



宏信建發  
CDHORIZON

# 2023 INTERIM REPORT



Incorporated in the Cayman Islands with limited liability

Stock Code: 09930.HK

**Contents**

Corporate Information

4

Company Profile

6

Business Overview

8

Management Discussion and Analysis

12

Disclosure of Interests

42

Corporate Governance

45

Other Information

47



Notes to Interim Condensed Consolidated Financial Information ..... 57

Interim Condensed Consolidated Statement of Cash Flows ..... 55

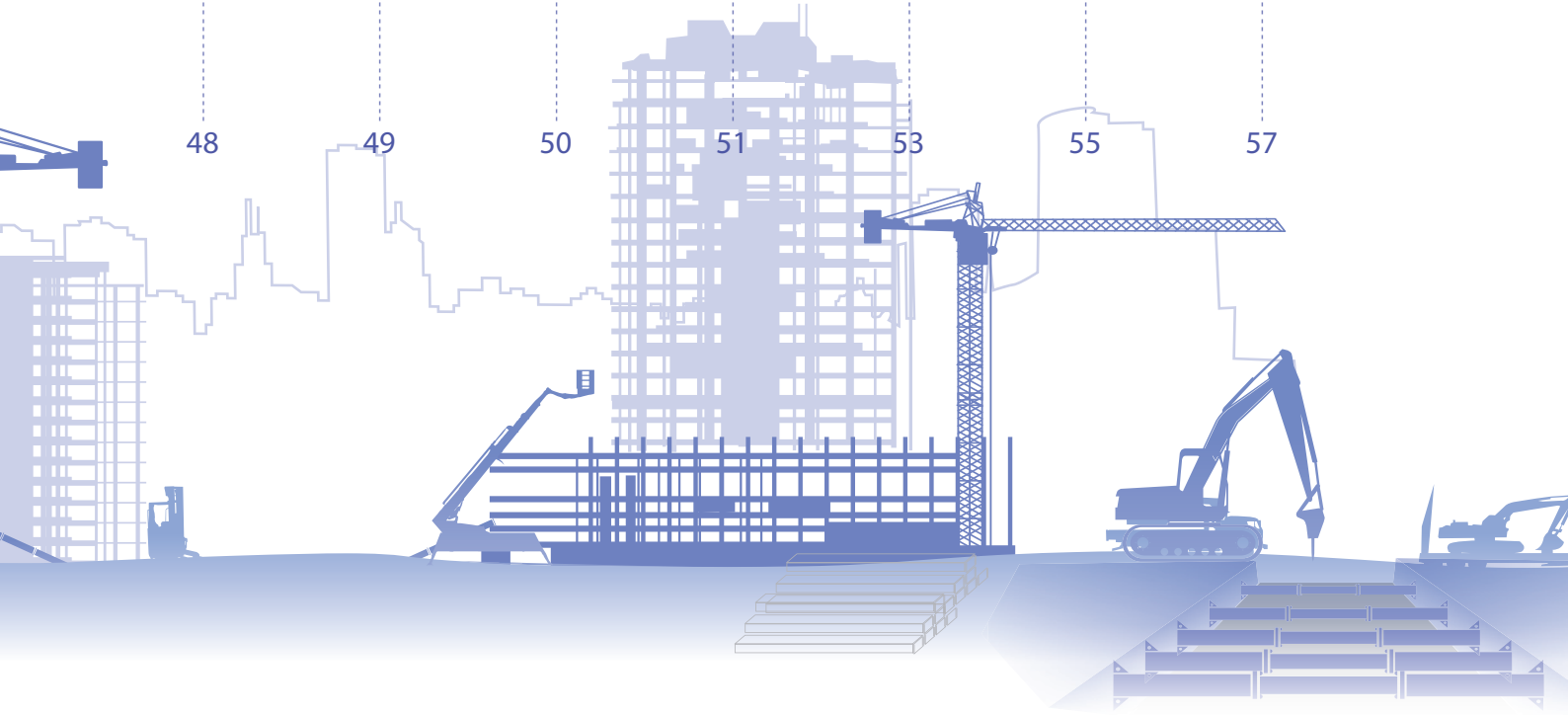
Interim Condensed Consolidated Statement of Changes in Equity ..... 53

Interim Condensed Consolidated Statement of Financial Position ..... 51

Interim Condensed Consolidated Statement of Comprehensive Income ..... 50

Interim Condensed Consolidated Statement of Profit or Loss ..... 49

Independent Review Report ..... 48



## CORPORATE INFORMATION

### BOARD

#### Chairman and Non-executive Director

Mr. KONG Fanxing (孔繁星先生)  
(Chairman)

#### Executive Directors

Mr. PAN Yang (潘陽先生)  
(Chief Executive Officer)  
Mr. TANG Li (唐立先生)  
(Chief Financial Officer)

#### Non-executive Directors

Mr. XU Huibin (徐會斌先生)  
Mr. HE Ziming (何子明先生)  
Mr. LI Qianjin (李前進先生)  
Ms. GUO Lina (郭麗娜女士)

#### Independent Non-executive Directors

Mr. LIU Jialin (劉嘉凌先生)  
Mr. XU Min  
Ms. JIN Jinping (金錦萍女士)  
Mr. SUM Siu Kei (岑兆基先生)

### COMPOSITION OF COMMITTEES

#### Audit Committee

Mr. XU Min (Chairman)  
Ms. JIN Jinping (金錦萍女士)  
Mr. SUM Siu Kei (岑兆基先生)

#### Nomination Committee

Ms. JIN Jinping (金錦萍女士)  
(Chairwoman)  
Mr. LIU Jialin (劉嘉凌先生)  
Mr. XU Huibin (徐會斌先生)

#### Remuneration Committee

Ms. JIN Jinping (金錦萍女士)  
(Chairwoman)  
Mr. LIU Jialin (劉嘉凌先生)  
Ms. GUO Lina (郭麗娜女士)

#### Environmental, Social and Governance Committee

Mr. SUM Siu Kei (岑兆基先生)  
(Chairman)  
Mr. HE Ziming (何子明先生)  
Mr. XU Min

### COMPANY SECRETARY

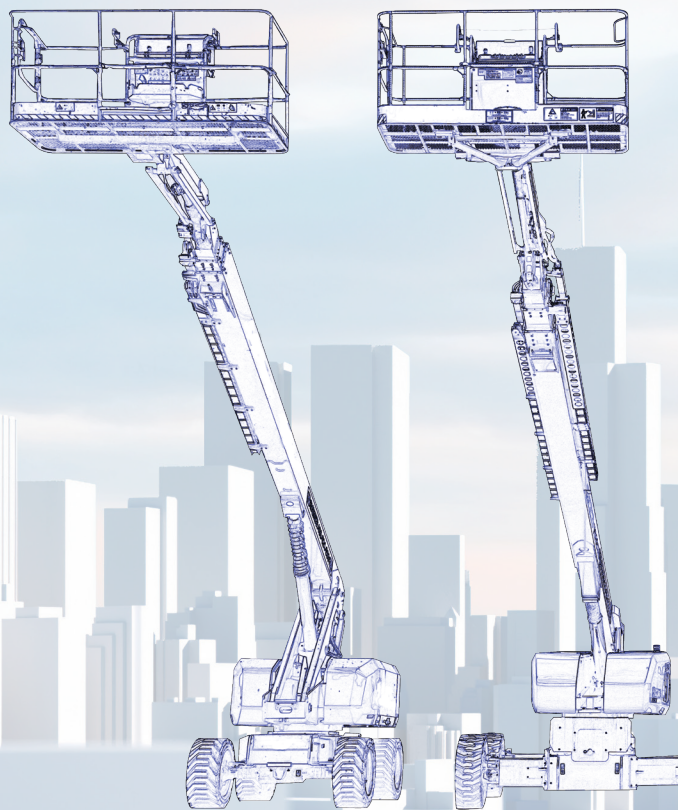
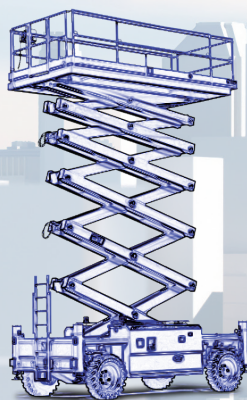
Mr. CHIU Ming King (趙明璟先生)

### AUTHORIZED REPRESENTATIVES

Mr. PAN Yang (潘陽先生)  
Mr. CHIU Ming King (趙明璟先生)

### REGISTERED OFFICE

P.O. Box 31119 Grand Pavilion  
Hibiscus Way  
802 West Bay Road  
Grand Cayman  
KY1-1205  
Cayman Islands



## CORPORATE INFORMATION

### HEADQUARTERS

No. 5, 6-610, Building 2  
Minghai Center, 200 Xichang Road  
Pilot Free Trade Zone  
(Dongjiang Bonded Port Zone)  
Tianjin  
PRC

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1901, 19/F, Lee Garden One  
33 Hysan Avenue  
Causeway Bay  
Hong Kong

### SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor  
Services Limited  
Shops 1712-1716  
17/F, Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

### PRINCIPAL BANKS

China Construction Bank Corporation  
Bank of Communications

### AUDITOR

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

### LEGAL ADVISER

Baker & McKenzie

### COMPLIANCE ADVISER

UOB Kay Hian (Hong Kong) Limited

### COMPANY WEBSITE

[www.hongxinjianfa.com](http://www.hongxinjianfa.com)

### STOCK CODE

The Company's shares are listed on the  
Main Board of The Stock Exchange of  
Hong Kong Limited  
Stock code: 9930



## COMPANY PROFILE

Horizon Construction Development Limited (the “Company” or “Horizon Construction Development”) and its subsidiaries (collectively the “Group”) is one of the leading equipment operation service providers in China, with comprehensive equipment offerings and strong service capacities. Major brands of the Group include Horizon Construction Development (宏信建發), Horizon Equipment (宏信設備) and Hongjin Equipment (宏金設備). The Group’s leading market position and brand recognition are reflected in the numerous awards the Company has received. In addition, the Group is one of the leaders in aerial work platform equipment operation, neo-excavation support system operation and neo-formwork system operation service markets. The Group ranked the top in terms of equipment volume of aerial work platform, neo-excavation support system and neo-formwork system as at 30 June 2023. The Group believes that its comprehensive and multi-dimensional services covering the full cycle of projects and leveraging the synergies among its various product lines and diversified service categories enable the Group to enhance our market competitiveness and customer stickiness. The Group has fostered a diverse, blue chip, loyal and high-quality customer base, the number of our service outlets ranked first in China among all equipment operation service providers, and our proven digitalization capabilities continuously enhance the operational efficiency and customer service capabilities of the Group.

The Company’s shares were officially listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 25 May 2023 (the “Listing Date”). The shares of Far East Horizon Limited (“Far East Horizon”), the immediate holding company of the Company and a company incorporated in Hong Kong, have been listed on the Main Board of the Stock Exchange (stock code: 3360).



## INTERNATIONAL BUSINESS NETWORK



\*The presentation of the map is for artistic purposes only, the actual geographic information published in accordance with the law shall prevail.



## 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
<b>Operating results</b>					
Total revenue	<b>4,205,971</b>	3,565,169	7,877,646	6,141,168	3,663,595
Operating lease services	<b>2,505,619</b>	2,305,748	5,189,949	4,463,348	2,484,554
Engineering and technical services	<b>1,140,634</b>	1,055,110	2,136,630	1,519,288	1,062,760
Platform and other services	<b>559,718</b>	204,311	551,067	158,532	116,281
Cost of sales	<b>(2,769,819)</b>	(2,194,490)	(4,744,640)	(3,295,231)	(2,015,234)
Operating lease services	<b>(1,515,145)</b>	(1,206,655)	(2,870,719)	(2,091,079)	(1,185,393)
Engineering and technical services	<b>(904,523)</b>	(834,000)	(1,496,266)	(1,076,646)	(756,813)
Platform and other services	<b>(350,151)</b>	(153,835)	(377,655)	(127,506)	(73,028)
Gross profit and gross profit margin	<b>1,436,152</b>	1,370,679	3,133,006	2,845,937	1,648,361
Operating lease services	<b>990,474</b>	1,099,093	2,319,230	2,372,269	1,299,161
Gross profit margin	<b>39.5%</b>	47.7%	44.7%	53.1%	52.3%
Engineering and technical services	<b>236,111</b>	221,110	640,364	442,642	305,947
Gross profit margin	<b>20.7%</b>	21.0%	30.0%	29.1%	28.8%
Platform and other services	<b>209,567</b>	50,476	173,412	31,026	43,253
Gross profit margin	<b>37.4%</b>	24.7%	31.5%	19.6%	37.2%
Profit before tax	<b>337,696</b>	244,919	893,804	902,499	641,507
Adjusted profit before tax (a non-HKFRS measure) <sup>(1)</sup>	<b>418,262</b>	375,216	1,172,015	973,084	652,362
Profit for the period/year attributable to holders of ordinary shares of the Company	<b>237,141</b>	159,114	664,335	709,638	448,373
Adjusted profit for the period/year (a non-HKFRS measure) <sup>(2)</sup>	<b>317,707</b>	289,411	942,546	780,223	504,217
Basic earnings per share (RMB)	<b>0.082</b>	0.056	0.235	0.261	0.179
Diluted earnings per share (RMB)	<b>0.082</b>	0.056	0.235	0.261	0.179
<b>Profitability Indicators</b>					
Return on average equity <sup>(3)</sup>	<b>5.7%</b>	5.2%	10.5%	12.5%	16.7%
Return on average total assets <sup>(4)</sup>	<b>1.6%</b>	1.1%	2.3%	3.3%	3.6%
Gross profit margin	<b>34.1%</b>	38.4%	39.8%	46.3%	45.0%
EBITDA margin (a non-HKFRS measure) <sup>(5)</sup>	<b>46.7%</b>	49.5%	51.8%	52.1%	51.4%



## BUSINESS OVERVIEW

	30 June 2023	31 December 2022	31 December 2021	31 December 2020
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Assets and liabilities</b>				
Total assets	<b>30,601,785</b>	30,288,394	26,960,606	15,639,203
Total liabilities	<b>20,548,944</b>	23,616,202	20,949,645	10,337,454
Interest-bearing bank and other borrowings	<b>18,286,596</b>	21,212,114	17,697,766	7,817,513
Gearing ratio <sup>(6)</sup>	<b>67.1%</b>	78.0%	77.7%	66.1%
Total equity	<b>10,052,841</b>	6,672,192	6,010,961	5,301,749
Equity attributable to holders of ordinary shares of the Company	<b>10,052,841</b>	6,672,192	6,010,961	5,301,323
Net assets per share (RMB) <sup>(7)</sup>	<b>3.14</b>	2.36	2.12	2.12

The amendments to HKAS 12 – Income Taxes decreased the net equity and equity attributable to owners of the parent by RMB3,043,000 and RMB816,000 at the beginning of 2023 and 2022, decreased the net profit, adjusted profit for the period (a non-HKFRS measure) and profit attributable to owners of the parent by RMB2,313,000 and RMB3,116,000 for the six month period ended 30 June 2023 and 2022.

## BUSINESS OVERVIEW

### Notes:

- (1) Adjusted profit before tax (a non-HKFRS measure) = profit before tax for the period or year + listing expenses + interest expenses and foreign exchange gains or losses from redemption liabilities on ordinary shares.
- (2) Adjusted profit for the period or year (a non-HKFRS measure) = profit for the period or year + listing expenses + interest expenses and foreign exchange gains or losses from redemption liabilities on ordinary shares.
- (3) Return on average equity = profit for the period or year attributable to holders of ordinary shares of the Company/average balance of total equity at the beginning and the end of the period or year attributable to holders of ordinary shares of the Company, presented on an annualized basis.
- (4) Return on average total assets = profit for the period or year attributable to holders of ordinary shares of the Company/average balance of total assets at the beginning and the end of the period or year, presented on an annualized basis.
- (5) EBITDA margin (a non-HKFRS measure) = EBITDA (a non-HKFRS measure)/total revenue for the period or year. EBITDA (a non-HKFRS measure) = profit for the period or year – interest income from the bank and loan + income tax expenses + finance costs + depreciation and amortization.
- (6) Gearing ratio = total liabilities at the end of the period or year/total assets at the end of the period or year.
- (7) Net assets per share = total equity at the end of the period or year attributable to holders of ordinary shares of the Company/number of ordinary shares outstanding at the end of the period or year.





## MANAGEMENT DISCUSSION AND ANALYSIS

### 1. INDUSTRY ENVIRONMENT AND THE COMPANY'S SOLUTIONS

#### 1.1 National and Regional Environment

##### Mainland China:

In the first half of 2023, under the complex and severe external environment, China's economy grew significantly faster than the world's major developed economies, and the overall economic performance showed a positive trend. On the demand side, investment in infrastructure and manufacturing continued to grow, providing support for the demand of relevant construction business:

From January to June 2023, the investment in the manufacturing industry increased by 6% year-on-year. In terms of regions, the eastern region accelerated its transformation and upgrading and took the lead in cultivating a number of emerging industries. Guangdong, Jiangsu, Shandong, Zhejiang and other advantageous provinces continued to consolidate their positions. The central region and some western regions rose rapidly. Sichuan, Anhui, Jiangxi and other provinces continued to increase their share in the manufacturing industry in China. The Chinese government has also introduced a series of policies to support the high-quality development of the manufacturing industry, boosting the business investment confidence. The Government Work Report puts forward the implementation of industrial foundation reconstruction projects and major technology and equipment research projects to promote the development of high-end, intelligent and green manufacturing. Since the beginning of this year, a number of provinces have accelerated the development of emerging industries such as industrial Internet, new energy vehicles and biomedicine, and promoted enterprises in key industries such as iron and steel and petrochemicals to achieve energy saving, carbon reduction and green transformation. In addition, the financial and credit policies continued to benefit the transformation and upgrading of the manufacturing industry.



## MANAGEMENT DISCUSSION AND ANALYSIS

Infrastructure investment (excluding electricity) increased by 7.2% year-on-year. First, as the impact of the epidemic gradually subsided, the construction of infrastructure projects was promoted, and the reserve of infrastructure projects was relatively sufficient. The construction progress of existing projects that were not completed due to repeated epidemics in the fourth quarter of last year was accelerated in the first quarter of this year, forming a strong support for the steady growth of investment. At present, increasing infrastructure investment is still an important option for macro-control policies this year. This year's Government Work Report has repeatedly mentioned infrastructure construction, covering transportation, water conservancy, energy, information and other categories, and new infrastructure construction has become one of the engines supporting stable economic growth.

### Southeast Asia:

Southeast Asia is one of the fastest growing regions in the world. The relative stability, abundant labor force and external investment have all contributed to the rapid economic development of Southeast Asian countries. According to the World Bank's forecast, the gross domestic product (GDP) growth rate of the Philippines and Vietnam is 6%, Cambodia's GDP growth rate is 5.5%, Indonesia's GDP growth rate is 4.9%, and Malaysia's GDP growth rate is 4.3% in 2023. Benefiting from the economic development, the equipment operation service market in Southeast Asia is in a stage of rapid development.

### 1.2 Company Business Environment

In the first half of 2023, the total output value of construction industry in China was RMB13.2 trillion, representing a year-on-year increase of 5.9%. The new contracts signed by Chinese construction enterprises in the first half of this year was RMB15.4 trillion, a year-on-year increase of 3.1%. Demand from various industries, including the construction industry, drives the continuous development of the equipment operation industry. The Group's equipment operation service product lines mainly include aerial work platforms, neo-excavation support system and neo-formwork system, catering to different downstream needs and work scenarios. The respective situations are as follows:

#### The aerial work platform market:

The aerial work platform has a high degree of flexibility, which can significantly reduce labor intensity, accelerate construction progress, reduce labor costs, reduce construction difficulties in harsh environments and ensure construction safety. Compared with mature markets, the penetration rate and volume of the Chinese market are much lower, and there is still much room for growth in the future. The aerial work platform can be used in a wide range of scenarios, including plant construction, venue construction, commercial complexes, advertising installation, municipal engineering, building cleaning, warehousing and logistics, decoration, installation and maintenance of large-scale equipment. Compared with other traditional construction engineering equipment, aerial work platforms are less affected by macroeconomic fluctuations and are less dependent on new construction activities.

