to the China Financial Leasing Industry Development Report for the First Half of 2023 (《2023 年上半年中國融資租賃業發展報告》), as of the first half of 2023, there were approximately 9,540 financial leasing enterprises in China, representing a decrease of 300 from 9,840 as at the end of last year. The balance of financial leasing contracts in China amounted to approximately RMB5.77 trillion, representing a decrease of approximately RMB84.0 billion or 1.44% as compared to RMB5.85 trillion as at the end of 2022.

In the first half of 2023, the National Administration of Financial Regulation was formed on the basis of the former China Banking and Insurance Regulatory Commission. China's financial regulatory system has shifted from the mode of "one bank + two committees" to a new mode of "one bureau + one bank + one committee". Under the backdrop of the national financial regulatory system reform, the regulation on leasing industry continued to tighten. The financial supervision bureaus of various cities continued to refine industry regulatory administrative rules, and strengthened the standardization and management of financial leasing industry. With the gradual refinement of regulations, the operating environment of the industry will become more standardized, transparent and compliant. Industry-focused and leading financial leasing enterprises will secure a good and stable space for development and continue to contribute to the high-quality and sustainable development of the real economy.

Source: China Leasing Union (中國租賃聯盟)

MANAGEMENT DISCUSSION AND ANALYSIS

1.4 Company's Solutions

In the first half of 2023, as the foundation of economic recovery remained insecure, the economy presented a weak recovery. In the face of challenges, the Group has always maintained its strategic determination, taking “Integrating global resources and promoting industry development” as its fundamental mission, closely combining the direction of economic and industrial transformation and upgrading, and constantly enriching the methods and enhancing service value through market-oriented, international and professional services.

In terms of financial business, adhering to its self-expectation of “stable operation and risks under control” as always, the Group adjusted its strategies as needed and constantly strengthened its alignment with the environment. In traditional finance, we fully leveraged our professional industry insights, and continued to tap prosperous segments according to the industry cycle. In terms of customers, we kept strengthening our implementation ability and improving the accuracy and conversion rate of marketing in line with the potential capital needs of customers. In terms of products, we explored four major scenarios, namely, major infrastructure projects, supply chain, stock-bond linkage, and domestic and overseas businesses, and strengthened the cooperation between internal business and external resources. In terms of new business directions, we insisted on continuous iteration and enhanced collaboration. In particular, our inclusive finance business continued to focus on target customers and kept polishing unique business models of Far East. Horizon Construction Development Investment constantly explored business opportunities arising from major infrastructure projects, and its installed capacity of new energy kept growing. Our asset business fully upgraded its business model with a focus on asset investment business, and accelerated the growth of its investment ability. The Group participated in a number of bond underwriting transactions overseas, and a collaborative management system at home and abroad has taken shape.

In terms of industrial operations, Horizon Construction Development and Horizon Healthcare gave full play to their own advantages, strived to overcome difficulties and achieved steady operation. 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.

On 25 May 2023, Horizon Construction Development was officially listed on the Main Board of the Hong Kong Stock Exchange, becoming the first independent industrial platform of the Group to land in the international capital market. In view of the severe external environment, Horizon Construction Development forge ahead amid difficulties and firmly implemented its established strategies, striving to achieve high-quality and sustainable growth. In terms of operation, on the one hand, it strengthened domestic marketing efforts, constantly optimized its network layout, and further increased the network density in first-and second-tier cities. As of June 2023, the number of outlets reached 415, covering nearly 200 cities in mainland China. On the other hand, it actively expanded to the overseas markets, and successfully opened stores in overseas regions by the end of June, which steadily promoted overseas sales. At present, there are 4 outlets in overseas region, covering Hong Kong of China, Malaysia and Indonesia. In terms of management, it constantly strengthened the application of digital tools and technological means to optimize warehouse layout, supplies allocation and asset allocation, improved internal operational efficiency, and achieved comprehensive and high-quality development. As of June 2023, Horizon Construction Development continued to rank the 14th place among the top 100 lessors in the world.

MANAGEMENT DISCUSSION AND ANALYSIS

For Horizon Healthcare, as the pandemic lockdown came to an end in the first half of the year, the unleashing of demand for medical services accelerated. Horizon Healthcare took this opportunity to enter the new stage of business strategy and capital strategy. In terms of business strategy, it continued to improve the service level of special disciplines such as orthopedics, kidney disease, rehabilitation and cancer in the basic medical field in order to create a regional differentiated discipline layout. In terms of consumer medical segment, it accelerated the replication and expansion of consumer medical disciplines such as medical aesthetics, dentistry and ophthalmology in order to fully seize the opportunity of consumption recovery. At the same time, it piloted healthcare shopping malls and other business initiatives to tap the long tail effect of hospital traffic, which achieved the overall rapid growth in the number of patients and inpatients in the first half of the year. In terms of capital strategy, Horizon Healthcare specified its capitalization plan, comprehensively upgraded its member hospitals based on the standards for capitalization, actively disposed of hospitals with poor management or deficient management, and completed the screening of several high-quality M&A targets. Facing the future, with the mission of “good medical care not far away”, Horizon Healthcare will continue to base itself on the county market, fully meet the needs of counties for special disciplines, consumer medical care and healthcare services, and build the largest county healthcare service platform in China. Meanwhile, relying on its advantageous medical resources and professional capabilities, Horizon Healthcare actively promoted strategic exploration and implementation in the fields of rehabilitation and elderly care, medical management and consultation, as well as medical technology. As of June 2023, the number of hospitals in which Horizon Healthcare had controlling interests was 29, and the actual number of beds available was approximately 11,000.

In terms of resource guarantee, on the one hand, the Company continued to expand financing channels, and successfully issued the first free trade zone offshore bond (pearl bond) of the financial leasing industry in the first half of the year, with a term of 3 years and a size of RMB600 million, which was listed on the ChongWa (Macao) Financial Asset Exchange Co., Ltd. On the other hand, the Company actively responded to the policies and strengthened cooperation with financial institutions in inclusive finance and other sustainable development areas. Through product innovation and joint launch, we allocated more resources to small and micro enterprises, and issued our first small-and-micro enterprise high-quality development ABS and our first sustainable-development-linked corporate bonds, which were highly recognized by the market and investors.

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 2023, in reliance upon China's real economy, the Group continued to adhere to the operational philosophy of "finance + industry", and achieved stable growth in overall results in spite of the complicated and ever-changing macro environment. The profit attributable to holders of ordinary shares of the Company during the period was RMB3,070,724,000, representing an increase of 8.19% as compared to the corresponding period of the previous year. The following table sets forth the comparative figures for the six months ended 30 June 2022.

| | For the six months ended 30 June | | |
|---|----------------------------------|-------------|----------|
| | 2023 | 2022 | |
| | RMB'000 | RMB'000 | Change % |
| Revenue | 18,361,807 | 17,715,854 | 3.65% |
| Cost of sales | (9,909,226) | (8,808,716) | 12.49% |
| Gross profit | 8,452,581 | 8,907,138 | -5.10% |
| Other income/gains ⁽¹⁾ | 688,125 | 1,253,664 | -45.11% |
| Selling and administrative expenses | (3,529,882) | (3,981,355) | -11.34% |
| Other expenses and losses ⁽¹⁾ | (47,269) | (250,178) | -81.11% |
| Finance costs | (532,069) | (557,143) | -4.50% |
| Gains and loss on investment in joint ventures/associates | 251,029 | 171,154 | 46.67% |
| Pre-provision operating profit | 5,282,515 | 5,543,280 | -4.70% |
| Provision for assets | (292,125) | (984,000) | -70.31% |
| Profit before tax | 4,990,390 | 4,559,280 | 9.46% |
| Income tax expense | (1,501,331) | (1,435,424) | 4.59% |
| Profit for the period | 3,489,059 | 3,123,856 | 11.69% |
| Attributable to: | | | |
| Holders of ordinary shares of the Company | 3,070,724 | 2,838,309 | 8.19% |
| Holders of perpetual securities | 64,935 | 139,525 | -53.46% |
| Non-controlling interests | 353,400 | 146,022 | 142.02% |

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Note:

- (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".

2.2 Revenue

In the first half of 2023, the Group realized revenue of RMB18,361,807,000, representing an increase of 3.65% from RMB17,715,854,000 of the corresponding period of the previous year. In the first half of 2023, income (before taxes and surcharges) of the financial and advisory segment was RMB11,557,346,000, accounting for 62.65% of the total income (before taxes and surcharges) and representing a decrease of 0.34% as compared to the corresponding period of the previous year. The Group also continued to develop the industrial operation business with income derived from industrial operation growing by 11.17% as compared to the corresponding period of the previous year.

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

| | For the six months ended 30 June | | | | |
|--------------------------------------|----------------------------------|------------|------------|------------|----------|
| | 2023 | | 2022 | | Change % |
| | RMB'000 | % of total | RMB'000 | % of total | |
| Financial and advisory segment | 11,557,346 | 62.65% | 11,596,385 | 65.17% | -0.34% |
| Financial services (interest income) | 11,084,837 | 60.09% | 10,517,904 | 59.11% | 5.39% |
| Advisory services (fee income) | 472,509 | 2.56% | 1,078,481 | 6.06% | -56.19% |
| Industrial operation segment | 6,890,244 | 37.35% | 6,197,942 | 34.83% | 11.17% |
| Total | 18,447,590 | 100.00% | 17,794,327 | 100.00% | 3.67% |
| Taxes and surcharges | (85,783) | | (78,473) | | 9.32% |
| Income (after taxes and surcharges) | 18,361,807 | | 17,715,854 | | 3.65% |

In the first half of 2023, the Group realized revenue of RMB18,361,807,000, representing an increase of 3.65% from RMB17,715,854,000 of the corresponding period of the previous year. The financial and advisory segment remained stable overall. Structurally, financial services maintained growth, while advisory services recorded decline. The industrial operation segment continued to record rapid growth.

MANAGEMENT DISCUSSION AND ANALYSIS

Income (before taxes and surcharges) of the financial and advisory segment was RMB11,557,346,000, accounting for 62.65% of the total income (before taxes and surcharges). In particular, interest income contribution from inclusive finance, commercial factoring, infrastructure investment, overseas business, asset business and other new business directions amounted to RMB1,294 million, representing a year-on-year increase of 9.09%. Income derived from advisory services decreased by 56.19% 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.

The income of the industrial operation segment sustained continuous growth. The industrial operation segment, which comprises of Horizon Construction Development, Horizon Healthcare and others, realized a total income of RMB6,890 million, representing an increase of 11.17% over the corresponding period of the previous year. Of which, Horizon Construction Development realized an income of RMB4,206 million, representing an increase of 17.97% over the corresponding period of the previous year; Horizon Healthcare realized an income of RMB2,290 million, representing an increase of 16.16% over the corresponding period of the previous year.

In the first half of 2023, the Group's income from non-leasing business accounted for 46.93% of the total income (before taxes and surcharges), which remained stable as compared with 47.56% of the corresponding period of the previous year. In particular, interest income contribution from inclusive finance, commercial factoring, infrastructure investment, overseas business, asset business and other new business directions accounted for 7.02% (first half of 2022: 6.67%) of the total income; income from the industrial operation segment accounted for 37.35% (first half of 2022: 34.83%) of the total income.

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2.2.1 Financial Services (Interest Income)

The interest income (before taxes and surcharges) from the financial and advisory segment of the Group increased by 5.39% from RMB10,517,904,000 for the first half of 2022 to RMB11,084,837,000 for the first half of 2023, accounting for 60.09% of the Group's total revenue (before taxes and surcharges).

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

| | For the six months ended 30 June | | | | | |
|-------------------------|----------------------------------|--------------------------------|------------------------------|--------------------------------|--------------------------------|------------------------------|
| | 2023 | | | 2022 | | |
| | Average balance ⁽¹⁾ | Interest income ⁽²⁾ | Average yield ⁽³⁾ | Average balance ⁽¹⁾ | Interest income ⁽²⁾ | Average yield ⁽³⁾ |
| | RMB'000 | RMB'000 | % | RMB'000 | RMB'000 | % |
| Interest-earning assets | 274,693,818 | 11,084,837 | 8.07% | 271,227,797 | 10,517,904 | 7.76% |

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 2023, the average balance of the Group's interest-earning assets of inclusive finance, commercial factoring, infrastructure investment, overseas business, asset business and other new business directions amounted to RMB28,950,567,000, which was basically stable as compared with the average balance of interest-earning assets of RMB29,000,805,000 as at the end of 2022; and interest income amounted to RMB1,294,432,000, representing an increase of 9% as compared with the interest income of RMB1,186,596,000 in the first half of 2022. The average yield maintained stable growth.

Analysis according to average balance of interest-earning assets

The average balance of interest-earning assets of the Group increased by 1.28% from RMB271,227,797,000 as at the end of 2022 to RMB274,693,818,000 for the first half of 2023. 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 services and products that met personalized needs of customers, maintaining the steady growth in the average balance of the asset scale of the Company's financial services business.

MANAGEMENT DISCUSSION AND ANALYSIS

Analysis according to average yield

In the first half of 2023, the average yield of the Group was 8.07%, representing 0.31 percentage point higher than 7.76% in the corresponding period of last year, which was mainly due to the combination of the following: (i) in the first half of 2023, the Group maintained a stable customer base coverage strategy, responded to customer needs in a timely manner, and maintained stable pricing; (ii) the Group enhanced the promotion of comprehensive financial services such as inclusive finance, commercial factoring, infrastructure investment, overseas business and asset business, and maintained a higher return pricing.

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

| For the six months ended 30 June | | | | |
|----------------------------------|------------|------------|------------|------------|
| | 2023 | | 2022 | |
| | RMB'000 | % of total | RMB'000 | % of total |
| Northeast China | 477,316 | 4.31% | 512,690 | 4.87% |
| Northern China | 1,254,360 | 11.32% | 1,047,382 | 9.96% |
| Eastern China | 4,159,013 | 37.52% | 3,656,166 | 34.76% |
| Southern China | 769,289 | 6.94% | 883,001 | 8.40% |
| Central China | 1,864,261 | 16.82% | 1,831,554 | 17.41% |
| Northwest China | 769,438 | 6.94% | 682,109 | 6.49% |
| Southwest China | 1,791,160 | 16.15% | 1,905,002 | 18.11% |
| Total | 11,084,837 | 100.00% | 10,517,904 | 100.00% |

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2.2.2 Advisory Services (Fee Income)

In the first half of 2023, service charge income (before taxes and surcharges) from financial and advisory segment of the Group decreased by 56.19% from RMB1,078,481,000 for the first half of 2022 to RMB472,509,000 for the first half of 2023, accounting for 2.56% 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.

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

| For the six months ended 30 June | | | | |
|----------------------------------|---------|------------|-----------|------------|
| | 2023 | | 2022 | |
| | RMB'000 | % of total | RMB'000 | % of total |
| Northeast China | 13,015 | 2.75% | 26,037 | 2.41% |
| Northern China | 20,685 | 4.38% | 113,486 | 10.52% |
| Eastern China | 321,160 | 67.97% | 452,283 | 41.94% |
| Southern China | 28,518 | 6.04% | 102,963 | 9.55% |
| Central China | 36,757 | 7.78% | 207,644 | 19.25% |
| Northwest China | 10,933 | 2.31% | 66,956 | 6.21% |
| Southwest China | 41,441 | 8.77% | 109,112 | 10.12% |
| Total | 472,509 | 100.00% | 1,078,481 | 100.00% |

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2.2.3 Revenue from Industrial Operation Segment

Revenue from industrial operation segment of the Group, before taxes and surcharges, increased by RMB692,302,000 from RMB6,197,942,000 for the first half of 2022 to RMB6,890,244,000 for the first half of 2023, accounting for 37.35% of the total revenue of the Group (before taxes and surcharges).

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

| | For the six months ended 30 June | | | | |
|---|----------------------------------|----------------|-----------|------------|----------|
| | 2023 | | 2022 | | Change % |
| | RMB'000 | % of total | RMB'000 | % of total | |
| Revenue from industrial operation segment | 6,890,244 | 100.00% | 6,197,942 | 100.00% | 11.17% |
| Including: | | | | | |
| Revenue from equipment operation ⁽¹⁾ | 4,205,971 | 61.04% | 3,565,169 | 57.52% | 17.97% |
| Revenue from hospital operation ⁽²⁾ | 2,289,900 | 33.23% | 1,971,250 | 31.80% | 16.16% |

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.

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2.3 Cost of Sales

In the first half of 2023, cost of sales of the Group increased by 12.49% from RMB8,808,716,000 in the corresponding period of the previous year to RMB9,909,226,000, of which the cost of the financial and advisory segment was RMB5,008,769,000, accounting for 50.55% of the total cost and representing an increase of 13.18% from RMB4,425,675,000 in the corresponding period of the previous year, mainly due to the increase in the size of debt financing as the size of interest-earning assets grew, as well as the increase in cost of overseas financing and domestic debt issuance caused the increase in the interest expenditure of the financial and advisory segment. The cost of the industrial operation segment was RMB4,900,457,000, accounting for 49.45% of the total costs and representing an increase of 11.80% from RMB4,383,041,000 in the corresponding period of the previous year. In particular, Horizon Construction Development continued to achieve large-scale output by expanding its nationwide operating network and improving its professional operating capabilities, resulting in faster growth in cost of sales of operation with operating costs amounting to RMB2,769,819,000, representing an increase of 26.22% over the corresponding period of the previous year. With the termination of pandemic control measures, the demands for healthcare services rapidly unleashed. Horizon Healthcare, by grasping the opportunities arose, accelerated the strategic upgrade and transformation. Hence, operating income and operating costs grew rapidly, with operating costs of RMB1,861,060,000 incurred, representing an increase of 11.97% over 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 segments during the indicated periods.

| | For the six months ended 30 June | | | | |
|--|----------------------------------|------------|-----------|------------|----------|
| | 2023 | | 2022 | | Change % |
| | RMB'000 | % of total | RMB'000 | % of total | |
| Cost of the finance and advisory segment | 5,008,769 | 50.55% | 4,425,675 | 50.24% | 13.18% |
| Cost of the industrial operation segment | 4,900,457 | 49.45% | 4,383,041 | 49.76% | 11.80% |
| Cost of sales | 9,909,226 | 100.00% | 8,808,716 | 100.00% | 12.49% |

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2.3.1 Cost of the Financial and Advisory Segment

The cost of sales of the financial and advisory segment of the Group comprised solely of the relevant interest expenses of the interest-bearing bank and other financing of the Group. The following table sets forth the average balance of the interest-bearing liabilities of the Group, the interest expense of the Group and the average cost rate of the Group in the indicated periods.

| For the six months ended 30 June | | | | | | |
|----------------------------------|--------------------------------|------------------|----------------------------------|--------------------------------|------------------|----------------------------------|
| | 2023 | | | 2022 | | |
| | Average balance ⁽¹⁾ | Interest expense | Average cost rate ⁽²⁾ | Average balance ⁽¹⁾ | Interest expense | Average cost rate ⁽²⁾ |
| | RMB'000 | RMB'000 | | RMB'000 | RMB'000 | |
| Interest-bearing liabilities | 234,901,881 | 5,008,769 | 4.26% | 220,568,374 | 4,425,675 | 4.01% |

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 increased by RMB583,094,000 from RMB4,425,675,000 for the first half of 2022 to RMB5,008,769,000 for the first half of 2023. The average cost rate of the Group increased to 4.26% for the first half of 2023 as compared to that for the first half of 2022, mainly due to:

(i) the principle of 2022 monetary policy continued in the first half of 2023, and domestic financing costs basically remained stable. New domestic bank withdrawals caused an average cost rate to increase by 0.02% as compared to the first half of 2022; (ii) interest rate hikes in overseas markets continued, and new overseas bank withdrawals caused an average cost rate to increase by 0.03% as compared to the first half of 2022; (iii) the Group completed the issuance of various products such as corporate bonds, medium-term notes, super-short financial bonds and asset securitization in the first half of 2023, resulting in increase in average cost rate of 0.11% as compared to the first half of 2022; (iv) the increase in stock cost. The increase in overseas financing costs and domestic debt issuance costs in the second half of 2022 caused an average cost rate to increase by 0.09% as compared to the first half of 2022.

In the first half of 2023, under the “finance + industry” strategy, the Group stepped up its efforts to promote the financial services of its serving industries and connect various financial resources in all directions, thus effectively secure the operational development of the Company. Our major measures are as follows: (i) deepen the cooperation with the mainstream domestic banks and non-bank institutions to further enhance the depth and breadth of cooperation; (ii) pay close attention to the international market, strengthen the communication with rating agencies and investors, and extend the cooperation in overseas financial markets; (iii) continue to explore new channels and products, thereby further enhancing and enriching its financing structure.

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2.3.2 Cost of the Industrial Operation Segment

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

| For the six months ended 30 June | | | | | |
|--|------------------|----------------|-----------|------------|----------|
| | 2023 | | 2022 | | Change % |
| | RMB'000 | % of total | RMB'000 | % of total | |
| Cost of the industrial operation segment | 4,900,457 | 100.00% | 4,383,041 | 100.00% | 11.80% |
| Of which: | | | | | |
| Cost of equipment operation ⁽¹⁾ | 2,769,819 | 56.52% | 2,194,490 | 50.07% | 26.22% |
| Cost of hospital operation ⁽²⁾ | 1,861,060 | 37.98% | 1,662,130 | 37.92% | 11.97% |

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.

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2.4 Gross Profit

The gross profit of the Group for the first half of 2023 decreased by RMB454,557,000 or 5.10% to RMB8,452,581,000 from RMB8,907,138,000 in the corresponding period of the previous year. For the first half of 2023 and the first half of 2022, the gross profit margin of the Group was 46.03% and 50.28% 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 a change in net interest income and the level of net interest margin. For this period, the interest income growth rate was lower than the interest expense growth rate. The following table sets forth the interest income, interest expense, net interest income, net interest spread and net interest margin of the Group during the periods indicated.

| | For the six months ended 30 June | | |
|------------------------------------|----------------------------------|------------|----------|
| | 2023 | 2022 | Change % |
| | RMB'000 | RMB'000 | |
| Interest income ⁽¹⁾ | 11,084,837 | 10,517,904 | 5.39% |
| Interest expense ⁽²⁾ | 5,008,769 | 4,425,675 | 13.18% |
| Net interest income | 6,076,068 | 6,092,229 | -0.27% |
| Net interest spread ⁽³⁾ | 3.81% | 3.75% | 0.06% |
| Net interest margin ⁽⁴⁾ | 4.42% | 4.49% | -0.07% |

Notes:

- (1) Interest income refers to the interest income of the financial services of the Group.
- (2) Interest expense refers to the borrowing cost of the financial services 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.

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Net interest spread of the Group for the first half of 2023 was 3.81%, increased by 6 basis points as compared to the corresponding period of the previous year primarily due to the increase of 25 basis points in respect of the average cost rate on interest-bearing liabilities of the Group and the increase of 31 basis points in the average yield on interest-earning assets of the Group at the same time. 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 2023, the net interest income of the Group decreased by 0.27% as compared to the corresponding period of the previous year. At the same time, the average balance on interest-earning assets of the Group increased by 1.28% year on year. As a result, the net interest margin of the Group decreased by 7 basis points to 4.42% for the first half of 2023 as compared with 4.49% for the first half of 2022.

2.4.2 Gross Profit of the Industrial Operation Segment

| | For the six months ended 30 June | | | | |
|--|----------------------------------|----------------|-----------|------------|----------|
| | 2023 | | 2022 | | Change % |
| | RMB'000 | % of total | RMB'000 | % of total | |
| Gross profit of the industrial operation segment | 1,989,787 | 100.00% | 1,814,901 | 100.00% | 9.64% |
| Of which: | | | | | |
| Gross profit of equipment operation ⁽¹⁾ | 1,436,152 | 72.18% | 1,370,679 | 75.52% | 4.78% |
| Gross profit of hospital operation ⁽²⁾ | 428,840 | 21.55% | 309,120 | 17.03% | 38.73% |

Notes:

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

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

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2.5 Other Income/Gains

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

| For the six months ended 30 June | | | |
|---|----------------|------------------|----------------|
| | 2023 | 2022 | |
| | RMB'000 | RMB'000 | Change % |
| Income from the holdings of off-balance-sheet assets ⁽¹⁾ | 185,651 | 824,484 | -77.48% |
| Bank interest income | 119,181 | 101,430 | 17.50% |
| Gains from structured financial products | 8,162 | 54,349 | -84.98% |
| Government grants ⁽²⁾ | 104,852 | 88,087 | 19.03% |
| Equity and debt investment income ⁽³⁾ | 149,350 | – | – |
| Other income ⁽⁴⁾ | 120,929 | 185,314 | -34.74% |
| Total | 688,125 | 1,253,664 | -45.12% |

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, corporate development subsidies, and tax refund of Horizon Construction Development of approximately RMB80 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. Net loss from equity and debt investment amounted to RMB66,162,000 in the first half of 2022, which was reclassified to other expenses and losses.
- (4) The Group's other income for the period mainly consisted of gains from disposal of investment in subsidiaries of RMB80 million.

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2.6 Selling and Administrative Expenses

Selling and administrative expenses of the Group for the first half of 2023 were RMB3,529,882,000, representing a decrease of RMB451,473,000 or 11.34% from the corresponding period of the previous year. The decrease in selling and administrative expenses was mainly due to the increase in marketing efficiency and control over marketing costs by the Group, and the positive effect on saving some marketing expenses by the lifting of epidemic control measures as well as at the same time.

Cost to income ratio of the Group in the first half of 2023 was 41.76%, which decreased as compared with 44.70% in the corresponding period of the previous year.

2.7 Other Expenses and Losses

Other expenses and losses of the Group in the first half of 2023 amounted to RMB47,269,000, representing a decrease of 81.11% as compared with RMB250,178,000 in the corresponding period of the previous year. Among which, foreign exchange loss and net loss from equity and debt investment decreased by RMB120,342,000 and RMB66,162,000, respectively, from the corresponding period of the previous year.

2.8 Finance Costs

Finance costs of the Group in the first half of 2023 amounted to RMB532,069,000, representing a decrease of 4.50% as compared to RMB557,143,000 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 in the first half of 2023 amounted to RMB5,282,515,000, representing a decrease of RMB260,765,000 or 4.70% as compared to the corresponding period of the previous year. Pre-provision operating profit decreased mainly due to: (i) a decrease of the gross profit of the financial and advisory segment of RMB16,161,000 or 0.27% due to the higher costs of overseas financing and domestic debt issuance, and a decrease of the income from the holdings of off-balance-sheet assets of RMB638,833,000 or 77.48% as compared to the corresponding period of the previous year; and (ii) an increase of pre-provision operating profit of RMB271,320,000 or 55.85% as compared to the corresponding period of the previous year due to the higher profitability of the industry operation segment, 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 industrial operating scale and the improvement in internal operating efficiency, the pre-provision operation profit of the Group will show a steady growing trend.

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2.10 Provision for Assets

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

| For the six months ended 30 June | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|
| | 2023 | | 2022 | | |
| | RMB'000 | % of total | RMB'000 | % of total | Change % |
| Provision for interest-earning assets | 680,205 | 232.86% | 957,427 | 97.30% | -28.95% |
| Provision for accounts receivable ⁽¹⁾ | 133,523 | 45.71% | 81,723 | 8.31% | 63.38% |
| Provision for other receivables ⁽¹⁾ | 85,854 | 29.39% | 19,584 | 1.99% | 338.39% |
| Provision for fixed assets ⁽²⁾ | (549,832) | -188.22% | (46,442) | -4.72% | 1,083.91% |
| Provision for credit commitments ⁽³⁾ | (49,795) | -17.06% | (28,292) | -2.88% | 76.00% |
| Other provision | (7,830) | -2.68% | – | – | – |
| Total | 292,125 | 100.00% | 984,000 | 100.00% | -70.31% |

Notes:

- (1) Provision for accounts receivable and other receivables is mainly the expected credit loss of the relevant receivables made by the Group for equipment operation and hospital operation.
- (2) Provision for fixed assets is mainly the impairment provisions made by the Group for the vessel assets and fixed asset of subsidiaries in the industrial operation segment it owns. As the lockdowns due to the pandemic came to an end, the release of the demand for medical services accelerated. The reason for impairment of the fixed assets of some hospitals of the Group was removed. As a result, the provisions made in previous years of RMB270 million were reversed for the first half of 2023.
- (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 2023 was RMB1,501,331,000, representing an increase of RMB65,907,000 or 4.59% from the corresponding period of the previous year, mainly due to an increase in the operating profit of the Group during the relevant period.

Effective income tax rate of the Group in the first half of 2023 was 30.1%, which slightly decreased as compared to the corresponding period of the previous year. The following table sets forth a breakdown of particulars of the income tax rate of the Group for the periods indicated:

| For the six months ended 30 June | | | |
|---|--------------|--------------|--------------|
| | 2023 | 2022 | Change % |
| Domestic statutory tax rate | 25.0% | 25.0% | – |
| Cross-border business withholding income tax ⁽¹⁾ | 0.9% | 1.2% | -0.3% |
| Others | 4.2% | 5.2% | -1.0% |
| Total | 30.1% | 31.4% | -1.3% |

Note:

(1) The decrease in effects of cross-border business withholding income tax was due to the increase of the operating profit of the Group.

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

Based on the above discussion and analysis, profit for the period attributable to holders of ordinary shares of the Company was RMB3,070,724,000, representing an increase of RMB232,415,000 or 8.19% 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 RMB0.73, representing an increase of RMB0.05 or 7.35% from the corresponding period of the previous year.

| For the six months ended 30 June | | | |
|---|---------------|---------------|----------|
| | 2023 | 2022 | Change % |
| Profit for the period attributable to holders of ordinary shares of the Company (RMB'000) | 3,070,724 | 2,838,309 | 8.19% |
| Weighted average number of ordinary shares outstanding during the period (share) | 4,187,416,901 | 4,184,273,603 | 0.08% |
| Basic earnings per share (RMB) | 0.73 | 0.68 | 7.35% |

As a result of the increase in the number of ordinary shares of the Company, the increase in the Group's basic earnings per share for the first half of 2023 as compared to the corresponding period of the previous year was slightly lower than the increase in profit for the period.

It is expected that the Group will maintain stable growth 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 2023, the total assets of the Group increased by RMB14,367,355,000 or 4.14% from the end of the previous year to RMB361,362,852,000. Net interest-earning assets increased by RMB8,185,855,000 or 3.03% from the end of the previous year to RMB278,786,745,000.

