



遠東宏信
FEHORIZON

2023 ANNUAL REPORT



Incorporated in Hong Kong with limited liability
Stock Code: 03360.hk



遠東宏信有限公司
FAR EAST HORIZON LIMITED



Iterative Upgrading through a Concerted Effort



Management Discussion and Analysis 15

Business Overview 10

Chairman's Statement 08

Company Profile 06

Corporate Information 04

Contents

Financial Report	149
Corporate Social Responsibility Report	145
Directors' Report	114
Biographies of Directors and Senior Management	105
Corporate Governance Report	86



CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman and Executive Director

Mr. KONG Fanxing
(Chairman, Chief Executive Officer)

Executive Directors

Mr. WANG Mingzhe
(Chief Financial Officer)

Mr. CAO Jian
*(Senior Vice President)
(appointed on 24 February 2023)*

Non-Executive Directors

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

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

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

Ms. WEI Mengmeng
(appointed on 24 February 2023)

Mr. LIU Haifeng David

Mr. KUO Ming-Jian

Mr. John LAW

Independent Non-executive Directors

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

Mr. HAN Xiaojing

Mr. LIU Jialin

Mr. YIP Wai Ming

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

COMPOSITION OF COMMITTEES

Audit and Risk Management Committee

Mr. YIP Wai Ming *(Chairman)*

Mr. HAN Xiaojing

Mr. John LAW

Remuneration and Nomination Committee

Mr. LIU Jialin *(Chairman)*

Mr. HAN Xiaojing

Mr. KUO Ming-Jian

Strategy and Investment Committee

Mr. LIU Haifeng David *(Chairman)*

Mr. KONG Fanxing

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

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

Environmental, Social and Governance Committee

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

Mr. HAN Xiaojing

Mr. John LAW

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

COMPANY SECRETARY

Ms. YUEN Wing Yan Winnie

AUTHORISED REPRESENTATIVES

Mr. KONG Fanxing

Ms. YUEN Wing Yan Winnie

REGISTERED OFFICE

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



CORPORATE INFORMATION

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

SHARE REGISTRAR

Computershare Hong Kong Investor
Services Limited

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

PRINCIPAL BANKERS

China Development Bank
Bank of China

AUDITORS

Ernst & Young

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

(As the auditors for the financial year
since 2009)

LEGAL ADVISER

Baker & McKenzie

COMPANY'S WEBSITE

www.fehorizon.com

STOCK CODE

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

Stock Code: 3360



COMPANY PROFILE

Far East Horizon Limited (the “Company” or “Far East Horizon”) and its subsidiaries (the “Group”) is one of China’s leading innovative financial companies focusing on the Chinese fundamental industries and leveraging the business model of integrating finance and industry to serve enterprises of greatest vitality with the support of the fast-growing and enormous economy in China. Based on its operational philosophy of “finance + industry”, Far East Horizon endeavours to realize its vision of “Integrating global resources and promoting industry development” by making innovations in products and services to provide our customers with tailor-made integrated operations services. Over the past more than 10 years, the Group has been leading the development of the industry, and has been listed among the Fortune China 500 and Forbes Global 2000.

Over the past two decades, the Group has evolved from a single financial service company into an integrated service provider backed by the mainland and headquartered in Hong Kong with influence extended to reach Southeast Asia so as to facilitate national economic and sustainable social development. With the creative integration of industrial services and financial capital and with unique advantages in the organization of resources and value added services, we provide integrated finance, investment, trade, advisory and engineering services in healthcare, cultural & tourism, engineering construction, machinery, chemical & medicine, electronic information, public consuming, transportation & logistics, urban public utility as well as other fundamental sectors.

The Group, headquartered in Hong Kong, has business operations centers in Shanghai, Tianjin and Guangzhou, and has offices in major cities throughout China such as Beijing, Shenyang, Ji’nan, Zhengzhou, Wuhan, Chengdu, Chongqing, Changsha, Shenzhen, Xi’an, Harbin, Xiamen, Kunming, Hefei, Nanning and Urumqi, forming a client service network that covers the national market. The Group has been successfully operating its multiple specialized business platforms in China and abroad in financial services, industrial investment, hospital investment and operations, equipment operation services, exquisite education, trade brokerage, management consulting, engineering services, etc.

The Company was officially listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 30 March 2011.



OFFICE LAYOUT NATIONWIDE



CHAIRMAN'S STATEMENT



KONG Fanxing
Chairman of the Board,
Executive Director and CEO
Far East Horizon Limited

Looking back on the past year, facing up to the complex external environment, the Group adhered to the development strategy of “finance + industry”, centered on the development positioning of “relying on the Mainland China, based in Hong Kong, and radiating to Southeast Asia”, and adopted a prudent development strategy. By closely aligning with the characteristics of economic operations, we continued to take root in the real economy and iterate our operation models. In 2023, the Group further optimized its business structure. With the concerted efforts across the Group as one, we spared no effort and achieved steady growth in both revenue scale and profitability. In particular, our financial operation maintained steady development along with a stable and improving trend in asset quality; our industrial operation achieved a breakthrough following the successful spin-off and listing of Horizon Construction Development, indicating further expansion into the overseas market; Horizon Healthcare further enhanced its operation efficiency in a business environment returning to normal. In 2023, the Company was assigned an investment-grade credit rating of “BBB-” with “stable” outlook by S&P Global Ratings, and its stand-alone credit profile (SACP) was further upgraded to “bbb-”. It has also secured an “A” in MSCI ESG Ratings for two consecutive years, and its sustainable finance framework received top ratings for Asian financial institutions from Moody’s and Sustainable Fitch, marking its excellent ESG achievements. All of this would not have been possible without the strong support of all Shareholders in the past year. On behalf of the Board of Directors, the management and all staffs of the Group, I would like to hereby express my heartfelt thanks to all Shareholders.

Looking back on 2023, the Group made steady progress in various business segments under its “finance + industry” development strategic framework.

In respect of financial businesses, our traditional businesses full served as the mainstay. Building upon our profound expertise and extensive resources stemmed from our long-term development in the industry, we made flexible adjustments to our industry allocation and continued to strengthen our customer base coverage. Leveraging our advantages characterized by “marketization, internationalization and specialization”, we sustained steady business advancement and continued to enhance asset quality. The growth in our new businesses started to make contributions, and inclusive finance, commercial factoring, asset business and other directions helped us in gaining comprehensive competitive advantages. As at the end of 2023, the net interest-earning assets of the Group amounted to RMB269,085 million, which remained stable as compared to the beginning of the year. Based on its comprehensive risk management regulatory framework, the Group placed strict control measures at the end of asset introduction, and strengthened management measures at the end of asset management, thereby achieving stable and improving asset quality. The non-performing asset ratio further dropped to 1.04%, and the proportion of interest-earning assets overdue for more than 30 days remained at 0.91%.

CHAIRMAN'S STATEMENT

In respect of industrial operation, we sustained growth in revenue which totaled RMB14,739 million, representing an increase of 11.38% as compared to the previous year, and its revenue contribution further increased to 38.68% from 36.02%, which gave substantive support for mitigating cyclical and environmental impacts to maintain a healthy and stable financial structure. In particular, as a leading equipment operation service provider in China, Horizon Construction Development stepped up its efforts to explore overseas markets, further enriched its business connotation, and improved its management efficiency through digitalization and intelligent construction, which further entrenched its leading market position. As at the end of 2023, Horizon Construction Development managed 177,600 sets of aerial work platforms, ranking first in Asia and top three in the world⁽¹⁾, and managed approximately 2.28 million tons of materials assets in total, maintaining its leading position in the country. The number of its outlets in Mainland China and Hong Kong has increased to 490, covering nearly 200 cities. It also has 4 overseas outlets, covering areas including Malaysia and Indonesia. In 2023, the total revenue of Horizon Construction Development amounted to RMB9,611 million, representing an increase of 22.00% as compared to the corresponding period of the last year. The adjusted profit for the year amounted RMB1,043 million, representing an increase of 10.65% as compared to the corresponding period of the last year. As its business environment returned to normal, Horizon Healthcare concentrated its efforts on improving the overall management efficiency, and currently has 25 holding hospitals with steady improvement in operating performance. In 2023, the total revenue of Horizon Healthcare amounted to RMB4,238 million, representing a year-on-year increase of 15.53% over last year. The profit for the year amounted RMB172 million, representing a year-on-year increase of 252.75% over last year.

In conclusion, the Group has made prudent responses to challenges from the environment over the past year, and maintained sound business performance under the “finance + industry” two-wheel drive strategy. As at the end of 2023, the total assets of the Group amounted to RMB351,483 million, representing an increase of 1.29% as compared to the end of last year. The revenue for the year amounted to RMB37,960 million, representing a year-on-year increase of 3.76% over last year. The profit attributable to ordinary shareholders for the year amounted to RMB6,193 million, representing a year-on-year increase of 1.04% over last year. Return on average equity reached 12.99%, maintaining a steady return as a whole. The Group proposes to distribute dividend of HK\$0.50 per share, thus continuously improving the return for Shareholders.

Looking back on 2023, the Board of Directors of the Group took the entrustment of Shareholders as its duty, duly abided by its responsibilities, and constantly improved the governance structure to enhance the governance standards. In accordance with the requirements of the Corporate Governance Code of the Stock Exchange, the Company convened four regular Board meetings in 2023 to deliberate, review and approve matters related to its operation and management, and all decisions made were in line with the development needs of the Group and in the interests of all Shareholders. At the same time, the dedicated committees under the Board fully performed their respective rights and obligations delegated by the Board in various aspects such as improving and optimizing the remuneration and incentive systems and improving the level of internal risk control for the Company, and thus effectively safeguarded the interests of all Shareholders.

Looking forward to 2024, the external environment will remain full of uncertainties. In pursuit of constant improvement in value creation and shareholder returns, the Group will adhere to the development strategy of “finance + industry” as always, center on the development positioning of “relying on the Mainland China, based in Hong Kong, and radiating to Southeast Asia”, and regard “sound operations and safe growth” as our top priority.

KONG Fanxing

Chairman of the Board, executive Director and CEO

Far East Horizon Limited

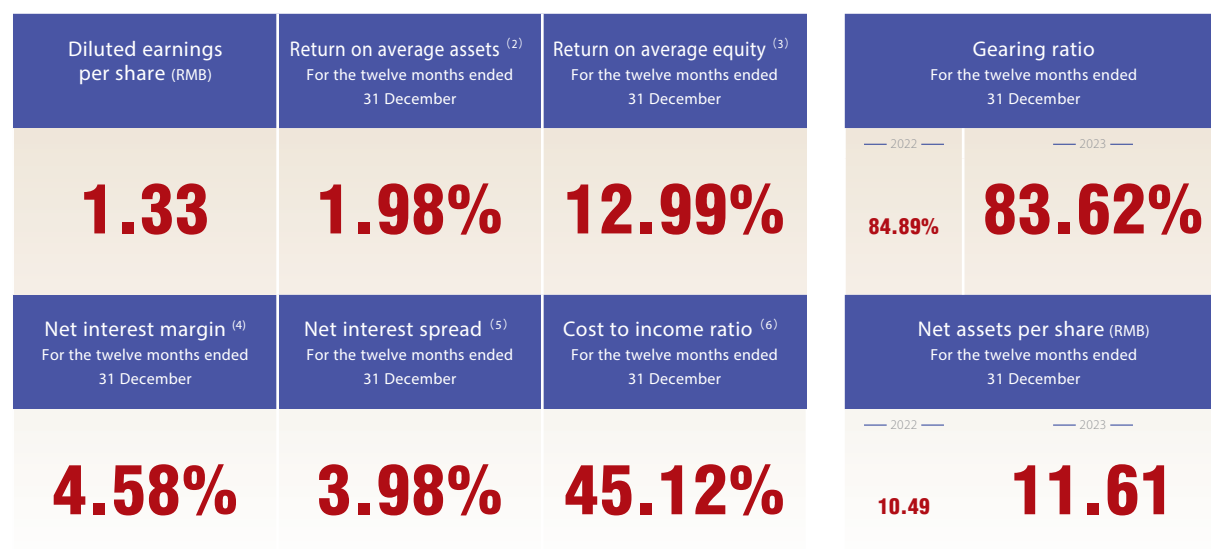
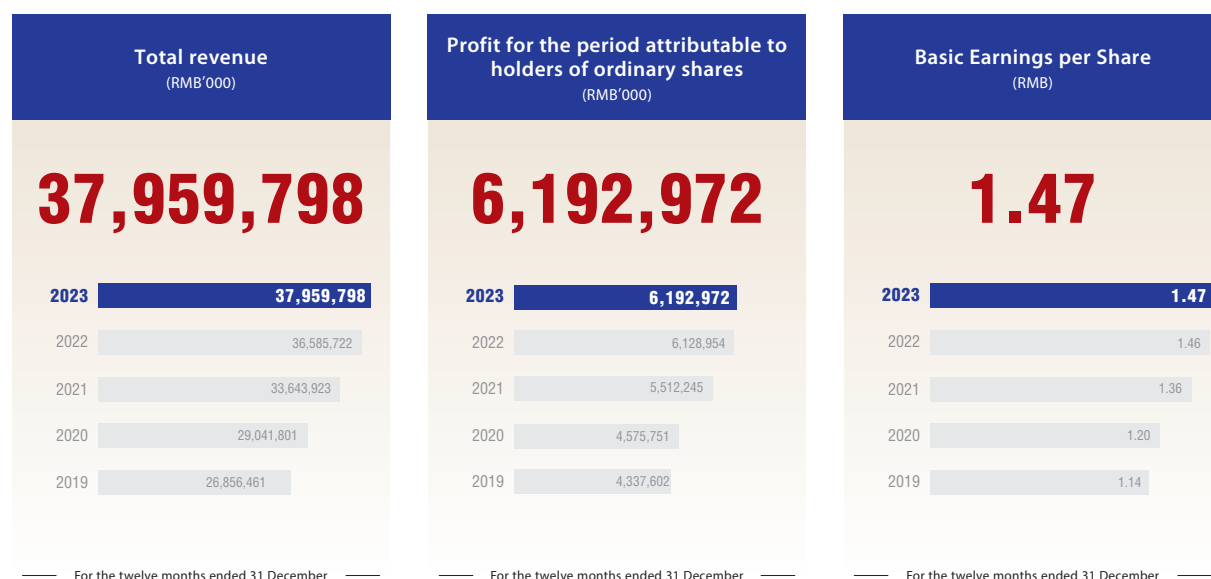