In the future, with the deepening of the perception of the practicality and economy of aerial work platforms in various industries, demand for equipment will be further increased.

#### The neo-excavation support system market:

The neo-excavation support system is green and eco-friendly, can help reduce consumption of materials in construction process, as well as complete tasks that cannot be undertaken by manpower or traditional excavation support system in construction process, so as to accelerate the construction progress, enhance the construction method, ensure safety of construction personnel and ensure the project is carried out as scheduled. With the continuous improvement of urbanization process and the increase of urban population density, underground space has become an important source for urban space expansion, which is driven by the continuous improvement of construction environmental protection, efficiency, safety, cost and other aspects.

## MANAGEMENT DISCUSSION AND ANALYSIS

In the future, it is expected that the government and industry will impose more stringent requirements on construction engineering projects in terms of economy and environmental protection, as well as the cycle, safety and quality of the construction. The application of the neo-excavation support system will be more extensive due to its unique advantages in engineering support and its penetration rate will continue to increase.

### **The neo-formwork system market:**

The ringlock scaffold has the characteristics of high safety, labor saving, convenient installation and disassembly, consumption saving and overall aesthetic appearance. It can be widely used in various construction projects that require high erection height, span and load, including but not limited to the construction of infrastructures, plants and houses.

With the rapid development of China's society, more emphasis is placed on saving labor costs, and the requirements for energy saving, environmental protection and construction safety have become more stringent, so ringlock scaffold has been recognised by the market. At present, more than 40 provinces and cities across the country have issued documents promoting the use of ringlock scaffold, and the efforts to promote ringlock scaffold are steadily increasing. Under the various favorable factors, the neo-formwork system will gain a bigger market in the future.

To sum up, the greening, intelligentization, industrialization and globalization of China's construction industry is the only way for the quality development of the industry, which will promote the continuous development of the market for the operation and service of highly efficient, green and environmentally friendly aerial work platforms, neo-excavation support systems and neo-formwork systems.

### **1.3 Company's Solution**

In the first half of 2023, in the face of the ever-changing operating environment at home and abroad, the Group adhered to the concept of high-quality and sustainable development, and achieved healthy and stable development of the enterprise by increasing the scale of revenue, controlling operating costs and improving turnover efficiency.

As at June 2023, the Group has continued to adopt the strategy of deepening its presence in both domestic and overseas markets, further expanding the total number of business outlets to 419 in aggregate. Distribution by region is as follows: in Mainland China market, the Group increased the density of outlets in its core business areas. As at June 2023, the total number of business outlets in Mainland China reached 415, covering nearly 200 cities. At the same time, the Group actively expanded its overseas business, and opened overseas stores before the end of June. The overseas sales business has been steadily advancing. Currently, the Group has 4 overseas business outlets, covering areas including Hong Kong, Malaysia and Indonesia.

With regard to the allocation and portfolio optimization of the equipment fleet, the Group actively enhanced the management of the equipment fleet of aerial work platforms and intensified marketing efforts to ensure the rapid recovery of equipment utilization to a high level after the Chinese New Year this year. The Group also disposed and sold some of the material assets with efficiency below the Group's requirements in the first half of the year, which improved the overall equipment utilization rate.

## MANAGEMENT DISCUSSION AND ANALYSIS

At the same time, the Company deploy digital and scientific methods to continue to improve efficiency, including optimizing warehouse network plan model, establishing efficient allocation algorithm, integrating external carriers' resources, continuously optimizing logistics price, so as to reduce supply chain cost. In addition, the Company fully takes advantage of the data information collected in order to make scientific procurement decision, therefore minimizing the cost of the entire life cycle of equipment.

### 2. INCOME STATEMENT ANALYSIS

#### 2.1 Income Statement Analysis (Overview)

In the first half of 2023, the Group managed to achieve overall performance growth despite the complex and volatile macro environment. Profit before tax was RMB337,696,000, representing an increase of 37.9% from RMB244,919,000 for the same period of the previous year. The Group adjusted certain non-core items, including listing expenses, to better present the Group's operating results. The adjusted profit before tax (a non-HKFRS measure) was RMB418,262,000, representing an increase of 11.5% from RMB375,216,000 for the same period of the previous year.

The table below sets forth the composition and changes in the Group's profit for the periods indicated:

	For the six months ended 30 June		
	2023	2022	
	RMB'000	RMB'000	Change %
Revenue <sup>(1)</sup>	<b>4,205,971</b>	3,565,169	18.0%
Cost of sales	<b>(2,769,819)</b>	(2,194,490)	26.2%
Gross profit	<b>1,436,152</b>	1,370,679	4.8%
Other income and gains	<b>111,928</b>	88,656	26.2%
Selling and administrative expenses	<b>(557,614)</b>	(609,934)	-8.6%
Provision for assets <sup>(2)</sup>	<b>(167,415)</b>	(80,353)	108.3%
Other expenses	<b>(30,731)</b>	(89,272)	-65.6%
Finance costs	<b>(454,624)</b>	(434,857)	4.5%
Profit before tax	<b>337,696</b>	244,919	37.9%
Income tax expense	<b>(100,555)</b>	(85,805)	17.2%
Profit for the period	<b>237,141</b>	159,114	49.0%

Notes:

- (1) Revenue is stated excluding VAT and any trade discounts.
- (2) The provision for assets is included in the interim condensed consolidated statement of profit or loss as net ECLs.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Non-HKFRS Measures

To supplement our consolidated results which are prepared and presented in accordance with HKFRS, the Group uses EBITDA, adjusted profit for the period and adjusted profit before tax, each a non-HKFRS measure, as additional financial measures, which are not required by, or presented in accordance with HKFRS. The Group believes that such non-HKFRS measures facilitate comparisons of operating performance by eliminating the potential impact of these non-core items. The use of such non-HKFRS measures has limitations as an analytical tool, and you should not consider them in isolation from, as a substitute for, analysis of, or superior to, our results of operations or financial conditions as reported under HKFRS. In addition, such non-HKFRS financial measures may be defined differently by other companies, and may not be comparable to other similarly titled measures used by other companies.

The table below sets forth the reconciliation of our non-HKFRS measures presented to the most directly comparable HKFRS financial measures for the periods indicated:

For the six months ended 30 June			
	2023	2022	
	RMB'000	RMB'000	Change %
<b>Profit for the period</b>	<b>237,141</b>	159,114	49.0%
Less: Bank interest income	<b>7,746</b>	5,082	52.4%
Add: Income tax expenses	<b>100,555</b>	85,805	17.2%
Add: Finance costs	<b>454,624</b>	434,857	4.5%
Add: Depreciation and Amortization <sup>(1)</sup>	<b>1,180,548</b>	1,088,900	8.4%
<b>EBITDA (a non-HKFRS measure)</b>	<b>1,965,122</b>	1,763,594	11.4%
<b>Profit for the period</b>	<b>237,141</b>	159,114	49.0%
Add: Listing expenses <sup>(2)</sup>	<b>12,567</b>	5,483	129.2%
Add: Interest expenses and foreign exchange gains or losses from redemption liabilities on ordinary shares <sup>(3)</sup>	<b>67,999</b>	124,814	-45.5%
<b>Adjusted profit for the period (a non-HKFRS measure)</b>	<b>317,707</b>	289,411	9.8%
Add: Income tax expense	<b>100,555</b>	85,805	17.2%
<b>Adjusted profit before tax (a non-HKFRS measure)</b>	<b>418,262</b>	375,216	11.5%



## MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

- (1) Depreciation and amortization include depreciation of property, plant and equipment, depreciation of right-of-use assets and amortization of other intangible assets.
- (2) Listing expenses are expenses incurred in relation to the Global Offering.
- (3) Interest expenses and foreign exchange gains or losses from redemption liabilities on ordinary shares represent the proceeds from the Pre-IPO investments received by the Group in 2021, and the interest expense and foreign exchange gains and losses accrued prior to the Listing, which are non-cash in nature and do not result in cash outflow. After the Listing, the principal amount, accumulated interest expense recorded and exchange gains and losses, amounting to RMB1,676,276,000, had reclassified from liabilities to equity.

### 2.2 Revenue

In the first half of 2023, the Group recorded revenue of RMB4,205,971,000, representing an increase of 18.0% as compared with RMB3,565,169,000 for the same period of the previous year. The Group's revenue and profitability were mainly based on the steadily expanding customer base, increasing asset utilization, the continuous improvement of project undertaking capacity and the expanding scale of the equipment management.

Attributable to our comprehensive and multi-dimensional service model covering the full cycle of projects, the Group has established a diversified, stable and high-quality customer base with years of deep cultivation in the industry. The number of the Group's customers (on a standalone basis) increased from approximately 97,000 in 2021 to approximately 158,000 in 2022 and further to approximately 191,000 as at 30 June 2023, covering a wide range of industries such as municipal construction, housing construction, transportation construction, shipbuilding and offshore engineering, industrial manufacturing, green energy, warehousing and logistics, culture and art, business and entertainment.

The following table sets forth key information related to the Group's revenue for the periods indicated:

	For the six months ended 30 June	
	2023	2022
<b><i>Aerial work platform</i></b>		
Equipment volume (in thousand units) <sup>(1)</sup>	159.9	115.3
Utilization rate <sup>(2)</sup>	73.5%	64.9%
<b><i>Neo-excavation support system</i></b>		
Equipment volume (in thousand tons)	1,551.4	1,569.7
Utilization rate <sup>(2)</sup>	65.0%	63.8%
<b><i>Neo-formwork system</i></b>		
Equipment volume (in thousand tons)	651.1	614.2
Utilization rate <sup>(2)</sup>	69.9%	67.0%

## MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

- (1) As at 30 June 2023, among the 159,900 aerial work platforms operated and managed by the Group, 27,842 aerial work platforms were entrusted to the Group by equipment owners outside the Group to operate and manage through the platform service model. Platform service model primarily refer to the model in which the Group leases from other equipment suppliers and enters into sub-leases with customers.
- (2) Calculated as the average of total value of assets the Group leased out during the period divided by the average of total value of equipment the Group owned during the corresponding period. "Average of total value of equipment" is the total asset value of all equipment, averaged between the beginning and the end of the period.

In the first half of 2023, the Group proactively expanded its outlet network and deepened its presence in cities. The utilization rate for main product lines increased wholly over the same period in the previous year. The utilization rate for aerial work platform increased significantly by 8.6%. The utilization rate for neo-excavation support system and neo-formwork system also remained at relatively high levels.

### 2.2.1 Revenue analysis by business segment

The Group's revenue is derived from (i) operating leasing services, which primarily include aerial work platform, neo-excavation support system, neo-formwork system and other equipment; (ii) engineering and technical services, which represent tailor-made one-stop solutions for different business or operation scenarios; and (iii) platform and other services, which primarily consist of platform services, and sales of equipment, materials and spare parts.

The following table sets forth the composition and changes in the Group's revenue by business segment for the periods indicated:

For the six months ended 30 June					
	2023		2022		
	RMB'000	Proportion %	RMB'000	Proportion %	Change %
Operating lease services	2,505,619	59.6%	2,305,748	64.7%	8.7%
Engineering and technical services	1,140,634	27.1%	1,055,110	29.6%	8.1%
Platform and other services	559,718	13.3%	204,311	5.7%	174.0%
Total	4,205,971	100.0%	3,565,169	100.0%	18.0%

## MANAGEMENT DISCUSSION AND ANALYSIS

### *2.2.1.1 Operating lease services*

In the first half of 2023, the Group's revenue from operating lease services amounted to RMB2,505,619,000, representing an increase of 8.7% as compared with RMB2,305,748,000 for the same period of the previous year. Leveraging the synergies among its product lines and service categories, the Group comprehensively enhanced its market competitiveness and customer loyalty. The Group's portfolio of operating lease services includes various types of leased equipment and materials, and operating lease services are provided on a daily, weekly, monthly, annual or project-by-project basis according to customers' needs.

The downstream application scenarios of the Group's equipment and material leasing services are diverse. For instance, in the manufacturing industry, our neo-excavation support system and neo-formwork system can be used for the construction of inner frames, outer frames and foundation pits of factories, whereas our aerial work platforms can be used for the installation of steel structures, lighting, fire-proofing, curtain walls, etc., during the installation phase of a factory construction. In the commercial real estate industry, our neo-excavation support system and neo-formwork system can be used for the construction of the foundation pits and frames of commercial complexes and office buildings, whereas our aerial work platforms can be used for the installation of fixtures, advertising billboards, cleaning or painting on commercial buildings. In cultural, entertainment and consumer industries, our aerial work platforms can be used for video shooting from certain height, concerts and exhibitions or trade shows, and our neo-excavation support system and neo-formworks system can be used to build stadiums and exhibition centers.

According to the statistics of the confirmed turnover derived from the equipment operated and managed by the Group during the first half of 2023, approximately 46.68% were served in the industrial projects (including industrial plants and logistics warehousing), approximately 30.44% in infrastructure and municipal projects, approximately 9.67% in commercial real estate projects (including shopping malls, hotels and offices), approximately 4.92% in residential projects, and approximately 8.29% in daily operations and other projects.

### *2.2.1.2 Engineering and technical services*

In the first half of 2023, the Group's revenue from engineering and technical services amounted to RMB1,140,634,000, representing an increase of 8.1% as compared with RMB1,055,110,000 for the same period last year. With the advancement of the Group's engineering technology and the continuous improvement of project undertaking capacity, in the first half of the year, the neo-excavation support system and the neo-formwork system served more than 2,700 engineering projects, and the number of successful bidding projects exceeded 1,100. In the first half of this year, the number of contracted projects increased to 618 from 470 for the same period of last year, representing an increase of 31%. The Group has undertaken representative projects such as the expansion of the production of Gree Electronic Components in Zhuhai, the Hangzhou Bay Cross-sea Bridge of the Nantong-Suzhou-Jiaxing-Ningbo High-speed Railway and the integrated construction of the comprehensive transportation hub of Baiyuntangxi Station in Guangzhou.

## MANAGEMENT DISCUSSION AND ANALYSIS

### *2.2.1.3 Platform and other services*

In the first half of 2023, the Group's revenue from platform and other services amounted to RMB559,718,000, representing an increase of 174.0% as compared to RMB204,311,000 for the same period last year.

Platform services represent the revenue generated by the Group through the platform service model, which refers to the model under which the Group leases from other equipment suppliers and enters into sub-leasing arrangements with customers. Leveraging on the Group's platform service capabilities and customer resource advantages, the Group is able to integrate and revitalize idle or scattered equipment resources for other equipment holders outside the Group, so as to better serve downstream customers and help the Group further develop diversified platform service models in the future.

Trading revenue represents revenue generated from sales of equipment, materials and spare parts by the Group. As the Group further expanded its business in overseas markets and deepened its penetration into overseas markets, the revenue from overseas used equipment sales increased. The Group's in-depth industry knowledge and extensive experience in the supply, repair and maintenance of aerial work platforms will enable the Group to increase revenue by providing high-quality used aerial work platforms at affordable prices to overseas customers.

Based on the industry traffic and standardized operation methods formed by the self-operated foundation, the Group has gradually established a full-category equipment service platform in the industry. The platform business utilizes our experience in asset operation and management for years, through sublease business as an entry point, and superimposes the operation of trading platform, sales of equipment and materials and spare parts, so as to enrich the source of the Group's income. The revenue from platform services is related to the scale of the aerial work platforms managed by the Group. As at 30 June 2023, the number of partners under the Group's platform service model has increased significantly. Among the 159,900 aerial work platforms operated and managed, 27,842 aerial work platforms were entrusted to the Group by other equipment owners outside the Group to operate and manage through the platform service model.

## MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the composition and changes in the Group's platform and other services during the periods indicated:

For the six months ended 30 June					
	2023		2022		
	RMB'000	Proportion %	RMB'000	Proportion %	Change %
Platform services	299,505	53.5%	36,057	17.6%	730.6%
Trade and others	260,213	46.5%	168,254	82.4%	54.7%
Total	559,718	100.0%	204,311	100.0%	174.0%

### 2.3 Gross Profit and Gross Profit Margin

In the first half of 2023, the Group recorded a gross profit of RMB1,436,152,000, representing an increase of 4.8% as compared with RMB1,370,679,000 for the same period of the previous year. The gross profit margin of the Group was 34.1%, representing a decrease of 4.3% as compared with 38.4% for the same period of the previous year, mainly due to the decrease in gross profit margin of operating lease services.

The following table sets forth the Group's gross profit and gross profit margin by segment for the periods indicated:

For the six months ended 30 June					
	2023		2022		
	RMB'000	Gross profit margin %	RMB'000	Gross profit margin %	Change in gross profit %
Operating lease services	990,474	39.5%	1,099,093	47.7%	-9.9%
Engineering and technical services	236,111	20.7%	221,110	21.0%	6.8%
Platform and other services	209,567	37.4%	50,476	24.7%	315.2%
Total gross profit/gross profit margin	1,436,152	34.1%	1,370,679	38.4%	4.8%

## MANAGEMENT DISCUSSION AND ANALYSIS

### 2.3.1 Operating lease services

In the first half of 2023, the gross profit of the Group's operating lease services amounted to RMB990,474,000, representing a decrease of 9.9% as compared with RMB1,099,093,000 for the same period last year. The gross profit margin of the Group's operating lease services was 39.5%, representing a decrease of 8.2% as compared to 47.7% for the same period last year, mainly due to the fluctuation of the market rental price of materials related to the neo-formwork system and the neo-excavation support system.

### 2.3.2 Engineering and technical services

In the first half of 2023, the Group's gross profit for Engineering and technical services amounted to RMB236,111,000, representing an increase of 6.8% as compared with RMB221,110,000 for the same period last year. The gross profit margin of the Group's Engineering and technical services was 20.7%, which was basically the same as that of the corresponding period of the previous year. Due to the intensified competition in the engineering technology service market in recent years, the Company has launched a series of customized comprehensive engineering technology services, superimposed on the empowerment of the digital service platform, and gradually entered a new stage of transformation and upgrading relying on the effective synergy and connection of the three product lines. With the continuous improvement of project undertaking capabilities, the overall gross profit margin of Engineering and technical services were basically unchanged.

### 2.3.3 Platform and other services

In the first half of 2023, the gross profit of the Group's platform and other services amounted to RMB209,567,000, representing an increase of 315.2% as compared to RMB50,476,000 for the same period last year.

The gross profit margin of the Group's platform and other services was 37.4%, representing an increase of 12.7% as compared to 24.7% for the same period last year, which can be further divided into:

In the first half of 2023, the gross profit of the Group's platform services increased significantly as compared with the same period of the previous year, which was mainly because the Group expanded its platform service model proactively, and the equipment operation and management capabilities were highly recognised by the market, which enabled the Group, to a large extent, to increase the scale of equipment management and the revenue from platform services through the platform service model (a model to enter into sublease arrangements with customers after leasing equipment from other equipment suppliers).

In the first half of 2023, the gross profit of the Group's sales of equipment, materials and spare parts increased significantly as compared with the same period of the previous year, which was mainly due to the Group's active expansion of overseas sales and disposal channels of aerial work platform business, and the Group's disposal of certain equipment and materials assets that did not meet the efficiency requirements to adjust the structure of self-owned lease and service assets.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 2.4 Cost of Sales and Selling and Administrative Expenses

In the first half of 2023, the Group's cost of sales amounted to RMB2,769,819,000, representing an increase of 26.2% as compared with RMB2,194,490,000 for the same period of the previous year. The Group's selling and administrative expenses amounted to RMB557,614,000, representing a decrease of 8.6% as compared with RMB609,934,000 for the same period last year. The total amount of the above costs and expenses was RMB3,327,433,000, representing an increase of 18.6% as compared with RMB2,804,424,000 for the same period last year, which was mainly due to the increase of trading and re-rent costs, logistics and lifting costs and depreciation and amortization.