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

| | 30 June 2023 | | 31 December 2022 | | Change % |
|---|--------------------|----------------|--------------------|----------------|--------------|
| | RMB'000 | % of total | RMB'000 | % of total | |
| Loans and accounts receivable | 276,744,255 | 76.59% | 267,138,233 | 76.99% | 3.60% |
| Of which: interest-earning assets | 268,311,200 | 74.25% | 259,842,608 | 74.88% | 3.26% |
| Cash and cash equivalents | 21,382,384 | 5.92% | 15,903,843 | 4.58% | 34.45% |
| Restricted deposits | 2,432,427 | 0.67% | 3,227,451 | 0.93% | -24.63% |
| Holding of asset-backed securities/notes | 611,479 | 0.17% | 890,572 | 0.26% | -31.34% |
| Assets with continuing involvement | 611,479 | 0.17% | 890,572 | 0.26% | -31.34% |
| Prepayment and other accounts receivable | 3,368,930 | 0.93% | 3,773,769 | 1.09% | -10.73% |
| Deferred tax assets | 6,331,517 | 1.75% | 6,118,290 | 1.76% | 3.49% |
| Property, plant and equipment | 24,434,794 | 6.76% | 24,965,863 | 7.19% | -2.13% |
| Investment in joint ventures/associates | 9,003,560 | 2.49% | 8,576,718 | 2.47% | 4.98% |
| Financial assets at fair value through profit or loss | 8,508,238 | 2.35% | 9,358,106 | 2.70% | -9.08% |
| Of which: interest-earning assets | 3,596,678 | 1.00% | 3,963,870 | 1.14% | -9.26% |
| Financial assets at fair value through other comprehensive income | 1,590,313 | 0.44% | 1,182,401 | 0.34% | 34.50% |
| Derivative financial instruments | 3,175,363 | 0.88% | 1,853,302 | 0.53% | 71.34% |
| Inventories | 446,929 | 0.12% | 466,282 | 0.13% | -4.15% |
| Contract assets | 381,366 | 0.11% | 304,295 | 0.09% | 25.33% |
| Goodwill | 268,495 | 0.07% | 270,512 | 0.08% | -0.75% |
| Right-of-use assets | 1,867,598 | 0.52% | 1,873,637 | 0.54% | -0.32% |
| Investment property | 111,563 | 0.03% | 115,682 | 0.03% | -3.56% |
| Other assets | 92,162 | 0.03% | 85,969 | 0.03% | 7.20% |
| Total assets | 361,362,852 | 100.00% | 346,995,497 | 100.00% | 4.14% |

MANAGEMENT DISCUSSION AND ANALYSIS

3.2 Interest-Earning Assets

The main component of the Group's assets was interest-earning assets, which accounted for 75.25% of the Group's total assets as at 30 June 2023. In the first half of 2023, the Group dynamically adjusted the promotion policies of each industry sector in accordance with the environment and industry patterns. While cultivating the market in depth, it also strengthened risk management and control in a prudent manner, and strengthened the risk identification of sub-sectors and customer qualifications. Under the premise of asset safety, the Group steadily promoted the expansion of financial business to maintain steady growth for its interest-earning assets.

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

| | 30 June 2023 | | 31 December 2022 | | Change % |
|---|--------------|------------|------------------|------------|----------|
| | RMB'000 | % of total | RMB'000 | % of total | |
| Net interest-earning assets | | | | | |
| Included in loans and accounts receivable | 275,145,103 | 98.69% | 266,528,182 | 98.49% | 3.23% |
| Included in financial assets at fair value through profit or loss | 3,641,642 | 1.31% | 4,072,708 | 1.51% | -10.58% |
| Total net interest-earning assets | 278,786,745 | 100.00% | 270,600,890 | 100.00% | 3.03% |
| Provision for loans and accounts receivables | (6,833,903) | | (6,685,574) | | 2.22% |
| Provision for financial assets at fair value through profit or loss | (44,964) | | (108,838) | | -58.69% |
| Less: total provision for interest-earning assets | (6,878,867) | | (6,794,412) | | 1.24% |
| Net interest-earning assets | 271,907,878 | | 263,806,478 | | 3.07% |

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 2023 | | 31 December 2022 | | Change % |
|--------------------------------------|--------------------|----------------|------------------|------------|----------|
| | RMB'000 | % of total | RMB'000 | % of total | |
| Net interest-earning assets included | | | | | |
| in loans and accounts receivable | 268,311,200 | 96.96% | 259,842,608 | 97.27% | 3.26% |
| Others ⁽¹⁾ | 8,433,055 | 3.04% | 7,295,625 | 2.73% | 15.59% |
| Net loans and accounts receivable | 276,744,255 | 100.00% | 267,138,233 | 100.00% | 3.60% |

Note:

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

MANAGEMENT DISCUSSION AND ANALYSIS

3.2.2 Net Interest-earning Assets by Industry

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

| | 30 June 2023 | | 31 December 2022 | | Change % |
|----------------------------|--------------|------------|------------------|------------|----------|
| | RMB'000 | % of total | RMB'000 | % of total | |
| Healthcare | 23,243,534 | 8.34% | 24,624,357 | 9.10% | -5.61% |
| Culture & tourism | 25,992,941 | 9.32% | 21,768,589 | 8.04% | 19.41% |
| Engineering construction | 36,286,254 | 13.02% | 24,124,626 | 8.91% | 50.41% |
| Machinery | 14,057,660 | 5.04% | 14,401,112 | 5.32% | -2.38% |
| Chemical & medicine | 9,472,497 | 3.40% | 8,458,224 | 3.13% | 11.99% |
| Electronic information | 8,242,709 | 2.96% | 8,026,987 | 2.97% | 2.69% |
| Public consuming | 16,892,917 | 6.06% | 16,606,146 | 6.14% | 1.73% |
| Transportation & logistics | 18,786,643 | 6.74% | 14,677,124 | 5.42% | 28.00% |
| Urban public utility | 125,811,590 | 45.12% | 137,913,725 | 50.97% | -8.78% |
| Total | 278,786,745 | 100.00% | 270,600,890 | 100.00% | 3.03% |

Notes:

- (1) Interest-earning assets for engineering construction, transportation & logistics, culture & tourism, chemical & medicine, electronic information and public consuming among the target industries of the Group maintained growth in the first half of 2023, 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 2023, 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 2023, the net interest-earning assets of the Group's new business directions, including inclusive finance, commercial factoring, infrastructure investment, overseas business and asset business, amounted to RMB28,880 million, which basically remained stable as compared to RMB29,021 million as at 31 December 2022.

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 2023 | | 31 December 2022 | |
|-----------------|--------------|------------|------------------|------------|
| | RMB'000 | % of total | RMB'000 | % of total |
| Northeast China | 9,442,259 | 3.39% | 10,114,849 | 3.74% |
| Northern China | 28,857,955 | 10.35% | 27,618,435 | 10.21% |
| Eastern China | 112,070,968 | 40.19% | 102,488,841 | 37.87% |
| Southern China | 17,947,238 | 6.44% | 20,818,372 | 7.69% |
| Central China | 44,765,465 | 16.06% | 42,885,880 | 15.85% |
| Northwest China | 19,814,902 | 7.11% | 19,423,066 | 7.18% |
| Southwest China | 45,887,958 | 16.46% | 47,251,447 | 17.46% |
| Total | 278,786,745 | 100.00% | 270,600,890 | 100.00% |

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

| | 30 June 2023 | | 31 December 2022 | |
|-----------------|--------------|------------|------------------|------------|
| | RMB'000 | % of total | RMB'000 | % of total |
| Northeast China | 2,082,858 | 1.66% | 2,681,229 | 1.94% |
| Northern China | 12,144,942 | 9.65% | 12,141,846 | 8.80% |
| Eastern China | 50,476,423 | 40.12% | 53,874,515 | 39.06% |
| Southern China | 6,470,358 | 5.14% | 8,660,499 | 6.28% |
| Central China | 20,341,042 | 16.17% | 23,547,040 | 17.07% |
| Northwest China | 8,949,058 | 7.11% | 9,308,669 | 6.75% |
| Southwest China | 25,346,909 | 20.15% | 27,699,927 | 20.10% |
| Total | 125,811,590 | 100.00% | 137,913,725 | 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 2023 | | 31 December 2022 | | Change % |
|-----------------------------|--------------------|----------------|------------------|------------|----------|
| | RMB'000 | % of total | RMB'000 | % of total | |
| Net interest-earning assets | | | | | |
| Within 1 year | 148,632,325 | 53.32% | 154,412,882 | 57.06% | -3.74% |
| 1 to 2 years | 75,720,711 | 27.16% | 73,686,819 | 27.23% | 2.76% |
| 2 to 3 years | 32,128,764 | 11.52% | 26,925,616 | 9.95% | 19.32% |
| 3 years and beyond | 22,304,945 | 8.00% | 15,575,573 | 5.76% | 43.20% |
| Total | 278,786,745 | 100.00% | 270,600,890 | 100.00% | 3.03% |

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 2023, net interest-earning assets within one year as set out in the table above represented 53.32% of net interest-earning assets of the Group, which basically remained stable as compared to the end of the previous year, indicating that the Group still maintained steady growth capacity of interest-earning assets.

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3.2.5 Maturity Profile of Net Interest-earning Assets

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

| Maturity date | 30 June 2023 | | 31 December 2022 | | Change % |
|--------------------|--------------------|----------------|------------------|------------|----------|
| | RMB'000 | % of total | RMB'000 | % of total | |
| Within 1 year | 155,130,140 | 55.64% | 147,195,388 | 54.40% | 5.39% |
| 1 to 2 years | 74,685,583 | 26.79% | 73,614,882 | 27.20% | 1.45% |
| 2 to 3 years | 34,673,688 | 12.44% | 32,881,314 | 12.15% | 5.45% |
| 3 years and beyond | 14,297,334 | 5.13% | 16,909,306 | 6.25% | -15.45% |
| Total | 278,786,745 | 100.00% | 270,600,890 | 100.00% | 3.03% |

Net interest-earning assets due within one year represent net interest-earning assets which the Group will receive within one year of the reporting date indicated. As of 30 June 2023, net interest-earning assets due within one year as set forth in the table above represented 55.64% of the Group's net interest-earning assets as of each of the respective dates, which remained stable as compared to the end of the previous year. This indicated that the maturity of the Group's net interest-earning assets was widely spread and could provide the Group with consistent and sustainable cash inflows that facilitated the matching of our liabilities.

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 the first half of 2023, in view of the change in economic environment and the intensified market competition, asset security faced certain challenges and risks. The slowdown in economic growth and the financial market fluctuation around the world also brought uncertainties and risks to the global economy. In response to problems such as huge economic volatility, rising unemployment rate, weakening solvency of enterprises and innovations and changes brought about by emerging technologies, the Group constantly improved and adjusted its management and operation approaches to adapt to the ever-changing environment, and effectively managed and controlled the risks through sound risk management system, forward-looking early warning system and excellent professional disposal team. During the reporting period, the Group's asset security remained stable and reliable, and was not significantly affected by the complex and uncertain internal and external environment. The overall asset quality showed a stable trend.

A management system across the whole chain to improve the efficiency of asset management and strengthen the disposal capacity against risks

In the first half of 2023, the Group established a sound asset management system, which provided a strong system guarantee for rapid elimination of distressed assets. First of all, the Group strengthened monitoring as to market and industry risks. It paid close attention to market and industry risks, and established a more sensitive and timely risk monitoring mechanism. Through cooperation with industry experts and regulatory agencies, it can keep abreast of potential risk factors and formulate corresponding risk management strategies to respond to the ever-changing market environment. Secondly, the Group improved risk identification ability. It further improved the risk monitoring model to identify the early signs of non-performing assets in a more accurate manner, and simulated different market scenarios and economic environments by using advanced data analysis technology and risk assessment tools, so as to better evaluate the level of asset risk and stress tolerance, and take appropriate measures to rectify and eliminate potential risks. Finally, the Group optimized asset disposal strategies and procedures by specifying the objectives, timetable, methods and recovery value expectations of asset disposals, classified customers, and formulated clear disposal strategies and procedures. By optimizing the asset disposal process, the Group can dispose of distressed assets more efficiently and maximize the recovery value.

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Forward-looking intelligent early warning to ensure efficient pre-screening and targeted prevention on time

The Group attaches great importance to the technology and data application of assets to ensure asset security and future value. The Group upgraded the corporate risk prediction model intelligent system, and introduced big data artificial intelligence algorithm. Based on experts' experience, the Group used machine learning technology, and developed macro, meso and micro features with reference to internal and external data so as to comprehensively evaluate corporate liquidity risk. The model effectively identified risky enterprises, and realized early warning one to three months in advance. In order to further improve the risk prevention system, the Group integrated online risk prediction model and offline manual verification, and made full use of the efficiency of intelligent system and the accuracy of manual verification through man-machine co-management to ensure early warning and timely elimination of risks. The all-round tight risk prevention system fully guaranteed asset security.

A full-cycle training system to build a professional disposal team and ensure asset security

In terms of asset disposal capacity, the Group established a risk management team equipped with professional knowledge and skills, which is responsible for monitoring and evaluating various risks and putting forward corresponding risk control suggestions and strategies. With a nationwide network, the Group ensured the "three-hour arrival circle" for customers, and the asset management model with front-mid-back office classification, and checks and balances. Meanwhile, the Group implemented a training system covering the whole life cycle for the team, and fostered the team members as to all-round asset disposal ability through special training and rotation practice. The Group conducted quantifiable target management, and guided asset disposal through target management, which helped the team members to clarify their work priorities, break through the inertia of thinking, innovate disposal methods, and optimize disposal, which greatly guaranteed the asset security of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

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

| | 30 June 2023 | | 31 December 2022 | | 31 December 2021 | | 31 December 2020 | |
|-----------------------------|--------------|------------|------------------|------------|------------------|------------|------------------|------------|
| | RMB'000 | % of total | RMB'000 | % of total | RMB'000 | % of total | RMB'000 | % of total |
| Pass | 257,664,167 | 92.42% | 248,827,143 | 91.95% | 234,737,048 | 90.85% | 210,311,324 | 89.34% |
| Special mention | 18,193,834 | 6.53% | 18,942,410 | 7.00% | 20,890,374 | 8.09% | 22,512,881 | 9.56% |
| Substandard | 1,391,205 | 0.50% | 1,410,969 | 0.52% | 1,541,604 | 0.60% | 1,940,917 | 0.82% |
| Doubtful | 1,537,539 | 0.55% | 1,420,368 | 0.53% | 1,209,808 | 0.46% | 648,971 | 0.28% |
| Loss | - | - | - | - | - | - | - | - |
| Net interest-earning assets | 278,786,745 | 100.00% | 270,600,890 | 100.00% | 258,378,834 | 100.00% | 235,414,093 | 100.00% |
| Non-performing assets | 2,928,744 | | 2,831,337 | | 2,751,412 | | 2,589,888 | |
| Non-performing asset ratio | 1.05% | | 1.05% | | 1.06% | | 1.10% | |

The Group has established a prudent asset quality control policy and adhered to a stringent and conservative asset classification policy. As at 30 June 2023, the Group's assets under special mention accounted for 6.53% of its net interest-earning assets, representing a decrease of 0.47 percentage point from 7.00% at the end of 2022. During the reporting period, the quality of assets continued to be further optimized.

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The assets under special mention in the urban public utility industry accounted for 44.09% of the total assets under special mention. The proportion of assets under special mention in the segment was 6.38%, which was slightly lower than the proportion of the overall assets under special mention of the Company, demonstrating relatively stable performance as a whole. Customers in the segment have strong operational stability, and a small number of large-size customers are mainly included in the category under special mention. At this stage, with the transformation and upgrading of urban operations, the construction and operation of smart cities need to rely on various technologies and systems. Urban public utility industry usually needs to invest a lot of money in equipment renewal and technology upgrades as to initial construction investment and subsequent operation and maintenance, which will incur additional investment and training costs. Some customers continued to maintain normal repayments, but they may encounter 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 healthcare industry accounted for 13.68% of the total assets under special mention. The proportion of assets under special mention in the segment was 10.71%, 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, but some medical institutions still need some time to resume operation and take in the massive manpower and material resources invested in the early stage of the pandemic. At the same time, measures such as price ceiling on drugs in some regions also brought financial pressure. 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 assets under special mention in the cultural & tourism industry accounted for 13.25% of the total assets under special mention. The proportion of assets under special mention in the segment was 9.28%, which was slightly higher than the proportion of the overall assets under special mention of the Company. Considering that although the tourism industry has recovered, some customers are still affected by the pandemic over the past few years. A certain amount of time is needed to verify the subsequent sustainable recovery and development. At this stage, the tourism industry is still under special 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 11.54% of the total assets under special mention. The proportion of assets under special mention in the segment was 5.79%, which was lower than the proportion of the overall assets under special mention of the Company. The market demand of the engineering construction segment was greatly affected by factors such as macroeconomic conditions, government policies and industry competition. At the same time, price fluctuations of some raw materials also posed potential risks. The Group prudently adjusted more of the assets of the segment to assets under special mention.

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

| | 30 June 2023 | | 31 December 2022 | | 31 December 2021 | |
|----------------------------|--------------|------------|------------------|------------|------------------|------------|
| | RMB'000 | % of total | RMB'000 | % of total | RMB'000 | % of total |
| Healthcare | 2,488,597 | 13.68% | 2,735,765 | 14.44% | 3,364,715 | 16.11% |
| Cultural & tourism | 2,411,423 | 13.25% | 2,287,101 | 12.07% | 4,533,263 | 21.70% |
| Engineering construction | 2,099,424 | 11.54% | 1,712,231 | 9.04% | 1,776,551 | 8.50% |
| Machinery | 733,189 | 4.03% | 583,837 | 3.08% | 521,922 | 2.50% |
| Chemical & medicine | 439,116 | 2.41% | 365,250 | 1.93% | 117,083 | 0.56% |
| Electronic information | 490,873 | 2.70% | 504,386 | 2.66% | 433,270 | 2.07% |
| Public consuming | 479,614 | 2.64% | 411,021 | 2.18% | 663,184 | 3.17% |
| Transportation & logistics | 1,030,593 | 5.66% | 1,312,134 | 6.93% | 1,397,187 | 6.69% |
| Urban public utility | 8,021,005 | 44.09% | 9,030,685 | 47.67% | 8,083,199 | 38.70% |
| Total | 18,193,834 | 100.00% | 18,942,410 | 100.00% | 20,890,374 | 100.00% |

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

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

| | 30 June 2023 | 30 June 2022 | 31 December 2022 | 31 December 2021 | 31 December 2020 |
|-----------------|-------------------------|-----------------|---------------------|---------------------|---------------------|
| | % of total | % of total | % of total | % of total | % of total |
| Pass | – | – | 0.07% | 0.27% | 8.91% |
| Special mention | 72.45% | 77.10% | 51.64% | 52.99% | 51.24% |
| Substandard | 3.37% | 2.62% | 4.98% | 2.42% | 4.74% |
| Doubtful | 0.40% | 0.80% | 2.35% | 0.96% | 0.40% |
| Loss | 2.33% | 0.92% | 3.69% | 2.71% | 1.96% |
| Recovery | 21.45% | 18.56% | 37.27% | 40.65% | 32.75% |
| Total | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

As at 30 June 2023, the non-performing asset ratio was 1.05%, which remained the same as at the end of last year. The overall asset quality remained safe and under control.

The non-performing assets of the urban public utility industry accounted for 30.93% of the total non-performing assets. The proportion of non-performing assets in the segment was 0.72%. The segment had a low non-performing asset ratio with risks under control. Due to the increase in construction investment, technology development, and operation and maintenance costs in the direction of urban infrastructure to improve urban management and the quality of life of residents, as well as the time gap of recovering funds in the later period, some customers may encounter periodic capital flow problems, but the overall asset quality is stable at present. 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 20.51% of the total non-performing assets. The proportion of non-performing assets in the segment was 2.31%. The tourism segment recovered as the pandemic eased off, but it was not a comprehensive recovery. At the same time, facing the pressure from competitors in emerging markets and changes in travel experience and needs of consumers, the tourism industry was still under pressure. As the increased investment of some customers in online booking platforms, virtual travel experience, big data analysis and other technical means will also affect short-term cash flow, the Group prudently reclassified the assets of the segment into substandard and doubtful assets.

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The non-performing assets of the engineering construction industry accounted for 15.05% of the total nonperforming assets. The proportion of non-performing assets in the segment was 1.22%. Due to the current sluggish real estate market environment, upstream and downstream customers in the engineering construction segment have been facing pressure and challenges. Some developers reduced the launch of new projects and suffered from certain financial pressures, resulting in reduced orders for engineering construction companies and failure to pay engineering construction companies on time. The Group prudently reclassified the assets of the segment into substandard and doubtful assets.

The non-performing assets of the healthcare industry accounted for 12.49% of the total non-performing assets. The proportion of non-performing assets in the segment was 1.57%. The healthcare segment invested substantial funding in purchasing medical equipment, protective supplies, and increasing staffing and training during the pandemic. Although the pandemic has been easing off at this stage, some time is needed to solve the problems of tight upfront funding, cash flow shortage and operational difficulties. The Group prudently reclassified the assets of the segment into substandard and doubtful assets.

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

| | 30 June 2023 | | 31 December 2022 | | 31 December 2021 | |
|----------------------------|--------------|------------|------------------|------------|------------------|------------|
| | RMB'000 | % of total | RMB'000 | % of total | RMB'000 | % of total |
| Healthcare | 365,838 | 12.49% | 354,178 | 12.51% | 172,276 | 6.26% |
| Cultural & tourism | 600,562 | 20.51% | 854,461 | 30.18% | 621,141 | 22.58% |
| Engineering construction | 440,878 | 15.05% | 453,283 | 16.01% | 218,173 | 7.93% |
| Machinery | 162,030 | 5.53% | 134,529 | 4.75% | 306,581 | 11.14% |
| Chemical & medicine | 6,444 | 0.22% | 5,300 | 0.19% | 20,404 | 0.74% |
| Electronic information | - | - | 296 | 0.01% | 64,537 | 2.35% |
| Public consuming | 113,803 | 3.89% | 132,097 | 4.67% | 96,389 | 3.50% |
| Transportation & logistics | 333,323 | 11.38% | 251,827 | 8.89% | 146,968 | 5.34% |
| Urban public utility | 905,866 | 30.93% | 645,366 | 22.79% | 1,104,943 | 40.16% |
| Total | 2,928,744 | 100.00% | 2,831,337 | 100.00% | 2,751,412 | 100.00% |

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

| | 30 June 2023 | | 31 December 2022 | | 31 December 2021 | |
|----------------------------|--------------|------------|------------------|------------|------------------|------------|
| | RMB'000 | % of total | RMB'000 | % of total | RMB'000 | % of total |
| Healthcare | 116,374 | 8.36% | 9,041 | 0.64% | 43,554 | 2.83% |
| Cultural & tourism | 201,916 | 14.51% | 462,773 | 32.80% | 334,088 | 21.66% |
| Engineering construction | 136,460 | 9.81% | 105,987 | 7.51% | 128,768 | 8.35% |
| Machinery | 120,377 | 8.65% | 107,045 | 7.59% | 136,707 | 8.87% |
| Chemical & medicine | 3,079 | 0.22% | 4,806 | 0.34% | 1,792 | 0.12% |
| Electronic information | - | - | - | - | 25,421 | 1.65% |
| Public consuming | 90,846 | 6.53% | 87,575 | 6.21% | 44,553 | 2.89% |
| Transportation & logistics | 105,338 | 7.57% | 49,761 | 3.53% | 4,920 | 0.32% |
| Urban public utility | 616,815 | 44.35% | 583,981 | 41.38% | 821,801 | 53.31% |
| Total | 1,391,205 | 100.00% | 1,410,969 | 100.00% | 1,541,604 | 100.00% |

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

| | 30 June 2023 | | 31 December 2022 | | 31 December 2021 | |
|----------------------------|--------------|------------|------------------|------------|------------------|------------|
| | RMB'000 | % of total | RMB'000 | % of total | RMB'000 | % of total |
| Healthcare | 249,464 | 16.22% | 345,137 | 24.30% | 128,722 | 10.64% |
| Cultural & tourism | 398,646 | 25.93% | 391,688 | 27.58% | 287,053 | 23.73% |
| Engineering construction | 304,418 | 19.80% | 347,296 | 24.45% | 89,405 | 7.39% |
| Machinery | 41,653 | 2.71% | 27,484 | 1.93% | 169,874 | 14.04% |
| Chemical & medicine | 3,365 | 0.22% | 494 | 0.03% | 18,612 | 1.54% |
| Electronic information | - | - | 296 | 0.02% | 39,116 | 3.23% |
| Public consuming | 22,957 | 1.49% | 44,522 | 3.13% | 51,836 | 4.28% |
| Transportation & logistics | 227,985 | 14.83% | 202,066 | 14.23% | 142,048 | 11.74% |
| Urban public utility | 289,051 | 18.80% | 61,385 | 4.33% | 283,142 | 23.41% |
| Total | 1,537,539 | 100.00% | 1,420,368 | 100.00% | 1,209,808 | 100.00% |

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

| | 30 June 2023 | | 31 December 2022 | | 31 December 2021 | |
|----------------------------|--------------|------------|------------------|------------|------------------|------------|
| | RMB'000 | % of total | RMB'000 | % of total | RMB'000 | % of total |
| Healthcare | - | - | - | - | - | - |
| Cultural & tourism | - | - | - | - | - | - |
| Engineering construction | - | - | - | - | - | - |
| Machinery | - | - | - | - | - | - |
| Chemical & medicine | - | - | - | - | - | - |
| Electronic information | - | - | - | - | - | - |
| Public consuming | - | - | - | - | - | - |
| Transportation & logistics | - | - | - | - | - | - |
| Urban public utility | - | - | - | - | - | - |
| Total | - | - | - | - | - | - |

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

| | 30 June 2023 | 31 December 2022 | 31 December 2021 |
|---|---------------------|------------------|------------------|
| | RMB'000 | RMB'000 | RMB'000 |
| At the beginning of the period/ year | 2,831,337 | 2,751,412 | 2,589,888 |
| Downgrades ⁽¹⁾ | 1,434,828 | 3,103,634 | 2,865,433 |
| Upgrades | (65,239) | (950,021) | (609,118) |
| Recoveries | (674,878) | (694,035) | (1,050,475) |
| Write-off/disposal | (597,304) | (1,379,653) | (1,044,316) |
| At the end of the period/year | 2,928,744 | 2,831,337 | 2,751,412 |
| Non-performing assets ratio | 1.05% | 1.05% | 1.06% |
| Non-performing loan formation ratio ⁽²⁾ | 0.26% | 0.57% | 0.52% |

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 and 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 2023 | | 31 December 2022 | | 31 December 2021 | | 31 December 2020 | |
|---|--------------|------------|------------------|------------|------------------|------------|------------------|------------|
| | 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 | 1,695,501 | 24.65% | 1,460,084 | 21.49% | 1,154,550 | 17.36% | 1,070,237 | 16.39% |
| Provision for pass and special mention assets | 5,183,366 | 75.35% | 5,334,328 | 78.51% | 5,496,973 | 82.64% | 5,461,350 | 83.61% |
| Total | 6,878,867 | 100.00% | 6,794,412 | 100.00% | 6,651,523 | 100.00% | 6,531,587 | 100.00% |
| Non-performing assets | 2,928,744 | | 2,831,337 | | 2,751,412 | | 2,589,888 | |
| Provision coverage ratio | 234.87% | | 239.97% | | 241.75% | | 252.20% | |
| Credit cost ratio ⁽¹⁾ | 0.25% | | 0.51% | | 0.37% | | 0.98% | |

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-off of Interest-earning Assets

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

| | 30 June 2023 | 31 December 2022 | 31 December 2021 | 31 December 2020 |
|--|-------------------------|---------------------|---------------------|---------------------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Write-off/disposal of non-performing assets | 597,304 | 1,379,653 | 1,044,316 | 1,190,137 |
| Non-performing assets as at the end of last year | 2,831,337 | 2,751,412 | 2,589,888 | 2,249,087 |
| Write-off ratio ⁽¹⁾ | 21.10% | 50.14% | 40.32% | 52.92% |

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 2023, according to the requirements of the accounting standards, the Group wrote off bad debts of RMB597,304,000, which were mainly distributed in the urban public utility, engineering construction, public consuming, transportation & logistics and other industries, accounting for RMB254,930,000, RMB175,000,000, RMB77,928,000, RMB35,557,000, respectively. Despite the Group's effort in collection through judicial means, actionable assets were unable to cover risk exposure of projects at the moment. Although the Group was required to write off the bad debts of the relevant non-performing assets pursuant to the requirements of the accounting standards, the Group did not terminate the disposal of assets, but continued to collect the payment through disposal of equipment/pledge, and stay claim from guarantors. From 2011 to the first half of 2023, the written-off bad debts amounted to RMB6,495,024,000 and RMB1,097,344,000 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 status of interest-earning assets (overdue for more than 30 days) as of the dates indicated.

| | 30 June 2023 | 31 December 2022 | 31 December 2021 | 31 December 2020 |
|------------------------------|-----------------|---------------------|---------------------|---------------------|
| Overdue ratio (over 30 days) | 0.91% | 0.91% | 0.94% | 0.99% |

The Group adhered to the prudent strategies of risk control and asset management. The Group's overdue ratio (over 30 days) was 0.91% as at 30 June 2023, which remained the same as at the end of 2022.

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

| | 30 June 2023 | | 31 December 2022 | |
|----------------------------|--------------|------------|------------------|------------|
| | RMB'000 | % of total | RMB'000 | % of total |
| Healthcare | 416,568 | 16.50% | 382,301 | 15.59% |
| Cultural & tourism | 496,896 | 19.69% | 565,142 | 23.04% |
| Engineering construction | 226,181 | 8.96% | 657,216 | 26.80% |
| Machinery | 152,385 | 6.04% | 77,804 | 3.17% |
| Chemical & medicine | 12,458 | 0.49% | 7,841 | 0.32% |
| Electronic information | - | - | 296 | 0.01% |
| Public consuming | 134,424 | 5.33% | 152,533 | 6.22% |
| Transportation & logistics | 278,161 | 11.02% | 181,916 | 7.42% |
| Urban public utility | 806,952 | 31.97% | 427,546 | 17.43% |
| Total | 2,524,025 | 100.00% | 2,452,595 | 100.00% |

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

| | 30 June 2023 | | 31 December 2022 | |
|-----------------|------------------|----------------|------------------|----------------|
| | RMB'000 | % of total | RMB'000 | % of total |
| Pass | - | - | - | - |
| Special mention | 629,068 | 24.92% | 401,567 | 16.37% |
| Substandard | 441,887 | 17.51% | 821,646 | 33.50% |
| Doubtful | 1,453,070 | 57.57% | 1,229,382 | 50.13% |
| Loss | - | - | - | - |
| Total | 2,524,025 | 100.00% | 2,452,595 | 100.00% |

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

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

| For the six months ended 30 June | | | | | |
|----------------------------------|-------------|------------|--------------|----------------|----------|
| | 2023 | | 2022 | | Change % |
| | RMB million | % of total | RMB million | % of total | |
| Healthcare | - | - | 31 | 1.55% | - |
| Cultural & tourism | - | - | - | - | - |
| Engineering construction | - | - | - | - | - |
| Machinery | - | - | 53 | 2.65% | - |
| Chemical & medicine | - | - | - | - | - |
| Electronic information | - | - | 416 | 20.77% | - |
| Public consuming | - | - | 59 | 2.95% | - |
| Transportation & logistics | - | - | 138 | 6.89% | - |
| Urban public utility | - | - | 1,306 | 65.19% | - |
| Total | - | - | 2,003 | 100.00% | - |

In the first half of 2023, the Group did not sell interest-earning assets by issuing asset-backed securities/notes.