Note: (1) According to the “2023 Access 50 of Global Aerial Work Machinery Leasing” issued by international industry evaluation agency, KHL Group

BUSINESS OVERVIEW

For the year ended 31 December

2023



BUSINESS OVERVIEW

2023

	For the year ended 31 December				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Operating results					
Total revenue	37,959,798	36,585,722	33,643,923	29,041,801	26,856,461
Financial services (interest income)	22,467,103	21,677,501	19,168,370	16,521,643	15,841,562
Advisory services (fee income)	896,331	1,822,575	3,178,894	3,836,492	4,573,954
Revenue from industrial operation	14,739,271	13,232,942	11,434,721	8,811,129	6,521,280
Tax and surcharges	(142,907)	(147,296)	(138,062)	(127,463)	(80,335)
Cost of sales	(19,958,815)	(18,127,725)	(16,431,419)	(14,076,166)	(12,525,041)
Borrowing costs	(9,982,081)	(9,007,594)	(8,937,086)	(8,069,641)	(8,038,630)
Costs for industrial operation	(9,976,734)	(9,120,131)	(7,494,333)	(6,006,525)	(4,486,411)
Pre-provision operation profit ⁽¹⁾	10,614,851	12,438,003	13,143,618	11,248,938	9,917,400
Profit before tax	10,425,260	10,318,605	10,013,298	7,507,546	7,144,830
Profit for the year attributable to holders of ordinary shares of the Company	6,192,972	6,128,954	5,512,245	4,575,751	4,337,602
Basic earnings per share (RMB)	1.47	1.46	1.36	1.20	1.14
Diluted earnings per share (RMB)	1.33	1.33	1.25	1.16	1.14
Profitability indicators					
Return on average assets ⁽²⁾	1.98%	1.93%	1.96%	1.80%	1.83%
Return on average equity ⁽³⁾	12.99%	14.13%	14.57%	14.24%	14.99%
Net interest margin ⁽⁴⁾	4.58%	4.67%	4.06%	3.83%	3.66%
Net interest spread ⁽⁵⁾	3.98%	3.94%	3.21%	2.85%	2.48%
Cost to income ratio ⁽⁶⁾	45.12%	36.79%	35.29%	33.88%	33.53%

BUSINESS OVERVIEW

	31 December 2023	31 December 2022	31 December 2021	31 December 2020	31 December 2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and liabilities					
Total assets	351,483,236	346,995,497	335,880,288	299,926,788	260,570,588
Net interest-earning assets	269,084,739	270,600,890	258,378,834	235,414,093	203,149,075
Total liabilities	293,913,636	294,554,075	282,826,178	254,659,655	219,035,813
Interest-bearing bank and other borrowings	255,636,145	251,327,480	230,200,742	205,216,155	162,396,266
Gearing ratio	83.62%	84.89%	84.20%	84.91%	84.06%
Total equity ⁽¹²⁾	57,569,600	52,441,422	53,054,110	45,267,133	41,534,775
Equity attributable to holders of ordinary shares of the Company	50,099,369	45,248,875	41,522,550	34,119,452	30,128,436
Net assets per share (RMB)	11.61	10.49	9.63	8.58	7.61
Duration matching of assets and liabilities					
Financial assets	306,682,291	300,812,935	288,725,308	259,849,382	224,024,699
Financial liabilities	285,025,325	285,798,663	272,024,528	241,556,177	206,139,112
Quality of interest-earning assets					
Non-performing asset ratio ⁽⁷⁾	1.04%	1.05%	1.06%	1.10%	1.11%
Provision coverage ratio ⁽⁸⁾	227.59%	239.97%	241.75%	252.20%	246.11%
Write-off of non-performing assets ratio ⁽⁹⁾	49.41%	50.14%	40.32%	52.92%	40.30%
Overdue interest-earning assets (over 30 days) ratio ⁽¹⁰⁾	0.91%	0.91%	0.94%	0.99%	1.29%

BUSINESS OVERVIEW

Notes:

- (1) Pre-provision operating profit = profit before tax + provision for assets;
- (2) Return on average assets = profit for the year/average balance of assets at the beginning and end of the year;
- (3) Return on average equity = profit for the year attributable to holders of ordinary shares of the Company/average balance of equity attributable to holders of ordinary shares of the Company at the beginning and end of the year;
- (4) Net interest margin = net interest income/average balance of interest-earning assets;
- (5) Net interest spread = average yield of interest-earning assets – average cost rate of interest-bearing liabilities;
- (6) Cost to income ratio = selling and administrative expense/gross profit;
- (7) Non-performing asset ratio = net non-performing assets/net interest-earning assets;
- (8) Provision coverage ratio = provision for interest-earning assets/net non-performing assets;
- (9) Write-off of non-performing assets ratio = written-off and disposal of non-performing assets/non-performing assets at the end of the previous year;
- (10) Overdue interest-earning assets (over 30 days) ratio = overdue interest-earning assets (over 30 days)/net interest-earning assets;
- (11) Pursuant to the relevant requirement of amendments to HKAS 12 – Income Taxes, the Group adjusted the total equity at the beginning of 2023 and equity attributable to holders of ordinary shares of the Company by RMB1,909,000, and adjusted the profit for the year in 2022 by RMB2,520,000;
- (12) In April 2021, certain investors entered into an equity purchase agreement with Horizon Construction Development, a subsidiary of the Group, to subscribe for a total of 6,651 shares at a total consideration of approximately US\$205 million. As these investors were granted redemption rights and other special rights, the aforementioned total consideration was presented as “liabilities” in the consolidated statement of financial position of the Group for prior year. After the listing of Horizon Construction Development on the Main Board of the Stock Exchange on 25 May 2023, these rights no longer exist, and the Group removed the aforementioned total consideration from financial liabilities and included in “equity”.



MANAGEMENT DISCUSSION AND ANALYSIS

1. ECONOMY ENVIRONMENT

1.1 Macro-economy

In 2023, China's gross domestic product (GDP) was RMB126.06 trillion on a constant price basis, representing a year-on-year increase of 5.2%. On industry level, the added value of the primary industry was RMB8.98 trillion, a year-on-year increase of 4.1%; the added value of the secondary industry was RMB48.26 trillion, a year-on-year increase of 4.7%; and the added value of the tertiary industry was RMB68.82 trillion, a year-on-year increase of 5.8%. On a quarterly basis, GDP recorded year-on-year growth of 4.5%, 6.3%, 4.9% and 5.2% in the first quarter, second quarter, third quarter and fourth quarter, respectively.

On the demand side, in respect of export in 2023, total import and export of goods amounted to RMB41.76 trillion, representing a year-on-year increase of 0.2%. Among which, export of goods amounted to RMB23.77 trillion, representing a year-on-year increase of 0.6%; and import of goods amounted to RMB17.98 trillion, representing a year-on-year decrease of 0.3%. The trade surplus was RMB5.79 trillion after offsetting the export against the import. In respect of consumption, the total sales of social consumer goods amounted to RMB47.15 trillion, up by 7.2% year on year. Among which, the sales of urban consumer goods amounted to RMB40.75 trillion, up by 7.1% year on year; and the sales of rural consumer goods amounted to RMB6.40 trillion, up by 8.0% year on year. In respect of investment, the investment in fixed assets (excluding rural households) amounted to RMB50.30 trillion, up by 3.0% compared to last year. Among which, infrastructure investment grew by 5.9% year on year; investment in manufacture sector grew by 6.5% year on year; and investment in real estate development dropped by 9.6% year on year.

On the supply side, in 2023, the added value of the industrial industry above a designated size increased by 4.6% over the previous year. Among which, the added value of the mining industry increased by 2.3% year on year; the added value of the manufacturing industry increased by 5.0%; and the added value of the electricity, heat, gas and water production and supply industries increased by 4.3%. The added value of the service industry increased by 5.8% over the previous year. Among which, the added value of hospitality and catering industry, information transmission, software and information technology services, rental and commercial services, transportation, storage and courier services industry, financial industry and wholesale and retail industry increased by 14.5%, 11.9%, 9.3%, 8.0%, 6.8% and 6.2%, respectively.



MANAGEMENT DISCUSSION AND ANALYSIS

In respect of fiscal policy, in 2023, the national general public budget expense was RMB27.46 trillion, increased by 5.4% as compared to last year. The increase was mainly driven by the increase in expenses for social security and employment support, science and technology, agriculture, forestry and water affairs, and urban and rural community affairs, which grew by 8.9%, 7.9%, 6.5% and 5.7%, respectively. The national general public budget revenue was RMB21.68 trillion, increased by 6.4% as compared to last year. Among which, tax revenue amounted to RMB18.11 trillion, increased by 8.7% as compared to last year; and non-tax revenue amounted to RMB3.57 trillion, decreased by 3.7% as compared to last year.

In respect of monetary policy, as at the end of 2023, the balance of the broad measure of money supply (M2) increased by 9.7% year on year, while the outstanding social financing increased by 9.5% year on year. In March 2023, the People's Bank of China lowered the reserve requirement ratio by 0.25 percentage point. In June 2023, the People's Bank of China lowered the 7-day reverse repurchase rate, medium-term lending facility rate and 1-year and 5-year loan prime rate by 0.1 percentage point, 0.1 percentage point and 0.1 percentage point, respectively. While lowering the interest rates, the People's Bank of China maintained liquidity at a reasonable and sufficient level by fully making use of re-financing, medium-term lending facilities, open market operations and other means that can boost liquidity. In September 2023, the People's Bank of China further lowered the reserve requirement ratio by 0.25 percentage point, which released more than RMB500 billion in medium-to-long-term liquidity.

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

1.2 Industry Environment

The economy was recovering. However, the internal momentum remained sluggish with low demand. In 2023, the added value of the industrial industry above a designated size increased by 4.6% over the previous year.