The following table sets forth a breakdown of the Group's cost of sales and selling and administrative expenses by nature for the periods indicated:

For the six months ended 30 June					
	2023		2022		
	RMB'000	As % of revenue	RMB'000	As % of revenue	Change in amount%
Depreciation and amortization <sup>(1)</sup>	1,153,206	27.4%	1,057,975	29.6%	9.0%
Depreciation and amortization-leasehold use rights <sup>(1)</sup>	27,342	0.7%	30,925	0.9%	-11.6%
Staff and labour subcontracting costs <sup>(2)</sup>	642,607	15.3%	676,463	19.0%	-5.0%
Trading and re-rent costs <sup>(3)</sup>	335,806	8.0%	164,359	4.6%	104.3%
Maintenance and consumable materials costs <sup>(4)</sup>	325,442	7.7%	277,991	7.8%	17.1%
Logistics and lifting costs <sup>(5)</sup>	416,124	9.9%	320,837	9.0%	29.7%
Research and development expenses <sup>(6)</sup>	112,883	2.7%	107,684	3.0%	4.8%
Transportation, travelling and information expenses <sup>(7)</sup>	93,098	2.2%	59,114	1.7%	57.5%
Rental and property management services expenses	30,179	0.7%	20,479	0.6%	47.4%
Listing expenses <sup>(8)</sup>	12,567	0.3%	5,483	0.2%	129.2%
Taxes and surcharges	18,941	0.5%	15,177	0.4%	24.8%
Professional services fee <sup>(9)</sup>	9,031	0.2%	363	0.0%	2,387.9%
Other expenses <sup>(10)</sup>	150,207	3.6%	67,574	1.9%	122.3%
<b>Total</b>	<b>3,327,433</b>	<b>79.2%</b>	<b>2,804,424</b>	<b>78.7%</b>	<b>18.6%</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

- (1) Depreciation and amortization include depreciation of property, plant and equipment, depreciation of right-of-use assets and amortization of other intangible assets. The actual economic life of assets used in operating leases and Engineering and technical services in the industry is generally up to 15-20 years after regular maintenance. The Group currently adopts a prudent and conservative depreciation policy, and most of the assets used in leases and services are depreciated on a straight-line basis within 10 years. In the first half of 2023, the Group's depreciation and amortization (including the depreciation of leasehold use rights) amounted to RMB1,180,548,000, representing an increase of 8.4% as compared with RMB1,088,900,000 for the same period of the previous year, which was mainly due to the increase in the scale of self-owned equipment attributable to the expansion of the Company's business scale.
- (2) The Group's staff and labour subcontracting costs mainly represent the remuneration expenses of the Group's employees and the labour subcontracting costs incurred in connection with the demand for temporary staff in engineering and technical service projects. In the first half of 2023, the Group's staff and labor costs amounted to RMB642,607,000, representing a decrease of 5.0% as compared with the corresponding period of the previous year, mainly due to the adjustment of the Group's personnel and remuneration structure.
- (3) Trading and re-rent costs mainly represent trading costs of sales of equipment, materials and spare parts and the Group's equipment leasing costs. In the first half of 2023, the Group's trading and re-rent costs amounted to RMB335,806,000, representing an increase of 104.3% as compared with the same period of the previous year, mainly due to the increase in the scale of platform services.
- (4) The maintenance and consumable materials costs mainly represents the cost of spare parts for the Group's regular and irregular maintenance and repair of equipment and materials (including the equipment leased under the platform service model), and the cost of materials consumed by the Group's engineering and technical service projects. In the first half of 2023, the Group incurred maintenance and consumable materials costs of RMB325,442,000, representing an increase of 17.1% as compared with the same period of the previous year, which was mainly due to the expansion of the scale of equipment and projects managed by the Group in the first half of 2023.
- (5) The logistics and lifting costs mainly represent the logistics costs for transfers between different projects under the Group's operating leasing services and platform services, and the lifting costs on site of engineering and technical service projects. In the first half of 2023, the Group incurred logistics and lifting costs of RMB416,124,000, representing an increase of 29.7% as compared with the same period of the previous year, which was mainly due to the increase in logistics costs brought about by the increase in the occupancy rate of the Group's assets. The Group has established a tracking management system for the rapid delivery of equipment and a cost reduction management system for rapid adjustment of freight rates, which effectively guarantees the timeliness of equipment transportation in all aspects and effectively controls the transportation price of equipment. By continuously improving the logistics monitoring system, improving the delivery mode and capacity structure, and optimizing the allocation and transportation distance, the Group has greatly contributed to the efficiency and cost reduction of the Company's operations. In the first half of 2023, the Group transported a total of 310,000 vehicles, representing an increase of 55%, in terms of volume of equipment transportation, as compared to the same period last year, and the unit price of logistics decreased from RMB11.7 to RMB10.7.
- (6) The Group's research and development expenses expenditures are mainly used for engineering technology service upgrade and digitalization and IoT. In the first half of 2023, the Group's research and development expenses amounted to RMB112,883,000, representing an increase of 4.8% as compared with the same period of the previous year, reflecting the Group's continuous and stable investment in research and development.
- (7) The Group incurred transportation, travelling and information expenses of RMB93,098,000, representing an increase of 57.5% as compared with the same period of the previous year, which was mainly due to the decrease in the impact of the epidemic as compared with last year and the increase in travel expenses as a result of the expansion of overseas market expansion.
- (8) The listing expenses incurred by the Group amounted to RMB12,567,000, which were expenses arising from hiring third-party institutions to provide professional services for the Global Offering.
- (9) The Group incurred professional service fees of RMB9,031,000, representing a significant increase as compared with the same period of the previous year, which was mainly due to the Group's steady progress in various compliance work, as well as fees incurred by the Group's external professional lawyers' team to diversify collection methods and strengthen collection efforts.
- (10) Other expenses mainly include fuel costs consumed by engineering and technical service projects, office expenses and business entertainment and promotion expenses.



## MANAGEMENT DISCUSSION AND ANALYSIS

### 2.5 Other Income and Gains

In the first half of 2023, the Group realised other income and gains of RMB111,928,000, representing an increase of 26.2% as compared to RMB88,656,000 for the same period of last year, mainly due to the increase of the received government grants and fair value gains of cross-currency interest rate swap financial instruments.

### 2.6 Provision for Assets

The Group adopts a prudent strategy to assess the risk of asset provision, to carry out multi-dimensional quantitative assessment on the imported customers and to strengthen the monitoring of the repayment ability of customers through the linkage mechanism of risk review and risk control, so as to ensure the security of receivable – type assets of the Group. 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 %
Trade receivables and contract assets	89,884	53.7%	58,518	72.8%	53.6%
Notes receivables	73,654	44.0%	3,370	4.2%	2,085.6%
Other	3,877	2.3%	18,465	23.0%	-79.0%
Total	167,415	100.0%	80,353	100.0%	108.3%

For details, please refer to the discussion and analysis in 3.3, 3.4 and 3.5 of this section.

### 2.7 Other Expenses

Other expenses of the Group primarily consist of (i) foreign exchange losses, mainly arising from the redemption liabilities on ordinary shares and bank borrowings denominated in USD; and (ii) commission expenses, representing commission fees and handling fees charged by banks and non-bank financial institutions in connection with the bank and other borrowings of the Group.

In the first half of 2023, the Group recorded other expenses of RMB30,731,000, representing a decrease of 65.6% as compared to RMB89,272,000 for the same period of last year, largely due to the decrease of foreign exchange losses of RMB54,364,000.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 2.8 Finance Costs

Finance costs of the Group primarily consist of (i) interest on borrowings; and (ii) interest on lease liabilities.

In the first half of 2023, the Group recorded finance costs of RMB454,624,000, representing an increase of 4.5% as compared to RMB434,857,000 for the same period of last year, which was primarily due to the increase in interest on borrowings of the Group of RMB19,473,000. For details, please refer to the discussion and analysis in 2.8.1 and 3.8 of this section.

#### 2.8.1 Interest on borrowings

The following table sets forth the average balance of interest-bearing bank and other borrowings, interest expense, and average financing rate of the Group during the periods indicated:

	For the six months ended 30 June					
	2023			2022		
	Average balance <sup>(1)</sup>	Interest expense	Average financing rate <sup>(2)</sup>	Average balance <sup>(1)</sup>	Interest expense	Average financing rate <sup>(2)</sup>
	RMB'000	RMB'000		RMB'000	RMB'000	
Interest-bearing bank and other borrowings	19,749,355	452,625	/	18,841,679	433,152	/
Including: interest-bearing bank and other borrowings, deducting redemption liabilities on ordinary shares	19,035,796	405,997	4.27%	17,500,838	377,127	4.31%

Notes:

- (1) Average balance =(interest-bearing banks and other borrowings at the beginning of the period + interest-bearing banks and other borrowings at the end of the period)/2.
- (2) Average financing rate= interest expense during the period/corresponding average balance, presented on an annualised basis.

In the first half of 2023, average financing rate of interest-bearing bank and other borrowings after deducting redemption liabilities on ordinary shares of the Group was 4.27%, representing a decrease of 0.04% as compared to 4.31% for the same period of last year, which was primarily due to the decrease in domestic financing costs. The Group continued to optimise its financing structure and withdrew low-cost funds from high-quality financing channels, resulting in lower financing costs as a whole.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 2.9 Income Tax Expense

In the first half of 2023, the Group recorded income tax expense of RMB100,555,000, representing an increase of 17.2% as compared to RMB85,805,000 for the same period of last year, largely due to the increase in profit before tax of the Group; effective tax rate of the Group was 29.8%, representing a decrease of 5.2% as compared to 35.0% for the same period of last year, mainly due to decrease in non-deductible taxes, including interest expenses and foreign exchange gains or losses from redemption liabilities on ordinary shares and listing expenses.

### 2.10 Profit for the Period

Based on the above discussion and analysis, profit for the period of the Group was RMB237,141,000, representing an increase of 49.0% as compared to RMB159,114,000 for the same period of last year. Adjusted profit for the period of the Group (a non-HKFRS measure) was RMB317,707,000, representing an increase of 9.8% as compared to RMB289,411,000 for the same period of last year. The difference in the increase was mainly due to the decrease in the interest expenses and foreign exchange gains or losses from redemption liabilities on ordinary shares in the first half of 2023 as compared to the same period of last year.

### 2.11 Basic Earnings per Share

In the first half of 2023, basic earnings per share of the Group amounted to RMB0.082, representing an increase of RMB0.026 or 46.4% from RMB0.056 for the same period of last 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)	237,141	159,114	49.0%
Weighted average number of ordinary shares in issue (share) <sup>(1)</sup>	2,893,332,333	2,832,550,000	2.1%
Basic earnings per share (RMB)	0.082	0.056	46.4%

Note:

- (1) Weighted average number of ordinary shares in issue (share) = the number of outstanding ordinary shares at the beginning of the period + the number of new issued ordinary shares during the period × issued months/6

## MANAGEMENT DISCUSSION AND ANALYSIS

### 3. ANALYSIS OF FINANCIAL CONDITION

#### 3.1 Assets (Summary)

As at 30 June 2023, total assets of the Group was RMB30,601,785,000, representing an increase of RMB313,391,000 or 1.0% as compared to the end of last year.

The following table sets forth assets of the Group as at the dates indicated:

	As at 30 June 2023		As at 31 December 2022		Change %
	RMB'000	% of total	RMB'000	% of total	
Property, plant and equipment	18,626,563	60.9%	19,102,390	63.1%	-2.5%
Trade receivables	5,176,109	16.9%	4,486,990	14.8%	15.4%
Contract assets	381,366	1.2%	304,295	1.0%	25.3%
Notes receivable <sup>(1)</sup>	993,923	3.3%	1,036,355	3.4%	-4.1%
Cash and cash equivalents	2,364,040	7.7%	2,159,325	7.1%	9.5%
Prepayments, other receivables and other assets	2,072,539	6.9%	2,278,799	7.6%	-9.1%
Restricted bank balances	61,918	0.2%	62,944	0.2%	-1.6%
Right-of-use assets	377,451	1.2%	335,222	1.1%	12.6%
Inventories	182,221	0.6%	186,217	0.6%	-2.1%
Deferred tax assets	349,613	1.1%	329,681	1.1%	6.0%
Derivative financial instruments	12,650	0.0%	2,379	0.0%	431.7%
Other intangible assets	3,392	0.0%	3,797	0.0%	-10.7%
<b>Total assets</b>	<b>30,601,785</b>	<b>100.0%</b>	<b>30,288,394</b>	<b>100.0%</b>	<b>1.0%</b>
Including: non-current assets	19,480,229	63.7%	19,948,449	65.9%	-2.3%
Including: current assets	11,121,556	36.3%	10,339,945	34.1%	7.6%

Note :

- (1) Notes receivable are recorded under "debt investments at fair value through other comprehensive income" in the interim condensed consolidated statement of financial position.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 3.2 Property, Plant and Equipment

As at 30 June 2023, the property, plant and equipment of the Group amounted to RMB18,626,563,000, representing a decrease of RMB475,827,000 or 2.5% as compared with the end of last year, which was due to the combined effect of the following factors: (i) in the first half of 2023, the scale of equipment management was expanded through the platform service model to respond to diversified customer needs, and the disposal of some equipment and material assets which did not meet the efficiency requirements of the Group to adjust the asset structure of the Group at the same time; and (ii) the depreciation made for property, plant and equipment amounted to RMB1,147,676,000 for the current period.

The following table sets forth the property, plant and equipment of the Group as at the dates indicated:

	30 June 2023		31 December 2022		Change %
	RMB'000	% of total	RMB'000	% of total	
Equipment, materials and moulds for leasing and services	17,960,939	96.4%	18,400,428	96.4%	-2.4%
Buildings	561,905	3.0%	578,637	3.0%	-2.9%
Leasehold improvements	21,592	0.1%	28,424	0.1%	-24.0%
Others	82,127	0.5%	94,901	0.5%	-13.5%
Total	18,626,563	100.0%	19,102,390	100.0%	-2.5%

The equipment, materials and moulds for leasing and services of the Group mainly include aerial work platforms, neo-excavation support system and neo-formwork system, etc.

The Group researches the operating lease market by product category and by geography (both domestic and overseas) to estimate appropriate time for further actions. The Group would consider disposing of the equipment and material assets which did not meet the efficiency requirements of the Group to second-hand market after such equipment and material assets have been used for a certain period of time.

For equipment maintenance and management, the equipment asset service and maintenance team of the Group has a comprehensive decision-making and balance mechanism comprising front-end monitoring and handling, middle-office process control and back-end supervision and support, and establishes a management system covering the full life circle of asset maintenance, which realises a whole process closed-loop management of "equipment procurement-equipment leasing services flow and process maintenance-equipment overhaul-equipment disposal", with the support of organizational guarantee, technical guarantee and material guarantee to improve the overall efficiency of equipment operation.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 3.3 Trade Receivables and Contract Assets

Trade receivables represent amounts receivable by the Group for services rendered and goods sold to customers.

Contract assets represent the right to receive payment arising from the provision of engineering and technical services by the Group to customers; contract assets are initially recognised for revenue earned from engineering and technical services as the receipt of consideration is conditional on successful completion of services and acceptance by the customer, respectively. Upon completion of services and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables.

The table below sets forth the composition of the trade receivables and contract assets of the Group as at the dates indicated:

	30 June 2023		31 December 2022		Change %
	RMB'000	% of total	RMB'000	% of total	
<b>Trade receivables</b>					
Total	6,158,365	93.6%	5,387,345	94.1%	14.3%
Provision	-982,256	96.2%	-900,355	96.7%	9.1%
<b>Trade receivables, net</b>	<b>5,176,109</b>	<b>93.1%</b>	<b>4,486,990</b>	<b>93.6%</b>	<b>15.4%</b>
<b>Contract assets</b>					
Total	420,158	6.4%	335,104	5.9%	25.4%
Provision	-38,792	3.8%	-30,809	3.3%	25.9%
<b>Contract assets, net</b>	<b>381,366</b>	<b>6.9%</b>	<b>304,295</b>	<b>6.4%</b>	<b>25.3%</b>
<b>Total of the above assets</b>					
Total	6,578,523	100.0%	5,722,449	100.0%	15.0%
Provision	-1,021,048	100.0%	-931,164	100.0%	9.7%
<b>Trade receivables and contract assets, net</b>	<b>5,557,475</b>	<b>100.0%</b>	<b>4,791,285</b>	<b>100.0%</b>	<b>16.0%</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

### 3.3.1 Total trade receivables and contract assets

As at 30 June 2023, the total trade receivables and contract assets of the Group amounted to RMB6,578,523,000, representing an increase of RMB856,074,000 or 15.0% as compared to the end of previous year, mainly due to the expansion in the scale of the Group's business.

### 3.3.2 Provision for trade receivables and contract assets

As at 30 June 2023, the provision for trade receivables and contract assets of the Group aggregated to RMB1,021,048,000, representing an increase of RMB89,884,000 or 9.7% as compared to the end of previous year, which is mainly due to the increase in the total trade receivables and contract assets of the Group.

### 3.3.3 Trade receivables turnover days and ageing distribution

The Group has implemented systematic risk management assessment policies to evaluate the credit and performance of our customers. The Group has a large number of customers, in particular, it needs to deal with a large number of small and medium-sized customers in aerial work platform business, among which the Group used a "Hongxin Score" ("宏信分") model to carry out quantitative risk assessment for such customers. By superimposing historical transaction data, external monitoring data and internal cooperation records accumulated in the course of operation from multiple dimensions, such model performs quantitative analysis on 70 subdivision indicators to screen out the characteristics of high-quality customers, thus realising intelligent and automatic evaluation of small and medium-sized customers. For large-scale engineering projects, the Group selected customers and projects through quantitative and manual evaluation, fully evaluated the potential risks such as project compliance risk, construction technology risk, supply guarantee risk, HSE risk and credit risk from multiple dimensions, and formulated corresponding solutions. In terms of trade receivables management, the Group strengthened risk awareness through risk review and risk control and debt linkage mechanism, and realised effective isolation of risk customers through management mechanisms such as blacklist, and conducted on-site evaluation of our customer's operation as necessary. The Group reviews the trade receivables balance and follow up with our customers with overdue trade receivables on a quarterly basis. At the same time, the Group classified trade receivables into different risk levels and recognised provisions accordingly with reference to our past recoverability, the quarterly review of ageing of trade receivables and observable changes in economic conditions that correlate with default on trade receivables.

## MANAGEMENT DISCUSSION AND ANALYSIS

The table below sets forth the ageing distribution of the trade receivables of the Group as at the dates indicated, based on the billing date, and the trade receivables turnover days for the periods indicated:

	30 June 2023				31 December 2022				Change, net %
	Total	Provision	Net	Net	Total	Provision	Net	Net	
	RMB'000	RMB'000	RMB'000	% of total	RMB'000	RMB'000	RMB'000	% of total	
<b>Trade receivables</b>									
Within 1 year	4,963,628	-599,282	4,364,346	84.3%	4,454,357	-574,859	3,879,498	86.5%	12.5%
More than 1 year	1,194,737	-382,974	811,763	15.7%	932,988	-325,496	607,492	13.5%	33.6%
<b>Total</b>	<b>6,158,365</b>	<b>-982,256</b>	<b>5,176,109</b>	<b>100.0%</b>	<b>5,387,345</b>	<b>-900,355</b>	<b>4,486,990</b>	<b>100.0%</b>	<b>15.4%</b>
Trade receivables turnover days during the period <sup>(1)</sup> (Days)			207				218		

Note:

- (1) The trade receivables turnover days equals the average net trade receivables at the beginning and end of the period divided by the total revenue for the period and multiplied by 180. In the first half of 2023, the trade receivables turnover days of the Group were 207, as compared with 218 days for the same period last year.

### 3.4 Notes Receivable

As at 30 June 2023, the notes receivable of the Group amounted to RMB993,923,000, representing a decrease of RMB42,432,000 or 4.1% as compared to the end of previous year, which is mainly due to the Group's prudent collection strategy.