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

| | 30 June 2023 | | 31 December 2022 | | Change % |
|----------------------------|--------------|----------------|------------------|----------------|----------------|
| | RMB million | % of total | RMB million | % of total | |
| Healthcare | 57 | 1.76% | 101 | 1.73% | -43.36% |
| Cultural & tourism | 253 | 7.82% | 530 | 9.06% | -52.36% |
| Engineering construction | 120 | 3.71% | 210 | 3.59% | -42.96% |
| Machinery | 76 | 2.34% | 174 | 2.97% | -56.27% |
| Chemical & medicine | 151 | 4.66% | 231 | 3.95% | -34.57% |
| Electronic information | 173 | 5.34% | 309 | 5.28% | -44.00% |
| Public consuming | 163 | 5.04% | 287 | 4.90% | -43.25% |
| Transportation & logistics | 321 | 9.95% | 492 | 8.41% | -34.66% |
| Urban public utility | 1,922 | 59.38% | 3,519 | 60.11% | -45.38% |
| Total | 3,236 | 100.00% | 5,853 | 100.00% | -44.71% |

As at 30 June 2023, the balance of the holding of asset-backed securities/notes-related assets items amounted to RMB611,479,000, representing a decrease of 31.34% as compared to RMB890,572,000 as at 31 December 2022, mainly due to the fact that the off-balance sheet assets in previous years became mature one after another in 2022 and the first half of 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 2023 with no significant anomalies of asset quality.

The balance of assets with continuing involvement of the Group amounted to RMB611,479,000, representing a decrease of 31.34% as compared to RMB890,572,000 as at the end of last year. Pursuant to specific requirements of accounting standards, for the asset-backed securities/notes business described above, the Group should continue to recognize assets and liabilities with continuing involvement in relation to such activities due to risk associated with subordinate and enhanced credit facilities held by the Group.

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3.4 Other Assets

As at 30 June 2023, cash and cash equivalents of the Group amounted to RMB21,382,384,000. The Group reserved relatively sufficient cash to sustain the business development and ensure the capital liquidity safety of the Group. Restricted deposits of the Group amounted to RMB2,432,427,000.

The balance of prepayments and other receivables of the Group amounted to RMB3,368,930,000, mainly including prepayments for suppliers of machinery and equipment and deductible value-added tax, etc.

The balance of deferred tax assets of the Group amounted to RMB6,331,517,000, mainly including the deferred income tax provided for the time difference between accounting and taxation.

The balance of property, plant and equipment of the Group amounted to RMB24,434,794,000, mainly including equipment, tools and plant for equipment operation business amounting to RMB18.6 billion, the buildings and medical equipment of its affiliated hospitals amounting to RMB3.5 billion, and the main office building of the Group.

The balance of investments in joint ventures/associates of the Group amounted to RMB9,003,560,000, mainly including the equity investments of the Group in provincial asset management companies amounting to RMB5,279,935,000 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 RMB8,508,238,000, mainly due to the interest-earning assets and financial equity investment invested by the Group, among which the balance of interest-earning assets and other debt investments as at 30 June 2023 was RMB3.6 billion and RMB2.4 billion, respectively.

The balances of assets and liabilities corresponding to the Group's derivative financial instruments amounted to RMB3,175,363,000 and RMB159,126,000, 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 RMB268,495,000, 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 RMB1,867,598,000, 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 standards.

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3.5 Liabilities (Overview)

As at 30 June 2023, total liabilities of the Group amounted to RMB304,900,349,000, representing an increase of RMB10,346,274,000 or 3.51% 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 87.98% of the total, which increased by 2.65 percentage points as compared to 85.33% as at the end of last year.

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

| | 30 June 2023 | | 31 December 2022 | | Change % |
|--|--------------|------------|------------------|------------|----------|
| | RMB'000 | % of total | RMB'000 | % of total | |
| Interest-bearing bank and other borrowings | 268,197,588 | 87.98% | 251,327,480 | 85.33% | 6.71% |
| Other payables and accruals | 21,478,053 | 7.04% | 24,217,011 | 8.22% | -11.31% |
| Liabilities for continuing involvement | 611,479 | 0.20% | 890,572 | 0.30% | -31.34% |
| Trade and bills payables | 11,557,566 | 3.79% | 13,975,210 | 4.74% | -17.30% |
| Tax payables | 967,569 | 0.32% | 1,858,302 | 0.63% | -47.93% |
| Derivative financial instruments | 159,126 | 0.05% | 271,565 | 0.09% | -41.40% |
| Deferred tax liabilities | 895,456 | 0.29% | 902,566 | 0.31% | -0.79% |
| Deferred revenue | 531,365 | 0.17% | 604,987 | 0.21% | -12.17% |
| Lease liabilities | 502,147 | 0.16% | 506,382 | 0.17% | -0.84% |
| Total liabilities | 304,900,349 | 100.00% | 294,554,075 | 100.00% | 3.51% |

3.6 Interest-bearing Bank and Other Borrowings

Being faced with the complicated financial environment domestically and overseas, the Group adhered to the established strategy of "finance + industry" and made good progress in both direct financing and indirect financing with an optimized liability structure, supporting the effective advancement of the Company's overall strategy.

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With respect to direct financing market, the Group continued to diversify the types of its bonds and enrich its product connotation. In the first half of 2023, the Group issued the first free trade zone offshore bond (pearl bond) of the financial leasing industry on the ChongWa (Macao) Financial Asset Exchange Co., Ltd, marking the further development and innovation of types of its bonds. In the meantime, the Group actively put the dual carbon national goal into practice so as to deepen the implementation of the sustainable development concept. It issued the first sustainable development-linked bond with green and small-and-micro-inclusive indicators in the market, and the first small-and-micro enterprise high-quality development ABS, helping small and micro-enterprises to grow steadily, adjust structure and strengthen capabilities. Based on the new development stage of “integration of global resources and globalization of business operation”, the Company continued to achieve breakthroughs in product innovation and realized diversified financing layout, reflecting the strong resource guarantee ability and market recognition of the Group.

With respect to indirect financing market, the Group continued to strengthen its cooperation relationship with key banks by deepening trade financing, inclusive finance and other means on the basis of the current financing channel in accordance with the strategic development needs and in line with bank policies, and launched comprehensive cooperation in finance and industry, forming a deep strategic partnership. In addition, in the first half of the year, the Company successfully obtained two SLL syndicated loans, each of them is the first of its kind in the market, namely the first green syndicated loans linked to indicators in the fields of renewable energy and rural revitalization in the market and the first blue-green double-standard syndicated loan linked to indicators in the fields of marine vessels and sewage treatment, which all reflected the Company’s strong determination and ability to support green and low-carbon development by exploring innovative products.

In conclusion, the Group had diverse financing methods with a continuously improving liability structure, further reduced its reliability on a single product and a single market, and maintained diversification of financing products and decentralization of financing markets, which secured the resources needed for the development of the Group on a consistent and stable basis. Looking forward to the future, the Group is confident that with the favorable operation momentum and profound financial market cooperation foundation, the Group can further improve its competitiveness on liability side.

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As at 30 June 2023, the total sum of the Group's interest-bearing bank and other borrowings amounted to RMB268,197,588,000, representing an increase of 6.71% as compared with RMB251,327,480,000 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 2023 | | 31 December 2022 | | Change % |
|-------------|--------------|------------|------------------|------------|----------|
| | RMB'000 | % of total | RMB'000 | % of total | |
| Current | 153,414,087 | 57.20% | 123,454,985 | 49.12% | 24.27% |
| Non-current | 114,783,501 | 42.80% | 127,872,495 | 50.88% | -10.24% |
| Total | 268,197,588 | 100.00% | 251,327,480 | 100.00% | 6.71% |

As at 30 June 2023, 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 57.20%, which increased as compared to the end of the previous year, mainly because the Group reduced the issuance size of overseas long-term bonds.

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

| | 30 June 2023 | | 31 December 2022 | | Change % |
|-----------|--------------|------------|------------------|------------|----------|
| | RMB'000 | % of total | RMB'000 | % of total | |
| Secured | 49,142,523 | 18.32% | 37,825,439 | 15.05% | 29.92% |
| Unsecured | 219,055,065 | 81.68% | 213,502,041 | 84.95% | 2.60% |
| Total | 268,197,588 | 100.00% | 251,327,480 | 100.00% | 6.71% |

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The Group carefully managed its funding risk in the first half of 2023. As at 30 June 2023, the proportion of the Group's interest-bearing bank and other borrowings that were unsecured accounted for 81.68% of the Group's total interest-bearing bank and other borrowings, which slightly decreased as compared to the end of the previous year, mainly because the Group secured more funds at lower costs with pledged assets.

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 2023 | | 31 December 2022 | | Change % |
|-------------|--------------|------------|------------------|------------|----------|
| | RMB'000 | % of total | RMB'000 | % of total | |
| Bank loans | 153,654,495 | 57.29% | 134,240,087 | 53.41% | 14.46% |
| Other loans | 114,543,093 | 42.71% | 117,087,393 | 46.59% | -2.17% |
| Total | 268,197,588 | 100.00% | 251,327,480 | 100.00% | 6.71% |

As at 30 June 2023, 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 banking channels, reflecting its stable and diverse financing sources.

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 2023 | | 31 December 2022 | | Change % |
|----------|--------------|------------|------------------|------------|----------|
| | RMB'000 | % of total | RMB'000 | % of total | |
| Domestic | 211,224,865 | 78.76% | 208,453,759 | 82.94% | 1.33% |
| Overseas | 56,972,723 | 21.24% | 42,873,721 | 17.06% | 32.88% |
| Total | 268,197,588 | 100.00% | 251,327,480 | 100.00% | 6.71% |

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2023, the proportion of the Group's domestic borrowings and other borrowings as a percentage to the Group's total borrowings was 78.76%, which slightly 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 2023 | | 31 December 2022 | | Change % |
|--------------------------------|--------------|------------|------------------|------------|----------|
| | RMB'000 | % of total | RMB'000 | % of total | |
| RMB | 219,130,687 | 81.70% | 198,893,635 | 79.14% | 10.17% |
| US\$ | 21,524,836 | 8.03% | 27,272,900 | 10.85% | -21.08% |
| Borrowings in other currencies | 27,542,065 | 10.27% | 25,160,945 | 10.01% | 9.46% |
| Total | 268,197,588 | 100.00% | 251,327,480 | 100.00% | 6.71% |

As at 30 June 2023, the Group's activities in RMB accounted for 81.70% of its total interest-bearing bank and other borrowings, representing an increase from the end of last year as the Group actively promoted domestic RMB financing, and vigorously expanded and strengthened RMB financing.

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

| | 30 June 2023 | | 31 December 2022 | | Change % |
|--------------------|--------------|------------|------------------|------------|----------|
| | RMB'000 | % of total | RMB'000 | % of total | |
| Direct financing | 89,350,393 | 33.32% | 97,425,426 | 38.76% | -8.29% |
| Indirect financing | 178,847,195 | 66.68% | 153,902,054 | 61.24% | 16.21% |
| Total | 268,197,588 | 100.00% | 251,327,480 | 100.00% | 6.71% |

As at 30 June 2023, Group's direct borrowings accounted for 33.32% of the total, which decreased as compared to the end of last year. With in-depth development of the indirect financing market and continuous optimization of the financing structure, the Group consolidated the resource base required for its future development.

MANAGEMENT DISCUSSION AND ANALYSIS

3.7 Shareholders' Equity

As at 30 June 2023, the total equity of the Group was RMB56,462,503,000, representing an increase of RMB4,021,081,000 or 7.67% from the end of last year. During the year, the Company maintained stable development, and the profit for the year continued to grow, ensuring the steady increase in the equity attributable to ordinary shareholders of the Company. At the same time, the successful listing of Horizon Construction Development also contributed to the significant increase in non-controlling interests.

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

| | 30 June 2023 | | 31 December 2022 | | Change % |
|--|--------------|------------|------------------|------------|----------|
| | RMB'000 | % of total | RMB'000 | % of total | |
| Share capital | 13,066,125 | 23.14% | 13,052,344 | 24.89% | 0.11% |
| Equity component of convertible bonds | 228,339 | 0.40% | 233,750 | 0.45% | -2.31% |
| Reserve | 34,033,006 | 60.28% | 31,962,781 | 60.95% | 6.48% |
| Equity attributable to ordinary shareholders of the Company ⁽¹⁾ | 47,327,470 | 83.82% | 45,248,875 | 86.29% | 4.59% |
| Perpetual securities ⁽²⁾ | 2,638,259 | 4.67% | 3,080,425 | 5.87% | -14.35% |
| Non-controlling interests | 6,496,774 | 11.51% | 4,112,122 | 7.84% | 57.99% |
| Total equity | 56,462,503 | 100.00% | 52,441,422 | 100.00% | 7.67% |

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 2023.

| | Equity attributable to the ordinary shareholders of the Company |
|----------------------------|---|
| 31 December 2022 | 45,248,875 |
| Profit for the year | 3,070,724 |
| Other comprehensive income | (123,036) |
| Dividend distribution | (1,871,222) |
| Other changes in equity | 1,002,129 |
| 30 June 2023 | 47,327,470 |

MANAGEMENT DISCUSSION AND ANALYSIS

The final dividend of HK\$0.49 per share for the year ended 31 December 2022 was approved at the annual general meeting on 7 June 2023 and paid on 30 June 2023. As at 30 June 2023, the equity attributable to the ordinary shareholders of the Company was RMB47,327,470,000.

In May 2023, Horizon Construction Development was successfully listed on the Main Board of the Stock Exchange. At the same time, the Group adjusted the total consideration for introducing strategic investors in 2021 from "liabilities" to "equity" in the consolidated statement of financial position. The listing of Horizon Construction Development resulted in an increase of approximately RMB870 million in the equity attributable to the ordinary shareholders of the Company.

- (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 ^(vi) | Date of redemption |
|--|------------------|----------------------|---------------------------|----------------------------------|----------------------------|--------------------|
| Perpetual trusted loans ⁽ⁱ⁾ | 24 July 2019 | RMB | 49,850 | 6.0% | 5 years | N/A |
| Perpetual medium-term notes ⁽ⁱⁱ⁾ | 6 July 2022 | RMB | 1,000,000 | 4.2% | 2 years | N/A |
| Renewable corporate bonds ⁽ⁱⁱⁱ⁾ | 2 September 2022 | RMB | 500,000 | 4.2% | 2 years | N/A |
| Renewable corporate bonds ^(iv) | 28 October 2022 | RMB | 1,000,000 | 4.09% | 1 year | N/A |
| Perpetual trust securities (Pandemic Prevention and Control Securities) (phase one) ^(v) | 18 February 2020 | RMB | 500,000 | 4.13% | 3 years | 18 February 2023 |

Notes:

- (i) The interest rate of the perpetual trusted loans will be reset every 5 years from the date of issuance for 5 years (the starting date of resetting interest rate). From the starting date of resetting interest rate (inclusive), the interest rate is the prevailing benchmark interest rate plus the initial spread, and the reset interest rate from the date of issuance of 20 years (inclusive) is determined by the prevailing benchmark interest rate plus the initial spread plus 300 basis points. The initial spread is the difference between the initial interest rate and the initial benchmark interest rate. The prevailing benchmark interest rate is the one – to five-year loan interest rate announced and implemented by the People's Bank of China 5 working days before the date of resetting interest rate.
- (ii) 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.
- (iii) 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.
- (iv) The basic term of the renewable corporate bonds is 1 year. 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.
- (v) 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.
- (vi) The Group redeemed these perpetual securities in the first half of 2023. The Group may issue additional perpetual securities in the future based on market conditions and the Group's financing needs.

MANAGEMENT DISCUSSION AND ANALYSIS

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

As at 30 June 2023, 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. As at the end of 2021, the Company had used all net proceeds for working capital and general corporate purposes. 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.

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. As at the end of 2021, the Company had used all net proceeds for working capital and general corporate purposes, 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.

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.

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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, 28 May, 15 June, 16 June, 24 June, 20 July, 5 August, 6 August and 29 October 2021, 24 June and 28 October 2022 and 20 June 2023.

(I) Adjustment of Conversion Price of the Convertible Bonds

| | Effective date of conversion price adjustment | Original conversion price | Adjusted conversion price | Disclosure date | Explanation of conversion price adjustment |
|---------------------------------------|---|---------------------------|---------------------------|-----------------|--|
| Convertible bonds issued in June 2021 | 30 June 2023 | HK\$9.16 | HK\$8.50 | 20 June 2023 | Adjust the conversion price based on the 2022 final dividend payment |
| Convertible bonds issued in July 2020 | 30 June 2023 | HK\$7.11 | HK\$6.59 | 20 June 2023 | Adjust the conversion price based on the 2022 final dividend payment |

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

As at 30 June 2023, 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 569,336,712 shares, representing approximately 13.19% of the issued share capital of the Company as at 30 June 2023 and approximately 11.65% of the issued share capital of the Company as enlarged by the issue of such conversion shares.

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The table below sets forth the dilution impact of the full conversion of the above convertible bonds on the shareholding of the substantial shareholders (having referred to the Company's shareholding structure as at 30 June 2023 and assuming no further shares would be issued by the Company):

| Name of shareholder | As of 30 June 2023 | | Immediately following the full conversion of all convertible bonds | |
|---|----------------------|--|--|--|
| | Number of shares | Approximate percentage of total issued shares ⁽ⁱ⁾ | Number of shares | Approximate percentage of total issued shares ⁽ⁱ⁾ |
| Sinochem Group Co., Ltd | 919,914,440 | 21.31% | 919,914,440 | 18.82% |
| KONG Fanxing ⁽ⁱ⁾ | 898,449,086 | 20.81% | 898,449,086 | 18.38% |
| The holders of the Convertible Bonds issued on 8 July 2020 | – | – | 341,060,242 | 6.98% |
| The holders of the Convertible Bonds issued on 15 June 2021 | – | – | 228,276,470 | 4.67% |
| Other shareholders | 2,499,246,340 | 57.88% | 2,499,246,340 | 51.14% |
| Total | 4,317,609,866 | 100.00% | 4,886,946,578 | 100.00% |

Notes:

- (i) As at 30 June 2023, these interests include (i) 1,670,000 shares held by Mr. KONG Fanxing; (ii) 27,831,189 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 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

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

As at 30 June 2023, 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 2023, 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 2023 to 2025 were as below:

| | As of 31 December | | |
|--|-------------------|------|------|
| | 2023 | 2024 | 2025 |
| Share price of the convertible bonds issued on 8 July 2020 (HK\$) | 6.59 | 6.59 | N/A |
| Share price of the convertible bonds issued on 15 June 2021 (HK\$) | 8.94 | 9.12 | 9.30 |

3.9 Events after the reporting period

On 24 July 2023, 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 24 July 2023 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 24 July 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

4. CAPITAL MANAGEMENT

The primary objective of the Group's capital management activities is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. In the first half of 2023, no change was made to the objectives, policies or processes for managing capital.

4.1 Gearing Ratio

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

| | 30 June 2023 | 31 December 2022 |
|-----------------------|--------------------|------------------|
| | RMB'000 | RMB'000 |
| Total assets (A) | 361,362,852 | 346,995,497 |
| Total liabilities (B) | 304,900,349 | 294,554,075 |
| Total equity | 56,462,503 | 52,441,422 |
| Gearing ratio (C=B/A) | 84.38% | 84.89% |

In the first half of 2023, 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 2023, the Group's gearing ratio was 84.38%.

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 2023, 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 5.00, 3.56, 1.22 and 1.25, 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 ratio of assets at risk to equity as at the dates indicated:

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

| | 30 June 2023 | 31 December 2022 |
|-----------------------------------|--------------|------------------|
| | RMB'000 | RMB'000 |
| Total assets | 216,203,976 | 216,258,683 |
| Less: Cash | 11,019,118 | 7,833,798 |
| Total assets at risk | 205,184,858 | 208,424,885 |
| Equity | 41,077,543 | 39,983,172 |
| Ratio of assets at risk to equity | 5.00 | 5.21 |

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

| | 30 June 2023 | 31 December 2022 |
|-----------------------------------|-------------------|------------------|
| | RMB'000 | RMB'000 |
| Total assets | 88,019,787 | 98,181,851 |
| Less: Cash | 6,328,717 | 2,912,148 |
| Total assets at risk | 81,691,070 | 95,269,703 |
| Equity | 22,943,307 | 21,388,353 |
| Ratio of assets at risk to equity | 3.56 | 4.45 |

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

| | 30 June 2023 | 31 December 2022 |
|-----------------------------------|------------------|------------------|
| | RMB'000 | RMB'000 |
| Total assets | 6,490,483 | 6,538,144 |
| Less: Cash | 145,151 | 1,169,793 |
| Total assets at risk | 6,345,332 | 5,368,351 |
| Equity | 5,203,527 | 4,946,327 |
| Ratio of assets at risk to equity | 1.22 | 1.09 |

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 2023 | 31 December 2022 |
|-----------------------------------|--------------|------------------|
| | RMB'000 | RMB'000 |
| Total assets | 1,275,591 | N/A |
| Less: Cash | 210,129 | N/A |
| Total assets at risk | 1,065,462 | N/A |
| Equity | 853,088 | N/A |
| Ratio of assets at risk to equity | 1.25 | N/A |

5. CAPITAL EXPENDITURES

The Group's capital expenditure was RMB1,428,236,000 in the first half of 2023, 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 2023, external uncertainty, instability, and unpredictability increased in China. As the demand in Europe and the United States was sluggish, China's exports declined significantly. The external economic circulation encountered greater challenges while consumer services recovered significantly, but the foundation for the overall recovery was insecure. We optimized the regional and industry structures and expanded the customer base for concentration control and reasonable asset allocation. We continuously evaluated external changes and selected and refined sub-sectors based on merit to adjust strategies as needed. We deepened industry research and application and continued to improve the credit granting process for professional and accurate reviews. We strengthened the awareness about strict duty performance and improved the processes to build a solid line of defense to optimize and improve operations. We scattered operations with flexibility to make flexible and orderly responses to the pandemic. We continued to upgrade the system and iterate the tools to empower and enhance the efficiency of technology.

On the one hand, China implemented a prudent monetary policy which made accurate and vigorous investment in green, inclusive and innovative small and medium-sized enterprises, and also implemented a proactive fiscal policy which made more efforts to improve efficiency and support key national development areas. On the other hand, China further strengthened basic social security to secure the basic livelihood, and intensified scientific and technological innovation in pursuit of self-reliance. Meanwhile, China's demand as to the security of energy, food, supply chain and industrial chain and national defense has risen sharply.

MANAGEMENT DISCUSSION AND ANALYSIS

In response to the ever-changing external environment, the Company adhered to strategy prioritization and constantly optimized asset allocation. At the same time, the Company continued to expand customer base, improve customer quality, and reduce concentration risk. Always giving priority to safety, the Company strengthened regional perspective and created targeted risk control. Besides, the Company strengthened management of managers, new recruits and existing employees, reinforced the three lines of defense before, during and after credit granting, and continuously improved operation quality.

In the first half of 2023, with safe and well controlled assets, the Company pushed ahead its business in an orderly manner, and sustained robust growth in its operation results.

I. Adhered to strategy prioritization and optimized asset allocation

By strengthening professional research, we continued to enhance our understanding of the economy, industry and customers.

We strived to identify the macro-economic trend, realize the underlying logic of China's economic development, and deepened the understanding and knowledge of the law of development. We strengthened the understanding of the changes in industry landscape, identify the industry development trend and the position in the cycle, and gained insight into industry risks and opportunities. We furthered our understanding of customer and management, including business modes, models and features, and financial and risk characteristics.

In terms of industry strategy, we continued to serve cities and industries, and focused on the real economy. We served cities by encouraging security, people's livelihood, and innovation, as well as the urbanization of new urban agglomerations and economic belts along the river, and supported participation in rural revitalization infrastructure construction. We served industries by encouraging manufacturing upgrading, consumption transformation and related digital services, as well as green and low-carbon sectors, domestic substitution and export beneficiary industries.

In terms of regional strategy, we gave priority to prospects and profits, focused on key core economic belts and core cities, and gradually extended our influence to second-and third-tier cities, thus forming a large asset allocation strategy along the Yangtze River to the east (from the middle reaches to the downstream of the Yangtze River) and along the coast to the south (from Beijing-Tianjin-Hebei, to the Yangtze River Delta and to Guangdong-Hong Kong-Macao Greater Bay Area). We selected regions with dynamic economy, large economy output, fast growth rate and abundant resources for priority allocation.

We constantly optimized industry and regional layout. In the first half of 2023, the proportion of investment in relatively developed areas increased by 10% compared with that in the end of last year. By the end of June, the industries under encouraged and maintained categories accounted for more than 94%, and the industry allocation was further optimized.

MANAGEMENT DISCUSSION AND ANALYSIS

II. Expanded customer and reduced concentration risk

The Company insisted on expanding customer base and reducing concentration risk. In the first half of 2023, the Company furthered the efforts to sort out customer base and continuously improved the size and quality of the customer base. Horizontally, we stretched along the industrial chain to identify target customers. Vertically, we dug deep in certain regions, targeted customers according to local conditions, so as to not omit any customer who meets the primary selection criteria. We continuously improved customer management archives. We comprehensively expanded the customer base, and conducted hierarchical and classified development, covering all large, medium and small customers. We supported the development of customers with long-term market competitiveness and the ability to cut across industry life cycle. For small and medium-sized customers, we focused on the development of fields with relatively clear industry understanding. We also encouraged new customer expansion.

We continued to support the development of national-level specialized and sophisticated enterprises that produce new and unique products, especially small giant enterprises and other technological enterprises with a certain size and operating history.

The leasing industry has entered a period of competition between the existing players. While trying to reach new customers, the Company enhanced the stickiness of its existing customer through comprehensive service methods. We strengthened the validity verification of the results of streamlining our customer base, and ensured the continuous optimization of customer bases streamlining mechanism based thereon.

We adhered to reasonable diversification and gave appropriate credit resources support to customers who are leading in the industry, stable in operation and outstanding in management ability, but we still required continuously reducing concentration risk on a single customer through credit diversification.

III. Strengthened regional perspective and created targeted risk control

In the first half of 2023, the Company adhered to the principle of safety first, continued to strengthen the regional perspective, and created targeted risk control around two key points. Through the iteration and function upgrade of the risk control system, we provided precise risk information sources for customer review, which was a strong guarantee for effective risk identification.

We continued to strengthen regional perspective. Focusing on the review subjects and cooperation customers, we made full use of our advantages in localization and distributed operations as our workplaces are located all over the country, and knew the customers' credit status, performance, business status, development history, professional ability, tax payment and compliance operation in cooperation with customers' local fund providers, upstream and downstream partners, industry peers, employees and managers, local residents and government agencies, so as to complete the customer risk profile.

We made every effort to forge targeted risk control. In order to improve the overall quality of customer base, the evaluation of large customers has become a key and important part of the Group. We strengthened the application and effectiveness management of negative list and cross-validation for small and medium-sized corporate customers with strong private attributes and sufficient risk exposure in market-oriented industries.

MANAGEMENT DISCUSSION AND ANALYSIS

We conducted evaluation on large group customers. In response to the complicated problems such as cross-industry operation, various related entities, difficulties in identifying actual controllers, and changes in the scope of consolidated statements as to 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 review.

We evaluated private small and medium-sized enterprises. In view of the high information asymmetry risk and weak risk tolerance of private small and medium-sized enterprises, we adhered to the use of negative lists before credit granting, strengthened customer screening, and specified the red line and bottom line for selecting customers. We fortified the upstream and downstream cross-validation mechanism, insisted on declaring to customers before credit granting, carried out random inspection during credit granting, and review and supervision after credit granting, and ensured the whole process management and the risk control of private small and medium-sized enterprises.

We iterated and upgraded the risk control system. We embedded more external effective risk information screening and integrated prompting functions and internal risk management and control requirements for intelligent review, so as to mitigate the risks of omission or failure caused by manual operations. Meanwhile, by virtue of efficiency improvement as a result of automatic data identification, we shortened the time used by front-line personnel in data collection, such that we can use more time on risk identification and risk verification.

With our efforts, the Company maintained a stable non-performing asset ratio, which was 1.05% in the first half of 2023.

IV. Strengthened management performance and improved operation quality

We strengthened management of three groups, namely managers, new recruits, and existing employees, reinforced the three lines of defense before, during and after credit granting, and continuously improved operation quality.

We tightened the quality control for the three groups. In the first half of 2023, we gave play to the role of demonstration and leading of the department heads to enhance managers' understanding of the importance of operation quality. We strengthened the supervision of duty performance by managers, and carried out evaluation feedback and operation quality improvement activities of department heads. 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 looked out of the inertia of our existing employees in thinking and operating, focused on strengthening the remainder and rectification thereof, and endowed our jobs with new connotation through various means.

MANAGEMENT DISCUSSION AND ANALYSIS

We tightened the check of three lines of defense. In the first half of 2023, we continued to strengthen the due diligence before credit granting, evaluation during credit granting, and asset inspection after credit granting, especially improving the operation quality of the front-line due diligence before credit granting. We continued to consolidate the standard systems of position responsibilities, job content and operation process, and strengthened self-inspection on operation and the check and rectification of the previous process by the latter. We fortified the communication mechanism for complicated cross-post operation problems, and continuously consolidated the line of defense among all employees throughout the whole process.

We intensified training and communication through case study. In the first half of 2023, we continued to intensify the training and exchange among all employees through studying positive and negative examples. By immersing themselves in the cases, managers and operators realized the advantages and disadvantages of their respective roles in these cases, conducted thinking and feedback, and applied their thinking to future management and operation.

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 2023 | As of 31 December 2022 |
|---------------------------------------|-------------------------------|---------------------------|
| | RMB'000 | RMB'000 |
| Variable interest bearing assets | 1,980,000 | 1,727,588 |
| Variable interest bearing liabilities | (102,035,488) | (92,206,276) |
| Monetary funds and others | 23,816,780 | 19,148,926 |
| Derivative financial instruments | 53,920,942 | 50,526,561 |
| Net exposure | (22,317,766) | (20,803,201) |

MANAGEMENT DISCUSSION AND ANALYSIS

The table below demonstrates the sensitivity to a reasonably possible change in interest rate, to the Group's profit before tax with all other variables held constant. The sensitivity of the profit before tax is the effect of the assumed changes in interest rates (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 2023 | As of 31 December 2022 |
| | RMB'000 | RMB'000 |
| Change in basis points | | |
| + 100 basis points | (64,439) | (66,264) |
| – 100 basis points | 68,735 | 68,147 |

6.3 Currency Risk

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

The Group conducts its businesses mainly in RMB, with certain transactions denominated in US\$, and to a lesser extent, other currencies. The Group's treasury operations exposure mainly arises from its transactions in currencies other than RMB. The Group adopted prudent currency risk management which hedges risk exposures one by one under comprehensive risk exposure management. The Group proactively hedged against foreign exchange exposure based on the currency and terms through using the operation of financial instruments such as foreign exchange forwards and currency swaps. According to relevant statistics, as at 30 June 2023, the Group's actual exposure to foreign exchange risk amounted to approximately US\$6,172 million, hedges against foreign exchange exposure amounted to approximately US\$6,176 million with the hedge ratio (percentage of the aforesaid two items) of approximately 100.06% (approximately 96.57% as at 31 December 2022). The Group's actual exposure to foreign exchange risk is limited.

MANAGEMENT DISCUSSION AND ANALYSIS

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

| | Change in RMB exchange rate | Increase/(decrease) in equity interest excluding perpetual securities of the Group | |
|---------------------------------|--------------------------------|--|---------------------------|
| | | As of 30 June 2023 | As of 31 December 2022 |
| | | RMB'000 | RMB'000 |
| Effect on the profit before tax | +1% | -258 | 16,970 |

The effect above was based on the assumption that the Group's foreign exchange exposures as of the end of each reporting period are kept unchanged and the average percentage of foreign exchange exposure with hedges remained as above so as to calculate the effect of exchange rate change on equity interest. As of 30 June 2023, the Group had no outstanding perpetual securities denominated in foreign currency (31 December 2022: nil).