From the perspective of various industry sectors served by the Group, in respect of urban public utility, the "three major projects" introduced by the central government created stable industrial demands. In 2023, infrastructure investments grew by 5.9%. Among which, the electricity, heat, gas and water production and supply industries grew by 23%. In respect of engineering construction, the industry segments performed in marked contrast. Projects that address the weak links in people's livelihood kept making progress, but the housing construction market remained weak. In 2023, the total output of China's construction industry amounted to approximately RMB31.6 trillion, up by 5.8% as compared to last year. In respect of culture & tourism, the tourism consumption has obviously recovered. In 2023, the expected number of tourists visiting China reached 5.407 billion, which generated tourism revenue of RMB5.2 trillion, returning to 90% and 91% of the same period in 2019, respectively. In respect of healthcare, per capita healthcare expenditure amounted to RMB2,460 in 2023, grew by 16% as compared to last year. In respect of transportation and logistics, the passenger flow has significantly rebounded, while goods transportation remained stable. In 2023, operational goods transport volume was 54.75 billion tonnes, grew by 8.1% as compared to the corresponding period of last year; cross-region passenger transport volume was 61.25 billion, grew by 30.9% as compared to the corresponding period of last year. In respect of chemical and medicine, the high-end development in energy and chemical industry went smoothly. In 2023, the added value of chemical raw material

MANAGEMENT DISCUSSION AND ANALYSIS

and chemical product manufacturing industry grew by 9.6% as compared to last year. In respect of electronic information, the energy electronics industry leaped in development, while the consumer electronics sector remained sluggish. In 2023, new photovoltaic power generation installed capacity in China amounted to 216.88GW, up by 148.1% as compared to last year, while global smartphone shipments totaled 1.14 billion units for the year, down by 4% as compared to last year. In respect of machinery, the substantial growth of the automobile industry was an important economic growth driver in 2023. In 2023, China's automobile production and sales reached 30.161 million and 30.094 million respectively, a year-on-year increase of 11.6% and 12% respectively, ranking first in the world for 15 consecutive years. Among which, the production and sales of new energy vehicles were 9.587 million and 9.495 million respectively, a year-on-year increase of 35.8% and 37.9% respectively. In respect of public consuming, the food and beverage industries, which were highly related to people's livelihood, still grew steadily. In 2023, the added value of the food manufacturing industry grew by 3.3% as compared to last year.

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

1.3 Leasing Industry

According to the China Financial Leasing Industry Development Report for the Third Quarter of 2023 (《2023 年第三季度中國融資租賃業發展報告》), as of the first three quarters of 2023, there were approximately 9,170 financial leasing enterprises in China, representing a decrease of about 670 from 9,840 at the end of last year. The balance of financial leasing contracts in China amounted to approximately RMB5.7560 trillion, representing a decrease of approximately RMB94.0 billion or 1.61% as compared to the end of 2022.

In 2023, the National Administration of Financial Regulation published a series of regulatory policies and documents including the Notice on Further Improving the Supervision over Financial Leasing Companies (《關於進一步做好金融租賃公司監管工作的通知》) and the Notice on Promoting Standardized Operation and Compliant Management of Financial Leasing Companies (《關於促進金融租賃公司規範經營和合規管理的通知》), which significantly tightened the supervision over financial leasing companies, while financial leasing companies also better complied with these regulatory requirements to further standardize their own business practices. In addition, the financial supervision bureaus of various cities continued to refine industry regulatory administrative rules, and strengthened the standardization and management of financial leasing industry. With the further clarified regulatory guidance, the operating environment of the industry will become more standardized, transparent and compliant. Industry-focused and leading financial leasing enterprises will secure a good and stable space for development and continue to contribute to the high-quality and sustainable development of the real economy.

Source: China Leasing Union (中國租賃聯盟)

MANAGEMENT DISCUSSION AND ANALYSIS

1.4 Company's Solutions

In 2023, in response to this challenging environment, the Group regarded “Integrating global resources and promoting industry development” as its fundamental mission to accelerate its own model innovation and place greater emphasis on internationalization, marketization, and specialization.

In terms of financial business, the Group comprehensively improved in serving city upgrading and industry upgrading. In serving cities, the Group has established a “3+X” service formation, where “3” represents traditional finance, Horizon’s assets, and overseas business, which provides financing, asset operation and trading, and cross-border services for city upgrading, and “X” represents Far East Horizon’s other existing businesses, such as private equity investment, inclusive finance, Horizon Construction Development, and Horizon Healthcare, which help cities in providing comprehensive and three-dimensional services. In serving industries, the Group strengthened the efficiency management of front-line business development, improved customer coverage and marketing accuracy, strived to quickly seize structural opportunities, and further expanded market space. At the same time, the Group constantly improved operational requirements and enhanced asset safety.

In terms of industrial operations, Horizon Construction Development and Horizon Healthcare gave full play to their own advantages, and achieved steady operation. Meanwhile, in line with the national vision of coordinated regional development and the building of a healthy China, they have been developing steadily with their respective focuses, and their operating contribution has been rising, forming a leading industrial group of national scale with social influence.

On 25 May 2023, Horizon Construction Development was officially listed on the Main Board of the Hong Kong Stock Exchange, becoming the first independent industrial platform of the Group to land in the international capital market. In view of the severe external environment, Horizon Construction Development forge ahead amid difficulties and firmly implemented its established strategies, striving to achieve high-quality and sustainable growth. In terms of operation, on the one hand, it stepped up efforts in the domestic market, and further expanded its market presence in core cities and regions with high-value gaps to fill in. As at 31 December 2023, the number of outlets reached 490, covering nearly 200 cities in mainland China and Hong Kong of China. On the other hand, it actively expanded to the overseas markets, and opened a number of outlets in overseas regions including Malaysia and Indonesia during the year, which steadily promoted overseas operations. In terms of management, with comprehensive adoption of digital and intelligent means, it fully digitalized business processes, and achieved results in intelligent development of aspects such as warehouse layout, logistics dispatching and asset allocation, which improved internal operational and management efficiency, and achieved comprehensive and high-quality development. As at 31 December 2023, Horizon Construction Development continued to rank the 14th place among the top 100 lessors in the world.

MANAGEMENT DISCUSSION AND ANALYSIS

For Horizon Healthcare, the unleashing of demand for medical services accelerated during the year. Horizon Healthcare took this opportunity to enter the new stage of development. In terms of business strategy, it upgraded from medical care to healthcare, and from medical insurance to non-medical insurance, and planned for three major segments: basic medical care, consumer medical care, and healthcare businesses. It continued to improve the service level of special disciplines such as orthopedics, kidney disease, rehabilitation and cancer in the basic medical care segment in order to create a regional differentiated discipline layout. In terms of consumer medical care segment, it accelerated the replication and expansion of consumer medical disciplines such as medical aesthetics, dentistry and ophthalmology in order to fully seize the opportunity of consumption recovery. At the same time, it piloted the deployment of major healthcare services such as chain pharmacies and healthy lifestyle centers to tap the long tail effect of hospital traffic. In 2023, its member hospitals achieved the overall faster growth in the number of patients and inpatients. Meanwhile, relying on its advantageous medical resources and professional capabilities, Horizon Healthcare actively promoted strategic exploration and implementation in the fields of combination of medical care and rehabilitation, medical management and consultation, as well as digital medical development.

Facing the complex domestic and foreign financial environment, the Group continued to step up domestic indirect financing, and also pushed ahead domestic direct financing and various overseas financing products, so as to secure a wide range of resources for the Company's development. With increasingly diverse financing methods and improving product characteristics, the Group issued sustainable development-linked corporate bonds under public offering which facilitated investment in leasing business in green sectors and small-and-micro-inclusive businesses, issued the first small-and-micro enterprise high-quality development ABS to consistently implement the national strategy to pursue high-quality development and help small, medium and micro enterprises to achieve high-quality development, and issued the first free trade zone offshore bond of the financial leasing industry which achieved a new breakthrough in offshore capital resources. All these efforts demonstrated the Group's profound expertise for financial market cooperation and competitiveness on the liability side.

Source: IRN

MANAGEMENT DISCUSSION AND ANALYSIS

2. ANALYSIS OF PROFIT AND LOSS

2.1 Analysis of Profit and Loss (Overview)

In 2023, in reliance upon China's real economy, the Group continued to adhere to the operational philosophy of "finance + industry", and achieved mild growth in overall results in spite of the complicated and ever changing macro environment. The profit attributable to holders of ordinary shares of the Company during the year was RMB6,192,972,000, representing an increase of 1.04% as compared to the previous year. The following table sets forth the comparative figures with 2022.

For the year ended 31 December			
	2023	2022	
	RMB'000	RMB'000	Change %
Revenue	37,959,798	36,585,722	3.76%
Cost of sales	(19,958,815)	(18,127,725)	10.10%
Gross profit	18,000,983	18,457,997	-2.48%
Other income/gains ⁽¹⁾	1,559,591	1,987,952	-21.55%
Selling and administrative expenses	(8,121,968)	(6,791,348)	19.59%
Other expenses and losses ⁽¹⁾	(55,090)	(405,850)	-86.43%
Finance costs	(1,037,956)	(1,054,775)	-1.59%
Gains and loss on investment in joint ventures/associates	269,291	244,027	10.35%
Pre-provision operating profit	10,614,851	12,438,003	-14.66%
Provision for assets	(189,591)	(2,119,398)	-91.05%
Profit before tax	10,425,260	10,318,605	1.03%
Income tax expense	(3,508,237)	(3,718,684)	-5.66%
Profit for the year	6,917,023	6,599,921	4.80%
Attributable to:			
Holders of ordinary shares of the Company	6,192,972	6,128,954	1.04%
Holders of perpetual securities	106,894	249,759	-57.20%
Non-controlling interests	617,157	221,208	178.99%

Note:

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

MANAGEMENT DISCUSSION AND ANALYSIS

2.2 Revenue

In 2023, the Group realized revenue of RMB37,959,798,000, representing an increase of 3.76% from RMB36,585,722,000 of the previous year. In 2023, revenue (before taxes and surcharges) of the financial and advisory segment was RMB23,363,434,000, accounting for 61.32% of the total revenue (before taxes and surcharges) and representing a decrease of 0.58% as compared to the previous year. The Group also continued to develop the industrial operation business with revenue derived from industrial operation growing by 11.38% as compared to the previous year.

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

For the year ended 31 December					
	2023		2022		Change %
	RMB'000	% of total	RMB'000	% of total	
Financial and advisory segment	23,363,434	61.32%	23,500,076	63.98%	-0.58%
Financial services (interest income)	22,467,103	58.97%	21,677,501	59.01%	3.64%
Advisory services (fee income)	896,331	2.35%	1,822,575	4.97%	-50.82%
Industrial operation segment	14,739,271	38.68%	13,232,942	36.02%	11.38%
Total	38,102,705	100.00%	36,733,018	100.00%	3.73%
Taxes and surcharges	(142,907)		(147,296)		-2.98%
Revenue (after taxes and surcharges)	37,959,798		36,585,722		3.76%

In 2023, the Group realized revenue of RMB37,959,798,000, representing an increase of 3.76% from RMB36,585,722,000 of the previous year. During the year, the economy performed better, but the internal momentum remained sluggish with low demand. Against the adverse environment, the Group accelerated innovation on its own model, and took the initiative to adjust its revenue structure, in order to fully make use of its advantages in industrial operations to further expand the market size and business contribution of the industrial operation segment, while maintaining the stable operation of its financial business. The overall performance was slightly enhanced. In 2023, the financial and advisory segment remained stable in general, in which, financial services sustained growth but advisory services recorded a decline. The industrial operation segment continued to record rapid growth, with an increase in its contribution to the total revenue.

Revenue (before taxes and surcharges) from the financial and advisory segment was RMB23,363,434,000, accounting for 61.32% of the total revenue (before taxes and surcharges). In particular, interest income contribution from inclusive finance, commercial factoring, asset business and other new business directions amounted to RMB2,087 million, representing a year-on-year increase of 12.09%. Revenue derived from advisory services decreased by 50.82% mainly due to the active adjustment and continuous optimization of the Company's service structure in response to customers' needs after changes in the external operating environment.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue from the industrial operation segment sustained continuous growth. The industrial operation segment, which comprises of Horizon Construction Development, Horizon Healthcare and others, realized a total revenue of RMB14,739 million, representing an increase of 11.38% over the previous year. Of which, Horizon Construction Development realized a revenue of RMB9,611 million, representing an increase of 22.00% over the previous year; Horizon Healthcare realized a revenue of RMB4,238 million, representing an increase of 15.53% over the previous year.