The following table sets forth the notes receivable of the Group as at the dates indicated:

	30 June 2023		31 December 2022		Change %
	RMB'000	% of total	RMB'000	% of total	
Bank acceptances	313,096	31.5%	370,767	35.8%	-15.6%
Commercial acceptance bills	680,827	68.5%	665,588	64.2%	2.3%
<b>Total</b>	<b>993,923</b>	<b>100.0%</b>	<b>1,036,355</b>	<b>100.0%</b>	<b>-4.1%</b>



## MANAGEMENT DISCUSSION AND ANALYSIS

### 3.5 Prepayments, Other Receivables and Other Assets

Our prepayments, other receivables and other assets primarily consist of (i) prepayments and deposits, mainly including expenditures related to our procurement of equipment or materials, deposits paid for financing, deposits paid to providers for the re-renting of equipment, deposits paid for factoring of trade receivables, and deposits paid to bid for projects; and (ii) tax recoverable, which primarily includes our input VAT to be credited.

As at 30 June 2023, the net prepayments, other receivables and other assets of the Group amounted to RMB2,072,539,000, representing a decrease of RMB206,260,000 or 9.1% as compared with the end of last year, which was mainly due to the decrease in the procurement of equipment of the Group.

The following table sets forth a breakdown of our prepayments, other receivables and other assets as at the dates indicated:

	30 June 2023		31 December 2022		Change %
	RMB'000	% of total	RMB'000	% of total	
Prepayments and deposits	821,339	39.0%	786,074	34.1%	4.5%
Other receivables	76,366	3.6%	90,193	3.9%	-15.3%
Tax recoverable	1,168,317	55.5%	1,400,331	60.7%	-16.6%
Other	39,272	1.9%	31,079	1.3%	26.4%
Total	2,105,294	100.0%	2,307,677	100.0%	-8.8%
Provision	-32,755		-28,878		13.4%
<b>Net</b>	<b>2,072,539</b>		<b>2,278,799</b>		<b>-9.1%</b>

### 3.6 Other Assets

As at 30 June 2023, cash and cash equivalents of the Group amounted to RMB2,364,040,000. The Group retains a relatively abundant cash and cash equivalents to support its business development needs and ensure the liquidity safety of the Group. The cash and cash equivalents of the Group are mainly RMB-denominated assets, as well as a small amount of foreign currencies, including Hong Kong Dollar, US Dollar, Malaysian Ringgit, Indonesian Rupiah, Thai Baht, Vietnamese Dong, Singapore Dollar.

The restricted bank balances of the Group amounted to RMB61,918,000, which were deposits for issuing letters of credit.

The balance of right-of-use assets of the Group amounted to RMB377,451,000. As at the lease commencement date, the Group recognise right-of-use assets and the corresponding lease liabilities, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets.

## MANAGEMENT DISCUSSION AND ANALYSIS

The balance of inventories of the Group amounted to RMB182,221,000, primarily consisting of (i) raw materials, which primarily includes raw materials used for manufacturing neo-formwork system and spare parts used for repairing aerial work platform; (ii) work in progress, which mainly represents our self-manufactured neo-formwork system; and (iii) finished goods held for sale in the ordinary course of business.

The balance of deferred tax assets of the Group amounted to RMB349,613,000, which was mainly deferred tax assets recognised for the provision for asset.

The balance of derivative financial instruments of the Group amounted to RMB12,650,000, which were mainly derivative financial instruments used by the Group to reduce the exchange risk level of US dollar borrowings.

The balance of other intangible assets of the Group amounted to RMB3,392,000, which were mainly software.

### 3.7 Liabilities (Overview)

As at 30 June 2023, the total liabilities of the Group was RMB20,548,944,000, representing a decrease of RMB3,067,258,000, or 13.0% as compared to the end of last year.

The following table sets forth the details of the Group's liabilities as at the dates indicated:

	30 June 2023		31 December 2022		Change %
	RMB'000	% of total	RMB'000	% of total	
Interest-bearing bank and other borrowings	18,286,596	89.0%	21,212,114	89.8%	-13.8%
Trade and bills payables	1,277,968	6.2%	1,109,794	4.7%	15.2%
Other payables and accruals	718,885	3.5%	1,003,074	4.2%	-28.3%
Lease liabilities	164,724	0.8%	131,259	0.6%	25.5%
Tax payables	82,981	0.4%	141,020	0.6%	-41.2%
Derivative financial instruments	2,277	0.0%	2,257	0.0%	0.9%
Deferred revenue	15,513	0.1%	16,684	0.1%	-7.0%
<b>Total liabilities</b>	<b>20,548,944</b>	<b>100.0%</b>	<b>23,616,202</b>	<b>100.0%</b>	<b>-13.0%</b>
Including: Current liabilities	9,357,229	45.5%	8,190,967	34.7%	14.2%
Non-current liabilities	11,191,715	54.5%	15,425,235	65.3%	-27.4%

## MANAGEMENT DISCUSSION AND ANALYSIS

### 3.8 Interest-Bearing Bank and Other Borrowings

Facing a complex domestic and international financial environment, the Group has made good progress towards borrowings, the debt structure continuously being optimized. In the first half of 2023, the Group has proactively expanded long-term products within 5 to 7 years in order to further enhance liquidity security. Channel resources and credit ratings scales in Tianjin and Guangzhou rise up, as the result, financing stability becomes greater. We actively promoted green syndicated loans, supply chain financing, loan products for technology startups and other products, so that financing costs further decreased.

As at 30 June 2023, the Group's interest-bearing bank and other borrowings was RMB18,286,596,000, representing a decrease of RMB2,925,518,000, or 13.8% as compared to the end of last year, with average financing rate of 4.27% after deducting redemption liabilities on ordinary shares. The decrease in balance of interest-bearing bank and other borrowings was mainly attributable to: (i) the recipients of proceeds from our Pre-IPO Investments of USD204,910,000 in 2021 by the Group, which was reclassified as equity from liabilities; and (ii) decrease in interest-bearing bank and other borrowings as the result of the control over the scale of procurement of equipment owned by the Group in the first half of 2023.

The following table sets forth the compositions of the Group's interest-bearing bank and other borrowings as at the dates indicated:

	30 June 2023		31 December 2022		Change %
	RMB'000	% of total	RMB'000	% of total	
Interest-bearing bank and other borrowings	18,286,596	100.0%	19,784,996	93.3%	-7.6%
Redemption liabilities on ordinary shares	-	-	1,427,118	6.7%	/
Total	18,286,596	100.0%	21,212,114	100.0%	-13.8%
Including: Current liabilities	7,252,055	39.7%	6,143,418	29.0%	18.0%
Non- current liabilities	11,034,541	60.3%	15,068,696	71.0%	-26.8%

In the first half of 2023, the Group has prudentially managed financial risk. As at 30 June 2023, the unsecured interest-bearing bank and other borrowings represented a slight decrease to 65.4% as compared with that of 66.0% at the end of last year, while the secured interest-bearing bank and other borrowings represented a slight increase as compared with the end of last year, which was mainly due to more funds with lower costs and longer term have been obtained through asset pledge by the Group.

As at the dates indicated, other borrowings of the Group were secured by the leased and service equipment or materials.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 3.8.1 Redemption liabilities on ordinary shares

Redemption liabilities on ordinary shares were USD204,910,000, the principle proceeds from our Pre-IPO Investments received by the Group, translated into RMB1,326,185,000 at the historical exchange rate; the Group are required to pay investment amount and underlying interest denominated in USD at fixed annual interest rates of 8% if the Group are unable to complete the listing within 36 months. As at the Listing Date, the accumulated interest and foreign exchange losses of the Group were RMB350,091,000 in total and the balance of principal and interest of the Group's redemption liabilities on ordinary shares was RMB1,676,276,000. As at 30 June 2023, these amounts were reclassified as equity from liabilities.

### 3.9 Trade and Bills Payables

Trade and bills payables are amounts payable to suppliers.

As at 30 June 2023, the Group's trade and bills payables were RMB1,277,968,000, representing an increase of 15.2% as compared with that of RMB1,109,794,000 at the end of last year, which is mainly attributable to reasonable management of the expected recovery from suppliers and appropriate extension of payment cycles.

### 3.10 Other Payables and Accruals

The Group's other payables and accruals primarily include (i) deposits, which represent deposits paid by our customers; (ii) salary and welfare payable to our employees; (iii) advanced rentals and contract liabilities, which represent amounts received from customers by the Group in advance for services according to the payment schedule as agreed in the contract; (iv) interest payables relating to bank and other borrowings; and (v) other tax payables (primarily VAT payables).

As at 30 June 2023, the Group's balance of other payables and accruals was RMB718,885,000, representing a decrease of 28.3% as compared with that of RMB1,003,074,000 at the end of last year, which is mainly due to the interest payable of the Group's redemption liabilities on ordinary shares of RMB181,159,000 at the end of last year, which was reclassified as equity from liabilities.

### 3.11 Derivative Financial Instruments

The Group's derivative financial instruments liability is interest rate swap financial instrument, which is used to hedge for interest risk exposure of floating rate borrowings of the Group. The Group adopted hedge accounting, the change in fair value of interest rate swap amount instrument was recorded in change in equity.

### 3.12 Equity

As at 30 June 2023, the Company's total equity was RMB10,052,841,000, representing an increase of RMB3,380,649,000, or 50.7% as compared with that of the end of last year, mainly including: (i) the increase of equity of RMB1,466,813,000 as a result of the Company's net proceeds from the listing and issuance of 364,694,000 ordinary shares (deducting underwriting commission and other issuance expenses recorded in equity), among which, RMB51,000 was recorded to the Company's share capital based on a par value of USD0.00002 per share, and the remaining part was recorded to the Company's reserves; (ii) the put option in relation to redemption liabilities on ordinary shares was terminated since the Company's IPO on the Stock Exchange as a result the carrying amount of the redemption liabilities of RMB1,676,276,000 was reclassified to equity; (iii) the increase of equity of RMB237,141,000 upon the realization of profit for the period at the first half of 2023; and (iv) the net increase of equity of RMB419,000 from other items.

## MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the analysis of the Company's equity as at the dates indicated:

	30 June 2023	31 December 2022	
	RMB'000	RMB'000	Change %
Share capital	421	370	13.8%
Reserves	10,052,420	6,671,822	50.7%
Total Equity	10,052,841	6,672,192	50.7%

### 4. CAPITAL MANAGEMENT

For the purpose of stable capital management and subject to the changes of economic environment, the Group has adopted prudential capital management strategy. The Group regulates capital structure and financial management efficiency through financial return criteria (i.e. "return on average equity", "return on average total assets" and others) and leverage ratio (i.e. "gearing ratio").

The following table sets forth the key financial ratios of the Group as at the dates or periods indicated:

	For the six months ended 30 June	
	2023	2022
Return on average equity <sup>(1)</sup>	5.7%	5.2%
Return on average total assets <sup>(2)</sup>	1.6%	1.1%
Gearing ratio <sup>(3)</sup>	67.1%	78.9%

Notes:

- (1) Return on average equity=the profit for the period attributable to ordinary shareholders of the Company/the average balance of total equity for the beginning and end of period attributable to ordinary shareholders of the Company, presented on an annualized basis.
- (2) Return on average total assets= the profit for the period/the average balance of total assets for the beginning and end of period, presented on an annualized basis.
- (3) Gearing ratio=the total liabilities for the end of year or period/the total assets for the end of year or period. As at 31 December 2022, the Group's gearing ratio was 78.0%.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 4.1 Return on Average Equity

The Group's return on average equity increased from 5.2% in the first half of 2022 to 5.7% in the first half of 2023, primarily because the increase of the profit for the period of the Group was higher than that of average equity.

### 4.2 Return on Average Total Assets

The Group's return on average total assets increased from 1.1% in the first half of 2022 to 1.6% in the first half of 2023, primarily because the increase of the profit for the period of the Group was higher than that of average total assets.

### 4.3 Gearing Ratio

As at 30 June 2023, the Group's gearing ratio was 67.1%, representing a decrease of 11.8% from 78.9% on 30 June 2022, and a decrease of 10.9% as compared with that of 78.0% at the end of last year, mainly due to the reclassification of the principal amount and balance of interest payables of the Group's redemption liabilities on ordinary shares into equity.

## 5. CAPITAL EXPENDITURE

The Group's capital expenditure consisted of additions to property, plant and equipment and other intangible assets. In the first half of 2023, our capital expenditure amounted to RMB940,822,000, representing a decrease of 62.4% as compared to RMB2,500,619,000 in the same period last year. The decrease is mainly due to the control over the scale of procurement of equipment through expanding equipment volume under management in an asset-light manner. The Group intends to finance future capital expenditure plans through cash flow from operating activities, bank and other borrowings and the net proceeds from the Global Offering.

## 6. RISK MANAGEMENT

The Group is exposed to various types of financial risks in the ordinary course of business, including foreign currency risk, liquidity risk etc. Overall risk management strategy of the Group focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance.

### 6.1 Foreign Currency Risk

The Group's monetary assets, liabilities and transactions are principally denominated in RMB, with minor business dominated with other currencies. As at 30 June 2023, the Group adopted prudent currency risk management, and most of foreign currencies owned by the Group were exchanged for RMB, excepting those hedged by derivative financial instruments against foreign exchange exposure. Therefore, the Group's foreign exchange risk exposure is limited and there is a lower foreign currency risk.

### 6.2 Liquidity Risk

The Group's objective is to maintain balance between continuity of funding and flexibility by using interest-bearing bank and other borrowings. The Group managed to control the liquidity risk through the following measures: (i) optimize our financing structure by expanding long-term financing products to mitigate the maturity mismatches between assets and liabilities; (ii) operate effective capital plan and management mechanism and maintain a certain percentage of capital position to ensure the safe liquidity.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 7. PLEDGE OF ASSETS

As at 30 June 2023, the Group had pledged its property, plant and equipment of RMB7,493,250,000 to non-bank financial institutes in order to secure other borrowings, and used restricted bank deposits of RMB61,918,000 and deposits of RMB91,131,000 as collateral for letters of credit and other borrowings.

### 8. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

As at 30 June 2023 and 31 December 2022, the Group did not have any material contingent liability, guarantees or any other material litigation or claims outstanding or threatened against the Group that could have a material adverse effect on its business, financial condition or results of operations.

As at the dates indicated, the capital commitments of the Group are as follows:

	30 June 2023	31 December 2022
	RMB'000	RMB'000
Contracted, but not provided for:		
Purchase of plant and machinery	96,486	69,234

### 9. MATERIAL INVESTMENTS, ACQUISITIONS OR DISPOSALS

In the first half of 2023, the Group did not have any material investments, acquisitions or disposals of equity investment.

### 10. HUMAN RESOURCES

As at 30 June 2023, the Group had a total of 4,156 employees (as at 31 December 2022: 4,249 employees).

The Group provides competitive remuneration packages for employees based on their qualities, capabilities, performance and comparable information on the market, in order to attract, retain and encourage excellent talent. The remuneration packages generally include salary, contributions to pension scheme and discretionary bonuses. The Group also offers trainings for employees. The Group will regularly review the remuneration packages to reflect market practice and employees' performance.

The Chinese employees of the Group are entitled to participating in several government-regulated housing fund, medical insurance and other social insurance schemes. The Group makes monthly contributions to those funds based on a certain

## MANAGEMENT DISCUSSION AND ANALYSIS

percentage of the employees' salaries, subject to certain ceilings. The Group's obligations in respect of these funds are limited to the contributions payable each year. The contributions to housing fund, medical insurance and other social insurance are expensed when incurred. In accordance with the PRC Labor Law, the Group has made contributions to social insurance (including endowment insurance, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance) and housing fund for employees. The Group also provides supplemental medical insurance, group accident insurance and employer liability insurance in addition to those required under the PRC regulations. As at 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.

### 11. USE OF PROCEEDS

On the Listing Date, the Company issued 364,694,000 ordinary shares to the public at HK\$4.52 per share and such shares were listed on the Stock Exchange. The Group has received net proceeds from the Global Offering of approximately RMB1,466,813,000, after deducting underwriting commission and other issuance expenses recorded in equity. As at 30 June 2023, the funds raised from the listing by the Group were utilised for the same purposes as the intended use of proceeds and expected timetable disclosed previously in the section headed "Future Plans and Use of Proceeds" in the prospectus dated 12 May 2023 (the "Prospectus"). The table below sets out details of the allocation plan of net proceeds, as well as the amount of utilised and unutilised net proceeds as at 30 June 2023:

Use	Designated allocation of net proceeds	Percentage %	Amount of utilised net proceeds as at 30 June 2023	Amount of unutilised net proceeds as at 30 June 2023	Expected timetable for fully utilising balances
	RMB'000		RMB'000	RMB'000	
Optimize equipment portfolio	982,765	67.0%	59,219	923,546	Before 31 December 2024
Enhance one-stop solution capabilities	161,349	11.0%	3,839	157,510	Before 31 December 2024
Expand service outlet network	58,673	4.0%	3,604	55,069	Before 31 December 2024
Digitalization upgrade	117,345	8.0%	6,698	110,647	Before 31 December 2024
Working capital and general corporate purposes	146,681	10.0%	122,901	23,780	Before 31 December 2023
<b>Total</b>	<b>1,466,813</b>	<b>100.0%</b>	<b>196,261</b>	<b>1,270,552</b>	

The unutilized amount is expected to be used in accordance with the Company's plan as disclosed in the Prospectus and stated above. To the extent that the net proceeds are not immediately applied to the above purposes or if the Group is unable to effect any part of our future development plans as envisaged, the Group intends to hold such funds in short-term demand deposits with authorized financial institutions or licensed banks as defined in the SFO or applicable PRC laws and regulations for so long as it is deemed to be in the interests of the Company and the Shareholders as a whole.



## MANAGEMENT DISCUSSION AND ANALYSIS

### 12. EVENTS AFTER THE REPORTING PERIOD

The Group had no significant subsequent events requiring disclosure after 30 June 2023 up to the date of this report.

### 13. FUTURE PROSPECT

In the second half of 2023, the global economy is still facing many uncertainties, such as intensified geopolitical conflicts and the increasing trend of deglobalization. China's domestic economy gradually enters a steady recovery in the second half of the year, which brings both pressure and opportunities. In the future, the Company will, by upholding the philosophy of "be global for shared prosperity" in order to provide customers with more excellent products and services. Meanwhile, we will speed up the expansion of our global footprint to support the high-quality development of the Company.

The Group will continue to strengthen its operational capabilities and equipment management scale, and continuously improve asset efficiency through digitalization upgrade and management enhancement. In terms of network layout, we will scale up its coverage and hierarchical operation, optimize network layout, and strengthen regional coordination. Meanwhile, we will put more efforts on exploration of overseas markets and steadily expand the Southeast Asian market, thus forming the second growth curve of the Group.

## DISCLOSURE OF INTERESTS

### DIRECTORS' AND CHIEF EXECUTIVE'S 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 executive 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:–

#### (1) Interest in the Company:

Name of director	Capacity/nature of interest	Total number of ordinary Shares <sup>(1)</sup>	Approximate percentage of interest <sup>(2)</sup>
He Ziming	Interest in a controlled corporation	176,600,000 (L) <sup>(3)</sup>	5.52%
	Interest of spouse	30,350,000 (L) <sup>(4)</sup>	0.95%

Notes:

- (1) The letter "L" denotes the person's long position in the shares of the Company (the "Shares").
- (2) The percentage is calculated on the basis of 3,197,244,000 Shares in issue as at 30 June 2023.
- (3) Farsighted Wit Limited is wholly owned by Tianjin Hongjian Enterprise Management Consulting Center (Limited Partnership) ("Tianjin Hongjian"). The limited partner of Tianjin Hongjian holding over one third of partnership interest in Tianjin Hongjian is Tianjin Lanjin Enterprise Management Consulting Center (Limited Partnership), which is controlled by Tianjin Hongsheng Leasing Co., Ltd. ("Tianjin Hongsheng") as general partner and owned as to over one third of partnership interest by Mr. He Ziming as limited partner. Accordingly, Mr. He Ziming is deemed to be interested in the 176,600,000 Shares held by Farsighted Wit Limited for the purpose of Part XV of the SFO.
- (4) Ms. Liu Lifang, the spouse of Mr. He Ziming, holds the Shares through Lanjin Limited, which was incorporated in the British Virgin Islands as an exempted company with limited liability and is wholly owned by Ms. Liu Lifang.