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 2023 | 31 December 2022 |
|---|--------------|------------------|
| Liquidity coverage ratio ⁽¹⁾ | 196.59% | 194.23% |
| Proportion of short-term liabilities ⁽²⁾ | 58.30% | 51.10% |
| Liabilities/total credit lines ⁽³⁾ | 55.31% | 53.81% |

MANAGEMENT DISCUSSION AND ANALYSIS

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.

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

| | On demand | Less than 3 months | 3 to 12 months | 1 to 5 years | Over 5 years | Undated | Total |
|-----------------------------|-------------------|--------------------|--------------------|--------------------|--------------------|------------------|--------------------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| As at 30 June 2023 | | | | | | | |
| Total financial assets | 23,696,222 | 50,148,285 | 134,748,334 | 136,049,841 | 1,528,981 | 2,533,632 | 348,705,295 |
| Total financial liabilities | 414,249 | 55,294,619 | 128,361,674 | 127,733,418 | 4,202,270 | – | 316,006,230 |
| Net liquidity gap | 23,281,973 | (5,146,334) | 6,386,660 | 8,316,423 | (2,673,289) | 2,533,632 | 32,699,065 |
| As at 31 December 2022 | | | | | | | |
| Total financial assets | 17,872,115 | 52,509,123 | 122,452,907 | 136,371,209 | 1,723,235 | 2,698,900 | 333,627,489 |
| Total financial liabilities | 1,362,917 | 54,632,009 | 97,967,745 | 142,773,334 | 3,815,533 | – | 300,551,538 |
| Net liquidity gap | 16,509,198 | (2,122,886) | 24,485,162 | (6,402,125) | (2,092,298) | 2,698,900 | 33,075,951 |

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.

MANAGEMENT DISCUSSION AND ANALYSIS

7. CHARGE ON GROUP ASSETS

The Group had lease receivables of RMB32,447,809,000, long-term receivables of RMB8,078,053,000, cash of RMB622,146,000, property, plant and equipment of RMB8,488,918,000, and right-of-use asset (the original prepaid land lease payments) of RMB809,911,000 as at 30 June 2023 in order to secure or pay the bank borrowings, cash of RMB1,111,146,000 was pledged for bank acceptances, letter of credit and etc.

8. MATERIAL INVESTMENTS, ACQUISITIONS AND DISPOSALS

In the first half of 2023, the number of hospitals controlled by the Group was 29 with the actual number of beds available amounting to approximately 11,000, respectively. 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 transfer of Zhengzhou Renji Hospital in the first half of 2023. Under the operation of “One system, One network, One hospital” and for the future operation vision, the Group will include the above hospitals 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.

In the first half of 2023, the Group operated 2 non-compulsory education 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. Its 2 high schools attained excellent results regarding further studies, with an admission rate of over 80% for the top 100 universities in the world, and has helped outstanding students to enter top schools such as Oxford, Cambridge and Ivy League for successive years.

In the first half of 2023, the Group did not conduct any material investment as defined under Rule 32(4A) of Appendix 16 of the Listing Rules.

9. HUMAN RESOURCES

As at 30 June 2023, the Group had 18,310 full-time employees, a decrease of 4,703 full-time employees as compared to 23,013 in the corresponding period of 2022.

The Group believes that it has a high quality work force with specialized industry expertise. As at 30 June 2023, approximately 51.6% of the Group’s employees had bachelor’s degrees or above, and approximately 8.5% 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 and 2019.

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

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 2023 | Number of share options | | | | Outstanding as at 30 June 2023 |
|--|---------------|--------------------------------|--------------------------------|--|--|-------------------------|-----------------------|----------|-----------|--------------------------------------|
| | | | | | | Granted | Exercised (Note 8) | Lapsed | Cancelled | |
| KONG Fanxing, Chairman, CEO and executive Director | 11 July 2014 | 11 July 2016 - 11 July 2018 | 11 July 2016 - 11 July 2024 | 5.86 | 1,316,960 | - | - | - | - | 1,316,960 |
| KONG Fanxing, Chairman, 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, Chairman, 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, Chairman, 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, Chairman, 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 | - | - | - | - | 460,936 |
| 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 | - | - | - | - | 135,936 |
| 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 | - | - | - | - | 831,568 |
| 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 |
| SUBTOTAL FOR DIRECTORS | | | | | 20,923,127 | - | - | - | - | 20,923,127 |

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 2023 | Number of share options | | | | Outstanding as at 30 June 2023 |
|--------------|---------------|--------------------------------|--------------------------------|--|--|-------------------------|-----------------------|----------|----------------|--------------------------------------|
| | | | | | | Granted | Exercised (Note 8) | Lapsed | Cancelled | |
| Employees | 11 July 2014 | 11 July 2016 - 11 July 2018 | 11 July 2016 - 11 July 2024 | 5.86 | 2,256,267 | - | 414,155 | - | 1,027 | 1,841,085 |
| Employees | 3 July 2015 | 3 July 2017 - 3 July 2019 | 3 July 2017 - 3 July 2025 | 7.17 | 4,589,074 | - | 133,000 | - | 270,994 | 4,185,080 |
| Employees | 15 June 2016 | 15 June 2018 - 15 June 2020 | 15 June 2018 - 15 June 2026 | 5.714 | 6,451,326 | - | 1,307,581 | - | 41,103 | 5,102,642 |
| Employees | 20 June 2017 | 20 June 2019 - 20 June 2021 | 20 June 2019 - 20 June 2027 | 6.82 | 8,843,997 | - | 165,543 | - | 172,828 | 8,505,626 |
| Employees | 18 July 2018 | 18 July 2020 - 18 July 2022 | 18 July 2020 - 18 July 2028 | 7.36 | 9,454,158 | - | - | - | 92,751 | 9,361,407 |
| TOTAL | | | | | 52,517,949 | - | 2,020,279 | - | 578,703 | 49,918,967 |

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

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

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

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

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

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

Note 7: The exercise price is not less than the higher of (i) the closing price of HK\$7.36 per share on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on 18 July 2018 (i.e. the grant date) and (ii) the average closing price of HK\$7.032 per share on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding 18 July 2018. The Share does not carry nominal value. The closing price of shares immediately before the date on which the options were granted is HK\$7.18 per share.

Note 8: The weighted average closing price of shares immediately before the dates on which the options were exercised by directors and employees is HK\$6.9132.

Note 9: No option is available for grant under the 2014 Share Option Scheme as at 1 January 2023 and 30 June 2023.

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 to 6) | Outstanding as at 1 January 2023 | Number of share options | | | | Outstanding as at 30 June 2023 |
|--|---------------|--------------------------------|--------------------------------|--|--|-------------------------|-----------|----------|-----------|--------------------------------------|
| | | | | | | Granted | Exercised | Lapsed | Cancelled | |
| KONG Fanxing, Chairman, 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, Chairman, 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, Chairman, 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, Chairman, CEO and executive Director | 27 July 2022 | 27 July 2023 - 27 July 2025 | 27 July 2023 - 27 July 2032 | 6.38 | 4,315,460 | - | - | - | - | 4,315,460 |
| 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 | 6.38 | 2,258,366 | - | - | - | - | 2,258,366 |
| 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 |
| CAO Jian, Senior Vice President and executive Director | 27 July 2022 | 27 July 2023 - 27 July 2025 | 27 July 2023 - 27 July 2032 | 6.38 | 2,258,366 | - | - | - | - | 2,258,366 |
| SUBTOTAL FOR DIRECTORS | | | | | 29,844,879 | - | - | - | - | 29,844,879 |

MANAGEMENT DISCUSSION AND ANALYSIS

| Grantee | Date of grant | Vesting period (Note 1) | Exercise period (Note 2) | Exercise price per share HK\$ (Notes 3 to 6) | Outstanding as at 1 January 2023 | Number of share options | | | | Outstanding as at 30 June 2023 |
|--------------|---------------|--------------------------------|--------------------------------|--|--|-------------------------|-----------|--------|-----------|--------------------------------------|
| | | | | | | Granted | Exercised | Lapsed | Cancelled | |
| Employees | 19 July 2019 | 19 July 2020 - 19 July 2022 | 19 July 2020 - 19 July 2029 | 7.618 | 9,275,212 | - | - | - | 133,204 | 9,142,008 |
| Employees | 23 July 2020 | 23 July 2021 - 23 July 2023 | 23 July 2021 - 23 July 2030 | 6.70 | 13,096,590 | - | 79,986 | - | 111,619 | 12,904,985 |
| Employees | 26 July 2021 | 26 July 2022 - 26 July 2024 | 26 July 2022 - 26 July 2031 | 8.40 | 22,244,996 | - | - | - | 157,147 | 22,087,849 |
| Employees | 27 July 2022 | 27 July 2023 - 27 July 2025 | 27 July 2023 - 27 July 2032 | 6.38 | 24,737,788 | - | - | - | - | 24,737,788 |
| TOTAL | | | | | 99,199,465 | - | 79,986 | - | 401,970 | 98,717,509 |

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

Note 2: According to the 2019 Share Option Scheme, the options shall be exercised within the Option Period. "Option Period" shall mean, in respect of any particular option, a period (which may not be later than 10 years from the offer date of that option) to be determined and notified by the Board or the administration committee to the grantee thereof and, in the absence of such determination, from the offer date to the earlier of (i) the date on which such option lapses; and (ii) 10 years from the offer date of that option. There is no minimum period for which any vested option must be held before it can be exercised and no performance target which needs 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.

Note 4: The exercise price is not less than the higher of (i) the closing price of HK\$6.480 per share on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on 23 July 2020 (i.e. the grant date) and (ii) the average closing price of HK\$6.700 per share on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding 23 July 2020. The Share does not carry nominal value.

Note 5: The exercise price is not less than the higher of (i) the closing price of HK\$8.202 per share on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on 26 July 2021 (i.e. the grant date) and (ii) the average closing price of HK\$8.40 per share on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding 26 July 2021. The Share does not carry nominal value.

Note 6: The exercise price is not less than the higher of (i) the closing price of HK\$6.340 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.

Note 7: The weighted average closing price of shares immediately before the dates on which the options were exercised by directors and employees is HK\$6.9132.

Note 8: The number of options available for grant under the 2019 Share Option Scheme as at 1 January 2023 and 30 June 2023 is 33,847,930. The number of shares that may be issued under the share options granted under the 2019 Share Option Scheme during the reporting period divided by the weighted average number of the number of shares in issue for the reporting period was 0.0081.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2023, the aggregated fair value of the share options granted on 27 July 2022 under the 2019 Share Option Scheme was RMB35,730,000. 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 RMB4,555,000, RMB2,384,000, RMB2,384,000 and RMB26,407,000, respectively.

| Grantee | Date of grant | Total number granted | Fair value of share options granted |
|-------------------------|---------------|----------------------|-------------------------------------|
| | | | RMB'000 |
| KONG Fanxing | 27 July 2022 | 4,315,460 | 4,555 |
| WANG Mingzhe | 27 July 2022 | 2,258,366 | 2,384 |
| CAO Jian ⁽¹⁾ | 27 July 2022 | 2,258,366 | 2,384 |
| Employees | 27 July 2022 | 25,015,740 | 26,407 |
| Total | | 33,847,932 | 35,730 |

Note 1: Mr. CAO Jian was appointed as a Director of the Company on 24 February 2023.

9.1.3 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 2023, the Company granted an aggregate of 385,283,994 Shares thereunder. The grantee under the Award Scheme is not required to pay any amount for accepting the restricted share award granted.

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

| Grantee | Date of grant | Vesting period (Note 1) | Changes in the number of restricted shares during the reporting period | | | | | Not yet vested as at 30 June 2023 |
|--|---------------|--------------------------------|--|---------------------|--------------------|--------|-----------|---|
| | | | Not yet vested as at 1 January 2023 | Granted (Note 2) | Vested (Note 3) | Lapsed | Cancelled | |
| | | | | | | | | |
| KONG Fanxing, Chairman, CEO and executive Director | 19 July 2019 | 19 July 2020 – 19 July 2022 | - | - | - | - | - | |
| KONG Fanxing, Chairman, CEO and executive Director | 23 July 2020 | 23 July 2021 – 23 July 2023 | 1,874,289 | - | - | - | 1,874,289 | |
| KONG Fanxing, Chairman, CEO and executive Director | 26 July 2021 | 26 July 2022 – 26 July 2024 | 5,221,049 | - | - | - | 5,221,049 | |
| KONG Fanxing, Chairman, CEO and executive Director | 27 July 2022 | 27 July 2023 – 27 July 2025 | 7,954,415 | - | - | - | 7,954,415 | |
| WANG Mingzhe, CFO and executive Director | 19 July 2019 | 19 July 2020 – 19 July 2022 | - | - | - | - | - | |

MANAGEMENT DISCUSSION AND ANALYSIS

| Grantee | Date of grant | Vesting period (Note 1) | Changes in the number of restricted shares during the reporting period | | | | | Not yet vested as at 30 June 2023 |
|--|---------------|--------------------------------|--|---------------------|--------------------|----------|----------------|---|
| | | | Not yet vested as at 1 January 2023 | Granted (Note 2) | Vested (Note 3) | Lapsed | Cancelled | |
| | | | | | | | | |
| WANG Mingzhe, CFO and executive Director | 23 July 2020 | 23 July 2021 – 23 July 2023 | 807,194 | - | - | - | - | 807,194 |
| WANG Mingzhe, CFO and executive Director | 26 July 2021 | 26 July 2022 – 26 July 2024 | 2,273,311 | - | - | - | - | 2,273,311 |
| WANG Mingzhe, CFO and executive Director | 27 July 2022 | 27 July 2023 – 27 July 2025 | 3,274,278 | - | - | - | - | 3,274,278 |
| 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 | 807,194 | - | - | - | - | 807,194 |
| CAO Jian, Senior Vice President and executive Director | 26 July 2021 | 26 July 2022 – 26 July 2024 | 2,273,311 | - | - | - | - | 2,273,311 |
| CAO Jian, Senior Vice President and executive Director | 27 July 2022 | 27 July 2023 – 27 July 2025 | 3,274,278 | - | - | - | - | 3,274,278 |
| SUBTOTAL FOR DIRECTORS | | | 27,759,319 | - | - | - | - | 27,759,319 |
| Employees | 19 July 2019 | 19 July 2020 – 19 July 2022 | - | - | - | - | - | - |
| Employees | 23 July 2020 | 23 July 2021 – 23 July 2023 | 6,931,137 | - | - | - | 68,724 | 6,862,413 |
| Employees | 26 July 2021 | 26 July 2022 – 26 July 2024 | 21,453,311 | - | - | - | 151,555 | 21,301,756 |
| Employees | 27 July 2022 | 27 July 2023 – 27 July 2025 | 35,865,938 | - | - | - | - | 35,865,938 |
| SUBTOTAL FOR EMPLOYEES | | | 64,250,386 | - | - | - | 220,279 | 64,030,107 |
| TOTAL | | | 92,009,705 | - | - | - | 220,279 | 91,789,426 |
| 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 | 4,449,563 | - | - | - | - | 4,449,563 |
| Five highest paid employees | 26 July 2021 | 26 July 2022 – 26 July 2024 | 12,007,295 | - | - | - | - | 12,007,295 |
| Five highest paid employees | 27 July 2022 | 27 July 2023 – 27 July 2025 | 17,671,464 | - | - | - | - | 17,671,464 |
| TOTAL (Five highest paid employees) | | | 34,128,322 | - | - | - | - | 34,128,322 |

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: The weighted average closing price of shares immediately before the date on which the restricted shares were vested by Directors and employees under the Award Scheme (i.e. 18 July 2022, 22 July 2022, 15 July 2022) is HK\$6.34.

Note 4: As at 1 January 2023 and 30 June 2023, the number of shares available for grant under the Award Scheme was 50,771,898.

Note 5: The 2014 Restricted Share Award Scheme does not involve the issuance of new shares. Therefore, the number of shares that may be issued under the 2014 Restricted Share Award Scheme during the reporting period divided by the weighted average number of the number of shares in issue for the reporting period is not applicable.

As at 30 June 2023, the aggregated fair value of the restricted shares granted on 27 July 2022 under the Award Scheme was RMB243,589,000. 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 RMB38,163,000, RMB15,709,000, RMB15,709,000, RMB174,008,000 and RMB84,783,000, respectively.

| Grantee | Date of grant | Total number granted | Fair value of restricted shares granted |
|-----------------------------|---------------|----------------------|---|
| | | | RMB'000 |
| KONG Fanxing | 27 July 2022 | 7,954,415 | 38,163 |
| WANG Mingzhe | 27 July 2022 | 3,274,278 | 15,709 |
| CAO Jian ⁽¹⁾ | 27 July 2022 | 3,274,278 | 15,709 |
| Employees | 27 July 2022 | 36,268,926 | 174,008 |
| Total | | 50,771,897 | 243,589 |
| Five highest paid employees | 27 July 2022 | 17,671,464 | 84,783 |

Note 1: Mr. CAO Jian was appointed as a Director of the Company on 24 February 2023.

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 2023, 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 at 30 June 2023 | As at 31 December 2022 |
|--------------------|-----------------------|---------------------------|
| | RMB'000 | RMB'000 |
| Legal proceedings: | | |
| Claimed amounts | 38,824 | 38,838 |

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 at 30 June 2023 | As at 31 December 2022 |
|--|-----------------------|---------------------------|
| | RMB'000 | RMB'000 |
| Contracted, but not provided for: | | |
| Capital expenditure for acquisition of property, plant and equipment | 176,805 | 161,423 |
| Irrevocable credit commitments ⁽¹⁾ | 9,756,745 | 23,035,482 |

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

In the second half of 2023, with the elevated comparison bases, the economic operation returned to normal growth, but various instabilities and uncertainties subsisted in economic growth. In the future, the Group will pay close attention to domestic and international economic trends and maintain a prudent attitude, adhere to the vision to “vigorously build excellent enterprises” and the “finance + industry” two-wheel drive, and strive to create value sustainably, effectively and continuously for all parties. In order to better iterate the service model and enhance market competitiveness, the Group will focus on its two-pronged service concepts of “serving enterprises and serving entrepreneurs”, and innovatively build entrepreneur service centers, forming a strategic driving force from serving enterprises to serving entrepreneurs.

In terms of financial business, the Group will continue to deepen its advantages of “marketization, internationalization and specialization”, and implement its two-pronged service concepts of “serving enterprises and serving entrepreneurs”, in order to build its core competitiveness for the next stage. For deepening market capacity, the Group will continue to intensify its efforts in terms of industries and regions, and expand the market space and potential. For upgrading service models, the Group will take the lead in advantageous industries, carry out all-round services in a top-down approach, connect internal resources, and promote coordinated development with industrial departments. On the other hand, by building an “enterprise + entrepreneur” service system, the Group will provide differentiated and personalized value-added services, thus binding leading enterprises, opening up industrial chains and forming a business pattern of mutual linkage and promotion.

In terms of industrial operation, Horizon Construction Development will conform to the national and regional plans regarding the Yangtze River Delta, the Greater Bay Area, the Beijing-Tianjin-Hebei region, the Sichuan-Chongqing region and the Yangtze River Economic Belt, continue to dig deep in the domestic market, and work together with upstream equipment suppliers and downstream service partners to promote the new urbanization construction in China. At the same time, it will continue to strengthen the exploration of overseas markets, steadily expand the Southeast Asian market, and deepen cooperation with upstream and downstream partners in Southeast Asia and other places, forming the second growth curve of Horizon Construction Development. Horizon Construction Development will continue to expand its business scale, further optimize its service network, enhance coverage, operate at different levels, speed up digital upgrading and management improvement, optimize operational efficiency, consolidate its competitive advantage, and keep up with market demand changes to continuously create value for customers.

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, and is dedicated to providing high-quality medical services available to everyone. At the same time, it will accelerate the deployment of major healthcare services such as consumer medical care and healthcare services, reduce the dependence on medical insurance, and become an effective supplement to local health services. Focusing on its unique operation model of “one system, one network, one hospital”, Horizon Healthcare will fully activate the operation of each hospital, continue to upgrade its standardized, intensive and integrated operation management system to achieve long-term and sustainable development and step towards its vision of “building a long-living Horizon Healthcare brand that the government is pleased to see, the industry recognizes and in which people have confidence”.

MANAGEMENT DISCUSSION AND ANALYSIS

12. EQUIPMENT OPERATION SEGMENT REPORT

12.1 Profit Statement Analysis of Equipment Operation Segment

| For the six months ended 30 June | | | |
|--|-------------------|-------------|----------|
| | 2023 | 2022 | |
| | RMB million | RMB million | Change % |
| Total revenue | 4,205.97 | 3,565.17 | 17.97% |
| Revenue from operating lease | 2,505.62 | 2,305.75 | 8.67% |
| Revenue from engineering and technical services | 1,140.63 | 1,055.10 | 8.11% |
| Revenue from platforms and others | 559.72 | 204.32 | 173.94% |
| Total cost | (2,769.82) | (2,194.49) | 26.22% |
| Cost of operating lease | (1,515.15) | (1,206.65) | 25.57% |
| Cost of engineering and technical services | (904.52) | (834.00) | 8.46% |
| Cost of platforms and others | (350.15) | (153.84) | 127.61% |
| Gross profit | 1,436.15 | 1,370.68 | 4.78% |
| Gross profit of operating lease | 990.47 | 1,099.10 | -9.88% |
| Gross profit of engineering and technical services | 236.11 | 221.10 | 6.79% |
| Gross profit of platforms and others | 209.57 | 50.48 | 315.15% |
| Administrative and selling expenses | (557.61) | (609.93) | -8.58% |
| Provision for assets | (167.42) | (80.35) | 108.36% |
| Other profit | 81.20 | (0.62) | - |
| Profit before interest and tax | 792.32 | 679.78 | 16.56% |
| Finance costs | (454.62) | (434.86) | 4.54% |
| Profit before tax | 337.70 | 244.92 | 37.88% |

MANAGEMENT DISCUSSION AND ANALYSIS

| For the six months ended 30 June | | | |
|---|-----------------|-------------|----------|
| | 2023 | 2022 | |
| | RMB million | RMB million | Change % |
| Adjusted profit before tax (a non-HKFRS measure) ⁽¹⁾ | 418.26 | 375.22 | 11.47% |
| Income tax expense | (100.56) | (85.81) | 17.19% |
| Profit for the period | 237.14 | 159.11 | 49.04% |
| Adjusted profit for the period (a non-HKFRS measure) ⁽²⁾ | 317.70 | 289.41 | 9.78% |
| EBITDA (a non-HKFRS measure) ⁽³⁾ | 1,965.12 | 1,763.59 | 11.43% |

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), adjusted profit before tax, adjusted profit for the period and EBITDA are used as additional financial measures, which are not presented in accordance with HKFRS. The difference between the non-HKFRS measures and the most directly comparable HKFRS financial measures is as follows:

- (1) Adjusted profit before tax (a non-HKFRS measure) = profit before tax + listing expenses + interest and net exchange gains or losses on redemption liabilities on ordinary shares. In the first half of 2023, listing expenses amounted to RMB12 million, compared with RMB5 million in the same period last year; in the first half of 2023, the interest and net exchange gains or losses on redemption liabilities on ordinary shares amounted to RMB68 million, compared with RMB125 million in the same period last year.
- (2) Adjusted profit for the period (a non-HKFRS measure) = profit for the period + listing expenses + interest and net exchange gains or losses on redemption liabilities on ordinary shares.
- (3) 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). In the first half of 2023, bank interest income amounted to RMB8 million, compared with RMB5 million in the same period last year; in the first half of 2023, depreciation and amortization amounted to RMB1,181 million, compared with RMB1,089 million in the same period last year.

MANAGEMENT DISCUSSION AND ANALYSIS

12.2 Asset Analysis of Equipment Operation Segment

| | 30 June 2023 | 31 December 2022 | |
|---|-------------------------|---------------------|----------|
| | RMB million | RMB million | Change % |
| Monetary fund and short-term bank wealth management | 2,364.04 | 2,159.32 | 9.48% |
| Accounts receivables, bill and contract assets | 6,551.40 | 5,827.64 | 12.42% |
| Prepayments and other receivables | 2,072.54 | 2,278.80 | -9.05% |
| Inventories | 182.22 | 186.22 | -2.15% |
| Fixed assets and other intangible assets | 18,629.96 | 19,106.19 | -2.49% |
| Right-of-use assets | 377.45 | 335.22 | 12.60% |
| Deferred income tax assets | 349.61 | 329.68 | 6.05% |
| Other assets | 74.57 | 65.32 | 14.16% |
| Total assets | 30,601.79 | 30,288.39 | 1.03% |

Notes:

Horizon Construction Development is a leading equipment operation service provider in China established by the Group, with diversified equipment and strong service capabilities. Building on its rich equipment categories and scientific management system, Horizon Construction Development is committed to providing customers with multi-functional, multi-latitude and full-cycle comprehensive services, and has been consistently creating value for customers leveraging its national network layout, which forms nation-wide operation network and comprehensive operation capabilities with synergistic 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 2023, 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 2023, 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, owned approximately 159,000 pieces of aerial work platform equipment and approximately 2,200,000 tons of materials, with the total original value of its operating assets leading in the equipment service market. The Group's aerial work platform equipment mainly consists of scissor-type and boom-type aerial work platforms, which are extensively used in construction, installation and subsequent maintenance of industrial buildings, municipal venues, commercial sites, energy chemical, transportation logistics and other fields. The neo-excavation support systems consist of temporary steel structures for construction purpose such as steel support, Larsen pile and structural steel, which are widely used in fields such as civil construction, municipal pipelines, subways and bridge infrastructures. The neo-formwork systems mainly consist of socket type scaffolding, mainly used in fields such as industrial construction, municipal construction, housing construction and traffic construction. The pavement equipment consists of paving machines, road rollers and milling machines, which are used in the construction and maintenance of asphalt concrete pavements such as high-grade roads, airport runways, test-drive tracks and municipal roads. The electric power equipment consists of generators and load boxes, which are mainly used in temporary power supply for engineering construction, large-scale exhibitions, advertising campaigns, marine engineering, urban construction, field engineering, and mining.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2023, Horizon Construction Development continued its strategy of developing overseas and domestic markets. The total number of business outlets had further expanded, reaching 419 in aggregate. It had 415 service outlets in nearly 200 cities, covering Eastern China, Southern China, Northern China, Southwest China and Northeast China, 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, and commercial entertainment. The number of customers has simultaneously achieved strong growth. As at 30 June 2023, the cumulative number of customers served (in terms of individual customer) was approximately 191,000. 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. In addition, it offers tailored design and research services for its customers, with many of its independently-developed products holding a leading position in China. It successfully opened stores in overseas regions by the end of June, which steadily promoted overseas sales. At present, there are 4 outlets in overseas region, covering Hong Kong of China, Malaysia and Indonesia.

As at 30 June 2023, the total income of Horizon Construction Development was RMB4,206 million, representing year-on-year growth of 17.97%, 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 an asset utilization efficiency of 70% in the first half of the year, representing year-on-year growth. It achieved total revenue from operating lease of RMB2,506 million, representing year-on-year growth of 8.67%. The gross profit margin of the operating lease business decreased during the period as compared to the corresponding period of last year due to the impact of the leasing prices in the material market.
- (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. In the first half of 2023, Horizon Construction Development achieved revenue of RMB1,141 million from engineering and technical services, with year-on-year growth of 8.11%. The gross profit margin of the overall engineering technical services tended to be stable.
- (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 platform service revenue, superimposing the sales of operating lease equipment, materials and spare parts to diversify the sources of income. The revenue achieved by the platform and other business in the first half of 2023 reached RMB559 million, representing year-on-year growth of 173.94%. The significant increase in the gross profit margin of the platform and other business for the period was mainly due to the change in the business structure as to the proportion of platform service and trading and sales.

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 | | | |
|--|-------------------|-------------|----------|
| | 2023 | 2022 | |
| | RMB million | RMB million | Change % |
| Total revenue | 2,289.90 | 1,971.25 | 16.16% |
| Revenue from hospital operation | 2,284.47 | 1,961.70 | 16.45% |
| Other relevant revenue from hospital operation | 5.43 | 9.55 | -43.14% |
| Total cost | (1,867.83) | (1,666.36) | 12.09% |
| Cost from hospital operation ⁽³⁾⁽⁵⁾ | (1,861.06) | (1,662.13) | 11.97% |
| Other cost | (6.77) | (4.23) | 60.05% |
| Gross profit | 422.07 | 304.89 | 38.43% |
| Gross profit from hospital operation ⁽⁴⁾ | 428.84 | 309.12 | 38.73% |
| Other cost | (6.77) | (4.23) | 60.05% |
| Labor cost ⁽⁵⁾ | (69.93) | (58.87) | 18.79% |
| Other administrative and selling expenses ⁽⁵⁾ | (115.97) | (96.21) | 20.54% |
| Finance costs | (10.88) | (9.86) | 10.34% |
| Provision for assets | (51.38) | (30.14) | 70.49% |
| Other profit | 26.68 | 20.55 | 29.83% |
| Profit before tax | 200.59 | 130.36 | 53.87% |
| Income tax expense | (64.06) | (47.36) | 35.24% |
| Profit for the year | 136.53 | 83.00 | 64.49% |

MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

In the first half of 2023, the number of hospitals controlled by the Group was 29 with the actual number of beds available amounting to approximately 11,000. A nationwide hospital operation network covering Eastern China, Southern China, Northern China, Southwest China, and Northeast China has been formed. In the first half of 2023, the Group completed the equity transfer of Zhengzhou Renji Hospital. The Group adheres 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. The Group will continue to plan for future operation with the principle of “one network, one system and one hospital”, further innovate the “medical + hospital” model, 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 operational innovations, 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”.

At present, the impact of the pandemic has been gradually eliminated, and the medical service business has resumed in an orderly manner. The Group seized opportunities in service optimization, operation improvement, discipline construction, operation management and other directions. Sound development momentum and stable improvement in operation were seen in the first half of the year, and business breakthroughs and accelerated development were achieved.

- (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 2023 increased from approximately RMB1,662 million of the first half of 2022 to RMB1,861 million. Cost of hospital operation of the Group, which primarily includes labor costs, pharmaceutical supplies, inspection costs and other costs, increased comparing to the same period last year as the volume and size grew.

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, resulting in an increase in the labor expenses as the volume and size of the Group’s member hospitals grew. Meanwhile, the Group actively promoted the control of various expenses to reduce costs and increase efficiency. On the whole, other administrative and selling expenses overall increases due to the Group’s new member hospitals and the expansion of the Group’s properties scale and 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) The scope of the hospital operation segment for the period excludes the operating data of Zhengzhou Renji Hospital and the impact of equity disposal, and restates the comparative data.