In 2023, the Group's revenue from non-leasing business accounting for 46.51% of the total revenue (before taxes and surcharges), which remained stable as compared with 46.06% of 2022. In particular, interest income contribution from inclusive finance, commercial factoring, asset business and other new business directions accounted for 5.48% (2022: 5.07%) of the total revenue; revenue from the industrial operation segment accounted for 38.68% (2022: 36.02%) of the total revenue.

2.2.1 Financial Services (Interest Income)

The interest income (before taxes and surcharges) from the financial and advisory segment of the Group increased by 3.64% from RMB21,677,501,000 for 2022 to RMB22,467,103,000 for 2023, accounting for 58.97% of the Group's total revenue (before taxes and surcharges).

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

	For the year ended 31 December					
	2023			2022		
	Average balance ⁽¹⁾	Interest income ⁽²⁾	Average yield ⁽³⁾	Average balance ⁽¹⁾	Interest income ⁽²⁾	Average yield ⁽³⁾
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Interest-earning assets	272,824,125	22,467,103	8.24%	271,018,828	21,677,501	8.00%

Notes:

- (1) Calculated based on the average balance of interest-earning assets at the beginning, middle and end of the indicated years.
- (2) Interest income represents the revenue before taxes and surcharges.
- (3) Average yield represents the quotient of interest income as divided by average balance of interest-earning assets.
- (4) Interest-earning assets include net financial leasing receivable, entrusted loans, mortgage loans, long-term receivables, factoring receivables and respective interest accrued but not received.
- (5) In 2023, the average balance of the Group's interest-earning assets of inclusive finance, commercial factoring, asset business and other new business directions amounted to RMB21,652,960,000, which was basically stable as compared with the average balance of interest-earning assets of RMB20,578,834,000 as at the end of 2022; and interest income amounted to RMB2,087,351,000, representing an increase of 12.09% as compared with the interest income of RMB1,862,146,000 in 2022. The average yield maintained stable growth.

MANAGEMENT DISCUSSION AND ANALYSIS

Analysis according to average balance of interest-earning assets

The average balance of interest-earning assets of the Group increased by 0.67% from RMB271,018,828,000 for 2022 to RMB272,824,125,000 for 2023. The Group has been committed to serving high-caliber customers in the real industry with a long-term and stable development direction, continued to increase customer coverage in various related industries, and provided service products that met personalized needs of customers, maintaining the steady growth in the average balance of the asset size of the Company's financial services business.

Analysis according to average yield

In 2023, the average yield of the Group was 8.24%, representing 0.24 percentage point higher than 8.00% in the last year, which was mainly due to the combination of the following: (i) in 2023, the Group maintained a stable customer base coverage strategy, responded to customer needs in a timely manner, and maintained stable pricing; (ii) the Group enhanced the promotion of comprehensive financial services such as inclusive finance, commercial factoring and asset business, and maintained a higher return pricing.

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

	For the year ended 31 December			
	2023		2022	
	RMB'000	% of total	RMB'000	% of total
Northeast China	860,571	3.83%	997,197	4.60%
Northern China	2,452,097	10.91%	2,135,010	9.85%
Eastern China	8,471,175	37.70%	7,663,563	35.35%
Southern China	1,442,239	6.42%	1,760,993	8.12%
Central China	3,986,421	17.74%	3,740,280	17.25%
Northwest China	1,561,581	6.95%	1,508,792	6.96%
Southwest China	3,693,019	16.45%	3,871,666	17.87%
Total	22,467,103	100.00%	21,677,501	100.00%

2.2.2 Advisory Services (Fee Income)

In 2023, fee income (before taxes and surcharges) from the financial and advisory segment decreased by 50.82% from RMB1,822,575,000 for 2022 to RMB896,331,000 for 2023, accounting for 2.35% of the total revenue (before taxes and surcharges) of the Group. In recent years, due to changes in the external environment, the industries and target customer groups subject to expansion by the Company have basically stabilized, so the demand for advisory services as a source of income has declined. At the same time, the Company also actively expanded and provided additional products and services other than advisory services based on its understanding of the needs of the target industries and customer groups, so as to maintain the stable growth of the Company's overall revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

2.2.3 Revenue from the Industrial Operation Segment

Revenue from the industrial operation segment (before taxes and surcharges) of the Group increased by RMB1,506,329,000 from RMB13,232,942,000 for 2022 to RMB14,739,271,000 for 2023, accounting for 38.68% of the total revenue of the Group (before taxes and surcharges).

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

	For the year ended 31 December				
	2023		2022		Change %
	RMB'000	% of total	RMB'000	% of total	
Revenue from the industrial operation segment	14,739,271	100.00%	13,232,942	100.00%	11.38%
Including:					
Revenue from equipment operation ⁽¹⁾	9,610,581	65.20%	7,877,640	59.53%	22.00%
Revenue from hospital operation ⁽²⁾	4,237,960	28.75%	3,668,390	27.72%	15.53%

Notes:

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

2.3 Cost of Sales

In 2023, cost of sales of the Group increased by 10.10% from RMB18,127,725,000 in the previous year to RMB19,958,815,000, of which the cost of the financial and advisory segment was RMB9,982,081,000, accounting for 50.01% of the total cost and representing an increase of 10.82% from RMB9,007,594,000 in the previous year, mainly due to the increase in cost of overseas financing and domestic debt issuance causing the increase in the interest expenditure of the financial and advisory segment. The cost of the industrial operation segment was RMB9,976,734,000, accounting for 49.99% of the total costs and representing an increase of 9.39% from RMB9,120,131,000 in the previous year. In particular, Horizon Construction Development continued to achieve large-scale output by expanding its nationwide operating network and improving its professional operating capabilities, resulting in faster growth in cost of sales of operation with operating costs amounting to RMB5,849,180,000, representing an increase of 23.28% over the previous year. As the medical services have resumed in an orderly manner, Horizon Healthcare, by grasping the opportunities arose, accelerated the strategic upgrade and transformation. Hence, operating income and operating costs grew rapidly, with operating costs of RMB3,472,780,000 incurred, representing an increase of 13.13% over the previous year. The Group will, through collectivized management, gradually enhance the operating efficiency of each industrial operation company, to transform the cost of sales of industrial operation into the growth of its revenue in a highly-effective manner.

The table below sets forth the composition and the change of the Group's cost of sales by business segments for the periods indicated.

For the year ended 31 December					
	2023		2022		
	RMB'000	% of total	RMB'000	% of total	Change %
Cost of the finance and advisory segment	9,982,081	50.01%	9,007,594	49.69%	10.82%
Cost of the industrial operation segment	9,976,734	49.99%	9,120,131	50.31%	9.39%
Cost of sales	19,958,815	100.00%	18,127,725	100.00%	10.10%

MANAGEMENT DISCUSSION AND ANALYSIS

2.3.1 Cost of the Financial and Advisory Segment

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

	For the year ended 31 December					
	2023			2022		
	Average balance ⁽¹⁾	Interest expense	Average cost rate ⁽²⁾	Average balance ⁽¹⁾	Interest expense	Average cost rate ⁽²⁾
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Interest-bearing liabilities	234,089,521	9,982,081	4.26%	221,672,148	9,007,594	4.06%

Notes:

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

The cost of sales of the financial and advisory segment increased by RMB974,487,000 from RMB9,007,594,000 for 2022 to RMB9,982,081,000 for 2023. The average cost rate of the Group increased to 4.26% for 2023 as compared to that for 2022, mainly due to:

(i) the momentum of 2022 monetary policy continued in 2023, and domestic financing costs dropped. New domestic financing withdrawals caused an average cost rate to decrease by 0.09 percentage point as compared to 2022; (ii) interest rate hikes in overseas markets continued, and new overseas bank withdrawals caused an average cost rate to increase by 0.18 percentage point as compared to 2022; (iii) the Group completed the issuance of various products such as corporate bonds, medium-term notes, short-term financial bonds, super-short financial bonds and asset securitization in 2023. Due to the increase in bond market yields in 2023, the average cost rate increased by 0.24 percentage point as compared to 2022; and (iv) the decrease in stock cost. The average cost rate of existing bank financing for 2023 decreased by 0.13 percentage point as compared to 2022, which was due to the expiry of existing high-cost loans borrowed from 2019 to 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

2.3.2 Cost of the Industrial Operation Segment

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

	For the year ended 31 December				
	2023		2022		Change %
	RMB'000	% of total	RMB'000	% of total	
Cost of the industrial operation segment	9,976,734	100.00%	9,120,131	100.00%	9.39%
Of which:					
Cost of equipment operation ⁽¹⁾	5,849,180	58.63%	4,744,640	52.02%	23.28%
Cost of hospital operation ⁽²⁾	3,472,780	34.81%	3,069,820	33.66%	13.13%

Notes:

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

MANAGEMENT DISCUSSION AND ANALYSIS

2.4 Gross Profit

The gross profit of the Group for 2023 decreased by RMB457,014,000 or 2.48% to RMB18,000,983,000 from RMB18,457,997,000 in the previous year. In 2023 and 2022, the gross profit margin of the Group was 47.42% and 50.45%, respectively.

2.4.1 Gross Profit of the Financial and Advisory Segment

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

	For the year ended 31 December		
	2023	2022	Change %
	RMB'000	RMB'000	
Interest income ⁽¹⁾	22,467,103	21,677,501	3.64%
Interest expense ⁽²⁾	9,982,081	9,007,594	10.82%
Net interest income	12,485,022	12,669,907	-1.46%
Net interest spread ⁽³⁾	3.98%	3.94%	0.04%
Net interest margin ⁽⁴⁾	4.58%	4.67%	-0.09%

Notes:

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

MANAGEMENT DISCUSSION AND ANALYSIS

Net interest spread of the Group for 2023 increased by 4 basis points to 3.98% as compared with the previous year, which was primarily due to the increase of 20 basis points in respect of the average cost rate on interest-bearing liabilities of the Group and the increase of 24 basis points in the average yield on interest-earning assets of the Group. For the changes in respect of the average yield on interest-earning assets and average cost rate on interest-bearing liabilities, please refer to the discussion and analysis in paragraphs 2.2.1 and 2.3.1 of this section. In 2023, the Group maintained a slight increase in interest income, but incurred significantly higher interest expense due to higher costs of overseas financing and domestic debt issuance, and thus the net interest income decreased by 1.46% as compared with 2022. At the same time, the average balance of interest-earning assets of the Group increased by 0.67% year on year, and thus the net interest margin of the Group decreased by 9 basis points to 4.58% for 2023 as compared with 4.67% for 2022.

2.4.2 Gross Profit of the Industrial Operation Segment

	For the year ended 31 December				
	2023		2022		Change %
	RMB'000	% of total	RMB'000	% of total	
Gross profit of industrial operation segment	4,762,537	100.00%	4,112,811	100.00%	15.80%
Of which:					
Gross profit of equipment operation ⁽¹⁾	3,761,401	78.98%	3,133,000	76.18%	20.06%
Gross profit of hospital operation ⁽²⁾	765,180	16.07%	598,570	14.55%	27.83%

Notes:

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

2.5 Other income/gains

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

	For the year ended 31 December		
	2023	2022	Change %
	RMB'000	RMB'000	
Income from the holdings of off-balance-sheet assets ⁽¹⁾	342,111	856,580	-60.06%
Bank interest income	215,923	201,248	7.29%
Gains from structured financial products	10,872	91,584	-88.13%
Government grants ⁽²⁾	225,377	161,018	39.97%
Equity and debt investment income ⁽³⁾	507,929	192,419	163.97%
Other income ⁽⁴⁾	257,379	485,103	-46.94%
Total	1,559,591	1,987,952	-21.55%

Notes:

- (1) For the holdings of off-balance-sheet assets of the Group, the income of the year was recognized according to the expected yield and expected loss rate of such holdings. For the changes in respect of the off-balance-sheet assets of the Group, please refer to the discussion and analysis in paragraph 3.3 of this section.
- (2) The Group's government grants for the period mainly consisted of gains on additional VAT tax credit, corporate development subsidies, and tax refund of Horizon Construction Development of approximately RMB160 million.
- (3) The Group's equity and debt investment income was mainly gain on change in fair value of and transfer of equity and debt investment.
- (4) The Group's other income for the period mainly consisted of gains from disposal of investment in subsidiaries of RMB130 million.

2.6 Selling and Administrative Expenses

Selling and administrative expenses of the Group in 2023 were RMB8,121,968,000, representing an increase of RMB1,330,620,000 or 19.59% from the previous year. The increase in selling and administrative expenses was mainly due to the proactive market expansion strategy adopted by the Group to promote business growth.