## DISCLOSURE OF INTERESTS

### (2) Interest in the shares or underlying shares of associated corporation of the Company:

Name of the director or chief executive	Name of associated corporation	Nature of interest	Number of shares/ underlying shares <sup>(1)</sup>	Approximate percentage of interest in shares/underlying shares of associated corporation <sup>(8)</sup>
Kong Fanxing	Far East Horizon	Beneficial owner	74,304,976 (L) <sup>(2)</sup>	1.72%
		Interest in a controlled corporation	868,947,897(L) <sup>(3)</sup>	20.13%
Xu Huibin	Far East Horizon	Beneficial owner	8,434,689(L) <sup>(4)</sup>	0.20%
Pan Yang	Far East Horizon	Beneficial owner	3,892,331(L) <sup>(5)</sup>	0.09%
Guo Lina	Far East Horizon	Beneficial owner	1,083,851(L) <sup>(6)</sup>	0.03%
Tang Li	Far East Horizon	Beneficial owner	236,064(L) <sup>(7)</sup>	0.01%
Liu Jialin	Far East Horizon	Beneficial owner	125,000(L)	0.00%
		Interest of spouse	125,000(L)	0.00%

Notes:

- (1) The letter "L" denotes long position in the shares/underlying shares.
- (2) These interests include Mr. Kong Fanxing's entitlement to receive shares in Far East Horizon pursuant to share schemes of Far East Horizon.
- (3) These interests include 272,237,062 shares held directly by Idea Delicacy Limited, 40,726,000 shares held directly by Powerful Force HK Limited, 159,670,000 shares held directly by Will of Heaven HK Limited, 107,503,000 shares held directly by Swallow Gird HK Limited, 197,945,000 shares held directly by Energon HK Limited and an aggregate of 90,866,835 shares held directly by certain employees of Far East Horizon. 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) These interests include Mr. Xu Huibin's entitlement to receive shares in Far East Horizon pursuant to share schemes of Far East Horizon.
- (5) These interests include Mr. Pan Yang's entitlement to receive shares in Far East Horizon pursuant to share schemes of Far East Horizon.
- (6) These interests include Ms. Guo Lina's entitlement to receive shares in Far East Horizon pursuant to share schemes of Far East Horizon.
- (7) These interests include Mr. Tang Li's entitlement to receive shares in Far East Horizon pursuant to share schemes of Far East Horizon.
- (8) The percentage is calculated on the basis of 4,317,609,866 shares in issue of Far East Horizon as at 30 June 2023.

## DISCLOSURE OF INTERESTS

Saved as disclosed above, as at 30 June 2023, none of the directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its 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 of Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES

Based on the information available to the directors of the Company, as at 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, other than the directors and chief executives of the Company, the entities or individuals who had interests or short positions in the Shares or underlying Shares 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 the shareholder	Nature of interest	Number of ordinary Shares <sup>(1)</sup>	Approximate percentage of interest <sup>(2)</sup>
Far East Horizon	Beneficial owner	2,293,050,000(L)	71.72%
	Interest in a controlled corporation	176,600,000(L) <sup>(3)</sup>	5.52%
Farsighted Wit Limited	Beneficial owner	176,600,000(L) <sup>(3)</sup>	5.52%
Tianjin Hongsheng	Interest in a controlled corporation	176,600,000(L) <sup>(3)</sup>	5.52%
Tianjin Hongjian	Interest in a controlled corporation	176,600,000(L) <sup>(3)</sup>	5.52%
Tianjin Lanjin Enterprise Management Consulting Center (Limited Partnership)	Interest in a controlled corporation	176,600,000(L) <sup>(3)</sup>	5.52%
International Far Eastern Financial Leasing Co., Ltd.	Interest in a controlled corporation	176,600,000(L) <sup>(3)</sup>	5.52%
Far East Horizon (Tianjin) Financial Leasing Co., Ltd.	Interest in a controlled corporation	176,600,000(L) <sup>(3)</sup>	5.52%

Notes:

(1) The letter "L" denotes the long position in the Shares.

(2) The percentage is calculated on the basis of 3,197,244,000 Shares in issue as at 30 June 2023.

(3) Tianjin Hongshen is owned as to 100% by Far East Horizon (Tianjin) Financial Leasing Co., Ltd., which is in turn owned as to 55.38% by Far East Horizon and 44.62% by International Far Eastern Financial Leasing Co., Ltd. (a wholly-owned subsidiary of Far East Horizon). 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 – (1) Interest in the Company" for further details of the shareholding structure.

Saved as disclosed above, as at 30 June 2023, 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.

## CORPORATE GOVERNANCE

### CORPORATE GOVERNANCE CODE

The Company has applied the principles and code provisions as set out in the part 2 of Appendix 14 (Corporate Governance Code, the “CG Code”) to the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”).

The Company has complied with the code provisions of the CG Code throughout the period from the Listing Date to 30 June 2023, except for Code Provision F.2.2 as explained below.

Code Provision F.2.2 of the CG Code stipulates that, among others, the chairman of the board should attend the annual general meeting of the listed issuers and invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) or in the absence of the chairmen of such committees, another member of the committee to attend and be available to answer questions at the annual general meeting.

At the annual general meeting of the Company held on 28 June 2023 (the “AGM”), Mr. Kong Fanxing (Chairman of the Board), Mr. Xu Min (Chairman of Audit Committee and member of Environmental, Social and Governance Committee), Ms. Jin Jinping (Chairwoman of Nomination Committee and Remuneration Committee and member of Audit Committee), Mr. Sum Siu Kei (Chairman of Environmental, Social and Governance Committee and member of Audit Committee), Mr. Xu Huibin (member of Nomination Committee), Mr. He Ziming (member of Environmental, Social and Governance Committee), Ms. Guo Lina (member of Remuneration Committee) and Mr. Liu Jialin (member of Nomination Committee and Remuneration Committee) were unable to attend due to other work commitments. In order to ensure smooth holding of the AGM, Mr. Pan Yang (executive director and Chief Executive Officer) chaired the AGM and answered questions where necessary.

### MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in the Appendix 10 to the Listing Rules as its own code of conduct for its directors and relevant employees regarding their dealings in the Company’s securities.

Specific enquiry had been made to all the directors and the directors have confirmed that they had complied with the Model Code throughout the period from the Listing Date to 30 June 2023.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

During the period from the Listing Date to 30 June 2023, the Board 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; with Rules 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.

## CORPORATE GOVERNANCE

### AUDIT COMMITTEE

The Company has established the Audit Committee in compliance with Rules 3.21 and 3.22 of the Listing Rules. The Audit Committee comprises three members, including Mr. Xu Min, as Chairman, Mr. Sum Siu Kei and Ms. Jin Jinping. This interim report has been reviewed by the Audit Committee.

The Audit Committee has reviewed, with the management and the external auditor, 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

### INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for 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, sold or redeemed any listed securities of the Company during the period from the Listing Date to 30 June 2023.

## INDEPENDENT REVIEW REPORT



Ernst & Young 安永會計師事務所 Tel電話: +852 2846 9888  
27/F, One Taikoo Place 香港鰂魚涌英皇道979號 Fax傳真: +852 2868 4432  
979 King's Road 太古坊一座27樓 ey.com  
Quarry Bay, Hong Kong

To the board of directors of Horizon Construction Development Limited

*(Incorporated in the Cayman Islands with limited liability)*

### INTRODUCTION

We have reviewed the interim financial information set out on pages 49 to 114, which comprises the condensed consolidated statement of financial position of Horizon Construction Development 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  
8 August 2023



**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

For the six months ended 30 June 2023

				For the six months ended 30 June	
				2023	2022
				RMB'000	RMB'000
				(Unaudited)	(Unaudited)
					(Restated)*
	Notes				
REVENUE	5		<b>4,205,971</b>		3,565,169
Cost of sales	7		<b>(2,769,819)</b>		(2,194,490)
Gross profit			<b>1,436,152</b>		1,370,679
Other income and gains	6		<b>111,928</b>		88,656
Selling and distribution expenses	7		<b>(121,640)</b>		(254,365)
Administrative expenses	7		<b>(435,974)</b>		(355,569)
Expected credit losses ("ECLs") on financial and contract assets, net	7		<b>(167,415)</b>		(80,353)
Other expenses	7		<b>(30,731)</b>		(89,272)
Finance costs	8		<b>(454,624)</b>		(434,857)
PROFIT BEFORE TAX	7		<b>337,696</b>		244,919
Income tax expense	9		<b>(100,555)</b>		(85,805)
PROFIT FOR THE PERIOD			<b>237,141</b>		159,114
Attributable to:					
Owners of the parent			<b>237,141</b>		159,114
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	10		RMB		RMB
Basic					
Earnings per share			<b>0.08</b>		0.06
Diluted					
Earnings per share			<b>0.08</b>		0.06

\* The unaudited interim condensed consolidated financial information has been restated to meet the disclosure requirement of the adoption of the amendments to HKAS 12.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited) (Restated)*
PROFIT FOR THE PERIOD	237,141	159,114
Other comprehensive income that may be reclassified to profit or loss in the subsequent period:		
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the period	(20)	–
Income tax effect	342	–
Exchange differences:		
Exchange differences on translation of foreign operations	97	–
Net other comprehensive income that may be reclassified to profit or loss in the subsequent period	419	–
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	419	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	237,560	159,114
Attributable to:		
Owners of the parent	237,560	159,114

\* The unaudited interim condensed consolidated financial information has been restated to meet the disclosure requirement of the adoption of the amendments to HKAS 12.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

30 June 2023

		<b>30 June 2023</b>	31 December 2022
		RMB'000	RMB'000
		(Unaudited)	(Audited)
	Notes		(Restated)*
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	<b>18,626,563</b>	19,102,390
Right-of-use assets	12(a)	<b>377,451</b>	335,222
Other intangible assets	13	<b>3,392</b>	3,797
Prepayments, other receivables and other assets	17	<b>123,210</b>	174,980
Deferred tax assets	14	<b>349,613</b>	329,681
Derivative financial instruments	24	–	2,379
<b>Total non-current assets</b>		<b>19,480,229</b>	19,948,449
<b>CURRENT ASSETS</b>			
Inventories	15	<b>182,221</b>	186,217
Trade receivables	16	<b>5,176,109</b>	4,486,990
Contract assets	18	<b>381,366</b>	304,295
Prepayments, other receivables and other assets	17	<b>1,949,329</b>	2,103,819
Debt investments at fair value through other comprehensive income	19	<b>993,923</b>	1,036,355
Derivative financial instruments	24	<b>12,650</b>	–
Restricted bank balances	20	<b>61,918</b>	62,944
Cash and cash equivalents	20	<b>2,364,040</b>	2,159,325
<b>Total current assets</b>		<b>11,121,556</b>	10,339,945
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	21	<b>1,277,968</b>	1,109,794
Other payables and accruals	22	<b>683,566</b>	736,808
Interest-bearing bank and other borrowings	23	<b>7,252,055</b>	6,143,418

\* The unaudited interim condensed consolidated financial information has been restated to meet the disclosure requirement of the adoption of the amendments to HKAS 12.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

		<b>30 June 2023</b>	31 December 2022
		RMB'000	RMB'000
		(Unaudited)	(Audited)
	Notes		(Restated)*
Lease liabilities	12(b)	<b>60,659</b>	59,927
Tax payables		<b>82,981</b>	141,020
Total current liabilities		<b>9,357,229</b>	8,190,967
NET CURRENT ASSETS		<b>1,764,327</b>	2,148,978
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>21,244,556</b>	22,097,427
NON-CURRENT LIABILITIES			
Other payables and accruals	22	<b>35,319</b>	266,266
Derivative financial instruments	24	<b>2,277</b>	2,257
Interest-bearing bank and other borrowings	23	<b>11,034,541</b>	15,068,696
Lease liabilities	12(b)	<b>104,065</b>	71,332
Deferred revenue	25	<b>15,513</b>	16,684
Total non-current liabilities		<b>11,191,715</b>	15,425,235
Net assets		<b>10,052,841</b>	6,672,192
EQUITY			
Equity attributable to owners of the parent			
Share capital	26	<b>421</b>	370
Reserves	27	<b>10,052,420</b>	6,671,822
		<b>10,052,841</b>	6,672,192
Total equity		<b>10,052,841</b>	6,672,192

\* The unaudited interim condensed consolidated financial information has been restated to meet the disclosure requirement of the adoption of the amendments to HKAS 12.

Pan Yang

Director

Tang Li

Director

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the six months ended 30 June 2023

	Attributable to owners of the parent									
	Share capital	Share premium*	Share	Merger reserve*	Capital reserve*	Special reserve*	Statutory surplus reserve	Other comprehensive income*	Retained profits*	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	(note 26)	(note 27)	(note 27)	(note 27)	(note 27)	(note 27)	(note 27)	(note 27)	(note 27)	(Unaudited)
At 31 December 2022 (Audited)	370	6,066,695	(29,862)	(1,281,820)	92,151	-	(2,288)	1,829,989	6,675,235	
Effect of adoption of amendments to HKAS 12 (note 3(c))	-	-	-	-	-	-	-	(3,043)	(3,043)	
At 1 January 2023	370	6,066,695	(29,862)	(1,281,820)	92,151	-	(2,288)	1,826,946	6,672,192	
Profit for the period	-	-	-	-	-	-	-	237,141	237,141	
Other comprehensive income for the period:										
Cash flow hedges, net of tax	-	-	-	-	-	-	322	-	322	
Exchange differences on translation of foreign operations	-	-	-	-	-	-	97	-	97	
Total comprehensive income for the period	-	-	-	-	-	-	419	237,141	237,560	
Issue of shares	51	1,488,278	-	-	-	-	-	-	1,488,329	
Share issue expenses	-	(21,516)	-	-	-	-	-	-	(21,516)	
The termination of the redemption obligation of ordinary shares (note 27)	-	-	-	1,676,276	-	-	-	-	1,676,276	
Special reserve – safety fund appropriation	-	-	-	-	20,078	-	-	(20,078)	-	
At 30 June 2023	421	7,533,457	(29,862)	394,456	112,229	-	(1,869)	2,044,009	10,052,841	

\* These reserve accounts comprise the consolidated reserves of RMB1,052,420,000 in the interim consolidated statement of financial position as at 30 June 2023 (30 June 2022: RMB6,168,889,000).

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to owners of the parent									
	Share capital	Share premium*	Merger reserve*	Capital reserve*	Special reserve*	Statutory surplus reserve	Retained profits*	Total equity		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	(note 26)	(note 27)	(note 27)	(note 27)	(note 27)	(note 27)	(note 27)	(note 27)	(Restated)**	(Restated)**
At 31 December 2021 (Audited)	370	6,066,695	(29,862)	(1,281,820)	54,976	–	1,200,602	6,010,961		
Effect of adoption of amendments to HKAS 12 (note 3(c))	–	–	–	–	–	–	(816)	(816)		
At 1 January 2022	370	6,066,695	(29,862)	(1,281,820)	54,976	–	1,199,786	6,010,145		
Profit for the period	–	–	–	–	–	–	159,114	159,114		
Total comprehensive income for the period	–	–	–	–	–	–	159,114	159,114		
Special reserve – safety fund appropriation	–	–	–	–	17,331	–	(17,331)	–		
At 30 June 2022	370	6,066,695	(29,862)	(1,281,820)	72,307	–	1,341,569	6,169,259		

\*\* The unaudited interim condensed consolidated financial information has been restated to meet the disclosure requirement of the adoption of the amendments to HKAS 12.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

For the six months ended 30 June 2023

		For the six months ended 30 June	
		2023	2022
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
	Notes		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>337,696</b>	244,919
Adjustments for:			
Finance costs	8	<b>454,624</b>	434,857
Gains on financial assets at fair value through profit or loss	6	<b>(3,723)</b>	(69)
Fair value gains on derivative instruments – not for hedge accounting	6	<b>(10,271)</b>	(3,948)
Gain on disposal of items of property, plant and equipment and early termination of right-of-use assets	6	<b>(6,055)</b>	(7,573)
Loss on scrapped and physical items of property, plant and equipment	7	<b>249</b>	1,399
Reversal of inventories to net realisable value		<b>–</b>	(137)
ECLs on financial and contract assets, net	7	<b>167,415</b>	80,353
Depreciation of property, plant and equipment	11	<b>1,147,676</b>	1,055,215
Depreciation of right-of-use assets	12(a)	<b>32,467</b>	33,278
Amortisation of other intangible assets	13	<b>405</b>	407
Deferred revenue	25	<b>(1,171)</b>	(586)
VAT super-credit	6	<b>(21,794)</b>	(22,702)
Exchange loss	7	<b>22,666</b>	77,030
		<b>2,120,184</b>	1,892,443
Decrease in inventories		<b>3,996</b>	842
Increase in trade receivables		<b>(774,715)</b>	(286,191)
Increase in debt investments at fair value through other comprehensive income		<b>(31,222)</b>	(63,831)
Decrease in prepayments, other receivables and other assets		<b>332,176</b>	397,529
Increase in contract assets		<b>(85,054)</b>	(126,604)
increase in trade and bills payables		<b>12,238</b>	319,456
Decrease in other payables and accruals		<b>(99,290)</b>	(488,064)
Cash generated from operations		<b>1,478,313</b>	1,645,580
Tax paid		<b>(179,389)</b>	(232,755)
Net cash flows from operating activities		<b>1,298,924</b>	1,412,825

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Notes	For the six months ended 30 June	
		2023	2022
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of items of property, plant and equipment		(879,261)	(2,622,663)
Proceeds from disposal of items of property, plant and equipment		273,088	87,128
Redemption of financial assets at fair value through profit or loss		3,723	150,121
Net cash flows used in investing activities		(602,450)	(2,385,414)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		1,488,329	–
Share issue expenses		(21,516)	–
New bank and other borrowings		2,567,425	4,903,852
Interest paid	28	(409,739)	(374,980)
Deposits paid		(25,000)	(43,000)
Repayment of bank and other borrowings		(4,055,088)	(2,853,130)
Principal portion of lease payments, net		(41,539)	(48,907)
Decrease in restricted deposits		1,026	1,546
Net cash flows (used in)/generated from financing activities		(496,102)	1,585,381
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of period		2,159,325	506,991
Effect of foreign exchange rate changes, net		4,343	961
CASH AND CASH EQUIVALENTS AT END OF PERIOD	20	2,364,040	1,120,744



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

### 1. CORPORATE INFORMATION

Horizon Construction Development Limited (the “Company”) was incorporated in the Cayman Islands on 28 September 2020 as an exempted company with limited liability under the Companies Law Chapter 22 of the Cayman Islands. The registered office of the Company is at P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands.

The Company and its subsidiaries (the “Group”) are principally engaged in the provision of the following services:

- (i) Operating lease services, including operational leasing of aerial work platform, turnover materials and mould bases;
- (ii) Engineering and technical services, including construction and related services, electric power supply services, equipment repair and maintenance services and logistics services;
- (iii) Platform and other services, including platform services (mainly referring to sub-leasing services and related maintenance services) and sales services (mainly referring to the sale of new equipment, second-hand equipment and materials).

The immediate holding company of the Company is Far East Horizon Limited (the “Controlling Shareholder”).

### 2. 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 Group has prepared the financial statements on the basis that it will continue to operate as a going concern. The Directors consider that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

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 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

### 3. CHANGES IN ACCOUNTING POLICIES

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 revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

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 Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments have been applied for the first time in 2023, but do not have an impact on the interim condensed consolidated financial statements of the Group.