MANAGEMENT DISCUSSION AND ANALYSIS

13.2 Asset Analysis of Hospital Operation Segment

| | 30 June 2023 | | 31 December 2022 | | Change % |
|---|-----------------|----------------|------------------|----------------|--------------|
| | RMB million | % of total | RMB million | % of total | |
| Monetary fund | 126.32 | 1.82% | 210.03 | 3.16% | -39.86% |
| Amount of the Group's cash pool | 720.39 | 10.36% | 690.05 | 10.40% | 4.40% |
| Accounts receivables | 685.12 | 9.86% | 479.32 | 7.22% | 42.94% |
| Prepayments ⁽¹⁾ | 101.68 | 1.46% | 92.93 | 1.40% | 9.42% |
| Other receivables | 303.53 | 4.37% | 115.65 | 1.74% | 162.46% |
| Entrusted loans | 135.50 | 1.95% | 188.50 | 2.84% | -28.12% |
| Inventories | 253.87 | 3.65% | 258.58 | 3.90% | -1.82% |
| Fixed assets and intangible assets ⁽²⁾ | 3,695.89 | 53.17% | 3,661.05 | 55.16% | 0.95% |
| Goodwill ⁽³⁾ | 268.49 | 3.86% | 270.51 | 4.08% | -0.75% |
| Investments in joint ventures/associates ⁽⁴⁾ | 30.66 | 0.44% | 37.75 | 0.57% | -18.78% |
| Deferred income tax assets | 82.76 | 1.19% | 65.86 | 0.99% | 25.66% |
| Right-of-use assets ⁽⁵⁾ | 544.73 | 7.84% | 561.09 | 8.45% | -2.92% |
| Other assets | 2.43 | 0.03% | 5.77 | 0.09% | -57.89% |
| Total assets | 6,951.37 | 100.00% | 6,637.09 | 100.00% | 4.74% |

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.

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 2023, the interests or short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), to be notified to the Company and the Stock Exchange, were detailed as follows:

| Name of director | Name of corporation | Capacity/nature of interest | Total number of ordinary shares ⁽¹⁾ | Approximate percentage of interest in the Company |
|--|---------------------|--------------------------------------|--|---|
| KONG Fanxing | The Company | Beneficial owner | 74,304,976(L) ⁽²⁾ | 1.72% |
| | | Interest in a controlled corporation | 868,947,897(L) ⁽³⁾ | 20.12% |
| WANG Mingzhe | The Company | Beneficial owner | 28,416,248(L) ⁽⁴⁾ | 0.65% |
| LIU Haifeng David | The Company | Interest in a controlled corporation | 365,842,100(L) ⁽⁵⁾ | 8.47% |
| LIU Jialin | The Company | Beneficial owner | 125,000(L) | 0.00% |
| | | Interest of spouse | 125,000(L) | 0.00% |
| CAO Jian (appointed on 24 February 2023) | The Company | Beneficial owner | 26,773,560(L) ⁽⁶⁾ | 0.62% |

DISCLOSURE OF INTERESTS

Notes:

- (1) The letter "L" denotes the person's long position in the shares of the Company.
- (2) The interest includes 13,169,599 underlying shares in respect of the share options granted pursuant to the Company's 2014 Share Option Scheme, 15,392,053 underlying shares in respect of the share options granted pursuant to the Company's 2019 Share Option Scheme and 44,073,324 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 2023. For details of those schemes, please refer to the 2022 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 held directly by Swallow Gird HK Limited, 197,945,000 held directly by Energon HK Limited and an aggregate of 90,866,835 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 4,220,264 underlying shares in respect of the share options granted pursuant to the Company's 2014 Share Option Scheme, 7,226,413 underlying shares in respect of the share options granted pursuant to the Company's 2019 Share Option Scheme and 16,383,571 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 2023. For details of those schemes, please refer to the 2022 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 3,533,264 underlying shares in respect of the share options granted pursuant to the Company's 2014 Share Option Scheme, 7,226,413 underlying shares in respect of the share options granted pursuant to the Company's 2019 Share Option Scheme and 16,013,883 underlying shares in respect of the awarded shares granted pursuant to the Company's 2014 Restricted Share Award Scheme. For details of those schemes, please refer to the 2022 annual report of the Company.

Save as disclosed above, as at 30 June 2023, 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 2023 (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 2023, the entities or individuals who had interests or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company under section 336 of the SFO or had otherwise notified to the Company were as follows:

| Name of shareholder | Capacity/nature of interest | Number of ordinary Shares ⁽¹⁾ | Approximate percentage of interest |
|--|---|--|------------------------------------|
| Sinochem Capital Investment Management (Hong Kong) Limited ⁽²⁾ | Beneficial owner | 919,914,440(L) | 21.30% |
| Sinochem Capital Investment Management Limited ⁽²⁾ | Interest in a controlled corporation | 919,914,440(L) | 21.30% |
| Sinochem Corporation ⁽²⁾ | Interest in a controlled corporation | 919,914,440(L) | 21.30% |
| Sinochem Group Co., Ltd ⁽²⁾ | Interest in a controlled corporation | 919,914,440(L) | 21.30% |
| The State-owned Assets Supervision and Administration Commission of the State Council ⁽²⁾ | Interest in a controlled corporation | 919,914,440(L) | 21.30% |
| KONG Fanxing | Beneficial owner | 74,304,976(L) ⁽³⁾ | 1.72% |
| | Interest in a controlled corporation | 868,947,897(L) ⁽⁴⁾ | 20.12% |
| Idea Prosperous Limited ⁽⁴⁾ | Entrusted to exercise voting rights | 868,947,897 (L) | 20.12% |
| JPMorgan Chase & Co. ⁽⁵⁾ | Interest in a controlled corporation | 76,441,135(L) | 1.77% |
| | | 62,368,669(S) | 1.44% |
| | Investment manager | 193,000(L) | 0.00% |
| | Person having a security interest in shares | 44,849,902(L) | 1.03% |
| | Approved lending agent | 274,070,475(P) | 6.34% |

DISCLOSURE OF INTERESTS

| Name of shareholder | Capacity/nature of interest | Number of ordinary Shares ⁽¹⁾ | Approximate percentage of interest |
|---|---|--|------------------------------------|
| Cathay Financial Holding Co., Ltd. ⁽⁶⁾ | Beneficial owner | 258,455,200(L) | 5.98% |
| Aim Future Limited ⁽⁷⁾ | Interest in a controlled corporation | 505,844,000(L) | 11.71% |
| Gold Stone Enterprise Limited ⁽⁷⁾ | Interest in a controlled corporation | 505,844,000(L) | 11.71% |
| Cantrust (Far East) Limited ⁽⁷⁾ | Trustee | 505,844,000(L) | 11.71% |
| UBS Group AG ⁽⁸⁾ | Interest in a controlled corporation | 528,905,132(L) | 12.24% |
| | | 80,733,883(S) | 1.86% |
| Sunshine Trust Company Limited ⁽⁹⁾ | Trustee | 272,237,062(L) | 6.30% |
| LIU Haifeng David | Interest in a controlled corporation | 365,842,100(L) ⁽¹⁰⁾ | 8.47% |
| Capital Rise Limited ⁽¹⁰⁾ | Beneficial owner | 314,775,100(L) | 7.29% |
| Capital Bridge Limited ⁽¹⁰⁾ | Interest in a controlled corporation | 364,775,100(L) | 8.44% |
| DCP Capital Partners L.P. ⁽¹⁰⁾ | Interest in a controlled corporation | 364,775,100(L) | 8.44% |
| DCP General Partner, Ltd ⁽¹⁰⁾ | Interest in a controlled corporation | 364,775,100(L) | 8.44% |
| DCP, Ltd. ⁽¹⁰⁾ | Interest in a controlled corporation | 364,775,100(L) | 8.44% |
| Julian Juul WOLHARDT ⁽¹⁰⁾ | Interest in a controlled corporation | 364,775,100(L) | 8.44% |
| HSBC Holdings plc ⁽¹¹⁾ | Interest in a controlled corporation | 15,512,731(L) | 0.35% |
| | Trustee | 581,097,410(L) | 13.45% |
| | Custodian (other than an exempt custodian interest) | 6,007,364(L) | 0.13% |

Notes:

- (1) The letter "L" denotes the person's long position in the shares of the Company. The letter "S" denotes the person's short position in the shares of the Company. The letter "P" denotes the person's shares of the Company by approved lending agent.
- (2) Sinochem Capital Investment Management (Hong Kong) Limited is 100% controlled by Sinochem Capital Investment Management Limited, which is 100% controlled by Sinochem Corporation, which is in turn controlled as to 98% by Sinochem Group Co., Ltd. Sinochem Group Co., Ltd is 100% controlled by the State-owned Assets Supervision and Administration Commission of the State Council.

DISCLOSURE OF INTERESTS

- (3) Please refer to Note (2) of the section headed “Directors’ and Chief Executives’ Interests and/or Short Positions in the Shares, Underlying Shares and Debentures of the Company or any of its Associated Corporations” for further details of the shareholding structure.
- (4) Please refer to Note (3) of the section headed “Directors’ and Chief Executives’ Interests and/or Short Positions in the Shares, Underlying Shares and Debentures of the Company or any of its Associated Corporations” for further details of the shareholding structure.
- (5) Please refer to Form 2 – Corporate Substantial Shareholder Notice for the relevant event on 12 June 2023 for further details of the shareholding structure.
- (6) Please refer to Form 2 – Corporate Substantial Shareholder Notice for the relevant event on 26 May 2023 for further details of the shareholding structure.
- (7) The interest is held directly by Will of Heaven HK Limited, Swallow Gird HK Limited, Powerful Force HK Limited and Energon HK Limited. Will of Heaven HK Limited, Swallow Gird HK Limited, Powerful Force HK Limited and Energon HK Limited are 100% controlled by Aim Future Limited, which is in turn 100% controlled by Gold Stone Enterprise Limited. Cantrust (Far East) Limited is the trustee of The Gold Stone I Trust and holds 100% interest in Gold Stone Enterprise Limited.
- (8) Please refer to Form 2 – Corporate Substantial Shareholder Notice for the relevant event on 12 June 2023 for further details of the shareholding structure.
- (9) The interest is held directly by Idea Delicacy Limited, which is 100% controlled by Sunshine Trust Company Limited.
- (10) Please refer to Note (5) of the section headed “Directors’ and Chief Executives’ Interests and/or Short Positions in the Shares, Underlying Shares and Debentures of the Company or any of its Associated Corporations” for further details of the shareholding structure.
- (11) Please refer to Form 2 – Corporate Substantial Shareholder Notice for the relevant event on 30 June 2023 for further details of the shareholding structure.

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

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE CODE

The Company has applied the principles and code provisions as set out in the Corporate Governance Code (the “CG Code”) as contained in Appendix 14 of the Listing Rules.

The Company has complied with the code provisions of the CG Code throughout the period from 1 January 2023 to 30 June 2023, except for Code Provision C.2.1 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 reporting period, the positions of the chairman of the Board (the “Chairman”) and the chief executive officer of the Company (the “Chief Executive Officer”) are held by Mr. KONG Fanxing. Hence, the Company has deviated from code provision C.2.1.

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.

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 10 to the Listing Rules.

Specific enquiry has been made to all the directors and the directors have confirmed that they had complied with the Code of Conduct throughout the six months ended 30 June 2023.

CORPORATE GOVERNANCE

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 2023.

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the period from 1 January 2023 to 30 June 2023, 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 2023 of the Group, including the accounting principles and practices adopted by the Group.

OTHER INFORMATION

IMPLEMENTATION OF DISTRIBUTION OF 2022 FINAL DIVIDEND

According to the proposal in relation to dividend distribution, which was considered and passed at the 2023 AGM on 7 June 2023, the Group has paid a dividend of HK\$0.49 per share to shareholders whose names appear on the register of members of the Company on 16 June 2023, thereby resulting in a total dividend payment amount of HK\$2,052,340,786.65.

INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2023.

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 2023.

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

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

| Name of director | Details of changes |
|------------------|--|
| KONG Fanxing | Appointed as the chairman and general manager of Far East Horizon Financial Leasing (Guangdong) Co., Ltd. (遠東宏信融資租賃(廣東)有限公司) with effect from 13 April 2023. Appointed as an executive director and the general manager of Yuanhong Investment (Guangdong) Co., Ltd. (遠宏投資(廣東)有限公司) with effect from 20 April 2023. |
| WANG Mingzhe | Appointed as a director of Far East Horizon Financial Leasing (Guangdong) Co., Ltd. (遠東宏信融資租賃(廣東)有限公司) with effect from 13 April 2023. |
| CAO Jian | Appointed as a director of Far East Horizon Financial Leasing (Guangdong) Co., Ltd. (遠東宏信融資租賃(廣東)有限公司) with effect from 13 April 2023. |
| John LAW | Appointed as an independent non-executive director of Khan Bank since August 2020, which has been listed on the Mongolian Stock Exchange since 29 June 2023 with a stock code of "KHAN". |

INDEPENDENT REVIEW REPORT



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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 111 to 200, 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 2023 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 2023

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

| | | 2023 | 2022 |
|---|-------|--------------------|---------------------------|
| | | (Unaudited) | (Unaudited) (Restated) |
| | Notes | RMB'000 | RMB'000 |
| Interest Income | 4 | 11,084,837 | 10,517,904 |
| Revenue from operating leases | 4 | 2,809,358 | 2,305,748 |
| Revenue from contracts with customers | 4 | 4,553,395 | 4,970,675 |
| Tax and surcharges | | (85,783) | (78,473) |
| Cost of sales | | (9,909,226) | (8,808,716) |
| Other income and gains | 4 | 1,432,126 | 1,995,919 |
| Selling and distribution costs | | (1,560,228) | (1,894,811) |
| Administrative expenses | | (1,969,654) | (2,040,102) |
| Impairment losses on financial and contract assets | | (722,695) | (1,032,217) |
| Gains/(losses) on derecognition of financial assets measured at amortised cost | | 4,130 | (1,489) |
| Other expenses | | (364,830) | (989,169) |
| Finance costs | | (532,069) | (557,143) |
| Share of net profits of: | | | |
| Associates | | 165,224 | 208,140 |
| Share of net profits/(losses) of: | | | |
| Joint ventures | | 85,805 | (36,986) |
| PROFIT BEFORE TAX | 5 | 4,990,390 | 4,559,280 |
| Income tax expense | 6 | (1,501,331) | (1,435,424) |
| PROFIT FOR THE PERIOD | | 3,489,059 | 3,123,856 |
| Attributable to: | | | |
| Ordinary shareholders of the Company | | 3,070,724 | 2,838,309 |
| Holders of perpetual securities | 22 | 64,935 | 139,525 |
| Non-controlling interests | | 353,400 | 146,022 |
| | | 3,489,059 | 3,123,856 |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | 8 | RMB | RMB |
| Basic | | | |
| – Earnings per share | | 0.73 | 0.68 |
| Diluted | | | |
| – Earnings per share | | 0.66 | 0.61 |

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 2023

| | 2023 | 2022 |
|--|--------------------|---------------------------|
| | (Unaudited) | (Unaudited) (Restated) |
| | RMB'000 | RMB'000 |
| PROFIT FOR THE PERIOD | 3,489,059 | 3,123,856 |
| 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 | 1,392,278 | 1,083,204 |
| Reclassification adjustment for losses included in the consolidated statement of profit or loss | (1,346,409) | (1,451,095) |
| Income tax effect | 10,345 | 12,587 |
| | 56,214 | (355,304) |
| Exchange differences: | | |
| Exchange differences on translation of foreign operations | (179,159) | (146,401) |
| | (179,159) | (146,401) |
| Net other comprehensive income that will be reclassified to profit or loss in subsequent periods | (122,945) | (501,705) |
| OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX | (122,945) | (501,705) |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | 3,366,114 | 2,622,151 |
| Attributable to: | | |
| Ordinary shareholders of the Company | 2,947,688 | 2,336,604 |
| Holders of perpetual securities | 64,935 | 139,525 |
| Non-controlling interests | 353,491 | 146,022 |
| | 3,366,114 | 2,622,151 |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

| | | 30 June 2023 | 31 December 2022 |
|---|-------|---------------------|-------------------------|
| | | (Unaudited) | (Audited) (Restated) |
| | Notes | RMB'000 | RMB'000 |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 9 | 24,434,794 | 24,965,863 |
| Investment properties | | 111,563 | 115,682 |
| Right-of-use assets | | 1,867,598 | 1,873,637 |
| Goodwill | | 268,495 | 270,512 |
| Other intangible assets | | 92,162 | 85,969 |
| Investments in joint ventures | 12 | 3,247,900 | 2,977,525 |
| Investments in associates | 13 | 5,755,660 | 5,599,193 |
| Financial assets at fair value through profit or loss | 15 | 7,696,570 | 7,924,638 |
| Derivative financial instruments | 11 | 1,678,030 | 1,575,188 |
| Loans and accounts receivables | 10 | 118,178,936 | 118,171,325 |
| Prepayments, other receivables and other assets | | 1,508,227 | 2,096,647 |
| Deferred tax assets | 19 | 6,331,517 | 6,118,290 |
| Total non-current assets | | 171,171,452 | 171,774,469 |
| CURRENT ASSETS | | | |
| Inventories | | 446,929 | 466,282 |
| Loans and accounts receivables | 10 | 158,565,319 | 148,966,908 |
| Contract assets | | 381,366 | 304,295 |
| Prepayments, other receivables and other assets | | 3,083,661 | 3,458,266 |
| Debt investments at fair value through other comprehensive income | | 1,590,313 | 1,182,401 |
| Financial assets at fair value through profit or loss | 15 | 811,668 | 1,433,468 |
| Derivative financial instruments | 11 | 1,497,333 | 278,114 |
| Restricted deposits | 14 | 2,432,427 | 3,227,451 |
| Cash and cash equivalents | 14 | 21,382,384 | 15,903,843 |
| Total current assets | | 190,191,400 | 175,221,028 |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

| | | 30 June 2023 | 31 December 2022 |
|--|-------|--------------|-------------------------|
| | | (Unaudited) | (Audited) (Restated) |
| | Notes | RMB'000 | RMB'000 |
| CURRENT LIABILITIES | | | |
| Trade and bills payables | 16 | 11,557,566 | 13,975,210 |
| Other payables and accruals | | 11,342,137 | 12,991,463 |
| Derivative financial instruments | 11 | 2,359 | 28,093 |
| Interest-bearing bank and other borrowings | 17 | 153,414,087 | 123,454,985 |
| Lease liabilities | | 150,662 | 143,957 |
| Income tax payable | | 967,569 | 1,858,302 |
| Total current liabilities | | 177,434,380 | 152,452,010 |
| NET CURRENT ASSETS | | 12,757,020 | 22,769,018 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 183,928,472 | 194,543,487 |
| NON-CURRENT LIABILITIES | | | |
| Convertible bonds – host debts | 18 | 3,835,066 | 3,717,829 |
| Interest-bearing bank and other borrowings | 17 | 110,948,435 | 124,154,666 |
| Lease liabilities | | 351,485 | 362,425 |
| Derivative financial instruments | 11 | 156,767 | 243,472 |
| Deferred tax liabilities | 19 | 895,456 | 902,566 |
| Other payables and accruals | | 8,664,339 | 8,058,410 |
| Deferred revenue | | 531,365 | 604,987 |
| Other non-current liabilities | | 2,083,056 | 4,057,710 |
| Total non-current liabilities | | 127,465,969 | 142,102,065 |
| Net assets | | 56,462,503 | 52,441,422 |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

| | | 30 June 2023 | 31 December 2022 |
|--|-------|---------------------|-------------------------|
| | | (Unaudited) | (Audited) (Restated) |
| | Notes | RMB'000 | RMB'000 |
| EQUITY | | | |
| Equity attributable to ordinary shareholders of the parent | | | |
| Share capital | 20 | 13,066,125 | 13,052,344 |
| Equity component of convertible bonds | | 228,339 | 233,750 |
| Reserves | 21 | 34,033,006 | 31,962,781 |
| | | 47,327,470 | 45,248,875 |
| Holdings of perpetual securities | 22 | 2,638,259 | 3,080,425 |
| Non-controlling interests | | 6,496,774 | 4,112,122 |
| Total equity | | 56,462,503 | 52,441,422 |

Kong Fanxing
Director

Wang Mingzhe
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

| | Attributable to ordinary shareholders of the parent | | | | | | | | | | | |
|---|---|---------------------------------------|--|----------------------------------|-----------------|--------------|-----------------|------------------------------|------------------|------------------|---------------------------|--------------|
| | Share capital | Equity component of convertible bonds | Shares held for the share award scheme | Share-based compensation reserve | Special reserve | Reserve fund | Hedging reserve | Exchange fluctuation reserve | Retained profits | Total 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 |
| At 31 December 2022 (audited) | 13,052,344 | 233,750 | 1,327,555 | (781,988) | 76,266 | 121,913 | (502,741) | 641,726 | 30,672,800 | 3,080,425 | 4,112,122 | 52,439,513 |
| Effect of adoption of amendments to HKAS 12 (note 2.2(c)) | - | - | - | - | - | - | - | - | 1,909 | - | - | 1,909 |
| At 1 January 2023 (restated) | 13,052,344 | 233,750 | 1,327,555 | (781,988) | 76,266 | 121,913 | (502,741) | 641,726 | 30,674,709 | 3,080,425 | 4,112,122 | 52,441,422 |
| Profit for the period | - | - | - | - | - | - | - | - | 3,070,724 | 64,935 | 353,400 | 3,489,059 |
| Other comprehensive income for the period: | | | | | | | | | | | | |
| Cash flow hedges: net of tax | - | - | - | - | - | - | 56,123 | - | - | - | 91 | 56,214 |
| Exchange differences on translation of foreign operations | - | - | - | - | - | - | (179,159) | (179,159) | - | - | - | (179,159) |
| Total comprehensive income | - | - | - | - | - | - | 56,123 | (179,159) | 3,070,724 | 64,935 | 353,491 | 3,366,114 |
| Final 2022 dividend declared (net of dividends received from shares held for the share award scheme) (Note 7) | - | - | - | - | - | - | - | - | (1,871,222) | - | - | (1,871,222) |
| Distribution paid to holders of perpetual securities | - | - | - | - | - | - | - | - | - | (16,303) | - | (16,303) |
| Transfer of share option reserve upon exercise of share options | 13,781 | - | - | (2,776) | - | - | - | - | - | 11,005 | - | 11,005 |
| Recognition of equity-settled share-based payments | - | - | - | 141,925 | - | - | - | - | - | - | - | 141,925 |
| Special reserve – safety fund appropriation | - | - | - | - | 14,400 | - | - | - | (20,078) | (5,678) | 5,678 | - |
| Capital injection by non-controlling shareholders | - | - | 284,980 | - | - | - | - | - | - | 284,980 | - | 1,498,609 |
| Disposal of a subsidiary | - | - | - | - | - | - | - | - | - | - | (139,208) | (139,208) |
| Dividends declared to non-controlling shareholders | - | - | - | - | - | - | - | - | - | - | (70,027) | (70,027) |
| Redemption of perpetual securities (Note 22) | - | - | (10,647) | - | - | - | - | - | - | (490,798) | - | (501,445) |
| Redemption of convertible bonds (Note 18) | - | (5,411) | (1,234) | - | - | - | - | - | - | (6,645) | - | (6,645) |
| Termination of put options granted to non-controlling shareholders | - | - | 587,189 | - | - | - | - | - | - | - | 1,021,089 | 1,608,278 |
| At 30 June 2023 (Unaudited) | 13,066,125 | 228,339 | 2,187,743* | (781,988)* | 90,666* | 121,913* | (446,618)* | 463,567* | 31,854,133* | 2,638,259 | 6,496,774 | 56,463,503 |

* These reserve accounts comprise the consolidated reserves of RMB34,033,006,000 (31 December 2022: RMB31,962,781,000) in the consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

| | Attributable to ordinary shareholders of the parent | | | | | | | | | | | |
|---|---|---------------------------------------|--|----------------------------------|-----------------|--------------|-----------------|------------------------------|------------------|------------------|---------------------------|--------------|
| | Share capital | Equity component of convertible bonds | Shares held for the share award scheme | Share-based compensation reserve | Special reserve | Reserve fund | Hedging reserve | Exchange fluctuation reserve | Retained profits | Total 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 |
| | (Note 20) | (Note 18) | (Note 21) | (Note 21) | (Note 21) | (Note 21) | (Note 21) | (Note 21) | (Note 21) | (Note 22) | | (Note 22) |
| At 31 December 2021 (audited) | 13,042,863 | 233,750 | 1,566,318 | 731,556 | 46,173 | 121,913 | (41,971) | 837,099 | 26,101,794 | 41,522,550 | 4,017,184 | 53,054,110 |
| Effect of adoption of amendments to HKAS 12 (note 2.1(c)) | - | - | - | - | - | - | - | 4,429 | 4,429 | - | - | 4,429 |
| At 1 January 2022 (restated) | 13,042,863 | 233,750 | 1,566,318 | 731,556 | 46,173 | 121,913 | (41,971) | 837,099 | 26,106,223 | 41,526,979 | 4,017,184 | 53,058,539 |
| Profit for the period (restated) | - | - | - | - | - | - | - | - | 2,838,309 | 2,838,309 | 146,022 | 3,123,856 |
| Other comprehensive income for the period: | | | | | | | | | | | | |
| Cash flow hedges, net of tax | - | - | - | - | - | - | (355,304) | - | - | (355,304) | - | (355,304) |
| Exchange differences on translation of foreign operations | - | - | - | - | - | - | (146,401) | (146,401) | - | (146,401) | - | (146,401) |
| Total comprehensive income (restated) | - | - | - | - | - | - | (355,304) | (146,401) | 2,838,309 | 2,336,604 | 146,022 | 2,622,151 |
| Final 2021 dividend declared (net of dividends received from shares held for the share award scheme) (Note 7) | - | - | - | - | - | - | - | - | (1,505,444) | (1,505,444) | - | (1,505,444) |
| Distribution paid to holders of perpetual securities | - | - | - | - | - | - | - | - | - | (218,437) | - | (218,437) |
| Purchase of shares under restricted share award scheme | - | - | (182,229) | - | - | - | - | - | - | (182,229) | - | (182,229) |
| Transfer of share option reserve upon exercise of share options | 8,929 | - | - | (1,840) | - | - | - | - | - | 7,089 | - | 7,089 |
| Recognition of equity settled share-based payments | - | - | - | 149,839 | - | - | - | - | - | 149,839 | - | 149,839 |
| Special reserve - safety fund appropriation | - | - | - | - | 14,030 | - | - | - | (17,332) | (3,302) | 3,302 | - |
| Capital injection by non-controlling shareholders | - | - | - | - | - | - | - | - | - | - | 29,594 | 29,594 |
| Purchase of non-controlling interests | - | - | (46,616) | - | - | - | - | - | - | (46,616) | 1,281 | (34,335) |
| Share of other reserves of investments accounted for using the equity method | - | - | (26,375) | - | - | - | - | - | - | (26,375) | - | (26,375) |
| Disposal of subsidiaries | - | - | - | - | - | - | - | - | - | - | (8,245) | (8,245) |
| Dividends declared to non-controlling shareholders | - | - | - | - | - | - | - | - | - | - | (79,655) | (79,655) |
| Redemption of perpetual securities (Note 22) | - | - | 22,710 | - | - | - | - | - | - | - | (4,238,170) | (4,215,460) |
| Put options granted to non-controlling shareholders | - | - | (98,558) | - | - | - | - | - | - | - | (33,700) | (132,258) |
| At 30 June 2022 (Unaudited and restated) | 13,051,792 | 233,750 | 1,417,479 | (913,785) | 60,203 | 121,913 | (397,275) | 690,698 | 27,421,736 | 42,180,697 | 3,197,294 | 49,464,774 |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

| | | 2023 | 2022 |
|---|-------|-------------------|-------------------|
| | | (Unaudited) | (Unaudited) |
| | Notes | RMB'000 | RMB'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | 4,990,390 | 4,559,280 |
| Adjustments for: | | | |
| Finance costs | | 5,531,679 | 4,972,341 |
| Bank interest income | 4 | (119,181) | (101,430) |
| Share of net profits of associates | | (165,224) | (208,140) |
| Share of net (profits)/losses of joint ventures | | (85,805) | 36,986 |
| Gains on unlisted debt investments, at fair value | 4 | (8,162) | (54,349) |
| Gains on disposal of property, plant and equipment, net | | (5,634) | (126,701) |
| Gains on disposal of subsidiaries | 4 | (82,727) | (5,148) |
| Loss on disposal of a joint venture | 5 | – | 1,740 |
| Depreciation of property, plant and equipment | | 1,399,312 | 1,346,838 |
| Depreciation of right-of-use assets | | 85,521 | 90,079 |
| Provision for impairment of loans and accounts receivables | 5 | 686,636 | 1,040,925 |
| Impairment of prepayments, other receivables and other assets | 5 | 85,854 | 19,584 |
| Reversal of impairment of property, plant and equipment | 5 | (549,832) | (46,442) |
| Reversal of impairment of credit commitments | 5 | (49,795) | (28,292) |
| Reversal of impairment of other assets | 5 | (7,830) | – |
| Amortisation of intangible assets and other assets | 5 | 20,075 | 10,324 |
| Equity-settled share-based payment expenses | 5 | 141,925 | 149,839 |
| Foreign exchange (gains)/losses, net | 5 | (17,442) | 120,342 |
| Interest expense on lease liabilities | | 9,159 | 10,476 |
| Interest income from continuing involvement in transferred assets | | – | (21,726) |
| Realised gains on derecognition of financial assets at fair value through profit or loss | 4 | (119,798) | (146,870) |
| Fair value (gains)/losses from financial liabilities at fair value through profit or loss | | (85,050) | 5,688 |
| Fair value losses from financial assets at fair value through profit or loss | | 206,766 | 251,836 |
| Dividends of financial assets at fair value through profit or loss | 4 | (24,177) | (6,501) |
| | | 11,836,660 | 11,870,679 |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

| | | 2023 | 2022 |
|--|-------|---------------------|--------------|
| | | (Unaudited) | (Unaudited) |
| | Notes | RMB'000 | RMB'000 |
| Decrease/(increase) in inventories | | 10,965 | (29,508) |
| Increase in contract assets | | (85,055) | (113,747) |
| Increase in loans and accounts receivables | | (10,506,719) | (26,810,823) |
| Decrease in prepayments, other receivables and other assets | | 839,236 | 2,580,154 |
| Decrease in restricted cash | | 456,110 | 633,668 |
| (Decrease)/increase in trade and bills payables | | (2,374,979) | 2,155,845 |
| Decrease in other payables and accruals | | (624,370) | (2,677,776) |
| Decrease in other liabilities | | (73,622) | (1,224,166) |
| Net cash flows used in operating activities before tax and interest | | (521,774) | (13,615,674) |
| Interest paid | | (5,640,418) | (4,772,418) |
| Interest received | | 119,181 | 101,430 |
| Income tax paid | | (2,605,122) | (3,034,922) |
| Net cash flows used in operating activities | | (8,648,133) | (21,321,584) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Gains on unlisted debt investments, at fair value | 4 | 8,162 | 54,349 |
| Proceeds from disposal of property, plant and equipment | | 578,128 | 175,313 |
| Purchase of items of property, plant and equipment, intangible assets and other long-term assets | | (1,206,876) | (2,765,094) |
| Proceeds from disposal of associates | | – | 12,502 |
| Purchase of shareholdings of joint ventures | | (184,378) | (264,061) |
| Dividend received from joint ventures | | – | 120,000 |
| Dividend received from associates | | 8,757 | 66,812 |
| Dividend received from financial assets at fair value through profit or loss | 4 | 24,177 | 6,501 |
| Realised gains on derecognition of financial assets at fair value through profit or loss | 4 | 119,798 | 146,870 |
| Proceeds from disposal of financial assets at fair value through profit or loss | | 743,873 | 1,698,977 |
| Loss from disposal of a joint venture | | – | (1,740) |
| Disposal of subsidiaries | | 121,902 | 18,387 |
| Purchase of financial assets at fair value through profit or loss | | (391,793) | (1,951,046) |
| Net cash flows used in investing activities | | (178,250) | (2,682,230) |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

| | | 2023 | 2022 |
|--|-------|--------------|--------------|
| | | (Unaudited) | (Unaudited) |
| | Notes | RMB'000 | RMB'000 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Cash received from exercise of share options | | 11,005 | 7,089 |
| Capital injection from non-controlling shareholders | | 1,508,966 | 363,210 |
| Purchase of shares under a share award scheme | | – | (182,229) |
| Cash received from borrowings | | 106,094,584 | 109,247,615 |
| Repayments of borrowings | | (91,115,353) | (79,591,362) |
| Principal portion of lease payments | | (91,183) | (134,348) |
| Decrease/(increase) in pledged deposits | | 338,914 | (272,405) |
| Distribution paid to holders of perpetual securities | 22 | (16,303) | (218,437) |
| Redemption of perpetual capital securities | | (501,445) | (4,238,170) |
| Dividends paid to non-controlling shareholders | | (62,434) | (67,454) |
| Realised fair value losses from derivative financial instruments in hedges for borrowings | | (31,952) | (1,339,379) |
| Dividends paid to ordinary equity holders | | (1,871,222) | (1,505,444) |
| Net cash flows from financing activities | | 14,263,577 | 22,068,686 |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | | |
| Cash and cash equivalents at beginning of period | | 15,903,843 | 15,659,036 |
| Effect of exchange rate changes on cash and cash equivalents | | 41,347 | 28,570 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | 14 | 21,382,384 | 13,752,478 |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

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 2023 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 2022.