Cost to income ratio of the Group in 2023 was 45.12%, which increased as compared to 36.79% in the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS

2.7 Other Expenses and Losses

Other expenses and losses of the Group in 2023 amounted to RMB55,090,000, representing a decrease of 86.43% as compared to RMB405,850,000 in the previous year. Among which, foreign exchange loss and bank commission expenses decreased by RMB265,042,000 and RMB63,470,000 from the previous year, respectively.

2.8 Finance Costs

Finance costs of the Group in 2023 amounted to RMB1,037,956,000, representing a decrease of 1.59% as compared to RMB1,054,775,000 of the previous year. The finance costs are mainly financing-related costs for the Group's industrial operation segment.

2.9 Pre-provision Operating Profit

Pre-provision operation profit of the Group in 2023 amounted to RMB10,614,851,000, representing a decrease of RMB1,823,152,000 or 14.66% as compared to the previous year. Pre-provision operating profit decreased mainly due to: (i) a decrease in the gross profit of the financial and advisory segment of RMB184,885,000 or 1.46% due to the higher costs of overseas financing and domestic debt issuance, a decrease in the income from the holdings of off-balance-sheet assets of RMB514,469,000 or 60.06% as compared to the previous year, and an increase in selling and administrative expenses of RMB1,330,620,000 or 19.59%. The financial and advisory segment remained safe and stable in general; and (ii) an increase in pre-provision operating profit of RMB761,740,000 or 61.83% as compared to the previous year due to the higher profitability of Horizon Construction Development and Horizon Healthcare in the industrial operation segment due to significantly effective expense control.

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

MANAGEMENT DISCUSSION AND ANALYSIS

2.10 Provision for Assets

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

	For the year ended 31 December				
	2023		2022		Change %
	RMB'000	% of total	RMB'000	% of total	
Provision for interest-earning assets	995,188	524.91%	1,686,447	79.57%	-40.99%
Reversal of interest-earning assets after write-off	(638,264)	-336.65%	(296,352)	-13.98%	115.37%
Provision for accounts receivable ⁽¹⁾	253,732	133.83%	179,908	8.49%	41.03%
Provision for other receivables ⁽¹⁾	121,571	64.12%	38,124	1.80%	218.88%
Provision for fixed assets ⁽²⁾	(512,860)	-270.51%	271,498	12.81%	-288.90%
Provision for investment in joint ventures/associates	(66,731)	-35.20%	–	0.00%	–
Provision for goodwill	–	0.00%	187,295	8.84%	-100.00%
Provision for inventories	–	0.00%	19,063	0.90%	-100.00%
Provision for credit commitments ⁽³⁾	14,431	7.61%	33,415	1.57%	-56.81%
Other provisions	22,524	11.89%	–	0.00%	–
Total	189,591	100.00%	2,119,398	100.00%	-91.05%

Notes:

- (1) Provision for accounts receivable and other receivables is mainly the expected credit loss of the relevant receivables made by the Group for equipment operation and hospital operation;
- (2) Provision for fixed assets is mainly the impairment provisions made by the Group for the vessel assets and fixed assets of subsidiaries in the industrial operation segment it owns. As the lockdowns due to the pandemic came to an end, the release of the market demand for medical services and shipping accelerated. The reasons for impairment of the fixed assets of some hospitals and vessel assets of the Group were eliminated. As a result, the provisions made in previous years of approximately RMB270 million and RMB280 million were reversed for 2023.
- (3) Provision for credit commitments is mainly the expected credit loss of the Group's interest-earning assets that have been contracted but not yet placed.

MANAGEMENT DISCUSSION AND ANALYSIS

2.11 Income Tax Expense

Income tax expense of the Group in 2023 was RMB3,508,237,000, representing a decrease of RMB210,447,000 or 5.66% from the previous year, which was primarily due to a decrease in the cross-border business withholding income tax of the Group.

Effective income tax rate of the Group in 2023 was 33.7%, which decreased slightly as compared to the previous year. The following table sets forth a breakdown of the income tax rate of the Group for the periods indicated:

	For the year ended 31 December		
	2023	2022	Change %
Domestic statutory tax rate	25.0%	25.0%	–
Cross-border business withholding income tax ⁽¹⁾	0.6%	6.1%	-5.5%
Others	8.1%	4.9%	3.2%
Total	33.7%	36.0%	-2.3%

Note:

- (1) Cross-border business withholding tax is mainly the relevant withholding income tax burden arising from dividend distribution to overseas companies by domestic companies of the Group based on regulatory requirements and the Group's overseas capital needs. Since a large amount of provisions had been made for cross-border business withholding income tax in 2022, such amount dropped significantly in 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Based on the above discussion and analysis, profit for the year attributable to holders of ordinary shares of the Company was RMB6,192,972,000, which increased by RMB64,018,000 or 1.04% from the previous year.

2.13 Basic Earnings per Share

Basic earnings per share for the period amounted to RMB1.47, representing an increase of RMB0.01 or 0.68% from the previous year.

	For the year ended 31 December		
	2023	2022	Change %
Profit for the year attributable to holders of ordinary shares of the Company (RMB'000)	6,192,972	6,128,954	1.04%
Weighted average number of ordinary shares outstanding during the year (share)	4,200,089,498	4,185,832,025	0.34%
Basic earnings per share (RMB)	1.47	1.46	0.68%

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

3. ANALYSIS OF FINANCIAL POSITION

3.1 Assets (Overview)

As at 31 December 2023, the total assets of the Group increased by RMB4,487,739,000 or 1.29% from the end of the previous year to RMB351,483,236,000. Net interest-earning assets decreased by RMB1,516,151,000 or 0.56% from the end of the previous year to RMB269,084,739,000.

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

	31 December 2023		31 December 2022		Change %
	RMB'000	% of total	RMB'000	% of total	
Loans and accounts receivable	270,766,843	77.04%	267,138,233	76.99%	1.36%
Of which: interest-earning assets	259,510,752	73.83%	259,842,608	74.88%	-0.13%
Cash and cash equivalents	18,852,540	5.36%	15,903,843	4.58%	18.54%
Restricted deposits	3,149,062	0.90%	3,227,451	0.93%	-2.43%
Holding of asset-backed securities/notes	369,172	0.11%	890,572	0.26%	-58.55%
Assets with continuing involvement	369,172	0.11%	890,572	0.26%	-58.55%
Prepayment and other accounts receivable	4,374,919	1.24%	3,773,769	1.09%	15.93%
Deferred tax assets	6,052,352	1.72%	6,118,290	1.76%	-1.08%
Property, plant and equipment	23,513,055	6.69%	24,965,863	7.19%	-5.82%
Investment in joint ventures/associates	9,105,237	2.59%	8,576,718	2.47%	6.16%
Financial assets at fair value through profit or loss	8,841,595	2.52%	9,358,106	2.70%	-5.52%
Of which: interest-earning assets	3,219,255	0.92%	3,963,870	1.14%	-18.79%
Financial assets at fair value through other comprehensive income	372,228	0.11%	1,182,401	0.34%	-68.52%
Derivative financial instruments	2,133,982	0.61%	1,853,302	0.53%	15.14%
Inventories	409,681	0.12%	466,282	0.13%	-12.14%
Contract assets	383,863	0.11%	304,295	0.09%	26.15%
Goodwill	171,523	0.05%	270,512	0.08%	-36.59%
Right-of-use assets	2,388,496	0.66%	1,873,637	0.54%	27.48%
Investment property	107,767	0.03%	115,682	0.03%	-6.84%
Other assets	121,749	0.03%	85,969	0.03%	41.62%
Total assets	351,483,236	100.00%	346,995,497	100.00%	1.29%

MANAGEMENT DISCUSSION AND ANALYSIS

3.2 Interest-Earning Assets

The main component of the Group's assets was interest-earning assets, which accounted for 74.75% of the Group's total assets as at 31 December 2023. In 2023, the Group dynamically adjusted the promotion policies of each industry sector in accordance with the environment and industry patterns. While cultivating the market in depth, it also strengthened risk management and control in a prudent manner, and strengthened the risk identification of sub-sectors and customer qualifications. Under the premise of asset safety, the Group steadily promoted the expansion of financial business to maintain steady growth for its interest-earning assets.

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

	31 December 2023		31 December 2022		Change %
	RMB'000	% of total	RMB'000	% of total	
Net interest-earning assets					
Included in loans and accounts receivable	265,834,404	98.79%	266,528,182	98.49%	-0.26%
Included in financial assets at fair value through profit or loss	3,250,335	1.21%	4,072,708	1.51%	-20.19%
Total net interest-earning assets	269,084,739	100.00%	270,600,890	100.00%	-0.56%
Provision for loans and accounts receivables	(6,323,652)		(6,685,574)		-5.41%
Provision for financial assets at fair value through profit or loss	(31,080)		(108,838)		-71.44%
Less: total provision for interest-earning assets	(6,354,732)		(6,794,412)		-6.47%
Net interest-earning assets	262,730,007		263,806,478		-0.41%

3.2.1 Loans and Accounts Receivable

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

	31 December 2023		31 December 2022		Change %
	RMB'000	% of total	RMB'000	% of total	
Net interest-earning assets included in loans and accounts receivable	259,510,752	95.84%	259,842,608	97.27%	-0.13%
Others ⁽¹⁾	11,256,091	4.16%	7,295,625	2.73%	54.29%
Net loans and accounts receivable	270,766,843	100.00%	267,138,233	100.00%	1.36%

Note:

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

MANAGEMENT DISCUSSION AND ANALYSIS

3.2.2 Net Interest-earning Assets by Industry

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

	31 December 2023		31 December 2022		Change %
	RMB'000	% of total	RMB'000	% of total	
Healthcare	21,925,524	8.15%	24,624,357	9.10%	-10.96%
Culture & tourism	25,263,239	9.39%	21,768,589	8.04%	16.05%
Engineering construction	36,703,882	13.64%	24,124,626	8.91%	52.14%
Machinery	14,813,080	5.50%	14,401,112	5.32%	2.86%
Chemical & medicine	11,553,955	4.29%	8,458,224	3.13%	36.60%
Electronic information	8,893,903	3.31%	8,026,987	2.97%	10.80%
Public consuming	22,788,579	8.47%	16,606,146	6.14%	37.23%
Transportation & logistics	20,000,073	7.43%	14,677,124	5.42%	36.27%
Urban public utility	107,142,504	39.82%	137,913,725	50.97%	-22.31%
Total	269,084,739	100.00%	270,600,890	100.00%	-0.56%

Notes:

- (1) Interest-earning assets for culture & tourism, engineering construction, machinery, chemical & medicine, electronic information, public consuming and transportation & logistics among the target industries of the Group maintained growth in 2023, which was attributable to (i) the Group's business expansion and in-depth exploration of their respective industries, expanding the customer base in the above industries and increasing the introduction of high-quality customers in the above industries; (ii) the Group's adaptation to the changes in the macro economy and the trend of the industrial environment and adjustments to the layout of key industries; and (iii) the Group's continuous maintenance of quality industries and customers and exploration of their needs for financial service.
- (2) As at 31 December 2023, the interest-earning assets of urban public utility were further divided into sub-sectors, including public transportation infrastructure, water, electricity, gas and other operational services, urban environmental governance, energy-saving and carbon-reduction projects, smart city upgrading and transformation, emerging industry facilities and operation services, and other industries.
- (3) As at 31 December 2023, the net interest-earning assets of the Group's new business directions, including inclusive finance, commercial factoring and asset business, amounted to RMB23,004 million, which basically remained stable as compared to RMB21,349 million as at 31 December 2022.
- (4) In December 2023, taking into comprehensive account of the changes in policies and adjustments to its own business plans, the Group decided not to pursue held-to-maturity infrastructure investment projects with characteristics such as long payback periods in the future, and accelerated and took the initiative to dispose of such existing assets. Pursuant to the relevant HKAS provisions, from 1 January 2024, the Group will reclassify the abovementioned financial assets measured at amortized cost into financial assets at fair value through profit or loss, which will cease to be accounted for as interest-earning assets out of prudence. As at 31 December 2023, the balance of the above assets was RMB7,545 million.