The nature and impact of the 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

### 3. CHANGES IN ACCOUNTING POLICIES (continued)

The nature and impact of the 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 and decommissioning obligations. 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:*

	Note	Increase/(decrease)		
		As at 30 June 2023	As at 31 December 2022	As at 1 January 2022
		RMB'000	RMB'000	RMB'000
<b>Assets</b>				
Deferred tax assets	14	(5,356)	(3,043)	(816)
Total non-current assets		(5,356)	(3,043)	(816)
Total assets		(5,356)	(3,043)	(816)
Net assets		(5,356)	(3,043)	(816)
<b>Equity</b>				
Retained profits		(5,356)	(3,043)	(816)
Equity attributable to owners of the parent		(5,356)	(3,043)	(816)
Total equity		(5,356)	(3,043)	(816)

The deferred tax asset and the deferred tax liability 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

### 3. CHANGES IN ACCOUNTING POLICIES (continued)

The nature and impact of the revised HKFRSs that are applicable to the Group are described below: (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	2,313	3,116
Profit for the period	(2,313)	(3,116)
Attributable to:		
Owners of the parent	(2,313)	(3,116)
Total comprehensive income attributable to:		
Owners of the parent	(2,313)	(3,116)

The adoption of amendments to HKAS 12 had no significant impact on the basic and diluted earnings per share attributable to ordinary equity holders of the parent, interim condensed consolidated statement of comprehensive income and the interim condensed consolidated statement 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 period when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in the period 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 the annual period beginning on or after 1 January 2023, but are not required to disclose such information for any interim period ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

### 4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

- (i) Operating lease services: leasing of equipment and materials to customers and generating revenue mainly from rental fees payable by customers. The equipment and materials remain as property of the Group and are leased out to different customers with same or similar requirements;
- (ii) Engineering and technical services: provision of construction services, electric power supply services, equipment repair and maintenance services and logistics services, and related value-added services, and generating revenue mainly from service fees charged to customers; and
- (iii) Platform and other services: sub-leasing and sale of equipment and materials.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax from continuing operations. The adjusted profit before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that other income and gains (other than loans interest income, gain on disposal of items of property, plant and equipment and gain on stock-take of physical assets), non-financial lease-related finance costs, ECLs of other receivables, as well as other expenses (other than loss on scrapped and physical items of property, plant and equipment).

Segment assets exclude deferred tax assets, financial assets at fair value through profit or loss, derivative financial instruments, restricted bank balances, cash and cash equivalents as well as other receivables and other assets.

Segment liabilities exclude other payables and accruals (other than lease deposits, salary and welfare payables, advances from customers and contract liabilities), interest-bearing bank and other borrowings, tax payables, derivative financial instruments, deferred tax liabilities and deferred revenue.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

### 4. OPERATING SEGMENT INFORMATION (continued)

As at and for the six months ended 30 June 2023

	Operating lease services	Engineering and technical services	Platform and other services	Total
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Segment revenue</b> (note 5)				
Sales to external customers	2,505,619	1,140,634	559,718	4,205,971
Intersegment sales	–	–	–	–
Revenue from continuing operations	2,505,619	1,140,634	559,718	4,205,971
<b>Segment results</b>	571,375	23,064	124,584	719,023
<i>Reconciliation:</i>				
Unallocated other income and gains				105,873
Unallocated other expenses				(30,698)
Unallocated finance costs				(452,625)
Unallocated ECLs				(3,877)
Profit before tax				337,696
<b>Segment assets</b>	16,595,729	8,891,195	488,594	25,975,518
<i>Reconciliation:</i>				
Corporate and other unallocated assets				4,626,267
Total assets				30,601,785
<b>Segment liabilities</b>	1,343,799	583,762	56,079	1,983,640
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				18,565,304
Total liabilities				20,548,944
<b>Other segment information</b>				
Impairment losses recognised in profit or loss, net	89,856	62,903	10,779	163,538
Unallocated impairment losses				3,877
Total impairment losses recognised in profit or loss, net				167,415
Depreciation and amortisation	867,001	313,547	–	1,180,548
Capital expenditure*	690,945	249,877	–	940,822

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

### 4. OPERATING SEGMENT INFORMATION (continued)

As at and for the six months ended 30 June 2022

	Operating lease services	Engineering and technical services	Platform and other services	Total
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Segment revenue</b> (note 5)				
Sales to external customers	2,305,748	1,055,110	204,311	3,565,169
Intersegment sales	–	–	–	–
Revenue from continuing operations	2,305,748	1,055,110	204,311	3,565,169
<b>Segment results</b>	673,418	14,406	15,502	703,326
<i>Reconciliation:</i>				
Unallocated other income and gains				81,083
Unallocated other expenses				(87,873)
Unallocated finance costs				(433,152)
Unallocated ECLs				(18,465)
Profit before tax				244,919
<b>Segment assets</b>	20,920,268	4,916,250	169,902	26,006,420
<i>Reconciliation:</i>				
Corporate and other unallocated assets (restated)				3,292,870
Total assets (restated)				29,299,290
<b>Segment liabilities</b>	2,156,084	607,925	28,752	2,792,761
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				20,333,338
Total liabilities				23,126,099
<b>Other segment information</b>				
Impairment losses recognised in profit or loss, net	34,769	27,099	20	61,888
Unallocated impairment losses				18,465
Total impairment losses recognised in profit or loss, net				80,353
Depreciation and amortisation	920,826	168,074	–	1,088,900
Capital expenditure*	2,114,642	385,977	–	2,500,619

\* Capital expenditure consists of additions to property, plant and equipment, and other intangible assets during the period.

#### Geographical information

No further geographical information is presented as the Group's revenue from the external customers is derived mostly from its operation in Mainland China and no significant non-current assets of the Group are located outside Mainland China.

#### Information about major customers

Total revenue from sales to the five largest customers accounted for 18% of the Group's revenue for the six months ended 30 June 2023 (30 June 2022: 23%).

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

### 5. REVENUE

An analysis of the revenue is as follows:

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from operating lease income		
Operating lease income – equipment	2,505,619	2,305,748
Operating lease income – others	300,622	36,304
Revenue from contracts with customers	1,399,730	1,223,117
	4,205,971	3,565,169

Disaggregated revenue information for revenue from contracts with customers:

**(a) Disaggregated revenue information:**

For the six months ended 30 June 2023

Segments	Engineering and technical services	Platform and other services	Total
	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)
<b>Type of goods or services</b>			
Engineering and technical services	1,140,634	–	1,140,634
Sale of goods	–	259,096	259,096
Total revenue from contracts with customers	1,140,634	259,096	1,399,730
<b>Timing of revenue recognition</b>			
Goods transferred at a point in time	–	259,096	259,096
Services transferred over time	1,140,634	–	1,140,634
Total revenue from contracts with customers	1,140,634	259,096	1,399,730



**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

30 June 2023

**5. REVENUE (continued)****(a) Disaggregated revenue information: (continued)**

For the six months ended 30 June 2022

Segments	Engineering and technical services	Platform and other services	Total
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
<b>Type of goods or services</b>			
Engineering and technical services	1,055,110	–	1,055,110
Sale of goods	–	168,007	168,007
Total revenue from contracts with customers	1,055,110	168,007	1,223,117
<b>Timing of revenue recognition</b>			
Goods transferred at a point in time	–	168,007	168,007
Services transferred over time	1,055,110	–	1,055,110
Total revenue from contracts with customers	1,055,110	168,007	1,223,117

The following table shows the amounts of revenue recognised in the period that were included in the contract liabilities at the beginning of the respective period:

	For the six months ended 30 June	
	2023	2022
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Revenue recognised that was included in contract liabilities at the beginning of the period:		
Sale of goods	15,003	18,262
Engineering and technical services	16,149	39,801
	31,152	58,063

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

### 5. REVENUE (continued)

#### (b) Performance obligations

Information about the Group's performance obligations is summarised below:

##### *Sale of goods*

The performance obligation is satisfied upon delivery of the goods and payment is generally due within 180 days from delivery.

##### *Engineering and technical services*

The performance obligation is satisfied over time as services are rendered. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at the end of the reporting period are as follows:

	30 June 2023	31 December 2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Amounts expected to be recognised as revenue:		
Within one year	569,728	442,298
After one year	244,169	189,556
	<b>813,897</b>	631,854

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year are related to engineering and technical services, of which the performance obligations are to be satisfied within three years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

30 June 2023

**6. OTHER INCOME AND GAINS**

				For the six months ended 30 June	
				2023	2022
				RMB'000	RMB'000
				(Unaudited)	(Unaudited)
	Notes				
<b>Other income</b>					
Government grants	(a)		57,583		48,348
VAT super-credit	(b)		21,794		22,702
Bank interest income			7,746		5,082
			<b>87,123</b>		76,132
<b>Other gains</b>					
Gain on disposal of items of property, plant and equipment and early termination of right-of-use assets			6,055		7,573
Fair value gains on derivative instruments – not for hedge accounting			10,271		3,948
Gains on financial assets at fair value through profit or loss			3,723		69
Others			4,756		934
			<b>24,805</b>		12,524
			<b>111,928</b>		88,656

Notes:

**(a) Government grants**

Government grants have been received from local government authorities as subsidies to the Group. In the opinion of management, there were no unfulfilled conditions or contingencies relating to these grants.

				For the six months ended 30 June	
				2023	2022
				RMB'000	RMB'000
				(Unaudited)	(Unaudited)
Government special subsidies			57,583		48,348

- (b)** According to the Announcement of the Ministry of Finance and the State Administration of Taxation on Clarifying the Policies of Reducing and Exempting Value-added Tax and Other Policies for Small-scale Taxpayers of Value-added Tax (Announcement of the Ministry of Finance and the State Administration of Taxation No. 1 of 2023), the policy of VAT super-credit shall continue to apply until 31 December 2023.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

### 7. PROFIT BEFORE TAX

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

				For the six months ended 30 June	
				2023	2022
				RMB'000	RMB'000
				(Unaudited)	(Unaudited)
	Notes				
Cost of sales of equipment, materials and moulds			142,595	132,376	
Cost of re-rent fee	12(c)		193,211	31,983	
Logistics and lifting costs			416,124	320,837	
Maintenance and consumable materials costs			325,442	277,991	
Depreciation of property, plant and equipment (a)	11		1,147,676	1,055,215	
Depreciation of right-of-use assets	12(a)		32,467	33,278	
Amortisation of intangible assets	13		405	407	
Rental expenses	12(c)		22,206	13,530	
Auditor's remuneration			825	302	
Employee benefit expense (including directors' and chief executive's remuneration)					
Wages and salaries			457,341	490,746	
Pension scheme contributions			43,022	37,569	
Other employee benefits			66,823	54,241	
Labour subcontracting costs			75,421	93,907	
ECLs on financial and contract assets:					
ECLs on trade receivables	16		81,901	45,662	
ECLs on contract assets	18		7,983	12,856	
ECLs on financial assets included in prepayments, other receivables and other assets	17		3,877	18,465	
ECLs on debt investments at fair value through other comprehensive income	19		73,654	3,370	

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

30 June 2023

**7. PROFIT BEFORE TAX (continued)**

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Notes	(Unaudited)	(Unaudited)
Research and development expenses:		
Current period expenditure	<b>112,883</b>	107,684
Transportation expenses	<b>43,032</b>	38,883
Business travelling expenses	<b>32,843</b>	10,019
Exchange loss	<b>22,666</b>	77,030
Information expenses	<b>17,223</b>	10,212
Office expenses	<b>13,881</b>	2,956
Listing expenses	<b>12,567</b>	5,483
Entertainment expenses	<b>10,107</b>	3,821
Property management services expenses	<b>7,973</b>	6,949
Consultancy fees	<b>8,206</b>	61
Commission expenses (b)	<b>7,135</b>	10,832
Advertising and promotional expenses	<b>1,732</b>	642
Loss on scrapped and physical items of property, plant and equipment	<b>249</b>	1,399
Taxes and surcharges	<b>18,941</b>	15,177
Others	<b>125,168</b>	60,166

(a) The depreciation of property, plant and equipment amounting to RMB1,110,457,000 for the six months ended 30 June 2023 is included in cost of sales (30 June 2022: RMB1,017,793,000).

(b) Commission expenses consisted of bank commission fees and handling fees.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

### 8. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on interest-bearing bank and other borrowings	452,625	433,152
Interest on lease liabilities (note 12(b))	1,999	1,705
	454,624	434,857

### 9. INCOME TAX

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Current – Mainland China		
Charge for the period	120,145	118,359
Deferred tax (note 14)	(19,590)	(32,554)
Total tax charge for the period	100,555	85,805

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands, the Company and the Group's subsidiaries incorporated in the Cayman Islands are not subject to any income tax. The Group's subsidiary incorporated in Hong Kong is not liable for income tax as it did not have any taxable profits arising in Hong Kong during the period.

The provision for Mainland China current income tax was based on a statutory rate of 25% of the taxable profits for the period as determined in accordance with the PRC Income Tax Law and the respective regulations.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

### 9. INCOME TAX (continued)

Subsidiaries of the Group operating in Mainland China were subject to the PRC corporate income tax with a tax rate of 25% for the period except for the following subsidiaries:

Company name	Corporate income tax rate
Shanghai Horizon Equipment & Engineering Co., Ltd.	15%
Guangzhou Hongtu Equipment & Engineering Co., Ltd.	15%

Shanghai Horizon Equipment & Engineering Co., Ltd. and Guangzhou Hongtu Equipment & Engineering Co., Ltd. were accredited as High and New-technology Enterprises (the "HNTE") in 2015 and 2020 and were entitled to a preferential PRC Corporate Income Tax rate of 15% thereafter. The HNTE certificates need to be renewed every three years so as to enable Shanghai Horizon Equipment & Engineering Co., Ltd. and Guangzhou Hongtu Equipment & Engineering Co., Ltd. to enjoy the reduced tax rate of 15%. Shanghai Horizon Equipment & Engineering Co., Ltd. was entitled to a tax rate of 15% in the period and will continue to enjoy the tax rate of 15% till 2023. Guangzhou Hongtu Equipment & Engineering Co., Ltd. was entitled to a tax rate of 15% from 2020 to 2022 and was still in the process of renewing the HNTE certificate for another three years from 2023 to 2025 as of 30 June 2023. 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.

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

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Profit before tax	337,696	244,919
Tax at the 25% income tax rate	84,424	61,230
Effects of different tax rates applicable to different subsidiaries of the Group	20,364	30,426
Effects of preferential tax benefits to subsidiaries incorporated in the Mainland of China	(26,802)	(11,802)
Expenses not deductible for tax	4,178	1,158
Adjustment on current income tax in respect of prior years	15,301	(1,980)
Utilisation of previously unrecognised tax losses and temporary differences	(35)	–
Unrecognised tax losses and temporary differences	3,125	6,773
Tax charge at the Group's effective rate	100,555	85,805

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

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

The calculation of the basic earnings per share for the six months ended 30 June 2023 is based on the consolidated profit for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 2,893,332,333 in issue during the period (30 June 2022: 2,832,550,000).

The calculation of the diluted earnings per share for the six months ended 30 June 2023 is based on the consolidated profit for the period attributable to ordinary equity holders of the parent, adjusted to reflect the effects as if the dilutive potential ordinary shares do not exist at the beginning of the period. 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 assumed to have been issued at no consideration on the deemed conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	237,141	159,114

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	2,893,332,333	2,832,550,000

Because the diluted earnings per share amount is increased when taking the interest expense and the put options of the borrowings on ordinary shares with a redemption obligation into account, the redemption obligation had an anti-dilutive effect on the basic earnings per share for the period and were ignored in the calculation of diluted earnings per share. Therefore, the diluted earnings per share amounts are calculated using the same earnings amount and the number of weighted average shares as the basic earnings per share.



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

### 11. PROPERTY, PLANT AND EQUIPMENT

As at 30 June 2023

	Buildings	Leasehold improvements	Equipment, materials and moulds for leasing and services	Equipment, materials and moulds for own use	Office and other equipment	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 January 2023:							
Cost	719,692	80,979	24,156,638	78,282	63,261	63,065	25,161,917
Accumulated depreciation and impairment	(141,055)	(52,555)	(5,756,210)	(34,482)	(36,915)	(38,310)	(6,059,527)
Net carrying amount	578,637	28,424	18,400,428	43,800	26,346	24,755	19,102,390
At 1 January 2023, net of accumulated depreciation and impairment	578,637	28,424	18,400,428	43,800	26,346	24,755	19,102,390
Additions	737	2,952	929,484	6,325	1,306	18	940,822
Disposals	-	-	(267,667)	(188)	(551)	(567)	(268,973)
Depreciation provided during the period	(17,469)	(9,784)	(1,101,306)	(6,658)	(5,958)	(6,501)	(1,147,676)
At 30 June 2023, net of accumulated depreciation and impairment	561,905	21,592	17,960,939	43,279	21,143	17,705	18,626,563
At 30 June 2023:							
Cost	720,428	83,932	24,395,256	84,405	63,757	61,324	25,409,102
Accumulated depreciation and impairment	(158,523)	(62,340)	(6,434,317)	(41,126)	(42,614)	(43,619)	(6,782,539)
Net carrying amount	561,905	21,592	17,960,939	43,279	21,143	17,705	18,626,563

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

### 11. PROPERTY, PLANT AND EQUIPMENT (continued)

As at 31 December 2022

	Buildings	Leasehold improvements	Equipment, materials and moulds for leasing and services	Equipment, materials and moulds for own use	Office and other equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
At 1 January 2022:								
Cost	719,284	60,000	21,374,014	64,680	57,874	72,705	676	22,349,233
Accumulated depreciation and impairment	(105,594)	(33,699)	(3,851,635)	(25,252)	(26,111)	(28,879)	–	(4,071,170)
Net carrying amount	613,690	26,301	17,522,379	39,428	31,763	43,826	676	18,278,063
At 1 January 2022, net of accumulated depreciation and impairment	613,690	26,301	17,522,379	39,428	31,763	43,826	676	18,278,063
Additions	27	20,979	3,164,519	14,922	7,812	10,962	1,170	3,220,391
Disposals	–	–	(184,750)	(479)	(222)	(14,221)	(1,465)	(201,137)
Depreciation provided during the period	(35,461)	(18,856)	(2,101,720)	(10,071)	(13,007)	(15,812)	–	(2,194,927)
Transfer from construction in progress	381	–	–	–	–	–	(381)	–
At 31 December 2022, net of accumulated depreciation and impairment	578,637	28,424	18,400,428	43,800	26,346	24,755	–	19,102,390
At 31 December 2022:								
Cost	719,692	80,979	24,156,638	78,282	63,261	63,065	–	25,161,917
Accumulated depreciation and impairment	(141,055)	(52,555)	(5,756,210)	(34,482)	(36,915)	(38,310)	–	(6,059,527)
Net carrying amount	578,637	28,424	18,400,428	43,800	26,346	24,755	–	19,102,390

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

### 11. PROPERTY, PLANT AND EQUIPMENT (continued)

Certain of the Group's property, plant and equipment with a net carrying amount of RMB7,493,250,000 as at 30 June 2023 were pledged to secure other borrowings granted to the Group (31 December 2022: RMB6,837,583,000).

Movements in provision for impairment of property, plant and equipment in the period are as follows:

As at 30 June 2023

	Equipment, materials and moulds for leasing and services
	RMB'000
	(Unaudited)
At 1 January 2023:	<b>153,494</b>
Disposals	<b>(20,638)</b>
At 30 June 2023	<b>132,856</b>

As at 31 December 2022

	Equipment, materials and moulds for leasing and services
	RMB'000
	(Audited)
At 1 January 2022:	155,609
Disposals	(2,115)
At 31 December 2022	153,494

Measurement basis and major assumptions for determining the recoverable amount of the above asset groups are as follows:

The recoverable amount is determined based on the higher of the net amount of fair value of the cash-generating unit ("CGU") less costs to sell and the present value of the estimated future cash flows of the CGUs ("VIU").

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

### 12. LEASES

#### The Group as a lessee

The Group has lease contracts for various items of land, offices and equipment materials and moulds used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 40 to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of offices generally have lease terms between 1 and 5 years, while equipment generally has a 5 year lease term or of 12 months or less and/or is individually of low value.

#### (a) Right-of-use assets

The carrying amounts of right-of-use assets and the movements during the period are as follows:

As at 30 June 2023

	Leasehold land	Offices	Equipment, materials and moulds	Total
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
As at 1 January 2023	186,103	149,119	–	335,222
Additions	–	47,792	83,167	130,959
Depreciation charge	(2,353)	(27,342)	(2,772)	(32,467)
Disposal	–	(56,263)	–	(56,263)
As at 30 June 2023	183,750	113,306	80,395	377,451

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

### 12. LEASES (continued)

#### The Group as a lessee (continued)

##### (a) Right-of-use assets (continued)

As at 31 December 2022

	Leasehold land	Offices	Total
	RMB'000	RMB'000	RMB'000
	(Audited)	(Audited)	(Audited)
As at 1 January 2022	190,808	130,406	321,214
Additions	–	119,177	119,177
Depreciation charge	(4,705)	(72,995)	(77,700)
Disposal	–	(27,469)	(27,469)
As at 31 December 2022	186,103	149,119	335,222

As at 30 June 2023 and 31 December 2022, the Group has obtained all the land use right certificates.