The financial information relating to the year ended 31 December 2022 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 2022 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 2022. 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 2023

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 2022, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

| | |
|---|---|
| HKFRS 17 | <i>Insurance Contracts</i> |
| Amendments to HKFRS 17 | <i>Insurance Contracts</i> |
| Amendment to HKFRS 17 | <i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i> |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | <i>Disclosure of Accounting Policies</i> |
| Amendments to HKAS 8 | <i>Definition of Accounting Estimates</i> |
| Amendments to HKAS 12 | <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> |
| Amendments to HKAS 12 | <i>International Tax Reform – Pillar Two Model Rules</i> |

The nature and impact of the new and revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.
- (b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, 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 2023

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies and disclosures (continued)

The nature and impact of the new and revised HKFRSs that are applicable to the Group are described below: (continued)

- (c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022, with any cumulative effect recognised as an adjustment to the balance of retained profits or other component of equity as appropriate at that date. In addition, the Group has applied the amendments prospectively to transactions other than leases that occurred on or after 1 January 2022, if any.

Prior to the initial application of these amendments, the Group applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group recognised (i) a deferred tax asset for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available), and (ii) a deferred tax liability for all taxable temporary differences associated with right-of-use assets as at 1 January 2022. The quantitative impact on the financial information is summarised below.

Impact on the interim condensed consolidated statement of financial position:

| | | Increase/(decrease) | | |
|---|------|--------------------------|------------------------------|----------------------------|
| | | As at 30 June 2023 | As at 31 December 2022 | As at 1 January 2022 |
| | | RMB'000 | RMB'000 | RMB'000 |
| | Note | | | |
| Assets | | | | |
| Deferred tax assets | (i) | (821) | 1,909 | 4,429 |
| Total non-current assets | | (821) | 1,909 | 4,429 |
| Total assets | | (821) | 1,909 | 4,429 |
| Net assets | | (821) | 1,909 | 4,429 |
| Equity | | | | |
| Retained profits (included in other reserves) | | (821) | 1,909 | 4,429 |
| Equity attributable to owners of the parent | | (821) | 1,909 | 4,429 |
| Total equity | | (821) | 1,909 | 4,429 |

Note (i): The deferred tax assets and the deferred tax liabilities arising from lease contracts of the same subsidiary have been offset in the statement of financial position for presentation purposes.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies and disclosures (continued)

The nature and impact of the new and revised HKFRSs that are applicable to the Group are described below: (continued)

(c) (continued)

Impact on the interim condensed consolidated statement of profit or loss:

| | Increase/(decrease) | |
|---|----------------------------------|---------|
| | For the six months ended 30 June | |
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| Income tax expense from continuing operations | 2,730 | 3,936 |
| Profits for the period | (2,730) | (3,936) |
| Attributable to: | | |
| Owners of the parent | (2,730) | (3,936) |
| Total comprehensive income for the period | (2,730) | (3,936) |
| Attributable to: | | |
| Owners of the parent | (2,730) | (3,936) |

The adoption of amendments to HKAS 12 did not have significant impact on the basic and diluted earnings per share attributable to ordinary equity holders of the parent, other comprehensive income and the interim condensed consolidated statements of cash flows for the six months ended 30 June 2023 and 2022.

- (d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. The Group is currently assessing its exposure to Pillar Two income taxes.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

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 2023

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 |
| Segment revenue: (Note 4) | | | | |
| 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 |
| Segment assets | 358,173,580 | 15,989,363 | (12,800,091) | 361,362,852 |
| Other segment information: | | | | |
| 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 2023

3. OPERATING SEGMENT INFORMATION (CONTINUED)

As at and for the six months ended 30 June 2022 (Unaudited and restated)

| | Financial, lease and advisory | Industrial operation and management | Adjustments and eliminations | Total |
|--|----------------------------------|---|------------------------------------|--------------------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Segment revenue: (Note 4) | | | | |
| Sales to external customers | 15,122,095 | 2,593,759 | – | 17,715,854 |
| Intersegment sales | 84,971 | 13,734 | (98,705) | – |
| Cost of sales | (6,674,310) | (2,134,406) | – | (8,808,716) |
| Other income and gains | 1,335,305 | 702,248 | (41,634) | 1,995,919 |
| Selling and distribution costs and administrative expenses | (3,694,488) | (257,510) | 17,085 | (3,934,913) |
| Other expenses | (170,218) | (818,951) | – | (989,169) |
| Finance costs | (563,270) | (117,127) | 123,254 | (557,143) |
| Impairment losses on financial and contract assets | (1,001,527) | (30,690) | – | (1,032,217) |
| Losses on disposal of financial assets measured at amortised cost | (1,489) | – | – | (1,489) |
| Share of profits of associates | 202,342 | 5,798 | – | 208,140 |
| Share of profits/(losses) of joint ventures | 32,540 | (69,526) | – | (36,986) |
| Profit before tax | 4,671,951 | (112,671) | – | 4,559,280 |
| Income tax expense | (1,339,119) | (96,305) | – | (1,435,424) |
| Profit after tax | 3,332,832 | (208,976) | – | 3,123,856 |
| Segment assets | 355,445,044 | 17,213,155 | (14,172,636) | 358,485,563 |
| Other segment information: | | | | |
| Impairment losses recognised in the statement of profit or loss | 1,004,567 | (18,792) | – | 985,775 |
| Depreciation and amortisation | 1,213,177 | 234,064 | – | 1,447,241 |
| Capital expenditure | 2,609,210 | 419,945 | – | 3,029,155 |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

(a) Revenue from external customers

| | For the six months ended 30 June | |
|----------------------------|----------------------------------|-------------|
| | 2023 | 2022 |
| | (Unaudited) | (Unaudited) |
| | RMB'000 | RMB'000 |
| Mainland China | 18,242,281 | 17,526,946 |
| Hong Kong | 50,505 | 63,722 |
| Other countries or regions | 69,021 | 125,186 |
| | 18,361,807 | 17,715,854 |

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

(b) Non-current assets

| | 30 June 2023 | 31 December 2022 |
|-----------|----------------|------------------|
| | (Unaudited) | (Audited) |
| | RMB'000 | RMB'000 |
| | Mainland China | 35,763,177 |
| Hong Kong | 742,518 | 870,100 |
| | 36,505,695 | 36,906,804 |

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 2022: Nil).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

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 | | | |
|--|------|--------------------|-------------|
| | | 2023 | 2022 |
| | | (Unaudited) | (Unaudited) |
| | Note | RMB'000 | RMB'000 |
| Interest Income | | | |
| Interest income from finance leases, factoring and loans | | 10,968,709 | 10,321,100 |
| Interest income from financial assets at fair value through profit or loss | | 116,128 | 196,804 |
| Revenue from operating leases | | 2,809,358 | 2,305,748 |
| Revenue from contracts with customers | (i) | 4,553,395 | 4,970,675 |
| Tax and surcharges | | (85,783) | (78,473) |
| | | 18,361,807 | 17,715,854 |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

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 2023

| | Financial, lease and advisory | Industrial operation and management | Total |
|--|----------------------------------|---|-------------|
| | (Unaudited) | (Unaudited) | (Unaudited) |
| Segments | RMB'000 | RMB'000 | RMB'000 |
| Types of goods or services | | | |
| 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 |
| Total revenue from contracts with customers | 1,878,022 | 2,675,373 | 4,553,395 |
| Geographical markets | | | |
| Hong Kong | 22,881 | 14,341 | 37,222 |
| Mainland China | 1,847,889 | 2,599,263 | 4,447,152 |
| Other countries or regions | 7,252 | 61,769 | 69,021 |
| Total revenue from contracts with customers | 1,878,022 | 2,675,373 | 4,553,395 |
| Timing of revenue recognition | | | |
| 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 |
| Total revenue from contracts with customers | 1,878,022 | 2,675,373 | 4,553,395 |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

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 2022

| | Financial, lease and advisory | Industrial operation and management | Total |
|--|----------------------------------|---|-------------|
| | (Unaudited) | (Unaudited) | (Unaudited) |
| Segments | RMB'000 | RMB'000 | RMB'000 |
| Types of goods or services | | | |
| Sale of goods | 168,007 | 217,426 | 385,433 |
| Construction services | 1,055,105 | – | 1,055,105 |
| Service fee income | 1,078,481 | – | 1,078,481 |
| Healthcare service income | – | 2,057,319 | 2,057,319 |
| Education service income | – | 89,515 | 89,515 |
| Chartering and brokerage income | – | 160,101 | 160,101 |
| Other income | 74,775 | 69,946 | 144,721 |
| Total revenue from contracts with customers | 2,376,368 | 2,594,307 | 4,970,675 |
| Geographical markets | | | |
| Hong Kong | 11,198 | 38,612 | 49,810 |
| Mainland China | 2,361,473 | 2,434,206 | 4,795,679 |
| Other countries or regions | 3,697 | 121,489 | 125,186 |
| Total revenue from contracts with customers | 2,376,368 | 2,594,307 | 4,970,675 |
| Timing of revenue recognition | | | |
| Goods or services transferred at a point in time | 952,943 | 1,108,656 | 2,061,599 |
| Services transferred over time | 1,423,425 | 1,485,651 | 2,909,076 |
| Total revenue from contracts with customers | 2,376,368 | 2,594,307 | 4,970,675 |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

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 2023

| | Financial, lease and advisory | Industrial operation and management | Total |
|--|----------------------------------|---|------------------|
| | (Unaudited) | (Unaudited) | (Unaudited) |
| Segments | RMB'000 | RMB'000 | RMB'000 |
| Revenue from contracts with customers | | | |
| 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) |
| Total revenue from contracts with customers | 1,878,022 | 2,675,373 | 4,553,395 |

For the six months ended 30 June 2022

| | Financial, lease and advisory | Industrial operation and management | Total |
|--|----------------------------------|---|------------------|
| | (Unaudited) | (Unaudited) | (Unaudited) |
| Segments | RMB'000 | RMB'000 | RMB'000 |
| Revenue from contracts with customers | | | |
| External customers | 2,376,368 | 2,594,307 | 4,970,675 |
| Intersegment sales | 2,808 | 14,300 | 17,108 |
| | 2,379,176 | 2,608,607 | 4,987,783 |
| Intersegment adjustments and eliminations | (2,808) | (14,300) | (17,108) |
| Total revenue from contracts with customers | 2,376,368 | 2,594,307 | 4,970,675 |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

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 | | | |
|--|------|--------------------|-------------|
| | | 2023 | 2022 |
| | | (Unaudited) | (Unaudited) |
| | Note | RMB'000 | RMB'000 |
| Other income and gains | | | |
| Bank interest income | | 119,181 | 101,430 |
| Gains on unlisted debt investments, at fair value | | 8,162 | 54,349 |
| Gains on disposal of property, plant and equipment | | 6,351 | 128,255 |
| Government grants | 4a | 104,852 | 88,087 |
| Gains on disposal of subsidiaries | | 82,727 | 5,148 |
| Interest income from continuing involvement in transferred assets | | 185,651 | 824,484 |
| Fair value gains from financial assets at fair value through profit or loss | | 110,795 | 297,401 |
| Fair value gains from financial liabilities at fair value through profit or loss | | 85,050 | 251,717 |
| Dividends of financial assets at fair value through profit or loss | | 24,177 | 6,501 |
| Realised gains on financial assets at fair value through profit or loss | | 119,798 | 146,870 |
| Foreign exchange gains, net | | 17,442 | – |
| Reversal of impairment of property, plant and equipment | | 557,663 | – |
| Others | | 10,277 | 91,677 |
| | | 1,432,126 | 1,995,919 |

4a. GOVERNMENT GRANTS

| For the six months ended 30 June | | | |
|---|--|--------------------|-------------|
| | | 2023 | 2022 |
| | | (Unaudited) | (Unaudited) |
| | | RMB'000 | RMB'000 |
| Government special subsidies | | 104,852 | 88,087 |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

5. PROFIT BEFORE TAX

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

| | For the six months ended 30 June | |
|--|----------------------------------|-------------|
| | 2023 | 2022 |
| | (Unaudited) | (Unaudited) |
| | RMB'000 | RMB'000 |
| Cost of borrowings included in cost of sales | 5,008,769 | 4,425,675 |
| Cost of inventories sold | 143,000 | 314,911 |
| Cost of construction contracts | 904,523 | 834,000 |
| Cost of operating leases | 1,724,708 | 1,228,114 |
| Cost of chartering | 63,681 | 95,818 |
| Cost of healthcare service | 1,961,852 | 1,747,908 |
| Cost of education service | 49,828 | 67,279 |
| Cost of others | 52,865 | 95,011 |
| Depreciation of property, plant and equipment | | |
| Current year expenditure | 125,669 | 132,634 |
| Less: Government grants released** | – | (586) |
| | 125,669 | 132,048 |
| Depreciation of right-of-use assets | 51,957 | 79,265 |
| Amortisation of intangible assets and other assets | 20,075 | 10,324 |
| Auditors' remuneration – other services | 3,950 | 4,060 |
| Employee benefit expense (including directors' remuneration) | | |
| – Wages and salaries* | | |
| Current year expenditure | 2,506,635 | 4,464,891 |
| Less: Government grants released** | (354,524) | (1,559,130) |
| | 2,152,111 | 2,905,761 |
| – Equity-settled share-based payment expenses | 141,925 | 149,839 |
| – Pension scheme contributions | 95,760 | 93,577 |
| – Other employee benefits | 142,649 | 152,936 |
| | 2,532,445 | 3,302,113 |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

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 | |
|--|---|-------------|
| | 2023 | 2022 |
| | (Unaudited) | (Unaudited) |
| | RMB'000 | RMB'000 |
| Impairment of loans and accounts receivables (Note 10) | 686,636 | 1,040,925 |
| Impairment of financial assets included in prepayments, other receivables and other assets | 85,854 | 19,584 |
| Reversal of impairment of credit commitments | (49,795) | (28,292) |
| Reversal of impairment of property, plant and equipment | (549,832) | (46,442) |
| Reversal of impairment of other assets | (7,830) | – |
| Lease payments not included in the measurement of lease liabilities | 29,798 | 21,190 |
| Entertainment expenses | 60,579 | 41,530 |
| Business travelling expenses | 168,673 | 67,440 |
| Consultancy fees | 72,748 | 69,701 |
| Office expenses | 34,537 | 11,783 |
| Advertising and promotion expenses | 21,372 | 14,908 |
| Transportation expenses | 63,204 | 55,270 |
| Communication expenses | 27,712 | 18,386 |
| Litigation expenses | 18,255 | 14,585 |
| Other miscellaneous expenses: | | |
| Current year expenditure | 284,708 | 140,201 |
| Less: Government grants released** | (20,929) | (1,449) |
| | 263,779 | 138,752 |
| Losses on disposal of property, plant and equipment | 717 | 1,554 |
| Donation | 14,701 | 12,333 |
| Bank commission expenses | 10,691 | 42,329 |
| Foreign exchange (gains)/losses, net: | | |
| Cash flow hedges (transfer from equity to offset foreign exchange) | (1,488,252) | (1,794,915) |
| Foreign exchange losses | 1,470,810 | 1,915,257 |
| | (17,442) | 120,342 |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

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 | |
|--|----------------------------------|-------------|
| | 2023 | 2022 |
| | (Unaudited) | (Unaudited) |
| | RMB'000 | RMB'000 |
| Losses on disposal of a joint venture | – | 1,740 |
| Fair value losses from financial assets at fair value through profit or loss | 317,561 | 549,237 |
| Fair value losses from financial liabilities at fair value through profit or loss | – | 257,405 |
| Other expenditure | 21,160 | 4,229 |
| Finance costs | 532,069 | 557,143 |
| (Gains)/losses on derecognition of loans and accounts receivables measured at amortised cost | (4,130) | 1,489 |
| Bank interest income | (119,181) | (101,430) |
| Interest income from continuing involvement in transferred assets | (185,651) | (824,484) |
| Fair value gains from financial assets at fair value through profit or loss | (110,795) | (297,401) |
| Fair value gains from financial liabilities at fair value through profit or loss*** | (85,050) | (251,717) |
| Realised gains on financial assets at fair value through profit or loss | (119,798) | (146,870) |

* The Group has adopted collective economic-gain bonus schemes (the "Schemes") since 2014. In 2022, new trust schemes ("2022 Trust Scheme") were established in Mainland China 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 2023, RMB303,545,000 (six months ended 30 June 2022: Nil) was distributed by the 2022 Trust Scheme to the beneficiaries (excluding directors and senior management).

During the six months ended 30 June 2023, the Group paid no bonus (six months ended 30 June 2022: RMB1,080,000,000) to the 2022 Trust Scheme in Mainland China, while paid bonus of USD150,000,000 (six months ended 30 June 2022: HK\$1,177,500,000) 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/losses 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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

6. INCOME TAX

| | For the six months ended 30 June | |
|---------------------------------|----------------------------------|-------------|
| | 2023 | 2022 |
| | (Unaudited) | (Unaudited) |
| | (Restated) | (Restated) |
| | RMB'000 | RMB'000 |
| Current – Hong Kong | | |
| Charge for the period | 60,919 | 76,607 |
| Current – Mainland China | | |
| Charge for the period | 1,650,215 | 1,945,121 |
| Deferred tax (Note 19) | (209,803) | (586,304) |
| Total tax charge for the period | 1,501,331 | 1,435,424 |

Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2022: 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 Mainland China has been calculated at the tax rate of 25% (six months ended 30 June 2022: 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 HNTE in 2020 thus was entitled to a tax rate of 15% from 2020 to 2022. As of 30 June 2023, Guangzhou Hongtu Equipment & Engineering Co., Ltd. was still in the process of renewing the HNTE certificate for another three years from 2023 to 2025. Management is of the opinion that the HNTE certificate would probably be entitled thus the tax rate of 15% was still applied to this entity for the six months ended 30 June 2023.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

6. INCOME TAX (CONTINUED)

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

| | For the six months ended 30 June | |
|---|----------------------------------|---------------------------|
| | 2023 | 2022 |
| | (Unaudited) | (Unaudited) (Restated) |
| | RMB'000 | RMB'000 |
| Profit before tax | 4,990,390 | 4,559,280 |
| Tax at the statutory income tax rates | 1,322,341 | 1,279,910 |
| Expenses not deductible for tax | 361,791 | 255,432 |
| Income not subject to tax | (316,877) | (153,069) |
| Adjustment on current income tax in respect of prior years | 12,447 | 10,098 |
| Utilisation of previously unrecognised tax losses | (35,756) | (111,522) |
| Unrecognised tax losses and deductible temporary differences | 112,221 | 101,221 |
| Effect of withholding tax on interest on intra-group balances | 45,164 | 53,354 |
| Income tax expense reported in the interim condensed consolidated statement of profit or loss | 1,501,331 | 1,435,424 |

The share of tax attributable to associates and joint ventures amounting to approximately RMB55,075,000 (six months ended 30 June 2022: RMB69,380,000) and RMB27,123,000 (six months ended 30 June 2022: a credit amount of RMB15,088,000) is included in "Share of net profits of associates" and "Share of net losses of joint ventures" on the face of the interim condensed consolidated statement of profit or loss.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

7. DIVIDENDS

| | For the six months ended 30 June | |
|-----------|----------------------------------|-------------|
| | 2023 | 2022 |
| | (Unaudited) | (Unaudited) |
| | RMB'000 | RMB'000 |
| Dividends | 1,871,222 | 1,505,444 |

Pursuant to a resolution passed at the general meeting on 7 June 2023, the Company declared a final dividend of HK\$0.49 per share in respect of the year ended 31 December 2022 to its shareholders whose names appear on the register of members of the Company on 16 June 2023. Based on the total number of outstanding ordinary shares of 4,188,450,585 (excluding the 129,107,281 shares held for the share award scheme), cash dividends declared of approximately HK\$2,052,341,000 (equivalent to RMB1,871,222,000) were recognised in the financial statements.

The board of directors does not recommend the payment of an interim dividend to shareholders in respect of the period for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

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 2023 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 4,187,416,901 (30 June 2022: 4,184,273,603) 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 2023

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 | |
|--|----------------------------------|---------------------------|
| | 2023 | 2022 |
| | (Unaudited) | (Unaudited) (Restated) |
| | RMB'000 | RMB'000 |
| Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation | 3,070,724 | 2,838,309 |
| Interest on the host debt component of convertible bonds | 67,438 | 65,901 |
| Profit attributable to ordinary equity holders of the parent, before the above impact arising from convertible bonds | 3,138,162 | 2,904,210 |

Shares

| | Number of shares | |
|--|----------------------------------|---------------|
| | For the six months ended 30 June | |
| | 2023 | 2022 |
| | (Unaudited) | (Unaudited) |
| Weighted average number of ordinary shares outstanding during the period, used in the basic earnings per share calculation | 4,187,416,901 | 4,184,273,603 |
| Effect of dilution – weighted average number of ordinary shares: | | |
| Share options | 2,701,495 | 2,638,778 |
| Convertible bonds | 579,602,956 | 538,845,479 |
| Weighted average number of ordinary shares for diluted earnings per share | 4,769,721,352 | 4,725,757,860 |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired items of property, plant and equipment at a total cost of RMB1,171,543,000 (six months ended 30 June 2022: RMB2,765,176,000), including those through acquisition of subsidiaries.

Property, plant and equipment with a net book value of RMB911,407,000 were disposed of by the Group during the six months ended 30 June 2023 (six months ended 30 June 2022: RMB105,345,000), resulting in a net gain of disposal of RMB5,634,000 (six months ended 30 June 2022: a net gain of RMB126,701,000).

As at 30 June 2023, the Group has not obtained the property ownership certificates for five buildings (31 December 2022: six) with a net book value of RMB347,859,000 (31 December 2022: RMB444,329,000).

The Group was in the process of applying for the property ownership certificates for the above buildings as at 30 June 2023.

As at 30 June 2023, property, plant and equipment with a net carrying amount of RMB8,488,918,000 (31 December 2022: RMB7,823,189,000) were pledged to secure general banking facilities granted to the Group (see Note 17(c)).

10. LOANS AND ACCOUNTS RECEIVABLES

| | 30 June 2023 | 31 December 2022 |
|--|---------------------|------------------|
| | (Unaudited) | (Audited) |
| | RMB'000 | RMB'000 |
| Loans and accounts receivables due within 1 year | 158,565,319 | 148,966,908 |
| Loans and accounts receivables due after 1 year | 118,178,936 | 118,171,325 |
| | 276,744,255 | 267,138,233 |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

10. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

10a. Loans and accounts receivables by nature

| | 30 June 2023 | 31 December 2022 |
|--|--------------|------------------|
| | (Unaudited) | (Audited) |
| | RMB'000 | RMB'000 |
| Lease receivables (Note 10b)* | 269,716,995 | 259,140,932 |
| Less: Unearned finance income | (24,716,340) | (24,206,437) |
| Net lease receivables (Note 10b) | 245,000,655 | 234,934,495 |
| Interest receivables* | 2,448,242 | 2,367,379 |
| Factoring receivables (Note 10g) | 8,724,090 | 9,224,694 |
| Entrusted loans (Note 10h)* | 1,753,303 | 1,946,788 |
| Long-term receivables* | 16,958,958 | 17,694,246 |
| Secured loans | 259,855 | 360,579 |
| Subtotal of interest-earning assets (Note 10c)** | 275,145,103 | 266,528,181 |
| Less: Provision for lease receivables | (5,917,899) | (5,924,992) |
| Provision for factoring receivables | (196,803) | (141,376) |
| Provision for entrusted loans | (113,987) | (103,263) |
| Provision for long-term receivables | (601,633) | (507,453) |
| Provision for secured loans | (3,581) | (8,489) |
| Provision for interest-earning assets (Note 10d)** | (6,833,903) | (6,685,573) |
| Notes receivable | 2,363,900 | 2,050,916 |
| Accounts receivable (Note 10e)* | 7,416,313 | 6,453,769 |
| Provision for accounts receivable (Note 10f) | (1,347,158) | (1,209,060) |
| Total of loans and accounts receivables | 276,744,255 | 267,138,233 |

* 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 2023

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 2023 | 31 December 2022 |
|--------------------|---------------------|------------------|
| | (Unaudited) | (Audited) |
| | RMB'000 | RMB'000 |
| Lease receivables: | | |
| Within 1 year | 146,211,718 | 151,141,866 |
| 1 to 2 years | 73,768,626 | 68,371,328 |
| 2 to 3 years | 29,326,012 | 25,836,533 |
| 3 to 5 years | 20,410,639 | 13,791,205 |
| Total | 269,716,995 | 259,140,932 |

| | 30 June 2023 | 31 December 2022 |
|------------------------|---------------------|------------------|
| | (Unaudited) | (Audited) |
| | RMB'000 | RMB'000 |
| Net lease receivables: | | |
| Within 1 year | 132,453,443 | 136,068,055 |
| 1 to 2 years | 67,347,712 | 62,678,316 |
| 2 to 3 years | 27,147,134 | 23,903,891 |
| 3 to 5 years | 18,052,366 | 12,284,233 |
| Total | 245,000,655 | 234,934,495 |

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 2023 | 31 December 2022 |
|---------------------|---------------------|------------------|
| | (Unaudited) | (Audited) |
| | RMB'000 | RMB'000 |
| Lease receivables: | | |
| Due within 1 year | 157,090,693 | 147,365,814 |
| Due in 1 to 2 years | 74,432,705 | 72,101,339 |
| Due in 2 to 3 years | 29,795,456 | 28,868,356 |
| Due in 3 to 5 years | 7,789,786 | 10,089,564 |
| Due after 5 years | 608,355 | 715,859 |
| Total | 269,716,995 | 259,140,932 |

| | 30 June 2023 | 31 December 2022 |
|------------------------|---------------------|------------------|
| | (Unaudited) | (Audited) |
| | RMB'000 | RMB'000 |
| Net lease receivables: | | |
| Due within 1 year | 140,805,999 | 131,861,144 |
| Due in 1 to 2 years | 68,367,808 | 66,020,983 |
| Due in 2 to 3 years | 27,963,777 | 26,950,465 |
| Due in 3 to 5 years | 7,300,385 | 9,425,948 |
| Due after 5 years | 562,686 | 675,955 |
| Total | 245,000,655 | 234,934,495 |

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 2023, the Group's lease receivables pledged or charged as security for the Group's bank and other borrowings amounted to RMB32,447,809,000 (31 December 2022: RMB21,788,356,000) (see Note 17(a)).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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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 |
| As at 30 June 2023 | | | | |
| Interest-earning assets | 256,431,361 | 15,784,998 | 2,928,744 | 275,145,103 |
| Allowance for impairment losses | (2,860,060) | (2,278,342) | (1,695,501) | (6,833,903) |
| Interest-earning assets, net | 253,571,301 | 13,506,656 | 1,233,243 | 268,311,200 |

| | Stage I (12-month ECL) | Stage II (Lifetime ECL) | Stage III (Lifetime ECL – impaired) | Total |
|---------------------------------|---------------------------|----------------------------|---|-------------|
| | (Audited) | (Audited) | (Audited) | (Audited) |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| As at 31 December 2022 | | | | |
| Interest-earning assets | 247,664,500 | 16,032,344 | 2,831,337 | 266,528,181 |
| Allowance for impairment losses | (2,706,462) | (2,519,027) | (1,460,084) | (6,685,573) |
| Interest-earning assets, net | 244,958,038 | 13,513,317 | 1,371,253 | 259,842,608 |

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 2023

10. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

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

| | For the six months ended 30 June 2023 | | | |
|---|---------------------------------------|--------------------------------|---|-------------|
| | 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 | 2,706,462 | 2,519,027 | 1,460,084 | 6,685,573 |
| Impairment losses for the period | 319,145* | (104,584) | 338,552 | 553,113 |
| Conversion to Stage I | 1,480 | (1,480) | - | - |
| Conversion to Stage II | (166,458) | 176,452 | (9,994) | - |
| Conversion to Stage III | - | (311,073) | 311,073 | - |
| Write-off | - | - | (422,304) | (422,304) |
| Recoveries of interest-earning assets previously written off | - | - | 18,090 | 18,090 |
| Exchange differences | (569) | - | - | (569) |
| At end of period | 2,860,060 | 2,278,342 | 1,695,501 | 6,833,903 |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

10. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

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

| | Year ended 31 December 2022 | | | |
|---|-----------------------------|----------------|------------------------------|-------------|
| | Stage I | Stage II | Stage III** | Total |
| | (12-month ECL) | (Lifetime ECL) | (Lifetime ECLs -impaired) | |
| | (Audited) | (Audited) | (Audited) | (Audited) |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At beginning of the year | 3,684,601 | 1,704,522 | 1,154,550 | 6,543,673 |
| Impairment losses for the year | (927,807)* | 934,854 | 1,380,825 | 1,387,872 |
| Disposal | (182,288) | – | – | (182,288) |
| Conversion to Stage I | 199,997 | (199,997) | – | – |
| Conversion to Stage II | (87,658) | 392,099 | (304,441) | – |
| Conversion to Stage III | – | (312,451) | 312,451 | – |
| Write-off | – | – | (1,379,653) | (1,379,653) |
| Recoveries of interest-earning assets previously written off | – | – | 296,352 | 296,352 |
| Exchange differences | 19,617 | – | – | 19,617 |
| At end of the year | 2,706,462 | 2,519,027 | 1,460,084 | 6,685,573 |

* This includes loss allowances of RMB1,036,095,000 (31 December 2022: RMB1,769,189,000) provided for newly originated interest-bearing assets, and loss allowances of RMB863,029,000 (31 December 2022: RMB2,696,996,000) 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, 84% (31 December 2022: 79%) 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 2023

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 2023 | 31 December 2022 |
|------------------|---------------------|------------------|
| | (Unaudited) | (Audited) |
| | RMB'000 | RMB'000 |
| Within 1 year | 5,963,116 | 5,285,519 |
| More than 1 year | 1,453,197 | 1,168,250 |
| Total | 7,416,313 | 6,453,769 |