MANAGEMENT DISCUSSION AND ANALYSIS

3.2.3 Net Interest-earning Assets by Region

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

	31 December 2023		31 December 2022	
	RMB'000	% of total	RMB'000	% of total
Northeast China	7,582,575	2.82%	10,114,849	3.74%
Northern China	26,582,312	9.88%	27,618,435	10.21%
Eastern China	112,032,722	41.63%	102,488,841	37.87%
Southern China	16,675,126	6.20%	20,818,372	7.69%
Central China	45,507,907	16.91%	42,885,880	15.85%
Northwest China	18,277,483	6.79%	19,423,066	7.18%
Southwest China	42,426,614	15.77%	47,251,447	17.46%
Total	269,084,739	100.00%	270,600,890	100.00%

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

	31 December 2023		31 December 2022	
	RMB'000	% of total	RMB'000	% of total
Northeast China	965,455	0.90%	2,681,229	1.94%
Northern China	9,212,842	8.60%	12,141,846	8.80%
Eastern China	43,657,780	40.75%	53,874,515	39.06%
Southern China	5,402,237	5.04%	8,660,499	6.28%
Central China	18,562,531	17.33%	23,547,040	17.07%
Northwest China	7,388,908	6.90%	9,308,669	6.75%
Southwest China	21,952,751	20.48%	27,699,927	20.10%
Total	107,142,504	100.00%	137,913,725	100.00%

MANAGEMENT DISCUSSION AND ANALYSIS

3.2.4 Aging Analysis of Net Interest-earning Assets

The following table sets forth an aging analysis of net interest-earning assets as of the dates indicated, categorized by the time elapsed since the effective date of the relevant leases, entrusted loans, mortgage loans, credit assignment and factoring contracts.

	31 December 2023		31 December 2022		Change %
	RMB'000	% of total	RMB'000	% of total	
Net interest-earning assets					
Within 1 year	153,089,508	56.89%	154,412,882	57.06%	-0.86%
1 to 2 years	65,854,541	24.47%	73,686,819	27.23%	-10.63%
2 to 3 years	29,562,786	10.99%	26,925,616	9.95%	9.79%
3 years and beyond	20,577,904	7.65%	15,575,573	5.76%	32.12%
Total	269,084,739	100.00%	270,600,890	100.00%	-0.56%

Net interests-earning assets within one year represented net interest-earning assets that become effective within one year from the reporting date indicated, and were still valid as at the end of the year or the end of the period. As at 31 December 2023, net interest-earning assets within one year as set out in the table above represented 56.89% of net interest-earning assets of the Group, which basically remained stable as compared to the end of the previous year, indicating that the Group still maintained steady growth capacity of interest-earning assets.

MANAGEMENT DISCUSSION AND ANALYSIS

3.2.5 Maturity Profile of Net Interest-earning Assets

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

	31 December 2023		31 December 2022		Change %
	RMB'000	% of total	RMB'000	% of total	
Maturity date					
Within 1 year	163,709,067	60.84%	147,195,388	54.40%	11.22%
1 to 2 years	69,286,837	25.75%	73,614,882	27.20%	-5.88%
2 to 3 years	26,339,847	9.79%	32,881,314	12.15%	-19.89%
3 years and beyond	9,748,988	3.62%	16,909,306	6.25%	-42.35%
Total	269,084,739	100.00%	270,600,890	100.00%	-0.56%

Net interest-earning assets due within one year represent net interest-earning assets which the Group will receive within one year of the reporting date indicated. As of 31 December 2023, the proportion of the net interest-earning assets due within 1 year increased in the net interest-earning assets due within the respective period as set forth in the table above, while the proportion of the net interest-earning assets with longer maturities beyond such one-year period decreased. This indicated that the recovery period of the net interest-earning assets of the Group was shortened, which reduced the impact of long cycles and can better adapt to the complex environment.

3.2.6 Asset Quality of Net Interest-earning Assets

3.2.6.1 Five-category Classification of Net Interest-earning Assets

The Group implements a five-category classification of interest-earning assets that accurately reveal the asset risk profile and confirm the quality of assets primarily by obtaining information on the qualification of stock and assets. On such basis, we have deployed management resources and efforts in a focused manner to effectively implement measures on category management, and have strengthened risk anticipation and the relevance of risk prevention to improve the ability to control asset risks.

Classification criteria

In determining the classification of the interest-earning assets portfolio, the Group applies a series of criteria that is derived from the own internal regulations regarding the management of lease assets. These criteria are designed to assess the possibility of repayment by the borrower and the collectability of principal and interest on our interest-earning assets. The interest-earning assets classification criteria focus on a number of factors, if applicable. The asset classifications of the Group include:

Pass. There is no reason to doubt that the loan principal and interest will not be paid by the debtor in full and/or on a timely basis. There is no reason whatsoever to suspect that the interest-earning assets will be impaired.

MANAGEMENT DISCUSSION AND ANALYSIS

Special mention. Even though the debtor has been able to pay its payments in a timely manner, there are still factors that could adversely affect its ability to pay, which are related to changes in the economic, policy and industrial environment, the structure of the debtor's property rights and the debtor's management mechanisms, organizational framework and management personnel adjustments, operating capabilities, material investments and credit size and conditions, as well as the effects of changes in the value of core assets on the debtor's ability to repay; while taking into consideration the effects of subjective factors, including any change in the debtor's willingness to repay, on the quality of assets, such as if payments have been overdue for 30 days or more, then the interest-earning assets for this contract shall be classified as special mention or lower.

Substandard. The debtor's ability to pay is in question as it is unable to make its payments in full with its operating revenues, and we are likely to incur losses notwithstanding the enforcement of any guarantees underlying the contract. We take into account other factors, for example, if lease payments have been overdue for over three months, then the interest-earning assets for this contract shall be classified as substandard or lower.

Doubtful. The debtor's ability to pay is in question as it is unable to make payments in full and/or on a timely basis with its operating revenues and we are likely to incur significant losses notwithstanding the enforcement of any guarantees underlying the contract. The Group takes into account other factors, for example, if payments have been overdue for over six months, the interest-earning assets for this contract shall be classified as doubtful or lower.

Loss. After taking all possible steps or going through all necessary legal procedures, payments remain overdue or only a very limited portion has been recovered.

Asset management measures

In 2023, the economic environment remained grim. The accelerating trends of globalization and digitalization, as well as the rapid development of emerging technologies such as artificial intelligence, big data and blockchain, have been changing the economic structure and market competition landscape. However, the global economic slowdown over the years, frequent financial market fluctuations, geopolitical uncertainty and environmental degradation have all introduced uncertainties and risks into the global economic environment. Furthermore, the domestic economy experienced great volatility, continued negative growth in imports and exports, rising unemployment rates, and declining enterprise solvency, which also imposed higher requirements for asset security.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group took the initiative to adjust and improve its management and operation models, and effectively managed and controlled its risks through a sound closed-loop risk management system, forward-looking early warning and a professional and efficient asset team. During the reporting period, despite the complex and uncertain internal and external environment, the Group managed to secure the stability and reliability of its assets without significant impact, and the overall asset quality demonstrated steadiness.

Employing full-process operation system and full-chain closed-loop management and control to enhance risk handling capability

In 2023, the Group made continuous improvement to its asset management system and made full efforts to quickly dispose of and resolve distressed projects. First of all, the Group integrated and improved its monitoring requirements by establishing a more sensitive and timely risk monitoring mechanism. This includes paying close attention to key industries, customers, regions and anomalies, timely understanding potential risk factors through cooperation with industry experts and regulators, and formulating corresponding risk management strategies to quickly adapt to the changing market environment. Secondly, the Group optimized the post-lease operation system by forming a five-stage management process of “early warning, decision-making, execution, collection and write-off”. This establishes a more complete and comprehensive management system, identifying potential signs of asset risks in a timely manner through risk early warning, specifying the plan through rapid decision-making, promoting the implementation as soon as possible through established procedures, forming a comprehensive closed loop by linking the latter-stage collection management and write-off management, and resolutely implementing “early discovery, early decision-making and early disposal”. Finally, the Group optimized the disposal strategy by classification, which continuously classified customers into layers, formulated clear disposal strategies, and continuously explored disposal clues and paths. In particular, the Group implemented “one enterprise, one policy” for important and difficult projects, adopting task force mode for disposal, locking the disposal objectives, time rhythm and disposal paths, and supplementing them with special incentives to mobilize the disposal initiative to efficiently dispose of distressed assets and achieve maximum risk reduction.

Conducting full coverage of intelligent early warning and in-advance risk screening to prevent risks in tight encirclement

The Group highly values the application of technology and data in managing assets. On one hand, the Group ensured asset safety and forward-looking value, optimized the intelligent system of corporate risk prediction model, integrated big data artificial intelligence algorithm and expert experience, employed machine learning technology, and combined internal and external data to construct macro, meso and micro features to comprehensively evaluate corporate liquidity risk, so that the model can predict and effectively identify risky enterprises and realize early warning one to three months in advance. The Group ensured early warning and timely disposal of risks through the combination of online risk prediction model and offline manual verification, as well as tight risk prevention system. On the other hand, by continuously improving the level of automation, such as one-click contract generation, automatic repayment call-out, automatic registration in the People’s Bank of China Credit Reference Center Movable Financing Unified Registration System, automatic credit information submission management and automatic customer overview generation, the Group ensured professional and planned asset disposal and comprehensively helped to improve asset disposal efficiency.

MANAGEMENT DISCUSSION AND ANALYSIS

Optimizing the assessment and incentive system and stimulating the vitality of disposal to ensure asset safety of the Company

The Group attaches great importance to personnel training and management. By designing a scientific assessment and incentive system, the Group carried out quantitative management of contribution value, effectively controlled the process and results, and incentivized the disposal. The Group established a professional risk management team through a complete personnel “selection and training” system, and built presence with regional stations nationwide to ensure local disposal, timely reaching customers, quickly responding to risks and fully coordinating resources. Through regular rectification of deviations, all team members could make clear the focus of work, constantly innovate the disposal methods, and realize the optimal disposal, which greatly guaranteed the safety of the Company’s assets.

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

	31 December 2023		31 December 2022		31 December 2021		31 December 2020	
	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total
Pass	250,225,686	92.99%	248,827,143	91.95%	234,737,048	90.85%	210,311,324	89.34%
Special mention	16,066,847	5.97%	18,942,410	7.00%	20,890,374	8.09%	22,512,881	9.56%
Substandard	1,484,565	0.55%	1,410,969	0.52%	1,541,604	0.60%	1,940,917	0.82%
Doubtful	1,307,641	0.49%	1,420,368	0.53%	1,209,808	0.46%	648,971	0.28%
Loss	-	-	-	-	-	-	-	-
Net interest-earning assets	269,084,739	100.00%	270,600,890	100.00%	258,378,834	100.00%	235,414,093	100.00%
Non-performing assets	2,792,206		2,831,337		2,751,412		2,589,888	
Non-performing asset ratio	1.04%		1.05%		1.06%		1.10%	

The Group has established a prudent asset quality control policy and adhered to a stringent and conservative asset classification policy. As at the end of 2023, the Group’s assets under special mention accounted for 5.97% of its net interest-earning assets, representing a decrease of 1.03% from 7.00% at the end of 2022. During the reporting period, the quality of assets continued to be further optimized.

MANAGEMENT DISCUSSION AND ANALYSIS

The assets under special mention in the urban public utility industry accounted for 37.14% of the total assets under special mention. The proportion of assets under special mention in the segment was 5.57%, which was slightly lower than the proportion of the overall assets under special mention of the Company, maintaining stable performance as a whole. Customers in the segment have strong operational stability, and a small number of large-size customers are mainly included in the category under special mention. As urbanization accelerated, the demand for urban public utility facilities has been growing. In line with technological development, the urban public utility industry also requires continuous technological upgrading and innovation, such as construction and operation of smart cities. Some companies which cannot keep up with technological development may face the crisis of being gradually eliminated in the industry. When upgrading in pace with the market, they usually need to invest a lot of money in equipment renewal and technology upgrades as to initial construction investment and subsequent operation and maintenance, which will incur additional investment and training costs. Some customers continued to maintain normal repayments, but they may encounter periodic financial constraints. The Group prudently adjusted more of the assets of the segment to assets under special mention.