At the end of the reporting period, no leasehold land of the Group was pledged as security for the Group's bank borrowings.

##### (b) Lease liabilities:

The carrying amounts of lease liabilities and the movements during the period are as follows:

	30 June 2023	31 December 2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Carrying amount at beginning of period	131,259	126,288
New leases	130,959	119,177
Accretion of interest recognised during the period (note 8)	1,999	4,459
Payments	(41,539)	(94,133)
Disposal	(57,954)	(24,532)
Carrying amount at end of period	164,724	131,259
Analysed into:		
Current portion	60,659	59,927
Non-current portion	104,065	71,332

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

### 12. LEASES (continued)

#### The Group as a lessee (continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on lease liabilities (note 8)	1,999	1,705
Depreciation charge on right-of-use assets (note 7)	32,467	33,278
Rental expenses (note 7)	22,206	13,530
Cost of re-rent fee (note 7)	193,211	31,983
Total amount recognised in profit or loss	249,883	80,496

The total cash outflow for leases is disclosed in note 28 to the interim condensed consolidated financial information.

#### The Group as a lessor

The Group mainly leases its equipment, materials and moulds in Mainland China under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group amounted to RMB2,806,241,000 for the period ended 30 June 2023 (30 June 2022: RMB2,342,052,000), details of which are included in note 5 to the interim condensed consolidated financial information.

At the end of the reporting period, the undiscounted lease payments receivable by the Group in the future period under non-cancellable operating leases with its tenants are as follows:

	30 June 2023	31 December 2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within one year	2,980,184	4,361,282
After one year but within two years	372,832	535,532
After two years but within three years	9,300	17,292
	3,362,316	4,914,106

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

30 June 2023

**13. OTHER INTANGIBLE ASSETS**

	<b>30 June 2023</b>	31 December 2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Software		
At beginning of period:		
Cost	<b>8,209</b>	8,209
Accumulated amortisation	<b>(4,412)</b>	(3,598)
Net carrying amount	<b>3,797</b>	4,611
Carrying amount at beginning of period:	<b>3,797</b>	4,611
Additions	–	–
Amortisation provided during the period	<b>(405)</b>	(814)
Carrying amount at end of period	<b>3,392</b>	3,797
At end of period:		
Cost	<b>8,209</b>	8,209
Accumulated amortisation	<b>(4,817)</b>	(4,412)
Net carrying amount	<b>3,392</b>	3,797

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

### 14. DEFERRED TAX

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

#### Deferred tax assets As at 30 June 2023

	Government special subsidy	Provision for impairment losses	Salaries and benefits payable	Deductible tax loss	Accrued interest expenses	Deferred tax asset arising from lease contracts	Deferred tax asset arising from interest rate swap	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 31 December 2022 (Audited)	1,505	221,757	35,888	-	70,469	-	-	3,462	333,081
Effect of adoption of amendments to HKAS12 (note 3(c))	-	-	-	-	-	20,240	-	-	20,240
1 January 2023	1,505	221,757	35,888	-	70,469	20,240	-	3,462	353,321
Deferred tax credited/(charged) to profit or loss during the period (note 9)	-	20,444	(12,953)	45,711	(26,046)	9,919	-	(920)	36,155
Deferred tax credited to other comprehensive income during the period	-	-	-	-	-	-	342	-	342
Gross deferred tax assets at 30 June 2023	1,505	242,201	22,935	45,711	44,423	30,159	342	2,542	389,818

As at 31 December 2022

	Government special subsidy	Provision for impairment losses	Salaries and benefits payable	Accrued interest expenses	Deferred tax asset arising from lease contracts	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
At 31 December 2021 (Audited)	1,505	205,378	54,019	-	-	2,957	263,859
Effect of adoption of amendments to HKAS 12 (note 3(c))	-	-	-	-	18,321	-	18,321
1 January 2022 (Restated)	1,505	205,378	54,019	-	18,321	2,957	282,180
Deferred tax credited/(charged) to profit or loss during the period (note 9) (Restated)	-	16,379	(18,131)	70,469	1,919	505	71,141
Gross deferred tax assets at 31 December 2022 (Restated)	1,505	221,757	35,888	70,469	20,240	3,462	353,321



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

### 14. DEFERRED TAX (continued)

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

#### Deferred tax liabilities

As at 30 June 2023

	Deferred tax liability arising from lease contracts	Deferred tax liability arising from cross-currency interest rate swap	Deferred tax liability arising from additional tax deduction for fixed assets of high-tech enterprises	Total
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 31 December 2022 (Audited)	–	357	–	357
Effect of adoption of amendments to HKAS 12 (note 3(c))	23,283	–	–	23,283
Gross deferred tax liabilities at 1 January 2023	23,283	357	–	23,640
Deferred tax charged to profit or loss during the period (note 9)	12,232	1,541	2,792	16,565
Gross deferred tax liabilities at 30 June 2023	35,515	1,898	2,792	40,205

As at 31 December 2022

	Deferred tax liability arising from lease contracts	Deferred tax liability arising from cross-currency interest rate swap	Total
	RMB'000	RMB'000	RMB'000
	(Audited)	(Audited)	(Audited)
At 31 December 2021 (Audited)	–	–	–
Effect of adoption of amendments to HKAS 12 (note 3(c))	19,137	–	19,137
Gross deferred tax liabilities at 1 January 2022 (Restated)	19,137	–	19,137
Deferred tax charged to profit or loss during the period (note 9) (Restated)	4,146	357	4,503
Gross deferred tax liabilities at 31 December 2022 (Restated)	23,283	357	23,640

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

### 14. DEFERRED TAX (continued)

The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	30 June 2023	31 December 2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
		(Restated)
Net deferred tax assets recognised in the consolidated statement of financial position	<b>349,613</b>	329,681

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

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

At 30 June 2023, no deferred tax liability has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Company and the Group's subsidiaries established in Mainland China. In the opinion of the directors of the Company, the Group's fund will be retained in Mainland China for the expansion of the Group's operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. As at 30 June 2023, the aggregate amounts of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised were approximately RMB253,549,000 (31 December 2022: RMB232,252,000).

Tax losses arising in Mainland China will expire in five years for offsetting against future taxable profits. As at 30 June 2023, the Group had tax losses of RMB124,710,000 that will expire in one to five years (31 December 2022: RMB144,540,000). Tax losses arising in locations other than Mainland China will be available indefinitely for offsetting against future taxable profits. As at 30 June 2023, the Group had tax losses of RMB5,333,000 with no expiry date (31 December 2022: RMB1,881,000). Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

### 15. INVENTORIES

	<b>30 June 2023</b>	31 December 2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Raw materials	<b>143,458</b>	84,697
Work in progress	<b>34,870</b>	18,799
Finished goods	<b>3,893</b>	82,721
	<b>182,221</b>	186,217

At the end of the reporting period, no inventories of the Group were pledged as security for the Group's bank borrowings.

### 16. TRADE RECEIVABLES

	<b>30 June 2023</b>	31 December 2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade receivables	<b>6,158,365</b>	5,387,345
ECLs	<b>(982,256)</b>	(900,355)
	<b>5,176,109</b>	4,486,990

Trade receivables mainly represent rentals and services receivables from tenants and engineering services. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified individual customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

### 16. TRADE RECEIVABLES (continued)

An ageing analysis of the trade receivables as at the end of the reporting period, based on the billing date and net of loss allowance, is as follows:

	30 June 2023	31 December 2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 6 months	2,755,504	3,362,705
6 months to 1 year	1,608,842	516,793
1 to 2 years	646,847	454,728
2 to 3 years	111,638	79,021
Over 3 years	53,278	73,743
	<b>5,176,109</b>	4,486,990

The movements in the credit loss for trade receivables are as follows:

	30 June 2023	31 December 2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
At beginning of period	900,355	835,107
ECLs (note 7)	81,901	65,248
At end of period	<b>982,256</b>	900,355

A credit loss analysis was performed at the end of the reporting period using the simplified approach. Under the simplified approach, the Group did not track changes in credit risk, but instead recognised a credit loss based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

### 16. TRADE RECEIVABLES (continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 30 June 2023

	Ageing					
	Less than 6 months	6 months to 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Gross carrying amount (RMB'000)	3,115,528	1,848,100	923,238	169,195	102,304	6,158,365
ECLs (RMB'000)	360,024	239,258	276,391	57,557	49,026	982,256
ECLs rate	11.56%	12.95%	29.94%	34.02%	47.92%	15.95%

As at 31 December 2022

	Ageing					
	Less than 6 months	6 months to 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
Gross carrying amount (RMB'000)	3,836,536	617,821	664,177	126,479	142,332	5,387,345
ECLs (RMB'000)	473,831	101,028	209,449	47,458	68,589	900,355
ECLs rate	12.35%	16.35%	31.54%	37.52%	48.19%	16.71%

At the end of the reporting period, no trade receivables of the Group were pledged as security for the Group's bank borrowings.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

### 17. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2023	31 December 2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
<b>Current</b>		
Prepayments	233,434	304,500
Deposits*	502,846	337,415
Due from related parties (note 32(c))	1,059	159
Other receivables	76,366	90,193
Tax recoverable	1,168,317	1,400,331
	<b>1,982,022</b>	2,132,598
ECLs	(32,693)	(28,779)
	<b>1,949,329</b>	2,103,819
<b>Non-current</b>		
Deposits	84,000	144,000
Others	39,272	31,079
	<b>123,272</b>	175,079
ECLs	(62)	(99)
	<b>123,210</b>	174,980
	<b>2,072,539</b>	2,278,799

\* As at the end of the reporting period, current deposits of RMB91,131,000 was pledged for other borrowings granted to the Group (31 December 2022: nil).

A credit loss analysis was performed at the end of the reporting period by considering the probability of default of comparable companies with published credit ratings. At the end of the reporting period, the ECLs of the financial assets included in prepayments, other receivables and other assets were measured based on the 12-month ECLs if they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, they were measured based on the lifetime ECLs.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

### 17. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (continued)

Movements in the credit loss for amounts due from related parties, other receivables, and rental and project deposits are as follows:

	30 June 2023	31 December 2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
At beginning of period	28,878	16,045
ECLs (note 7)	3,877	12,833
At end of period	32,755	28,878

### 18. CONTRACT ASSETS

	30 June 2023	31 December 2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Contract assets arising from:		
Construction and related services	420,158	335,104
ECLs	(38,792)	(30,809)
	381,366	304,295

Contract assets are initially recognised for revenue earned from construction and related services as the receipt of consideration depends on the milestone achieved and accepted by the customer. Included in contract assets for construction and related services are retention receivables. Upon completion of installation or construction and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. The increase in contract assets during the period was the result of the increase in construction and related services provided at the end of the reporting period.

The Group's credit policy with customers is disclosed in note 16 to the interim condensed consolidated financial information.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

### 18. CONTRACT ASSETS (continued)

The expected timing of recovery or settlement for contract assets as at the end of the reporting period are as follows:

	30 June 2023	31 December 2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within one year	315,215	263,583
1 to 2 years	66,151	40,712
	<b>381,366</b>	304,295

The movements in the credit losses for contract assets are as follows:

	30 June 2023	31 December 2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
At beginning of period	30,809	31,033
ECLs (note 7)	7,983	(224)
At end of period	<b>38,792</b>	30,809

A credit loss analysis was performed at the end of the reporting period using the simplified approach. Under the simplified approach, the Group did not track changes in credit risk, but instead recognised a credit loss based on lifetime ECLs at the end of the reporting period. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The provision rates for the measurement of the ECLs of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases.



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

### 18. CONTRACT ASSETS (continued)

Set out below is the information about the credit risk exposure on the Group's contract assets using a provision matrix:

	30 June 2023	31 December 2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Gross carrying amount	420,158	335,104
ECLs	38,792	30,809
ECLs rate	9.23%	9.19%

### 19. DEBT INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2023	31 December 2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Measured at fair values:		
Notes receivable	1,135,733	1,104,511
ECLs	(141,810)	(68,156)
	993,923	1,036,355

The above debt investments were classified as financial assets at fair value through other comprehensive income as the business model for the notes receivable was for both collecting contractual cash flows and discounting.

As at 30 June 2023, no notes receivable were pledged for other borrowings (31 December 2022: nil).

A credit loss analysis was performed at the end of the reporting period by considering the probability of default of comparable companies with published credit ratings. At the end of the reporting period, the ECLs of the notes receivable were measured based on the 12-month ECLs if they were not past due and if there was no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, they were measured based on the lifetime ECLs.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

### 19. DEBT INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

Movements in the credit losses for debt investments at fair value through other comprehensive income are as follows:

	30 June 2023	31 December 2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
At beginning of period	68,156	35,899
ECLs (note 7)	73,654	32,257
At end of period	141,810	68,156

Transferred financial assets that are not derecognised in their entirety:

During the period, the Group endorsed certain bills receivable accepted by banks in Mainland China to certain of its suppliers in order to settle the trade payables due to such suppliers (the "Endorsement"). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such endorsed bills, and accordingly, it continued to recognise the full carrying amounts of the endorsed bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the endorsed bills, including the sale, transfer or pledge of the endorsed bills to any other third parties. The incurred amount of the trade payables settled by the endorsed bills for the six months ended 30 June 2023 was RMB141,212,000 (30 June 2022: RMB17,687,000).

During the period, the Group discounted certain bills receivable to banks in exchange for cash (the "Discounted Bills"). The incurred amount of the bills receivable for the six months ended 30 June 2023 was RMB28,583,000 (30 June 2022: RMB60,477,000). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Discounted Bills, and accordingly, it continued to recognise the full carrying amount of the Discounted Bills and the associated interest-bearing bank borrowings.

Transferred financial assets that are derecognised in their entirety:

During the period, the Group endorsed/discounted certain bills receivable accepted by banks in Mainland China to certain of its suppliers or in exchange for cash (the "Derecognised Bills"). The incurred amount of the bills receivable for the six months ended 30 June 2023 was RMB126,377,000 (30 June 2022: RMB120,613,000). In the opinion of the directors, the Group had transferred substantially all risk and rewards relating to the Derecognised Bills. Accordingly, it had derecognised the full carrying amount of the Derecognised Bills. The maximum exposure to loss from the Group's continuing involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's continuing involvement in the Derecognised Bills are not significant.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

### 20. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK BALANCES

	<b>30 June 2023</b>	31 December 2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Cash and bank balances	<b>2,425,958</b>	2,222,269
Less: Pledged deposits	<b>(61,918)</b>	(62,944)
Cash and cash equivalents	<b>2,364,040</b>	2,159,325

As at the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB2,404,556,000 (31 December 2022: RMB2,169,289,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

As at the end of the reporting period, cash at banks of RMB61,918,000 was pledged for bank acceptances, letters of credit and others (31 December 2022: RMB62,944,000).

As at the end of the reporting period, cash at banks of RMB91,000 was deposited with Sinochem Finance Co., Ltd., a subsidiary of a group which has significant influence over the Group (31 December 2022: RMB2,259,000) (note 32(c)).

### 21. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the receipt date, is as follows:

	<b>30 June 2023</b>	31 December 2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 1 year	<b>1,198,697</b>	1,002,327
1 to 2 years	<b>60,299</b>	84,800
2 to 3 years	<b>8,874</b>	9,751
Over 3 years	<b>10,098</b>	12,916
	<b>1,277,968</b>	1,109,794

The trade and bills payables are non-interest-bearing.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

### 22. OTHER PAYABLES AND ACCRUALS

		30 June 2023	31 December 2022
		RMB'000	RMB'000
	Notes	(Unaudited)	(Audited)
<b>Current</b>			
Lease deposits		23,230	23,454
Salary and welfare payables		144,493	214,118
Advances from customers		276,893	251,934
Contract liabilities	(a)	71,179	47,047
Other taxes payable		71,112	85,005
Interest payable		62,033	65,775
Other payables	(b)	34,626	49,452
Due to related parties (note 32(c))		–	23
		<b>683,566</b>	736,808
<b>Non-current</b>			
Lease deposits		25,153	71,259
Provisions		10,166	13,848
Interest payable		–	181,159
		<b>35,319</b>	266,266
		<b>718,885</b>	1,003,074

Notes:

(a) Details of contract liabilities are as follows:

	30 June 2023	31 December 2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Short-term advances received from customers		
Sale of goods	37,553	25,070
Engineering and technical services	33,626	21,977
Total contract liabilities	<b>71,179</b>	47,047

Contract liabilities include short-term advances received to deliver goods and engineering and technical services. The change in contract liabilities in the period was mainly due to the change in short-term advances received from customers in relation to the delivery of goods and provision of engineering and technical services at the end of the reporting period.

(b) Other payables are non-interest-bearing and repayable on demand.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

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

	30 June 2023			31 December 2022		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
			(Unaudited)			(Audited)
<b>Current</b>						
Bank borrowings – unsecured (c)	3.90-4.35	2023	307,000	3.50-4.35	2023	435,350
Current portion of long-term bank borrowings – unsecured	1.30-4.98	2023-2024	4,065,357	1.30-4.98	2023	3,051,294
Other borrowings – unsecured	1.88-3.71	2023-2024	288,145	0.49-2.57	2023	37,571
Other borrowings – secured (a)	2.77-5.75	2023-2024	2,591,553	2.97-5.75	2023	2,619,203
			7,252,055			6,143,418
<b>Non-current</b>						
Bank borrowings – unsecured	3.05-4.90	2024-2028	7,300,408	1.30-4.98	2024-2028	9,526,017
Other borrowings on ordinary shares with a redemption obligation (d)	–	–	–	8.00	2024	1,427,118
Other borrowings – secured (a)	3.03-5.37	2024-2029	3,734,133	2.97-5.68	2024-2029	4,115,561
			11,034,541			15,068,696
			18,286,596			21,212,114

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

### 23. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

Analysed into:

	30 June 2023	31 December 2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Bank borrowings repayable:		
Within one year	4,372,357	3,486,644
In the second year	3,402,497	4,614,216
In the third to fifth years, inclusive	3,896,038	4,907,628
Beyond five years	1,873	4,173
	<b>11,672,765</b>	13,012,661
Other borrowings repayable:		
Within one year	2,879,698	2,656,774
In the second year	1,398,569	3,137,285
In the third to fifth years, inclusive	2,105,971	2,222,440
Beyond five years	229,593	182,954
	<b>6,613,831</b>	8,199,453
	<b>18,286,596</b>	21,212,114

Notes:

- (a) As at 30 June 2023, the Group's other borrowings include financial liabilities recognised in accordance with certain of leaseback transaction arrangements of the Group, which amounted to RMB6,234,555,000, and were secured by the Group's property, plant and equipment (31 December 2022: RMB6,734,104,000). In addition, RMB91,131,000 the Group's other borrowings were secured by deposits at 30 June 2023 (31 December 2022: RMB660,000).
- (b) As at 30 June 2023, none of the Group's bank borrowings were guaranteed by the companies controlled by the Controlling Shareholder (31 December 2022: nil).
- (c) As at 30 June 2023, bank borrowings of RMB13,627,000 arose from supplier financing arrangements (31 December 2022: RMB84,649,000).

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

### 23. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

- (d) Other borrowings on ordinary shares with a redemption obligation:

Redemption right:

Pursuant to the Share Purchase Agreement signed by and among the pre-IPO investors of the Group on 16 April 2021, shares shall be redeemed by the Company upon the occurrence of certain contingent events which cannot be controlled by the Company including a public offering of the Company on the Stock Exchange or another recognised international securities exchange not being completed within 36 months. The price of investors' shares to be redeemed shall be an amount that would give holders a fixed rate of 8% per annum for its investment in the Company plus all accrued but unpaid dividends.