10f. Movements in provision for accounts receivable

| | 30 June 2023 | 31 December 2022 |
|--|---------------------|------------------|
| | (Unaudited) | (Audited) |
| | RMB'000 | RMB'000 |
| At beginning of period/year | 1,209,060 | 1,145,609 |
| Charge for the period/year | 133,523 | 179,908 |
| Acquisition and disposal of subsidiaries | – | (1,391) |
| Write-off | – | (115,066) |
| Recoveries of previous written-off | 4,575 | – |
| At end of period/year | 1,347,158 | 1,209,060 |

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 2023

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 2023

| | Ageing | | | | |
|-----------------------------------|---------------|-------------|-------------|-------------|-------------|
| | Within 1 year | 1-2 years | 2-3 years | 3-5 years | Total |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Gross carrying amount (RMB'000) | 5,963,116 | 1,086,385 | 214,382 | 152,430 | 7,416,313 |
| Expected credit loss (RMB'000) | 834,609 | 344,209 | 84,807 | 83,533 | 1,347,158 |
| Average expected credit loss rate | 14.00% | 31.68% | 39.56% | 54.80% | |

As at 31 December 2022

| | Ageing | | | | |
|-----------------------------------|---------------|-----------|-----------|-----------|-----------|
| | Within 1 year | 1-2 years | 2-3 years | 3-5 years | Total |
| | (Audited) | (Audited) | (Audited) | (Audited) | (Audited) |
| Gross carrying amount (RMB'000) | 5,285,520 | 840,111 | 135,112 | 193,026 | 6,453,769 |
| Expected credit loss (RMB'000) | 768,170 | 275,401 | 53,411 | 112,078 | 1,209,060 |
| Average expected credit loss rate | 14.53% | 32.78% | 39.53% | 58.06% | |

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

| | 30 June 2023 | 31 December 2022 |
|------------------|--------------|------------------|
| | (Unaudited) | (Audited) |
| | RMB'000 | RMB'000 |
| Within 1 year | 5,270,991 | 6,454,837 |
| More than 1 year | 3,453,099 | 2,769,857 |
| Total | 8,724,090 | 9,224,694 |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

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 2023 | 31 December 2022 |
|------------------|---------------------|------------------|
| | (Unaudited) | (Audited) |
| | RMB'000 | RMB'000 |
| Entrusted loans: | | |
| Within 1 year | 828,089 | 1,083,029 |
| 1 to 2 years | 645,478 | 577,670 |
| 2 to 3 years | 152,975 | 138,111 |
| 3 to 5 years | 126,761 | 147,978 |
| Total | 1,753,303 | 1,946,788 |

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 2023 | 31 December 2022 |
|---------------------|---------------------|------------------|
| | (Unaudited) | (Audited) |
| | RMB'000 | RMB'000 |
| Entrusted loans: | | |
| Due within 1 year | 456,662 | 536,700 |
| Due in 1 to 2 years | 603,596 | 543,740 |
| Due in 2 to 3 years | 342,134 | 331,663 |
| Due in 3 to 5 years | 350,911 | 534,685 |
| Total | 1,753,303 | 1,946,788 |

10i. Long-term receivables

As at 30 June 2023, the carrying value of long-term receivables pledged or charged as collateral for the Group's borrowings amounted to RMB8,078,053,000 (31 December 2022: RMB6,549,860,000) (Note 17(a)).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

10. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)**10j. Balances with related parties**

| | | 30 June 2023 | 31 December 2022 |
|--|-------|---------------------|------------------|
| | | (Unaudited) | (Audited) |
| | | RMB'000 | RMB'000 |
| Joint ventures: | | | |
| – Guangzhou Kangda Industrial Technology Co., Ltd. | | | |
| Long-term receivables | (ii) | 150,000 | 150,000 |
| Interest receivables | | 250 | 275 |
| – Kunming Broadhealthcare (Group) Co., Ltd. | | | |
| Entrusted loan | (i) | – | 50,000 |
| Lease receivables | (iii) | – | 32,992 |
| Interest receivables | | – | 5,162 |
| – Suzhou Gaoxin Rehabilitation Hospital Co., Ltd. | | | |
| Entrusted loan | (i) | 76,963 | 76,963 |
| Interest receivables | | 1,658 | – |
| Accounts receivables | | 139 | 114 |
| – Grand Flight Investment Management Co., Ltd. | | | |
| Accounts receivables | | – | 1,435 |
| – Fengyang Qianmen Hospital Co., Ltd. | | | |
| Accounts receivables | | 4,372 | 4,372 |
| – Ziyang Yuyi Construction Investment Co., Ltd. | | | |
| Long-term receivables | (ii) | 40,000 | – |
| Interest receivables | | 3,094 | – |
| Associates: | | | |
| – Guangzhou Wealth Healthy Electronics Co., Ltd. | | | |
| Lease receivables | (iii) | 3,319 | 15,011 |
| Interest receivables | | 5 | 90 |
| – Hangzhou Guoya Stomatological Hospital Co., Ltd. | | | |
| Lease receivables | (iii) | 7,544 | 10,206 |
| Interest receivables | | 44 | 61 |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

10. LOANS AND ACCOUNTS RECEIVABLES (CONTINUED)

10j. Balances with related parties (continued)

Below are subsidiaries of the ultimate holding company of the shareholder with significant influence:

| | | 30 June 2023 | 31 December 2022 |
|---|-------|---------------------|------------------|
| | | (Unaudited) | (Audited) |
| | | RMB'000 | RMB'000 |
| – Shanghai Jinmao Construction & Decoration Co., Ltd. | | | |
| Accounts receivables | | – | 28 |
| – Shenyang Chemical Co., Ltd. | | | |
| Lease receivables | (iii) | 35,047 | 57,674 |
| Interest receivables | | 264 | 442 |
| Provision | | (2,892) | (34,558) |
| | | 319,807 | 370,267 |

(i) Balances of entrusted loans earn interest at annual interest rates ranging from 8% to 12% (31 December 2022: from 4.05% to 9%).

(ii) Balances of long-term receivables earn interest at annual interest rates ranging from 6% to 6.15% (31 December 2022: 6%).

(iii) Balances of lease receivables earn interest at annual interest rates ranging from 3.73% to 9.35% (31 December 2022: from 3.73% to 9.35%).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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11. DERIVATIVE FINANCIAL INSTRUMENTS

| | 30 June 2023 | | 31 December 2022 | |
|------------------------------------|---------------------|--------------------|------------------|-------------|
| | (Unaudited) | | (Audited) | |
| | RMB'000 | | RMB'000 | |
| | Assets | Liabilities | Assets | Liabilities |
| Cross-currency interest rate swaps | 3,069,109 | (112,020) | 1,780,159 | (203,786) |
| Forward currency contracts | 69,164 | – | 28,081 | (38,865) |
| Interest rate swaps | 37,090 | (47,106) | 45,062 | (28,914) |
| Total | 3,175,363 | (159,126) | 1,853,302 | (271,565) |
| Portion classified as non-current | | | | |
| Cross-currency interest rate swaps | 1,629,872 | (112,020) | 1,530,126 | (203,786) |
| Forward currency contracts | 11,262 | – | – | (15,082) |
| Interest rate swaps | 36,896 | (44,747) | 45,062 | (24,604) |
| | 1,678,030 | (156,767) | 1,575,188 | (243,472) |
| Current portion | 1,497,333 | (2,359) | 278,114 | (28,093) |
| Total | 3,175,363 | (159,126) | 1,853,302 | (271,565) |

Cash flow hedges under HKFRS 9

At 30 June 2023, the Group designated 95 (2022: 87) cross-currency interest rate swap contracts, 6 (2022: 13) forward currency contracts and 47 (2022: 43) interest rate swap contracts as hedges of future cash flows arising from foreign currency borrowings, details of which are as follows:

At 30 June 2023, the Group had 45 (2022: 39) cross-currency interest rate swaps in place with a notional amount of HK\$22,368,160,000 (2022: HK\$22,402,400,000) 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% (2022: 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\$22,368,160,000 (2022: HK\$22,402,400,000).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

11. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Cash flow hedges under HKFRS 9 (continued)

At 30 June 2023, the Group had 1 (2022: 1) cross-currency interest rate swap in place with a notional amount of HK\$490,821,000 (2022: HK\$490,833,000) whereby the Group receives interest at a fixed rate on the HK\$ notional amount at 1.50% (2022: 1.50%) per annum and pays interest at a fixed rate on the RMB notional amount at 4.00% (2022: 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\$490,821,000 (2022: HK\$490,833,000).

At 30 June 2023 the Group had 29 (2022: 29) cross-currency interest rate swaps in place with a notional amount of USD1,590,154,000 (2022: USD2,214,368,000) whereby the Group receives interest at floating rates on the USD notional amount at USD-LIBOR-BBA or at USD-SOFR and pays interest at fixed rates on the RMB notional amount at 3.89% to 4.45% (2022: 3.89% to 4.36%) per annum. The swaps are being used to hedge the foreign currency and interest rate exposures of 29 floating rate long-term borrowings denominated in USD with the total face value of USD1,590,154,000 (2022: USD2,214,368,000).

At 30 June 2023, the Group had 12 (2022: 14) cross-currency interest rate swaps in place with a notional amount of USD941,178,000 (2022: USD1,137,178,000) whereby the Group receives interest at fixed rates on the USD notional amount at 2.63% to 4.25% (2022: 2.63% to 4.38%) per annum and pays interest at fixed rates on the RMB notional amount at 4.50% to 5.99% (2022: 4.50% to 5.99%) per annum. The swaps are being used to hedge the foreign currency exposures of 12 fixed rate long-term borrowings denominated in USD with the total face value of USD941,178,000 (2022: USD1,137,178,000).

At 30 June 2023, the Group had 3 (2022: 3) cross-currency interest rate swaps in place with a notional amount of JPY22,000,000,000 (2022: 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% (2022: 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 (2022: JPY22,000,000,000).

At 30 June 2023, the Group had 5 (2022: 1) cross-currency interest rate swaps in place with a notional amount of EUR257,490,000 (2022: EUR49,000,000) whereby the Group receives interest at fixed rates on the EUR notional amount at 3.30% to 3.95% (2022: 3.30%) per annum and pays interest at fixed rates on the RMB notional amount at 3.90% to 4.80% (2022: 4.00%) per annum. The swaps are being used to hedge the foreign currency exposure of 5 fixed rate long-term borrowings denominated in EUR with the total principal of EUR257,490,000 (2022: EUR49,000,000).

At 30 June 2023, the Group had 5 (2022: 12) forward currency contracts with a total notional amount of USD294,000,000 (2022: USD358,390,000) as hedges of future cash flows arising from foreign currency borrowings with the total face value of USD294,000,000 (2022: USD358,390,000) which will be settled in USD.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

11. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Cash flow hedges under HKFRS 9 (continued)

At 30 June 2023, the Group had 1 (2022: 1) forward currency contract with a notional amount of EUR750,000 (2022: EUR1,000,000) as hedge of future cash flows arising from a foreign currency borrowing with the total principal of EUR750,000 (2022: EUR1,000,000) which will be settled in EUR.

At 30 June 2023, the Group had 1 (2022: 1) interest rate swap in place with a notional amount of USD100,000,000 (2022: USD100,000,000) 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 USD notional amount at 0.50% (2022: 0.45%) per annum. The swap is being used to hedge interest rate exposure of 1 floating rate long-term borrowing denominated in USD with the total face value of USD100,000,000 (2022: USD100,000,000).

At 30 June 2023, the Group had 47 (2022: 42) interest rate swaps in place with a total notional amount of RMB19,737,842,000 (2022: RMB13,296,945,000) 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 3.56% to 4.20% (2022: 3.65% to 4.20%) per annum. The swaps are being used to hedge interest rate exposure of 47 floating rate long-term borrowings denominated in RMB with the total face value of RMB19,737,842,000 (2022: RMB13,296,945,000).

There is an economic relationship between the hedged items and the hedging instruments as the terms of the cross-currency interest rate swap contracts, forward currency contracts and interest rate swaps match the terms of the borrowing contracts (i.e., 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 the counterparties' credit risks impacting the fair value movements of the hedging instruments and hedged items differently.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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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:

| | 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 2023 | | | | | | | |
| Cross-currency interest rate swap contracts | | | | | | | |
| Notional amount (in RMB'000) | 1,636,911 | – | 5,823,755 | 1,617,500 | 5,467,389 | 2,074,613 | 16,620,168 |
| Average forward exchange rate (USD/RMB) | 6.8294 | – | 6.5206 | 6.4700 | 6.6152 | 6.4555 | |
| Notional amount (in RMB'000) | 838,984 | – | 3,717,475 | 1,300,260 | 8,774,204 | 5,021,254 | 19,652,177 |
| Average forward exchange rate (HK\$/RMB) | 0.8832 | – | 0.8391 | 0.8335 | 0.8543 | 0.8918 | |
| Notional amount (in RMB'000) | – | – | – | – | – | 1,131,892 | 1,131,892 |
| Average forward exchange rate (JPY/RMB) | – | – | – | – | – | 0.0518 | |
| Notional amount (in RMB'000) | 393,000 | – | – | – | 365,344 | 1,137,331 | 1,895,675 |
| Average forward exchange rate (EUR\$/RMB) | 7.3450 | – | – | – | 7.4560 | 7.3344 | |
| Forward currency contracts | | | | | | | |
| Notional amount (in RMB'000) | 334,300 | 680,138 | – | – | – | 990,096 | 2,004,534 |
| Average forward exchange rate (USD/RMB) | 6.6860 | 6.8686 | – | – | – | 6.8283 | |
| Notional amount (in RMB'000) | – | – | – | – | 5,592 | – | 5,592 |
| Average forward exchange rate (EUR\$/RMB) | – | – | – | – | 7.4560 | – | |
| Interest rate swaps | | | | | | | |
| Notional amount (in RMB'000) | 52,970 | 805,240 | – | 569,470 | 12,256,524 | 6,776,218 | 20,460,422 |
| Average fixed interest rate | 4.04% | 4.06% | – | 3.79% | 3.54% | 3.71% | |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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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 2022 | | | | | | | |
| Cross-currency interest rate swap contracts | | | | | | | |
| Notional amount (in RMB'000) | 1,242,179 | – | 5,846,110 | – | 11,486,144 | 3,548,516 | 22,122,949 |
| Average forward exchange rate (USD/RMB) | 6.3376 | – | 6.8294 | – | 6.4910 | 6.7201 | |
| Notional amount (in RMB'000) | – | – | 2,996,371 | – | 5,017,735 | 11,666,234 | 19,680,340 |
| Average forward exchange rate (HK\$/RMB) | – | – | 0.8832 | – | 0.8372 | 0.8639 | |
| Notional amount (in RMB'000) | – | – | – | – | – | 1,131,892 | 1,131,892 |
| Average forward exchange rate (JPY/RMB) | – | – | – | – | – | 0.0518 | |
| Notional amount (in RMB'000) | – | – | – | – | – | 365,344 | 365,344 |
| Average forward exchange rate (EUR\$/RMB) | – | – | – | – | – | 7.4560 | |
| Forward currency contracts | | | | | | | |
| Notional amount (in RMB'000) | 991,419 | 134,192 | – | 329,363 | – | 990,096 | 2,445,070 |
| Average forward exchange rate (USD/RMB) | 6.6617 | 6.7197 | – | 6.7217 | – | 6.8283 | |
| Notional amount (in RMB'000) | – | – | – | – | 7,456 | – | 7,456 |
| Average forward exchange rate (EUR\$/RMB) | – | – | – | – | 7.4560 | – | |
| Interest rate swaps | | | | | | | |
| Notional amount (in RMB'000) | 591,231 | 635,240 | 183,700 | 1,202,640 | 5,993,232 | 5,387,362 | 13,993,405 |
| Average fixed interest rate | 3.83% | 3.85% | 4.04% | 4.05% | 3.38% | 3.75% | |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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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 2023 | | | | |
| Forward currency contracts | 2,010,127 | 69,164 | Derivative Financial Instruments (Assets) | 41,083 |
| Forward currency contracts | – | – | Derivative Financial Instruments (Liabilities) | 37,359 |
| Cross-currency interest rate swaps | 36,560,279 | 3,056,459 | Derivative Financial Instruments (Assets) | 1,278,679 |
| Cross-currency interest rate swaps | 2,739,632 | (112,020) | Derivative Financial Instruments (Liabilities) | 75,453 |
| Interest rate swaps | 827,580 | 37,090 | Derivative Financial Instruments (Assets) | (7,972) |
| Interest rate swaps | 19,632,842 | (47,106) | Derivative Financial Instruments (Liabilities) | (32,324) |

| | 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 2022 | | | | |
| Forward currency contracts | 909,179 | 28,081 | Derivative financial instruments (assets) | 28,081 |
| Forward currency contracts | 1,543,348 | (38,865) | Derivative financial instruments (liabilities) | 30,966 |
| Cross-currency interest rate swaps | 35,763,176 | 1,777,780 | Derivative financial instruments (assets) | 1,752,706 |
| Cross-currency interest rate swaps | 7,537,349 | (203,786) | Derivative financial instruments (liabilities) | 981,919 |
| Interest rate swap | 1,463,960 | 45,062 | Derivative financial instruments (assets) | 34,327 |
| Interest rate swap | 12,529,445 | (28,915) | Derivative financial Instruments (liabilities) | (35,047) |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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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 2023 | | |
| Foreign currency bank loans amounting to RMB equivalent 45,349,632,000 | 1,392,278 | (446,618) |
| | | |
| | Change in fair value used for measuring hedge ineffectiveness for the year | Cash flow hedge reserve |
| | RMB'000 | RMB'000 |
| As at 31 December 2022 | | |
| Foreign currency bank loans amounting to RMB equivalent 48,507,543,000 | 2,792,952 | (502,741) |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

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 | | | Hedged 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 |
|---------------------------------------|--|-----------------|------------------|---|--|---|---------------|--------------------|--|
| | Gross amount | Tax effect | Total | | | Gross amount | Tax effect | Total | |
| For the six months ended 30 June 2023 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | | RMB'000 | RMB'000 | RMB'000 | |
| Forward currency contracts | 78,442 | (5,735) | 72,707 | – | N/A | (68,079) | (2,745) | (70,824) | Cost of sales/other expenses |
| Cross-currency interest rate swaps | 1,354,132 | (23,890) | 1,330,242 | – | N/A | (1,292,464) | 37,807 | (1,254,657) | Cost of sales/other expenses |
| Interest rate swaps | (40,296) | 8,105 | (32,191) | – | N/A | 14,134 | (3,197) | 10,937 | Cost of sales/other expenses |
| Total | 1,392,278 | (21,520) | 1,370,758 | – | N/A | (1,346,409) | 31,865 | (1,314,544) | |

| | Total hedging gain/(loss) recognised in other comprehensive income | | | Hedged 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 |
|---------------------------------------|--|----------------|------------------|---|--|---|---------------|--------------------|--|
| | Gross amount | Tax effect | Total | | | Gross amount | Tax effect | Total | |
| For the six months ended 30 June 2022 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | | RMB'000 | RMB'000 | RMB'000 | |
| Forward currency contracts | 38,288 | (9,572) | 28,716 | – | N/A | (58,571) | 14,643 | (43,928) | Cost of sales/other expenses |
| Cross-currency interest rate swaps | 1,037,603 | 258 | 1,037,861 | – | N/A | (1,400,022) | 4,711 | (1,395,311) | Cost of sales/other expenses |
| Interest rate swaps | 7,313 | 4,543 | 11,856 | – | N/A | 7,498 | (1,996) | 5,502 | Cost of sales/other expenses |
| Total | 1,083,204 | (4,771) | 1,078,433 | – | N/A | (1,451,095) | 17,358 | (1,433,737) | |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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11. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Derivative financial instruments – transactions not qualifying as hedges:

As at 30 June 2023, cross-currency interest rate swaps with a total nominal amount of USD25,059,000 (as at 31 December 2022: USD26,625,000) were not designated for hedge purposes and were measured at fair value through profit or loss.

12. INVESTMENTS IN JOINT VENTURES

| | 30 June 2023 | 31 December 2022 |
|---|--------------|------------------|
| | (Unaudited) | (Audited) |
| | RMB'000 | RMB'000 |
| Share of net assets | 3,500,742 | 3,230,367 |
| Excess of consideration over share of net assets acquired | 17,844 | 17,844 |
| Impairment losses | (270,686) | (270,686) |
| | 3,247,900 | 2,977,525 |

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

| Name | Particulars of issued shares held | Place of registration and business | Percentage of | | Principal activities |
|---|---------------------------------------|------------------------------------|--------------------|----------------|--------------------------------------|
| | | | Ownership interest | Profit sharing | |
| Kunming Broadhealthcare (Group) Co., Ltd. (昆明博健醫療(集團)有限公司) | Registered capital of RMB14,333,328 | PRC/ Mainland China | 33.3837 | 33.3837 | Healthcare investment and management |
| Guangzhou Kangda Industrial Technology Co., Ltd. ("Kangda") (廣州康大工業科技產業有限公司) | Registered capital of HK\$570,000,000 | PRC/ Mainland China | 60* | 60 | Development and construction |
| Kunming Boyue Maternal and Infant Care Co., Ltd. (昆明博悅母嬰護理有限責任公司) | Registered capital of RMB5,555,600 | PRC/ Mainland China | 28.36 | 28.36 | Medical service |
| Grand Flight Holdings Co., Ltd. (遠翼控股有限公司) | Authorised capital of USD50,000 | British Virgin Islands | 70* | 70 | Investment holding |

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)

| Name | Particulars of issued shares held | Place of registration and business | Percentage of | | Principal activities |
|--|--|------------------------------------|--------------------|----------------|------------------------|
| | | | Ownership interest | Profit sharing | |
| 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 73,329,460.54 | Cayman Islands | 55* | 55 | 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/ Mainland China | 35 | 35 | Medical service |
| Suzhou Gaoxin Rehabilitation Hospital Co., Ltd. (蘇州高新康復醫院有限公司) | Registered capital of RMB55,560,000 | PRC/ Mainland China | 54.9* | 54.9 | 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/ Mainland China | 78* | 92 | Investment holding |
| Tianjin Yuanyi Kaiyuan Asset Management Centre ("Yuanyi Kaiyuan") (Limited Partnership) (天津遠翼開元資產管理中心 (有限合夥)) | Registered capital of RMB1,505,420,000 | PRC/ Mainland China | 39.856 | 39.856 | Investment holding |
| Guangzhou Yimei Tiancheng Decoration Engineering Co., Ltd. (廣州藝美天成裝飾 工程有限公司) | Registered capital of RMB5,000,000 | PRC/ Mainland China | 60* | 60 | Decoration engineering |
| Wuhan Matang Hospital of Traditional Chinese Medicine Co., Ltd. (武漢麻塘中醫醫院有限公司) | Registered capital of RMB16,040,000 | PRC/ Mainland China | 49 | 49 | Medical service |

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)

| 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) (上海襄遠企業管理合夥企業 (有限合夥)) | Registered capital of RMB350,010,000 | PRC/ Mainland China | 51.9985* | 51.9985 | Management consulting |
| Wuhan Hongye Construction Development Co., Ltd. (武漢泓冶建設發展有限公司) | Registered capital of RMB328,000,000 | PRC/ Mainland China | 47 | 47 | Drainage works |
| Guixi Hongyu Infrastructure Investment Co., Ltd. (貴溪市宏宇基礎設施投資有限公司) | Registered capital of RMB146,280,748 | PRC/ Mainland China | 48 | 48 | Infrastructure construction |
| Guixi Hongye Infrastructure Investment Co., Ltd. (貴溪市宏鄴基礎設施投資有限公司) | Registered capital of RMB151,294,129 | PRC/ Mainland China | 48 | 48 | Infrastructure construction |
| Xi'an Chuxin Investment Construction Co., Ltd. (西安楚信投資建設有限公司) | Registered capital of RMB100,000,000 | PRC/ Mainland China | 46 | 46 | Municipal engineering |
| Sichuan Hongcheng City Construction Investment Co., Ltd. (四川宏鑄城市建設投資有限公司) | Registered capital of RMB10,000,000 | PRC/ Mainland China | 60* | 60 | Construction investment |
| Qingdao Co-e-Wins Venture Capital Limited Partnership (青島同歷並贏創業投資合夥企業 (有限合夥)) | Registered capital of RMB100,000,000 | PRC/ Mainland China | 50 | 50 | Investment management |
| 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/ Mainland China | 47.5 | 47.5 | Infrastructure construction |

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)

| Name | Particulars of issued shares held | Place of registration and business | Percentage of | | Principal activities |
|--|--|------------------------------------|--------------------|----------------|-----------------------------|
| | | | Ownership interest | Profit sharing | |
| Yantai Yuanxin Zhongda Investment Co., Ltd. (煙台遠信中達投資有限公司) | Registered capital of RMB260,000,000 | PRC/ Mainland China | 67* | 67 | Infrastructure construction |
| Nanchang Xintie City Construction Investment Co., Ltd. (南昌市新鐵城建設有限公司) | Registered capital of RMB50,000,000 | PRC/ Mainland China | 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 RMB371,825,488.1 | PRC/ Mainland China | 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/ Mainland China | 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/ Mainland China | 50 | 50 | Investment management |

* 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 financial statements. There was no recent history of default and past due amounts for loans to joint ventures. As at 30 June 2023 and 31 December 2022, the loss allowance was assessed to be minimal.

Kangda and Yuanyi Kaiyuan, which are considered material joint ventures of the Group, are mainly engaged in development, construction and investment holding in Mainland China. The aforementioned companies are accounted for using the equity method.

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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 2023 | 31 December 2022 |
|--|---|------------------|
| | (Unaudited) | (Audited) |
| | RMB'000 | RMB'000 |
| Cash and cash equivalents | 68,187 | 83,896 |
| Other current assets | 2,933,730 | 2,870,516 |
| Current assets | 3,001,917 | 2,954,412 |
| Non-current assets | 117,629 | 129,541 |
| Other payables and accruals | (425,143) | (498,551) |
| Current liabilities | (425,143) | (498,551) |
| Non-current liabilities | (491,676) | (422,116) |
| Net assets | 2,202,727 | 2,163,286 |
| 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 | 1,321,636 | 1,297,972 |
| Cumulative impairment | (120,000) | (120,000) |
| Carrying amount of the investment | 1,201,636 | 1,177,972 |
| | For the six months ended 30 June | |
| | (Unaudited) | (Unaudited) |
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| Revenue | 120,234 | 201,622 |
| Cost of sales | (39,251) | (61,068) |
| Administrative expenses | (8,242) | (12,708) |
| Other expenses | (33,358) | (38,777) |
| Other income | 58 | 652 |
| Gain and total comprehensive income for the period | 39,441 | 89,721 |

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 2023 | 31 December 2022 |
|--|---------------------|------------------|
| | (Unaudited) | (Audited) |
| | RMB'000 | RMB'000 |
| Cash and cash equivalents | 4,444 | 9,272 |
| Other current assets | 698,097 | 691,484 |
| Current assets | 702,541 | 700,756 |
| Net assets | 702,541 | 700,756 |
| 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 | 280,005 | 273,132 |
| Carrying amount of the investment | 280,005 | 273,132 |

| | For the six months ended 30 June | |
|---|---|-------------|
| | (Unaudited) | (Unaudited) |
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| Other expenses | (4,887) | (220,282) |
| Other income and gains | 22,133 | 75 |
| Gain/(loss) and total comprehensive income for the period | 17,246 | (220,207) |

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

| | For the six months ended 30 June | |
|--|----------------------------------|-------------|
| | (Unaudited) | (Unaudited) |
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| Share of the joint ventures' gain for the period | 55,267 | (3,053) |
| Aggregate carrying amount of the Group's investments in the joint ventures | 1,766,258 | 1,180,482 |

13. INVESTMENTS IN ASSOCIATES

| | 30 June 2023 | 31 December 2022 |
|---|--------------|------------------|
| | (Unaudited) | (Audited) |
| | RMB'000 | RMB'000 |
| Share of net assets | 5,179,538 | 5,023,071 |
| Excess of consideration over share of net assets acquired | 576,122 | 576,122 |
| | 5,755,660 | 5,599,193 |

Particulars of the material associates are as follows:

| Name | Particulars of issued shares held | Place of registration and business | Percentage of | | Principal activities |
|---|-------------------------------------|------------------------------------|--------------------|----------------|------------------------------|
| | | | Ownership interest | Profit sharing | |
| Shanghai Yijia Construction Development Co., Ltd. (上海藝佳建設發展有限公司) | Registered capital of RMB50,000,000 | PRC/Mainland China | 30 | 30 | Development and construction |
| Hangzhou Guoya Stomatological Hospital Co., Ltd. (杭州國雅口腔醫院有限公司) | Registered capital of RMB32,574,700 | PRC/Mainland China | 15 | 15 | Medical service |

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13. INVESTMENTS IN ASSOCIATES (CONTINUED)

Particulars of the material associates are as follows: (continued)

As at 30 June 2023, the Group also invested in six companies which are mainly engaged in the investment holding business in Mainland China, with the registered capital of RMB2,600,000,000, RMB3,000,000,000, RMB7,100,000,000, RMB6,017,805,000, 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 27.20%, 19.50%, 8.5011%, 10.90%, 10.00% and 17.00%, respectively. The aforementioned companies are accounted for using the equity method.

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 | |
|--|----------------------------------|-------------|
| | (Unaudited) | (Unaudited) |
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| Share of the associates' profit for the period | 58,229 | 17,330 |
| Aggregate carrying amount of the Group's investments in the associates | 589,719 | 540,246 |

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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14. CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS

| | 30 June 2023 | 31 December 2022 |
|---|---------------------|------------------|
| | (Unaudited) | (Audited) |
| | RMB'000 | RMB'000 |
| Cash and bank balances | 23,804,811 | 19,121,294 |
| Time deposits | 10,000 | 10,000 |
| | 23,814,811 | 19,131,294 |
| Less: | | |
| Pledged deposits | 1,733,292 | 2,072,206 |
| Restricted bank deposits related to asset securitisations | 660,311 | 1,116,081 |
| Restricted bank deposits related to litigation | 38,824 | 39,164 |
| Cash and cash equivalents | 21,382,384 | 15,903,843 |

At 30 June 2023, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to RMB22,365,219,000 (31 December 2022: RMB17,991,846,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

As at 30 June 2023, cash of RMB622,146,000 (31 December 2022: RMB493,766,000) was pledged for bank and other borrowings (see Note 17(b)).

As at 30 June 2023, cash of RMB1,111,146,000 (31 December 2022: RMB1,578,440,000) was pledged for bank acceptances, letters of credit and others.

As at 30 June 2023, cash of RMB151,000 (31 December 2022: RMB2,320,000) was deposited with Sinochem Finance Co., Ltd., a subsidiary of the ultimate holding company of a shareholder with significant influence.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 30 June 2023 | 31 December 2022 |
|--|---------------------|------------------|
| | (Unaudited) | (Audited) |
| | RMB'000 | RMB'000 |
| Unlisted equity investments, at fair value | 2,405,980 | 2,516,128 |
| Listed equity investments, at fair value | 111,000 | 157,771 |
| Unlisted debt investments, at fair value | 5,991,258 | 6,684,207 |
| | 8,508,238 | 9,358,106 |
| Analysed into: | | |
| Current portion | 811,668 | 1,433,468 |
| Non-current portion | 7,696,570 | 7,924,638 |

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.