The assets under special mention in the engineering construction industry accounted for 16.96% of the total assets under special mention. The proportion of assets under special mention in the segment was 7.43%, which was slightly higher than the proportion of the overall assets under special mention of the Company. As the pandemic eased off, the demand for the engineering construction segment has been increasing, and the government investment in infrastructure construction has also been increasing year by year, providing a favorable environment for the development of the engineering construction industry. However, in view of the overall economic environment, engineering construction projects usually have long cycles and large investments. Problems such as over-budget and delays during the process will also affect corporate profits. At the same time, price fluctuations of some raw materials also posed potential risks. The Group prudently adjusted more of the assets of the segment to assets under special mention.

The assets under special mention in the cultural & tourism industry accounted for 15.89% of the total assets under special mention. The proportion of assets under special mention in the segment was 10.11%, which was slightly higher than the proportion of the overall assets under special mention of the Company. Considering that although the tourism industry has recovered, some customers are still affected by the legacy of the previous pandemic. A certain amount of time is needed to restore pre-pandemic operation levels. At the same time, in order to stimulate tourism consumption, ticket discounts and price limits will be put in place for certain scenic spots during the winter and summer vacations or holidays in certain regions, which will affect the income of the scenic spots to a certain extent. The cultural tourism sector has gradually improved in light of the risk status, but it is still under special attention. The Group prudently adjusted more of the assets of the segment to assets under special mention.

MANAGEMENT DISCUSSION AND ANALYSIS

The assets under special mention in the healthcare industry accounted for 11.94% of the total assets under special mention. The proportion of assets under special mention in the segment was 8.75%, which was slightly higher than the proportion of the overall assets under special mention of the Company. Most of the customers in the segment maintained sound operation. However, some medical institutions have been affected by the previous epidemic. Their income has remained low in the past two years and their rigid liabilities were high. With inefficient asset turnovers, balance levels, and cash flows, they still need some time to resume operation and take in the massive resources invested in the early stage of the pandemic. At the same time, measures such as cutting medical insurance reimbursement and price ceiling on drugs in some regions will also bring financial pressure. Accordingly, in order to pay further attention to the subsequent operation and development of the segment, the Group prudently adjusted more of the assets of the segment to assets under special mention.

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

	31 December 2023		31 December 2022	
	RMB'000	% of total	RMB'000	% of total
Healthcare	1,919,083	11.94%	2,735,765	14.44%
Culture & tourism	2,553,524	15.89%	2,287,101	12.07%
Engineering construction	2,725,642	16.96%	1,712,231	9.04%
Machinery	554,452	3.45%	583,837	3.08%
Chemical & medicine	370,822	2.31%	365,250	1.93%
Electronic information	372,936	2.32%	504,386	2.66%
Public consuming	501,377	3.12%	411,021	2.18%
Transportation & logistics	1,103,719	6.87%	1,312,134	6.93%
Urban public utility	5,965,292	37.14%	9,030,685	47.67%
Total	16,066,847	100.00%	18,942,410	100.00%

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

	31 December 2023	31 December 2022	31 December 2021	31 December 2020
	% of total	% of total	% of total	% of total
Pass	0.00%	0.07 %	0.27%	8.91%
Special mention	46.28%	51.64%	52.99%	51.24%
Substandard	5.37%	4.98%	2.42%	4.74%
Doubtful	1.42%	2.35%	0.96%	0.40%
Loss	5.58%	3.69%	2.71%	1.96%
Recovery	41.35%	37.27%	40.65%	32.75%
Total	100.00%	100.00%	100.00%	100.00%

As at the end of 2023, the non-performing asset ratio was 1.04%, which decreased by 0.01 percentage point as compared with 1.05% as at the end of last year. The overall asset quality remained safe and under control.

The non-performing assets of the urban public utility industry accounted for 40.39% of the total non-performing assets. The proportion of non-performing assets in the segment was 1.05%. The non-performing asset ratio of the segment was basically the same as that of the Company. The urban public utility industry usually requires a large amount of capital investment. Due to their poor management, some customers ran construction projects under aggressive schedules and initiated substantial construction and technology development. They may encounter periodic capital flow problems due to time gaps of recovering funds in the later periods and lower-than-expected income levels, which may cause stalled projects, difficult operations and failure to repay loans on time. But the overall asset quality is stable at present. The Group prudently reclassified the assets of the segment into substandard and doubtful assets.

The non-performing assets of the culture & tourism industry accounted for 15.26% of the total non-performing assets. The proportion of non-performing assets in the segment was 1.69%. The non-performing asset ratio of the segment decreased as compare with the previous period. The tourism sector showed signs of recovery as the pandemic eased off, but it was not a comprehensive recovery. Facing the pressure from competitors in emerging markets and changes in travel experience and needs of consumers, the tourism industry is still under pressure. In addition, culture & tourism projects require a large amount of fixed asset investment in the early stage, such as construction of scenic spots and hotels. Some customers have also invested heavily in technology applications such as personalized travel services and big data analysis. The long investment payback period will also affect short-term cash flow. The Group prudently reclassified the assets of the segment into substandard and doubtful assets.

MANAGEMENT DISCUSSION AND ANALYSIS

The non-performing assets of the engineering construction industry accounted for 13.92% of the total non-performing assets. The proportion of non-performing assets in the segment was 1.06%. Due to the slowdown in growth of the global real estate market, upstream and downstream customers in the engineering construction segment have been facing huge pressure and challenges. The reduced demand for loans and new projects from developers will in turn affect the capital chain of the engineering construction industry, affecting the number of orders for the enterprises in the segment, and causing failure to pay engineering construction companies on time. The Group prudently reclassified the assets of the segment into substandard and doubtful assets.

The non-performing assets of the healthcare industry accounted for 11.77% of the total non-performing assets. The proportion of non-performing assets in the segment was 1.50%. The healthcare industry invested substantial funding in purchasing medical equipment, protective supplies, and increasing staffing and training during the public health crisis. Although the pandemic has been easing off at present, some time is needed to solve the problems of tight funding, cash flow shortage and operational difficulties arising from large-scale investment in the early stage as well as increased investment in research and development, equipment maintenance and other aspects by some customers. The Group prudently reclassified the assets of the segment into substandard and doubtful assets.

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

	31 December 2023		31 December 2022	
	RMB'000	% of total	RMB'000	% of total
Healthcare	328,650	11.77%	354,178	12.51%
Culture & tourism	425,997	15.26%	854,461	30.18%
Engineering construction	388,711	13.92%	453,283	16.01%
Machinery	177,741	6.37%	134,529	4.75%
Chemical & medicine	18,265	0.65%	5,300	0.19%
Electronic information	–	0.00%	296	0.01%
Public consuming	62,366	2.23%	132,097	4.67%
Transportation & logistics	262,764	9.41%	251,827	8.89%
Urban public utility	1,127,712	40.39%	645,366	22.79%
Total	2,792,206	100.00%	2,831,337	100.00%

MANAGEMENT DISCUSSION AND ANALYSIS

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

	31 December 2023		31 December 2022	
	RMB'000	% of total	RMB'000	% of total
Healthcare	269,428	18.15%	9,041	0.64%
Culture & tourism	38,686	2.61%	462,773	32.80%
Engineering construction	84,368	5.68%	105,987	7.51%
Machinery	103,793	6.99%	107,045	7.59%
Chemical & medicine	6,440	0.43%	4,806	0.34%
Electronic information	–	0.00%	–	0.00%
Public consuming	20,463	1.38%	87,575	6.21%
Transportation & logistics	83,230	5.61%	49,761	3.53%
Urban public utility	878,157	59.15%	583,981	41.38%
Total	1,484,565	100.00%	1,410,969	100.00%

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

	31 December 2023		31 December 2022	
	RMB'000	% of total	RMB'000	% of total
Healthcare	59,222	4.53%	345,137	24.30%
Culture & tourism	387,311	29.62%	391,688	27.58%
Engineering construction	304,343	23.27%	347,296	24.45%
Machinery	73,948	5.66%	27,484	1.93%
Chemical & medicine	11,825	0.90%	494	0.03%
Electronic information	–	0.00%	296	0.02%
Public consuming	41,903	3.20%	44,522	3.13%
Transportation & logistics	179,534	13.73%	202,066	14.23%
Urban public utility	249,555	19.09%	61,385	4.33%
Total	1,307,641	100.00%	1,420,368	100.00%

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

	31 December 2023	31 December 2022	31 December 2021
	RMB'000	RMB'000	RMB'000
At the beginning of the year	2,831,337	2,751,412	2,589,888
Downgrades ⁽¹⁾	2,831,194	3,103,634	2,865,433
Upgrades	(116,055)	(950,021)	(609,118)
Recoveries	(1,355,168)	(694,035)	(1,050,475)
Write-off/disposal	(1,399,102)	(1,379,653)	(1,044,316)
At the end of the year	2,792,206	2,831,337	2,751,412
Non-performing assets ratio	1.04%	1.05%	1.06%
Non-performing loan formation ratio ⁽²⁾	0.51%	0.57%	0.52%

Notes:

- (1) Represents downgrades of interest-earning assets classified as pass or special mention at the end of prior year and interest-earning assets newly classified in the year to non-performing categories;
- (2) Non-performing loan formation ratio = (the balance of non-performing loan at the end of year – the balance of non-performing loan at the beginning of year + write-off/disposal of non-performing loan for the year)/(net pass interest-earning assets at the beginning of year + net interest-earning assets under special mention at the beginning of year)

MANAGEMENT DISCUSSION AND ANALYSIS

3.2.6.2 Interest-earning Assets Provisions

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

	31 December 2023		31 December 2022		31 December 2021		31 December 2020	
	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total
Interest-earning assets provisions:								
Provision for non-performing assets	1,683,143	26.49%	1,460,084	21.49%	1,154,550	17.36%	1,070,237	16.39%
Provision for pass and special mention assets	4,671,589	73.51%	5,334,328	78.51%	5,496,973	82.64%	5,461,350	83.61%
Total	6,354,732	100.00%	6,794,412	100.00%	6,651,523	100.00%	6,531,587	100.00%
Non-performing assets	2,792,206		2,831,337		2,751,412		2,589,888	
Provision coverage ratio	227.59%		239.97%		241.75%		252.20%	
Credit cost ratio ⁽¹⁾	0.13%		0.51%		0.37%		0.98%	

Note:

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

3.2.6.3 Write-offs of Interest-earning Assets

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

	31 December 2023	31 December 2022	31 December 2021	31 December 2020
	RMB'000	RMB'000	RMB'000	RMB'000
Write-off/disposal of non-performing assets	1,399,102	1,379,653	1,044,316	1,190,137
Non-performing assets as at the end of last year	2,831,337	2,751,412	2,589,888	2,249,087
Write-off ratio ⁽¹⁾	49.41%	50.14%	40.32%	52.92%

Note:

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

MANAGEMENT DISCUSSION AND ANALYSIS

As at the end of 2023, according to the requirements of the accounting standards, the Group wrote off bad debts of RMB1,399,102,000, which were mainly distributed in the urban public utility, engineering construction, cultural & tourism and public consuming industries, accounting for RMB574,849,000, RMB290,128,000, RMB158,222,000 and RMB131,023,000, respectively. The Group's write-off ratio has remained basically stable over the years. In particular, due to its business characteristics, inclusive finance is expected to maintain a relatively high write-off ratio in the coming years. Despite the Group's effort in collection through judicial means, actionable assets were unable to cover risk exposure of projects at the moment. Although at the moment the Group was required to write off the bad debts of the relevant non-performing assets pursuant to the requirements of the accounting standards, the Group did not terminate the disposal of assets, but continued to collect the payment through disposal of equipment/pledge, and exerting pressure on guarantors. From 2011 to the end of 2023, the written-off bad debts amounted to RMB7,296,822,000 and RMB1,717,518,000 had been recovered.

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

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

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

The Group adhered to the prudent strategies of risk control and asset management. The Group's overdue ratio (over 30 days) was 0.91% as at 31 December 2023, which remained the same as at the end of 2022.