Presentation and classification:

The redemption obligation gives rise to financial liabilities, which are measured at net present value of the redemption amount. These investors subscribed for an aggregate of 6,651 shares of the Company at a total consideration of USD204,910,000, initially equivalent to RMB1,326,185,000, with certain conditional terms. On 25 May 2023, the ordinary shares of the Company were listed on the Stock Exchange, the redemption obligation was terminated and the carrying amount of other borrowings of RMB1,676,276,000 was classified to capital reserve (note 27).

- (e) All bank and other borrowings are denominated in RMB at the end of the reporting period, except for other borrowings on ordinary shares with a redemption obligation of RMB1,427,118,000 equivalent as at 31 December 2022 and bank borrowings of RMB181,069,000 equivalent as at 30 June 2023, which are denominated in United States dollars (31 December 2022: RMB185,432,000).

### 24. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2023		31 December 2022	
	Asset	Liability	Asset	Liability
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
Cross-currency interest rate swap	12,650	–	2,379	–
Interest rate swap	–	(2,277)	–	(2,257)
	12,650	(2,277)	2,379	(2,257)
Portion classified as non-current:				
Cross-currency interest rate swap	–	–	2,379	–
Interest rate swap	–	(2,277)	–	(2,257)
Current portion:				
Cross-currency interest rate swap	12,650	–	–	–
Total	12,650	(2,277)	2,379	(2,257)

As at 30 June 2023, the Group held one cross-currency interest rate swap with Ping An Bank (31 December 2022: one cross-currency interest rate swap). The contract was not designated in hedge relationships, but was, nevertheless, intended to reduce the level of foreign currency exchange risks for the borrowings denominated in USD. Changes in the fair value of the non-hedging interest rate swap amounting to RMB10,271,000 were charged to profit or loss during the six months ended 30 June 2023 (30 June 2022: RMB3,948,000).

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

### 24. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

As at 30 June 2023, the Group held one interest rate swap with China Construction Bank (31 December 2022: one interest rate swap). The contract was designated in hedge relationships, intended to reduce the risk of cash flow changes due to interest rate risk related to the borrowings denominated in RMB. Loss in the fair value of the hedging interest rate swap amounting to RMB20,000 was charged to other comprehensive income during the six months ended 30 June 2023 (30 June 2022: nil).

#### Cash flow hedge under HKFRS 9

There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign exchange forward and swap contracts match the terms of the expected highly probable forecast transactions and the secured bank loans (i.e., notional amounts and expected payment dates). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risks of the foreign exchange forward and swap contracts are identical to the hedged components. To measure the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

Hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the forecasted sales and purchases and the hedging instruments
- Different interest rate curves applied to discount the hedged items and hedging instruments
- The counterparties' credit risks differently impacting the fair value movements of the hedging instruments and hedged items
- Changes to the forecasted amounts of cash flows of hedged items and hedging instruments



**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

30 June 2023

**24. DERIVATIVE FINANCIAL INSTRUMENTS (continued)****Cash flow hedge under HKFRS 9 (continued)**

The Group holds the following interest rate swap:

As at 30 June 2023

	Maturity					Total
	Less than 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 3 years	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
Interest rate swap – Notional amount (in RMB'000)	-	-	-	-	267,270	267,270
Hedge rate	1	1	1	1	1	-

As at 31 December 2022

	Maturity					Total
	Less than 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 3 years	
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	
Interest rate swap – Notional amount (in RMB'000)	-	-	-	-	267,522	267,522
Hedge rate	1	1	1	1	1	-

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

### 24. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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

The impacts of the hedging instruments on the statement of financial position are as follows:

As at 30 June 2023

	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
	(Unaudited)	(Unaudited)		(Unaudited)
Interest rate swap – Notional amount	267,270	(2,277)	Derivative financial instruments (liabilities)	(20)

As at 31 December 2022

	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
	(Audited)	(Audited)		(Audited)
Interest rate swap – Notional amount	267,522	(2,257)	Derivative financial instruments (liabilities)	(2,257)

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

30 June 2023

**24. DERIVATIVE FINANCIAL INSTRUMENTS (continued)****Cash flow hedge under HKFRS 9 (continued)**

The impacts of the hedged items on the statement of financial position are as follows:

As at 30 June 2023

	Change in fair value used for measuring hedge ineffectiveness for the period	Cash flow hedge reserve
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest rate swap	(20)	(2,277)

As at 31 December 2022

	Change in fair value used for measuring hedge ineffectiveness for the year	Cash flow hedge reserve
	RMB'000	RMB'000
	(Audited)	(Audited)
Interest rate swap	(2,257)	(2,257)

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

### 24. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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

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

As at 30 June 2023

	Total hedging loss recognised in other comprehensive income			Hedge ineffectiveness recognised in profit or loss	Line item in the statement of profit or loss
	Gross amount	Tax effect	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
Interest rate swap – Notional amount	(20)	342	322	–	N/A
Hedge rate	1	1	1	–	–

As at 31 December 2022

	Total hedging loss recognised in other comprehensive income			Hedge ineffectiveness recognised in profit or loss	Line item in the statement of profit or loss
	Gross amount	Tax effect	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	
	(Audited)	(Audited)	(Audited)	(Audited)	
Interest rate swap – Notional amount	(2,257)	–	(2,257)	–	N/A
Hedge rate	1	1	1	–	–

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

### 25. DEFERRED REVENUE

	<b>30 June 2023</b>	31 December 2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
At beginning of period	<b>16,684</b>	17,270
Amortised to profit or loss	<b>(1,171)</b>	(586)
At end of period	<b>15,513</b>	16,684

### 26. SHARE CAPITAL

Shares	<b>30 June 2023</b>	31 December 2022
	(Unaudited)	(Audited)
<b>Authorised</b>		
5,000,000,000 shares of a par value of USD0.00002 each	<b>100,000</b>	100,000

Shares	<b>30 June 2023</b>	31 December 2022
	(Unaudited)	(Audited)
Issue and paid:		
2,832,550,000 shares of a par value of USD0.00002 each	<b>56,651</b>	56,651
364,694,000 shares of a par value of USD0.00002 each*	<b>7,294</b>	–
	<b>63,945</b>	56,651
Equivalent to RMB	<b>421,000</b>	370,000

\* On 25 May 2023, the ordinary shares of the Company were listed on the Stock Exchange, and in connection with the Company's listing, 364,694,000 ordinary shares of the Company were issued through global offering to public and international investors at the offer price of HKD4.52 per share for aggregate cash proceeds before expenses of HKD1,648,417,000 (equivalent to RMB1,488,329,000).

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

### 27. RESERVES

The amounts of the Group's reserves and the movements therein for the six months ended 30 June 2022 and 2023 are presented in the consolidated statements of changes in equity.

#### (a) Share premium

The share premium represents the difference between the par value of the shares issued and the consideration received.

#### (b) Merger reserve

The merger reserve of the Group represents the difference between the changes of the contribution from the then holding company before the completion of the Reorganisation and the consideration paid by the Group for the business combination under common control.

#### (c) Capital reserve

##### (1) Ordinary shares with a redemption obligation

Pursuant to the Share Purchase Agreement signed by and among the pre-IPO investors of the Group on 16 April 2021, an aggregate of 6,651 ordinary shares with a redemption obligation were issued and allocated to the Pre-IPO investors at a consideration of USD204,910,000 (equivalent to RMB1,326,185,000) (note 23(d)). On 25 May 2023, the ordinary shares of the Company were listed on the Stock Exchange, the redemption obligation with a carrying amount of RMB1,676,276,000 (including principal of RMB1,445,212,000 and interest of RMB231,064,000) was classified to capital reserve.

##### (2) Other capital reserve

Other capital reserve represents any difference between the carrying amount of net assets attributable to the non-controlling shareholders and the fair value of the consideration paid.

#### (d) Special reserve

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, a subsidiary, Shanghai Horizon Equipment & Engineering Co., Ltd. set aside funds mainly for construction service activities at prescribed rates. These funds can be used for maintenance and/or improvements of safety of these activities, and are not available for distribution to shareholders. The amounts are generally expenses in nature and charged to profit or loss as incurred, and at the same time, the corresponding amounts of safety reserve fund were utilised and transferred back to retained profits until such special reserve was fully utilised.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

### 27. RESERVES (continued)

#### (e) Statutory surplus reserve

In accordance with the PRC Company Law and the articles of association of the subsidiaries established in the PRC, the subsidiaries are required to appropriate 10% of its profit after tax, as determined under PRC GAAP, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the subsidiaries, the statutory surplus reserve may be used either to offset losses, or to be converted to increase share capital provided that the balance after such conversion is not less than 25% of the registered capital of the Group. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

### 28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

#### (a) Major non-cash transactions

For the period ended 30 June 2023, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB130,959,000, in respect of lease arrangements for offices (30 June 2022: RMB31,544,000).

For the period ended 30 June 2023, the Group had entered into certain supplier financing arrangements with the banks, under such arrangements, the banks as the paying party upon delivery of product by the supplier and the Group will subsequently settle the liability directly with the banks. No cash flow was involved, and no cash flow is presented in the consolidated statement of cash flows. The derecognition of the payables to the bank and other borrowings amounted to RMB13,627,000 (30 June 2022: RMB159,114,000).

For the period ended 30 June 2023, the Group has repaid loans of RMB30,000,000 with deposits (30 June 2022: nil).

For the period ended 30 June 2023, certain accounts receivable of the Group had been settled by several customers through transferring some properties to the Group with an initial recognition amount of RMB3,695,000 (30 June 2022: nil).

For the period ended 30 June 2023, the ordinary shares of the Company were listed on the Stock Exchange, the redemption obligation with a carrying amount of RMB1,676,276,000 (including principal of RMB1,445,212,000 and interest of RMB231,064,000) was classified to capital reserve.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

### 28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

**(b) Changes in liabilities arising from financing activities**

Period ended 30 June 2023

	Interest payable	Bank and other borrowings	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>At 1 January 2023</b>	<b>246,934</b>	<b>21,212,114</b>	<b>131,259</b>	<b>21,590,307</b>
Changes in principal from financing cash flows	–	(1,487,663)	(41,539)	(1,529,202)
Supplier financing arrangements	–	13,627	–	13,627
Repayment of loan with deposits	–	(30,000)	–	(30,000)
Derecognition of redemption obligation	(231,064)	(1,445,212)	–	(1,676,276)
New leases	–	–	130,959	130,959
Disposal	–	–	(57,954)	(57,954)
Foreign exchange movement	3,277	23,730	–	27,007
Interest accrued	452,625	–	1,999	454,624
Interest paid	(409,739)	–	–	(409,739)
<b>At 30 June 2023</b>	<b>62,033</b>	<b>18,286,596</b>	<b>164,724</b>	<b>18,513,353</b>

Period ended 30 June 2022

	Interest payable	Bank and other borrowings	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 January 2022	127,523	17,697,766	126,288	17,951,577
Changes in principal from financing cash flows	–	2,050,722	(48,907)	2,001,815
Supplier financing arrangements	–	159,114	–	159,114
New leases	–	–	31,544	31,544
Disposal	–	–	(24,531)	(24,531)
Foreign exchange movement	–	77,989	–	77,989
Interest accrued	433,152	–	1,705	434,857
Interest paid	(374,980)	–	–	(374,980)
At 30 June 2022	185,695	19,985,591	86,099	20,257,385



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

### 28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

#### (c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Within operating activities	(215,417)	(45,513)
Within financing activities	(41,539)	(48,907)
	(256,956)	(94,420)

### 29. CONTINGENT LIABILITIES

As at 30 June 2023 and 31 December 2022, the Group did not have any material contingent liability, guarantees or any other material litigation or claims outstanding or threatened against the Group that could have a material adverse effect on its business, financial condition or results of operations.

### 30. PLEDGE OF ASSETS

Details of the Group's assets pledged under bank and other borrowings and restricted bank balances are contained in notes 11, 12, 17, 19, 20 and 23 to the interim condensed consolidated financial information.

### 31. COMMITMENTS

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

	30 June 2023	31 December 2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Contracted, but not provided for:		
Purchase of plant and machinery	96,486	69,234

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

### 32. RELATED PARTY TRANSACTIONS

#### (a) Name and relationship

Name of related party	Relationship with the Group
Far East Horizon Limited (遠東宏信有限公司)	Controlling Shareholder
Shanghai Lanjin Stone Decoration Co., Ltd. (上海藍金石材裝飾有限公司)	Company controlled by key management personnel
Shaoxing Shangyu Boteng Metal Products Co., Ltd. (紹興市上虞博騰金屬製品有限公司)	Company controlled by a close family member of key management personnel
Sinochem Finance Co., Ltd. (中化集團財務有限責任公司)	Subsidiary of a group which has significant influence over the Company
Shanghai Jinmao Construction & Decoration Co., Ltd. (上海金茂建築裝飾有限公司)	Subsidiary of a group which has significant influence over the Company
Shanghai Yijia Construction Development Co., Ltd. (上海藝佳建設發展有限公司)	Associate of the Controlling Shareholder

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

### 32. RELATED PARTY TRANSACTIONS (continued)

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

		For the six months ended 30 June	
		2023	2022
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
	Notes		
(1)	Interest income		
	Sinochem Finance Co., Ltd.	1	–
(2)	Decoration fee		
	Shanghai Yijia Construction Development Co., Ltd.	–	5,165
(3)	Purchases of goods		
	Shaoxing Shangyu Boteng Metal Products Co., Ltd.	41,339	20,109
	Shanghai Lanjin Stone Decoration Co., Ltd.	360	–
		41,699	20,109

Notes:

- (i) The interest income was earned at a rate of 0.55% per annum.
- (ii) The decoration fee was determined on an arm's length basis with reference to (a) the status, complexity and construction and decoration raw materials; and (b) the prevailing market rates of comparable construction and decoration services provided by the independent third parties.
- (iii) The transaction prices were determined on an arm's length basis with reference to (a) the specification, model, unit price type and quality of the materials; and (b) the prevailing market rates of similar materials provided by the independent third parties.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

### 32. RELATED PARTY TRANSACTIONS (continued)

(c) Outstanding balances with related parties:

		30 June 2023	31 December 2022
		RMB'000	RMB'000
		(Unaudited)	(Audited)
(1)	Due from related companies		
	Prepayments, other receivables and other assets:		
	Shanghai Yijia Construction Development Co., Ltd.	1,059	–
	Shaoxing Shangyu Boteng Metal Products Co., Ltd.	–	159
		1,059	159
	Trade receivables:		
	Shanghai Jinmao Construction & Decoration Co., Ltd.	28	28
(2)	Due to related companies		
	Other payables:		
	Far East Horizon Limited	–	23
	Trade and bills payables:		
	Shaoxing Shangyu Boteng Metal Products Co., Ltd.	5,910	–
	Shanghai Yijia Construction Development Co., Ltd.	–	922
		5,910	922

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

30 June 2023

**32. RELATED PARTY TRANSACTIONS (continued)****(c) Outstanding balances with related parties: (continued)**

At the end of the reporting period, the balances due from/to related parties were unsecured, interest-free and repayable on demand.

At the end of the reporting period, except for the trade and bills payables to Shaoxing Shangyu Boteng Metal Products Co., Ltd, the balances due from/to related parties were non-trade in nature.

		<b>30 June 2023</b>	31 December 2022
		RMB'000	RMB'000
		(Unaudited)	(Audited)
(3)	Cash and cash equivalents deposited with a related company		
	Sinochem Finance Co., Ltd. (note 20)	<b>91</b>	2,259

**(d) Compensation of key management personnel of the Group:**

		For the six months ended 30 June	
		<b>2023</b>	2022
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
	Short-term employee benefits	<b>3,579</b>	2,832
	Post-employment benefits	<b>151</b>	137
		<b>3,730</b>	2,969

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

### 33. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

As at 30 June 2023

Financial assets	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Hedging instruments not designated in cash flow hedges	Total
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Financial assets included in prepayments, other receivables and other assets	630,457	–	–	630,457
Derivative financial instruments	–	–	12,650	12,650
Trade receivables	5,176,109	–	–	5,176,109
Debt investments at fair value through other comprehensive income	–	993,923	–	993,923
Restricted bank balances	61,918	–	–	61,918
Cash and bank balances	2,364,040	–	–	2,364,040
	8,232,524	993,923	12,650	9,239,097

Financial liabilities	Financial liabilities at amortised cost	Hedging instruments designated in cash flow hedges	Total
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Trade and bills payables	1,277,968	–	1,277,968
Financial liabilities included in other payables and accruals	145,042	–	145,042
Interest-bearing bank and other borrowings	18,286,596	–	18,286,596
Derivative financial instruments	–	2,277	2,277
	19,709,606	2,277	19,711,883

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

30 June 2023

**33. FINANCIAL INSTRUMENTS BY CATEGORY (continued)**

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:  
(continued)

As at 31 December 2022

Financial assets	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Hedging instruments not designated in cash flow hedges	Total
	RMB'000	RMB'000	RMB'000	RMB'000
	(Audited)	(Audited)	(Audited)	(Audited)
Financial assets included in prepayments, other receivables and other assets	542,730	–	–	542,730
Derivative financial instruments	–	–	2,379	2,379
Trade receivables	4,486,990	–	–	4,486,990
Debt investments at fair value through other comprehensive income	–	1,036,355	–	1,036,355
Restricted bank balances	62,944	–	–	62,944
Cash and bank balances	2,159,325	–	–	2,159,325
	7,251,989	1,036,355	2,379	8,290,723

Financial liabilities	Financial liabilities at amortised cost	Hedging instruments designated in cash flow hedges	Total
	RMB'000	RMB'000	RMB'000
	(Audited)	(Audited)	(Audited)
Trade and bills payables	1,109,794	–	1,109,794
Financial liabilities included in other payables and accruals	391,122	–	391,122
Interest-bearing bank and other borrowings	21,212,114	–	21,212,114
Derivative financial instruments	–	2,257	2,257
	22,713,030	2,257	22,715,287

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

### 34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

#### Financial instruments not measured at fair value

Management has assessed that the fair values of cash and cash equivalents, restricted bank balances, trade receivables, financial assets included in prepayments, other receivables and other assets, trade and bills payables, and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments. Interest-bearing bank and other borrowings and lease liabilities are mostly on floating rate terms and bear interest at prevailing market interest rates and their carrying values approximate to their fair values.

On 25 May 2023, the ordinary shares of the Company were listed on the Stock Exchange, the redemption obligation was classified to capital reserve. As at 31 December 2022, the fair value of other borrowings on ordinary shares with a redemption obligation was RMB1,346,221,000, which was measured at amortised cost of RMB1,427,118,000. The fair values of the redemption obligation have been calculated by discounting the expected future cash flows using a rate of 11.72%, which was currently available for instruments with the same currency and similar terms and remaining maturities, taking into consideration the Group's own non-performance risk (Level 3).

#### Fair value hierarchy

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

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



**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

30 June 2023

**34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)****Fair value hierarchy (continued)**

Assets and liabilities measured at fair value:

As at 30 June 2023

Financial assets and liabilities	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Debt investments at fair value through other comprehensive income	-	993,923	-	993,923
Derivative financial instruments				
Cross-currency interest rate swap – assets	-	12,650	-	12,650
Interest rate swap – liabilities	-	(2,277)	-	(2,277)

As at 31 December 2022

Financial assets and liabilities	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	RMB'000
	(Audited)	(Audited)	(Audited)	(Audited)
Debt investments at fair value through other comprehensive income	-	1,036,355	-	1,036,355
Derivative financial instruments				
Cross-currency interest rate swap – assets	-	2,379	-	2,379
Interest rate swap – liabilities	-	(2,257)	-	(2,257)

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

### 34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

#### Fair value hierarchy (continued)

The fair values of debt investments at fair value through other comprehensive income have been calculated by discounting the future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

Derivative financial instruments are the cross-currency interest rate swap and interest rate swap, whose fair values were calculated by discounting the future cash flows using the forward exchange rate and RMB risk-free rate that are observable market inputs.

The changes in fair values as a result of the Group for debt investments at fair value through other comprehensive income as at 30 June 2023 and as at 31 December 2022 were assessed to be insignificant.

### 35. EVENTS AFTER THE REPORTING PERIOD

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

### 36. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial information was approved and authorised for issue by the Board on 8 August 2023.



宏信建發  
CDHORIZON