16. TRADE AND BILLS PAYABLES

| | | 30 June 2023 | 31 December 2022 |
|------------------------|------|---------------------|------------------|
| | | (Unaudited) | (Audited) |
| | Note | RMB'000 | RMB'000 |
| Current: | | | |
| Bills payable | | 7,321,905 | 10,144,414 |
| Trade payables | | 4,231,428 | 3,826,663 |
| Due to related parties | 16a | 4,233 | 4,133 |
| | | 11,557,566 | 13,975,210 |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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16. TRADE AND BILLS PAYABLES (CONTINUED)

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

| | 30 June 2023 | 31 December 2022 |
|--------------------|---------------------|------------------|
| | (Unaudited) | (Audited) |
| | RMB'000 | RMB'000 |
| Within 1 year | 11,325,010 | 13,569,433 |
| 1 to 2 years | 168,713 | 293,697 |
| 2 to 3 years | 25,827 | 41,258 |
| 3 years and beyond | 38,016 | 70,822 |
| | 11,557,566 | 13,975,210 |

16a. BALANCES WITH RELATED PARTIES

| | 30 June 2023 | 31 December 2022 |
|---|---------------------|------------------|
| | (Unaudited) | (Audited) |
| | RMB'000 | RMB'000 |
| Due to related parties: | | |
| Associate: | | |
| Shanghai Yijia Construction Development Co., Ltd. | 4,233 | 4,133 |

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

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17. INTEREST-BEARING BANK AND OTHER BORROWINGS

| | 30 June 2023 (Unaudited) | | | 31 December 2022 (Audited) | | |
|--|---|-----------|--------------------|---|-----------|--------------------|
| | Effective annual interest rate (%) | Maturity | RMB'000 | Effective annual interest rate (%) | Maturity | RMB'000 |
| Current: | | | | | | |
| Bank loans – secured | 2.40 | 2024 | 25,920 | 4.30 | 2023 | 6,000 |
| Current portion of long-term bank loans – secured | 3.00~5.15 | 2024 | 5,841,915 | 3.10~7.13 | 2023 | 3,366,318 |
| Bank loans – unsecured | 3.55~6.50 | 2024 | 19,357,219 | 1.18~4.50 | 2023 | 16,432,440 |
| Current portion of long-term bank loans – unsecured | 1.30~6.95 | 2024 | 52,609,738 | 1.20~6.17 | 2023 | 40,655,787 |
| Other loans – secured | 2.77~5.75 | 2024 | 3,893,356 | 2.97~5.75 | 2023 | 4,063,895 |
| Other loans – unsecured | 1.88~5.80 | 2024 | 6,968,219 | 5.63 | 2023 | 3,687,471 |
| Bonds – secured | 3.15~5.37 | 2024 | 17,578,645 | 3.02~5.37 | 2023 | 13,126,646 |
| Bonds – unsecured | 2.63~4.70 | 2024 | 47,139,075 | 1.93~4.50 | 2023 | 42,116,428 |
| | | | 153,414,087 | | | 123,454,985 |
| Non-current: | | | | | | |
| Bank loans – secured | 3.60~5.15 | 2024~2045 | 9,366,701 | 3.10~5.39 | 2024~2045 | 6,806,678 |
| Bank loans – unsecured | 0.80~6.91 | 2024~2031 | 66,453,002 | 0.80~6.71 | 2024~2031 | 66,972,864 |
| Other loans – secured | 3.03~5.37 | 2024~2029 | 8,364,283 | 2.97~5.68 | 2024~2029 | 7,411,800 |
| Other loans – unsecured | 4.75~5.80 | 2024~2027 | 5,966,842 | 5.09~5.55 | 2024~2027 | 4,498,801 |
| Bonds – secured | 3.30~5.68 | 2024~2027 | 4,071,703 | 3.20~5.15 | 2024~2026 | 3,044,102 |
| Bonds – unsecured | 3.35~5.50 | 2024~2026 | 16,725,904 | 2.63~4.70 | 2024~2026 | 35,420,421 |
| | | | 110,948,435 | | | 124,154,666 |
| Convertible bonds – host debts (Note 18) | 3.21~4.45 | 2025~2026 | 3,835,066 | 3.21~4.45 | 2025~2026 | 3,717,829 |
| | | | 268,197,588 | | | 251,327,480 |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

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

| | 30 June 2023 | 31 December 2022 |
|--|---------------------|------------------|
| | (Unaudited) | (Audited) |
| | RMB'000 | RMB'000 |
| Analysed into: | | |
| Bank loans and overdrafts repayable: | | |
| Within one year or on demand | 77,834,792 | 60,460,543 |
| In the second year | 46,922,560 | 40,659,039 |
| In the third to fifth years, inclusive | 26,877,923 | 31,542,368 |
| Beyond five years | 2,019,220 | 1,578,137 |
| | 153,654,495 | 134,240,087 |
| Other borrowings repayable: | | |
| Within one year or on demand | 75,579,295 | 62,994,442 |
| In the second year | 18,399,631 | 28,830,195 |
| In the third to fifth years, inclusive | 20,334,575 | 25,079,802 |
| Beyond five years | 229,592 | 182,954 |
| | 114,543,093 | 117,087,393 |
| | 268,197,588 | 251,327,480 |

- (a) As at 30 June 2023, the Group's bank and other borrowings secured by the pledge of or the transfer of certain of the Group's lease receivables and long-term receivables amounted to RMB36,702,226,000 (31 December 2022: RMB26,052,330,000), and RMB5,749,278,000 (31 December 2022: RMB4,584,902,000) respectively.
- (b) As at 30 June 2023, the Group's bank and other borrowings amounting to RMB622,146,000 (31 December 2022: RMB492,441,000) were secured by the pledge of cash.
- (c) As at 30 June 2023, the Group's bank and other borrowings secured by the Group's leasehold land, and property, plant and equipment amounted to RMB6,573,969,000 (31 December 2022: RMB7,010,553,000).

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. The 300 million 2.5 percent Bonds are redeemable at the option of the bondholders at 100.00 percent of its principal amount on 8 July 2023. Any convertible notes of the 300 million 2.5 percent Bonds not converted will be redeemed on 8 July 2025 at 100.00 percent of its principal amount. The 300 million 2.5 percent Bonds carry interest at a rate of 2.5 percent per annum, which is payable semi-annually in arrears on 8 July and 8 January each year. According to the notice issued by certain bondholders in early June 2023, USD10 million out of the USD300 million 2.5 percent Bonds were required to be redeemed on 8 July 2023 by the Issuer at 100.00 percent of their principal amount together with interests accrued but not paid.

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. There was no movement in the number of these convertible bonds during the period. 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. The 250 million Zero Coupon Bonds are redeemable at the option of the bondholders at 106.15 percent of its principal amount on 15 June 2024. Any convertible notes of the 250 million Zero Coupon Bonds not converted 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 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 period | (63,921) | (68,056) | 35,011 | 231,609 | 43,776 | 53,871 | - | 2,366 | (24,140) | 210,516 |
| Charged to reserve | - | - | - | - | - | - | 10,345 | - | - | 10,345 |
| Exchange differences | - | - | - | 132 | - | 57 | - | - | - | 189 |
| Gross deferred tax assets at - 30 June 2023 (Unaudited) | 550,898 | 1,015,828 | 137,744 | 2,967,864 | 1,395,368 | 121,775 | 36,248 | 84,738 | 124,424 | 6,434,887 |

| | 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 2021 (Audited) | 394,256 | 1,045,233 | 92,182 | 2,418,823 | 1,382,534 | 51,610 | 9,274 | - | 34,395 | 5,428,307 |
| Effect of adoption of amendments to HKAS 12 (Note 2.2(c)) | - | - | - | - | - | - | - | 91,351 | - | 91,351 |
| Gross deferred tax assets at 1 January 2022 (restated) | 394,256 | 1,045,233 | 92,182 | 2,418,823 | 1,382,534 | 51,610 | 9,274 | 91,351 | 34,395 | 5,519,658 |
| (Charged)/credited to the statement of profit or loss during the year | 220,563 | 38,651 | 10,551 | 317,003 | (30,942) | 16,196 | - | (8,979) | 114,169 | 677,212 |
| Charged to reserve | - | - | - | - | - | - | 16,629 | - | - | 16,629 |
| Exchange differences | - | - | - | 297 | - | 41 | - | - | - | 338 |
| Gross deferred tax assets at 31 December 2022 (Audited and 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 |

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 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 period | (1,217) | (11,998) | 5,001 | 5,096 | 3,831 | 713 |
| Gross deferred tax liabilities at 30 June 2023 (Unaudited) | 133,057 | 156,108 | 598,028 | 85,559 | 26,074 | 998,826 |

| | 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 2021 (Audited) | 137,253 | 220,245 | 21,155 | – | 41,938 | 420,591 |
| Effect of adoption of amendments to HKAS 12 (Note 2.2(c)) | – | – | – | 86,922 | – | 86,922 |
| Gross deferred tax liabilities at 1 January 2022 (restated) | 137,253 | 220,245 | 21,155 | 86,922 | 41,938 | 507,513 |
| (Credited)/charged to the statement of profit or loss during the year | (2,979) | (52,139) | 571,872 | (6,459) | (19,695) | 490,600 |
| Gross deferred tax liabilities at 31 December 2022 (Audited and restated) | 134,274 | 168,106 | 593,027 | 80,463 | 22,243 | 998,113 |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

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 2023 | 31 December 2022 |
|---|---------------------|-------------------------|
| | (Unaudited) | (Audited) (Restated) |
| | RMB'000 | RMB'000 |
| Net deferred tax assets recognised in the consolidated statement of financial position | 6,331,517 | 6,118,290 |
| Net deferred tax liabilities recognised in the consolidated statement of financial position | 895,456 | 902,566 |

As at 30 June 2023, the Group had tax losses arising in Hong Kong of RMB94,291,000 (31 December 2022: RMB87,195,000) 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 Mainland China of RMB390,873,000 (31 December 2022: RMB179,844,000) 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 2023, the Group did not recognise deferred tax assets arising in Mainland China and Hong Kong in respect of unutilised tax losses of RMB2,880,223,000 (31 December 2022: RMB2,812,035,000) and RMB2,895,132,000 (31 December 2022: RMB1,497,370,000), respectively, due to uncertainty in their recoverability.

Pursuant to the resolution of the Company, part of the Mainland China subsidiaries' profits generated from 2012 onwards will be retained by the Mainland China subsidiaries for the use in future operations or investments. In the opinion of the directors, it is probable that the temporary differences relating to the profits that are not expected to be distributed will not reverse in the foreseeable future. During the year ended 31 December 2022, the Group recognised withholding taxes of RMB571,107,000. As at 30 June 2023, the aggregate amount of unrecognised deferred tax liabilities (i.e., withholding taxes relating to such temporary differences) was approximately RMB1,559,587,000 (31 December 2022: RMB1,354,813,000).

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 2022 (Audited) (Note (i)) | 4,315,509,601 | 16,415,750,000 |
| At 30 June 2023 (Unaudited) (Note (i)) | 4,317,609,866 | 16,431,584,000 |

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 2023 and 31 December 2022 | 4,315,509,601 | 16,415,750 | 13,052,344 |
| Share options exercised (Note (ii)) | 2,100,265 | 15,834 | 13,781 |
| As at 30 June 2023 (Unaudited) | 4,317,609,866 | 16,431,584 | 13,066,125 |

Notes:

- (ii) The subscription rights attaching to 414,155, 133,000, 1,307,581, 165,543 and 79,986 share options were exercised at the subscription prices of HK\$5.86, HK\$7.17, HK\$5.714, HK\$6.82, and HK\$6.7 per share, respectively, resulting in the issue of 2,100,265 shares for a total cash consideration, before expenses, of HK\$12,517,000. An amount of HK\$3,317,000 was transferred from the share option reserve to share capital upon the exercise of the share options.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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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.

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.

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22. PERPETUAL SECURITIES (CONTINUED)

On 18 February 2020, Far Eastern Leasing completed the issuance of renewable corporate bonds (Epidemic Prevention and Control Securities) (the “Renewable Corporate Bonds”) (Phase One) in an amount of RMB2,000,000,000 in the PRC. The Renewable Corporate Bonds (Phase One) consist of Variety One and Variety Two. The issue size of Variety One was RMB1,500,000,000 and the basic term will be 2 years (Far Eastern Leasing is entitled to exercise its renewable option at the end of the stipulated basic term and at the end of each renewal period), with a coupon distribution rate of 3.87% per annum. The issue size of Variety Two was RMB500,000,000 and the basic term will be 3 years (Far Eastern Leasing is entitled to exercise its renewable option at the end of the stipulated basic term and at the end of each renewal period), with a coupon distribution rate of 4.13% per annum.

Distributions of the Renewable Corporate Bonds (Phase One) may be paid annually in arrears on 18 February of each year and may be deferred at the discretion of Far Eastern Leasing unless a compulsory distribution payment event (including distributions to shareholders of Far Eastern Leasing) has occurred. Following a deferral, arrears of distributions are cumulative. The Variety One of the Renewable Corporate Bonds (Phase One) have been fully redeemed on 18 February 2022. The Variety Two of the Renewable Corporate Bonds (Phase One) have been fully redeemed on 20 February 2023.

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.

On 28 October 2022, Far Eastern Leasing completed the issuance of renewable corporate bonds (the “Renewable Bonds”) (Phase Two) in an amount of RMB1,000,000,000 in the PRC. The basic term of the Renewable Corporate Bonds (Phase Two) will be 1 year (Far Eastern Leasing is entitled to exercise its renewable option at the end of the stipulated basic term and at the end of each renewal period), with a coupon distribution rate of 4.09% per annum.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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22. PERPETUAL SECURITIES (CONTINUED)

Distributions of the Renewable Bonds (Phase Two) may be paid annually in arrears on 28 October 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.

The direct transaction costs attributable to the Perpetual Loans, the Renewable Corporate Bonds, the Medium-term Notes, and the Renewable Bonds amounted to RMB64,000, RMB6,000,000, RMB3,000,000 and RMB3,500,000 respectively.

For the six months ended 30 June 2023, the profits attributable to the holders of the Perpetual Loans, the Renewable Corporate Bonds, the Medium-term Notes and the Renewable Bonds (collectively the "Perpetual Securities") based on the applicable distribution rates were RMB1,419,000 (six months ended 30 June 2022: RMB1,419,000), RMB5,270,000 (six months ended 30 June 2022: RMB24,251,000), RMB28,913,000 (six months ended 30 June 2022: Nil), RMB10,199,000 (six months ended 30 June 2022: Nil) and RMB19,134,000 (six months ended 30 June 2022: Nil), respectively, and the distribution made by the Group to the holders of Perpetual Securities was RMB16,303,000 (six months ended 30 June 2022: RMB218,437,000).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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23. DISPOSAL OF SUBSIDIARIES

In June 2023, the Group disposed of 51% of the voting shares of Zhengzhou Renji Hospital Co., Ltd. (“Zhengzhou Renji”).

Net assets of Zhengzhou Renji as at the date of disposal was as follows:

| | For the six months ended 30 June |
|---|-------------------------------------|
| | 2023 |
| | (Unaudited) |
| | RMB'000 |
| Net assets disposed of: | |
| Cash and cash equivalents | 14,769 |
| Trade receivable | 63,201 |
| Prepayments, other receivables and other assets | 9,432 |
| Inventories | 8,495 |
| Property, plant and equipment | 338,398 |
| Intangible assets | 3,453 |
| Deferred tax assets | 2,022 |
| Trade and bills payables | (44,402) |
| Other payables and accruals | (32,957) |
| Interest-bearing bank and other borrowings | (76,516) |
| Income tax payable | (1,797) |
| Non-controlling interests | (139,208) |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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23. DISPOSAL OF SUBSIDIARIES (CONTINUED)

Net assets of Zhengzhou Renji as at the date of disposal was as follows: (continued)

| | For the six months ended 30 June |
|--|---|
| | 2023 |
| | (Unaudited) |
| | RMB'000 |
| Gain on disposal of subsidiaries | 73,680 |
| | 218,570 |
| Satisfied by: | |
| Cash | 218,570 |
| Including: Consideration received upon disposal | 100,000 |
| Consideration to be received after disposal | 118,570 |
| Analysis of cash flows on disposal: | |
| Cash received | 100,000 |
| Cash and cash equivalents disposed of | (14,769) |
| Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries | 85,231 |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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24. CONTINGENT LIABILITIES

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

| | 30 June 2023 | 31 December 2022 |
|-----------------|---------------------|------------------|
| | (Unaudited) | (Audited) |
| | RMB'000 | RMB'000 |
| Claimed amounts | 38,824 | 38,838 |

On 20 June 2022, the 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 2023, the balance of guaranteed bank loans were RMB953,859,000 (31 December 2022: RMB584,691,000). 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.

25. 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, respectively, to the financial statements.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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26. COMMITMENTS

(a) Capital commitments

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

| | 30 June 2023 | 31 December 2022 |
|---|---------------------|------------------|
| | (Unaudited) | (Audited) |
| | RMB'000 | RMB'000 |
| Contracted, but not provided for: | | |
| Capital expenditure for acquisition of property, plant and equipment | 176,805 | 161,423 |

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

(b) Credit commitments

| | 30 June 2023 | 31 December 2022 |
|--------------------------------|---------------------|------------------|
| | (Unaudited) | (Audited) |
| | RMB'000 | RMB'000 |
| Irrevocable credit commitments | 9,756,745 | 23,035,482 |

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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27. RELATED PARTY TRANSACTIONS

Relationship between the Group and its related parties:

The ultimate holding company of a shareholder with significant influence

Sinochem Group

A shareholder with significant influence

Greatpart Limited

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

Sinochem Hong Kong (Group) Company Limited (“Sinochem Hong Kong”)

Sinochem Finance Co., Ltd.

China Jin Mao Group Co., Ltd.

Beijing Chemsunny Property Co., Ltd.

Jin Mao (Shanghai) Property Management Service Co., Ltd.

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

Sinochem Corporation

BlueStar New Chemical Materials Guangxi Branch

Shenyang Chemical Co., Ltd.

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.

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 subsidiary of the Group since September 2022

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

27. RELATED PARTY TRANSACTIONS (CONTINUED)

- a. In addition to the balances in Notes 10,14,16 and 17 to the financial statements, 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 2023 | 31 December 2022 |
|---|--------------|------------------|
| | (Unaudited) | (Audited) |
| | RMB'000 | RMB'000 |
| Due from related parties | | |
| Beijing Chemsunny Property Co., Ltd. | 2,493 | – |
| Sinochem Jinmao Property Management (Beijing) Co., Ltd. | 175 | – |
| Fengyang Qianmen Hospital Co., Ltd. | 565 | 565 |
| Suzhou Gaoxin Rehabilitation Hospital Co., Ltd. | 1,852 | 1,365 |
| Shanghai Yijia Construction Development Co., Ltd. | 102 | – |
| | 5,187 | 1,930 |

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

- (ii) Other payables and accruals

| | 30 June 2023 | 31 December 2022 |
|---|---------------|------------------|
| | (Unaudited) | (Audited) |
| | RMB'000 | RMB'000 |
| Due to related parties | | |
| Shenyang Chemical Co., Ltd. | 10,000 | 10,000 |
| Fengyang Qianmen Hospital Co., Ltd. | 268 | 268 |
| Kunming Broadhealthcare (Group) Co., Ltd. | 361 | 951 |
| Suzhou Gaoxin Rehabilitation Hospital Co., Ltd. | 5,200 | 14,600 |
| Grand Flight Investment Management Co., Ltd. | 31,335 | 41,431 |
| Tian Jin Grand Flight Hooyoung Asset Management Co., Ltd. | 63 | 63 |
| Guangzhou Kangda Industrial Technology Co., Ltd. | – | 30 |
| | 47,227 | 67,343 |

Except for the amounts due to Fengyang Qianmen Hospital Co., Ltd., Kunming Broadhealthcare (Group) Co., Ltd., Suzhou Gaoxin Rehabilitation Hospital Co., Ltd., 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 2023

27. 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 | |
|----------------------------|----------------------------------|-------------|
| | 2023 | 2022 |
| | (Unaudited) | (Unaudited) |
| | RMB'000 | RMB'000 |
| Sinochem Finance Co., Ltd. | 1 | 1,012 |

The interest was charged at rates ranging from 0.55% per annum (31 December 2022: 0.35% to 1.495%).

(ii) Service fee income

| | For the six months ended 30 June | |
|---|----------------------------------|-------------|
| | 2023 | 2022 |
| | (Unaudited) | (Unaudited) |
| | RMB'000 | RMB'000 |
| Suzhou Gaoxin Rehabilitation Hospital Co., Ltd. | 459 | 266 |

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

(iii) Interest expenses on borrowings

| | For the six months ended 30 June | |
|----------------------------|----------------------------------|-------------|
| | 2023 | 2022 |
| | (Unaudited) | (Unaudited) |
| | RMB'000 | RMB'000 |
| Sinochem Finance Co., Ltd. | - | 1,260 |

No interest expenses were charged during the six months ended 30 June 2023. Interest rate was 3.60% per annum for the six months ended 30 June 2022.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

27. 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 | |
|--|---|-------------|
| | 2023 | 2022 |
| | (Unaudited) | (Unaudited) |
| | RMB'000 | RMB'000 |
| Grand Flight Investment Management Co., Ltd. | 228 | 183 |
| Tian Jin Grand Flight Hooyoung Asset Management Co., Ltd. | 1 | 6 |
| Suzhou Gaoxin Rehabilitation Hospital Co., Ltd. | 35 | 36 |
| Guangzhou Yimei Tiancheng Decoration Engineering Co., Ltd. | 1 | – |
| | 265 | 225 |

The interest expenses were charged at a rate of 1.485% per annum (31 December 2022: 1.485%).

(v) Rental as a lessee

| | For the six months ended 30 June | |
|---|---|-------------|
| | 2023 | 2022 |
| | (Unaudited) | (Unaudited) |
| | RMB'000 | RMB'000 |
| Beijing Chemsunny Property Co., Ltd. | 800 | 6,109 |
| Sinochem Jinmao Property Management (Beijing) Co., Ltd. | 47 | 421 |
| | 847 | 6,530 |

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

27. RELATED PARTY TRANSACTIONS (CONTINUED)

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

(vi) Maintenance expense

| | For the six months ended 30 June | |
|---|----------------------------------|-------------|
| | 2023 | 2022 |
| | (Unaudited) | (Unaudited) |
| | RMB'000 | RMB'000 |
| Shanghai Yijia Construction Development Co., Ltd. | – | 3,961 |

(vii) Consultancy fee

| | For the six months ended 30 June | |
|---|----------------------------------|-------------|
| | 2023 | 2022 |
| | (Unaudited) | (Unaudited) |
| | RMB'000 | RMB'000 |
| Suzhou Gaoxin Rehabilitation Hospital Co., Ltd. | – | 5 |

(viii) Interest income from loans and accounts receivables

| | For the six months ended 30 June | |
|--|----------------------------------|-------------|
| | 2023 | 2022 |
| | (Unaudited) | (Unaudited) |
| | RMB'000 | RMB'000 |
| Guangzhou Kangda Industrial Technology Co., Ltd. | 4,785 | 2,300 |
| Kunming Broadhealthcare (Group) Co., Ltd. | 950 | 2,798 |
| Suzhou Gaoxin Rehabilitation Hospital Co., Ltd. | 3,016 | 2,920 |
| Hangzhou Guoya Stomatological Hospital Co., Ltd. | 385 | 379 |
| BlueStar New Chemical Materials Guangxi Branch | – | 145 |
| Shenyang Chemical Co., Ltd. | 1,138 | 2,372 |
| Guangzhou Wealth Healthy Electronics Co., Ltd. | 306 | – |
| Ziyang Yuyi Construction Investment Co., Ltd. | 3,094 | – |
| | 13,674 | 10,914 |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

27. RELATED PARTY TRANSACTIONS (CONTINUED)

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

(ix) Administrative fee

| | For the six months ended 30 June | |
|--|---|-------------|
| | 2023 | 2022 |
| | (Unaudited) | (Unaudited) |
| | RMB'000 | RMB'000 |
| Grand Flight Investment Management Co., Ltd. | 22,200 | 26,292 |

c. Compensation of key management personnel of the Group

| | For the six months ended 30 June | |
|-------------------|---|-------------|
| | 2023 | 2022 |
| | (Unaudited) | (Unaudited) |
| | RMB'000 | RMB'000 |
| Employee benefits | 75,837 | 80,017 |

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 2023 and 2022.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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28. FINANCIAL INSTRUMENTS BY CATEGORY

| | As of 30 June 2023 | As of 31 December 2022 |
|--|-------------------------------------|---------------------------|
| | (Unaudited) | (Audited) |
| | RMB'000 | RMB'000 |
| Financial assets as per the statement of financial position | | |
| Financial assets at amortised cost: | | |
| Loans and accounts receivables | 276,744,255 | 267,138,233 |
| Financial assets included in prepayments, other receivables and other assets | 1,238,717 | 2,149,599 |
| Restricted deposits | 2,432,427 | 3,227,451 |
| Cash and cash equivalents | 21,382,384 | 15,903,843 |
| Financial assets at fair value through profit or loss: | | |
| Financial assets at fair value through profit or loss | 8,508,238 | 9,358,106 |
| Derivative financial instruments not designated as hedging instruments | 12,650 | 2,380 |
| Financial assets at fair value through other comprehensive income: | | |
| Debt investments at fair value through other comprehensive income | 1,590,313 | 1,182,401 |
| Hedging instruments designated in cash flow hedges: | | |
| Derivative financial instruments designated as hedging instruments in cash flow hedges | 3,162,713 | 1,850,922 |
| Total | 315,071,697 | 300,812,935 |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

28. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

| | As of | As of |
|--|---------------------|------------------|
| | 30 June 2023 | 31 December 2022 |
| | (Unaudited) | (Audited) |
| | RMB'000 | RMB'000 |
| Financial liabilities as per the statement of financial position | | |
| Financial liabilities at amortised cost: | | |
| Trade and bills payables | 11,557,566 | 13,975,210 |
| Financial liabilities included in other payables and accruals | 19,097,305 | 16,552,035 |
| Interest-bearing bank and other borrowings | 264,362,522 | 247,609,651 |
| Convertible bonds – host debts | 3,835,066 | 3,717,829 |
| Other non-current liabilities | – | 1,608,276 |
| Financial liabilities at fair value through profit or loss: | | |
| Other non-current liabilities | 1,470,917 | 1,557,715 |
| Hedging instruments designated in cash flow hedges: | | |
| Derivative financial instruments designated as hedging instruments in cash flow hedges | 159,126 | 271,566 |
| Total | 300,482,502 | 285,292,282 |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

29. 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 2023

29. 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 2023 (Unaudited) | 31 December 2022 (Audited) | 30 June 2023 (Unaudited) | 31 December 2022 (Audited) |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Financial liabilities | | | | |
| Bonds issued | 85,515,327 | 93,707,597 | 85,854,034 | 94,247,778 |
| Convertible bonds – host debts | 3,835,066 | 3,717,829 | 3,953,163 | 3,862,848 |
| Other non-current liabilities | – | 1,608,276 | – | 1,527,380 |

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

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29. FAIR VALUE HIERARCHY (CONTINUED)

Financial instruments measured at fair value

Non-deliverable cross-currency swaps and interest rate swaps

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

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 2023 and 31 December 2022:

| Description | Fair value at 30 June 2023 | Valuation technique | Unobservable input | Relationship of unobservable inputs to fair value |
|--|-------------------------------|---|--|--|
| RMB'000 | | | | |
| Financial investments at fair value through profit or loss | 3,608,345 | 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 |

| Description | Fair value at 31 December 2022 | Valuation technique | Unobservable input | Relationship of unobservable inputs to fair value |
|--|-----------------------------------|---|-----------------------------------|--|
| RMB'000 | | | | |
| Financial investments at fair value through profit or loss | 4,031,831 | Market comparable model/ Adjusted recent transaction price/ Discounted cash flow | 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 |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

29. FAIR VALUE HIERARCHY (CONTINUED)**Fair value hierarchy**

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

- Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

Assets and liabilities measured at fair value

As at 30 June 2023

| | Fair value measurement using | | | |
|--|--|--|--|-------------|
| | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Cross-currency interest rate swaps – assets | – | 3,069,109 | – | 3,069,109 |
| Forward currency contracts – assets | – | 69,164 | – | 69,164 |
| Interest rate swaps – assets | – | 37,090 | – | 37,090 |
| Cross-currency interest rate swaps – liabilities | – | (112,020) | – | (112,020) |
| Forward currency contracts – liabilities | – | – | – | – |
| Interest rate swaps – liabilities | – | (47,106) | – | (47,106) |
| Financial assets at fair value through profit or loss | 362,700 | 4,537,193 | 3,608,345 | 8,508,238 |
| Debt investments at fair value through other comprehensive income | – | 1,590,313 | – | 1,590,313 |
| Other non-current liabilities | – | (1,470,917) | – | (1,470,917) |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

29. FAIR VALUE HIERARCHY (CONTINUED)

Assets and liabilities measured at fair value (continued)

As at 31 December 2022

| | Fair value measurement using | | | Total |
|--|--|--|--|-------------|
| | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | |
| | (Audited) | (Audited) | (Audited) | |
| | RMB'000 | RMB'000 | RMB'000 | |
| Cross-currency interest rate swaps – assets | – | 1,780,159 | – | 1,780,159 |
| Forward currency contracts – assets | – | 28,081 | – | 28,081 |
| Interest rate swaps – assets | – | 45,062 | – | 45,062 |
| Cross-currency interest rate swaps – liabilities | – | (203,786) | – | (203,786) |
| Forward currency contracts – liabilities | – | (38,865) | – | (38,865) |
| Interest rate swaps – liabilities | – | (28,914) | – | (28,914) |
| Financial assets at fair value through profit or loss | 490,471 | 4,835,804 | 4,031,831 | 9,358,106 |
| Debt investments at fair value through other comprehensive income | – | 1,182,401 | – | 1,182,401 |
| Other non-current liabilities | – | (1,557,715) | – | (1,557,715) |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

29. 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:

| | 2023 | 2022 |
|---|-------------|-------------|
| | (Unaudited) | (Unaudited) |
| | RMB'000 | RMB'000 |
| Financial assets at fair value through profit or loss | | |
| Carrying amount at 1 January | 4,031,831 | 2,694,057 |
| Changes in fair value recognised in profit or loss | (57,883) | 3,037 |
| Additions | 74,761 | 767,313 |
| Disposals | (392,861) | (88,820) |
| Transfers to Level 1* | (49,000) | – |
| Exchange differences | 1,497 | 2,092 |
| Carrying amount at 30 June | 3,608,345 | 3,377,679 |

* 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.

Liabilities for which fair values are disclosed

As at 30 June 2023

| | 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 | – | 85,854,034 | – | 85,854,034 |
| Convertible bonds – host debts | – | 3,953,163 | – | 3,953,163 |
| Other non-current liabilities | – | 1,470,917 | – | 1,470,917 |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

29. FAIR VALUE HIERARCHY (CONTINUED)

Liabilities for which fair values are disclosed (continued)

As at 31 December 2022

| | 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 |
| Bonds issued | – | 94,247,778 | – | 94,247,778 |
| Convertible bonds – host debts | – | 3,862,848 | – | 3,862,848 |
| Other non-current liabilities | – | 1,557,715 | – | 1,557,715 |

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 2022: Nil).

30. EVENTS AFTER THE REPORTING PERIOD

There have been no significant events since the end of the reporting period.

31. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the Board on 9 August 2023.