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

	31 December 2023		31 December 2022	
	RMB'000	% of total	RMB'000	% of total
Healthcare	187,799	7.67%	382,301	15.59%
Culture & tourism	438,699	17.91%	565,142	23.04%
Engineering construction	443,652	18.11%	657,216	26.80%
Machinery	182,951	7.47%	77,804	3.17%
Chemical & medicine	36,846	1.50%	7,841	0.32%
Electronic information	12,666	0.52%	296	0.01%
Public consuming	126,969	5.18%	152,533	6.22%
Transportation & logistics	337,375	13.77%	181,916	7.42%
Urban public utility	683,038	27.87%	427,546	17.43%
Total	2,449,995	100.00%	2,452,595	100.00%

MANAGEMENT DISCUSSION AND ANALYSIS

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

	31 December 2023		31 December 2022	
	RMB'000	% of total	RMB'000	% of total
Pass	-	-	-	-
Special mention	1,049,573	42.84%	401,567	16.37%
Substandard	392,683	16.03%	821,646	33.50%
Doubtful	1,007,739	41.13%	1,229,382	50.13%
Loss	-	-	-	-
Total	2,449,995	100.00%	2,452,595	100.00%

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

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

	For the year ended 31 December				
	2023		2022		Change %
	RMB million	% of total	RMB million	% of total	
Healthcare	-	-	71	1.04%	-
Culture & tourism	-	-	458	6.69%	-
Engineering construction	-	-	176	2.57%	-
Machinery	-	-	263	3.84%	-
Chemical & medicine	-	-	119	1.74%	-
Electronic information	-	-	644	9.41%	-
Public consuming	-	-	424	6.20%	-
Transportation & logistics	-	-	454	6.63%	-
Urban public utility	-	-	4,235	61.88%	-
Total	-	-	6,844	100.00%	-

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

	31 December 2023		31 December 2022		Change %
	RMB million	% of total	RMB million	% of total	
Healthcare	16	0.97%	101	1.73%	-84.16%
Culture & tourism	145	8.79%	530	9.06%	-72.64%
Engineering construction	44	2.67%	210	3.59%	-79.05%
Machinery	15	0.91%	174	2.97%	-91.38%
Chemical & medicine	46	2.79%	231	3.95%	-80.09%
Electronic information	125	7.58%	309	5.28%	-59.55%
Public consuming	96	5.82%	287	4.90%	-66.55%
Transportation & logistics	173	10.49%	492	8.41%	-64.84%
Urban public utility	989	59.98%	3,519	60.11%	-71.90%
Total	1,649	100.00%	5,853	100.00%	-71.83%

As at 31 December 2023, the balance of the holding of asset-backed securities/notes-related assets items amounted to RMB369,172,000, representing a decrease of 58.55% as compared to RMB890,572,000 as at 31 December 2022, mainly due to the fact that the off-balance sheet assets in previous years became mature one after another in 2022 and 2023. As an off-balance sheet asset management service provider, the Group implemented the same prudent asset management policy as the on-balance sheet asset and strengthened the monitoring process. The off-balance sheet assets were stable as at the end of 2023 with no significant anomalies of asset quality.

The balance of assets with continuing involvement of the Group amounted to RMB369,172,000, representing a decrease of 58.55% as compared to RMB890,572,000 as at the end of last year. Pursuant to specific requirements of accounting standards, for the asset-backed securities/notes business described above, the Group should continue to recognize assets and liabilities with continuing involvement in relation to such activities due to risk associated with subordinate and enhanced credit facilities held by the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

3.4 Other Assets

As at the end of 2023, the cash and cash equivalents of the Group amounted to RMB18,852,540,000. The Group started to reserve relatively sufficient cash to sustain the business development and ensure the capital liquidity safety of the Group. Restricted deposits of the Group amounted to RMB3,149,062,000.

The balance of prepayments and other receivables of the Group amounted to RMB4,374,919,000, comprised of mainly prepayments for suppliers of machinery and equipment and deductible value-added tax, etc.

The balance of deferred tax assets of the Group amounted to RMB6,052,352,000, mainly for the deferred income tax provided for the time difference between accounting and taxation.

The balance of property, plant and equipment of the Group amounted to RMB23,513,055,000, comprised mainly of equipment, tools and plant for equipment operation business amounting to RMB18,200,000,000, the buildings and medical equipment of its affiliated hospitals amounting to RMB3,300,000,000, and the main office building of the Group.

The balance of investments in joint ventures/associates of the Group amounted to RMB9,105,237,000, mainly including the equity investments of the Group in provincial asset management companies amounting to RMB5,093,862,000 and the equity investments of the Group in joint ventures/associates such as Guangzhou Kangda Industrial Technology Co., Ltd., Grand Flight Hooyoung Investment L.P., infrastructure investment and the invested hospitals.

The balance of financial assets at fair value through profit or loss of the Group was RMB8,841,595,000, mainly due to the interest-earning assets and financial equity investment invested by the Group, among which the balance of interest-earning assets and other debt investments as at 31 December 2023 was RMB3,220,000,000 and RMB2,850,000,000, respectively.

The balances of assets and liabilities corresponding to the Group's derivative financial instruments amounted to RMB2,133,982,000 and RMB215,481,000, respectively, which were mainly the financial instruments such as exchange rate forwards and currency swaps of the Group. These instruments are mainly used to hedge the foreign exchange exposure of the Group.

The balance of the Group's goodwill amounted to RMB171,523,000, which was mainly the goodwill recognized by the Group for the acquisition of medical institutions.

The balances of the Group's right-of-use assets amounted to RMB2,388,496,000, which was mainly the land use rights of the corresponding lands of the Group's main office building and its subsidiary hospitals' buildings and the assets recognized in the use rights of the premises leased by subsidiary hospitals in accordance with the accounting standard for leases.

MANAGEMENT DISCUSSION AND ANALYSIS

3.5 Liabilities (Overview)

As at 31 December 2023, total liabilities of the Group amounted to RMB293,913,636,000, representing a decrease of RMB640,439,000 or 0.22% as compared to the end of last year, among which, the interest-bearing bank and other borrowings were the main component of the Group's total liabilities, accounting for 86.98% of the total, which increased by 1.65 percentage points as compared to 85.33% as at the end of last year.

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

	31 December 2023		31 December 2022		Change %
	RMB'000	% of total	RMB'000	% of total	
Interest-bearing bank and other borrowings	255,636,145	86.98%	251,327,480	85.33%	1.71%
Other payables and accruals	23,985,577	8.16%	24,217,011	8.22%	-0.96%
Liabilities for continuing involvement	369,172	0.13%	890,572	0.30%	-58.55%
Trade and bills payables	9,509,889	3.24%	13,975,210	4.74%	-31.95%
Tax payables	1,437,537	0.49%	1,858,302	0.63%	-22.64%
Derivative financial instruments	215,481	0.07%	271,565	0.09%	-20.65%
Deferred tax liabilities	860,952	0.29%	902,566	0.31%	-4.61%
Deferred revenue	911,238	0.31%	604,987	0.21%	50.62%
Lease liabilities	987,645	0.33%	506,382	0.17%	95.04%
Total liabilities	293,913,636	100.00%	294,554,075	100.00%	-0.22%

MANAGEMENT DISCUSSION AND ANALYSIS

3.6 Interest-bearing Bank and Other Borrowings

Being faced with the complicated financial environment domestically and overseas, the Group reviewed and assessed the situation. It increased the size of bank credit and the proportion of indirect financing, and also adjusted the pace of issuance with reference to the market conditions and continued to introduce direct financing, thereby providing an effective guarantee for the Company's overall strategic advancement.

With respect to direct financing market, the Group continued to diversify the types of its products and enrich its product connotation. In 2023, International Far Eastern Leasing Co., Ltd. (遠東國際融資租賃有限公司), a core financial subsidiary of the Group, issued sustainable development-linked corporate bonds under public offering, which facilitated investment in leasing business in green sectors and small-and-micro-inclusive businesses; issued the first small-and-micro enterprise high-quality development ABS to consistently implement the national strategy to pursue high-quality development and help small, medium and micro enterprises to achieve high-quality development, and issued the first free trade zone offshore bond of the financial leasing industry on the ChongWa (Macao) Financial Asset Exchange Co., Ltd which achieved a new breakthrough in offshore capital resources.

With respect to indirect financing market, the Group continued to strengthen its cooperation relationship with key banks by deepening trade financing, inclusive finance and other means on the basis of the current financing channel in accordance with the strategic development needs and in line with bank policies, and launched comprehensive cooperation in finance and industry, forming a deep strategic partnership. In addition, in 2023, the Company successfully obtained two SLL syndicated loans, each of them is the first of its kind in the market, namely the first green syndicated loans linked to indicators in the fields of renewable energy and rural revitalization in the market and the first blue-green double-standard syndicated loan linked to indicators in the fields of marine vessels and sewage treatment, which all reflected the Company's strong determination and ability to support green and low-carbon development by exploring innovative products.

In conclusion, the Group had diverse financing methods with a continuously improving liability structure, and was able to ensure stable supply of resources through flexible deployment of resources in multiple products, venues and channels. Looking forward to the future, the Group is confident that with the favorable operation momentum and profound financial market cooperation foundation, the Group can further improve its competitiveness on liability side.

As at 31 December 2023, the total sum of the Group's interest-bearing bank and other borrowings amounted to RMB255,636,145,000, representing an increase of 1.71% as compared with RMB251,327,480,000 as at the end of last year. The Group's borrowings were mainly denominated in RMB and US\$.

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

	31 December 2023		31 December 2022		Change %
	RMB'000	% of total	RMB'000	% of total	
Current	132,389,989	51.79%	123,454,985	49.12%	7.24%
Non-current	123,246,156	48.21%	127,872,495	50.88%	-3.62%
Total	255,636,145	100.00%	251,327,480	100.00%	1.71%

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2023, the Group's current interest-bearing bank and other borrowings (including short-term loans and portions that are due within one year in long-term loans) as a percentage of the Group's total interest-bearing bank and other borrowings was 51.79%, which increased as compared to the end of the previous year, mainly because the Group reduced the issuance size of overseas long-term bonds.

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

	31 December 2023		31 December 2022		Change %
	RMB'000	% of total	RMB'000	% of total	
Secured	45,682,595	17.87%	37,825,439	15.05%	20.77%
Unsecured	209,953,550	82.13%	213,502,041	84.95%	-1.66%
Total	255,636,145	100.00%	251,327,480	100.00%	1.71%

The Group carefully managed its funding risk in 2023. As at 31 December 2023, the proportion of the Group's interest-bearing bank and other borrowings that were unsecured accounted for 82.13% of the Group's total interest-bearing bank and other borrowings, which slightly decreased as compared to the end of the previous year, mainly because the Group secured more funds at lower costs with pledged assets.

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

	31 December 2023		31 December 2022		Change %
	RMB'000	% of total	RMB'000	% of total	
Bank loans	155,602,434	60.87%	134,240,087	53.41%	15.91%
Other loans	100,033,711	39.13%	117,087,393	46.59%	-14.56%
Total	255,636,145	100.00%	251,327,480	100.00%	1.71%

As at 31 December 2023, the Group's bank loans as a percentage to the Group's total bank and other borrowings increased as compared to the end of last year, mainly because the Group continuously deepened its cooperation with banking channels, reflecting its stable and diverse financing sources.

MANAGEMENT DISCUSSION AND ANALYSIS

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

	31 December 2023		31 December 2022		Change %
	RMB'000	% of total	RMB'000	% of total	
Domestic	216,234,434	84.59%	208,453,759	82.94%	3.73%
Overseas	39,401,711	15.41%	42,873,721	17.06%	-8.10%
Total	255,636,145	100.00%	251,327,480	100.00%	1.71%

As at 31 December 2023, the proportion of the Group's domestic borrowings and other borrowings as a percentage to the Group's total borrowings was 84.59%, which increased as compared with that at the end of last year as the Group moderately balanced between domestic and overseas financing channels to satisfy the funding needs.

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

	31 December 2023		31 December 2022		Change %
	RMB'000	% of total	RMB'000	% of total	
RMB	207,954,618	81.35%	198,893,635	79.14%	4.56%
US\$	17,080,464	6.68%	27,272,900	10.85%	-37.37%
Borrowings in other currencies	30,601,063	11.97%	25,160,945	10.01%	21.62%
Total	255,636,145	100.00%	251,327,480	100.00%	1.71%

As at 31 December 2023, the Group's activities in RMB accounted for 81.35% of its total interest-bearing bank and other borrowings, representing an increase from the end of last year as the Group actively promoted domestic and overseas RMB financing, and strived to expand and strengthen RMB financing.

MANAGEMENT DISCUSSION AND ANALYSIS

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

	31 December 2023		31 December 2022		Change %
	RMB'000	% of total	RMB'000	% of total	
Direct financing	77,531,692	30.33%	97,425,426	38.76%	-20.42%
Indirect financing	178,104,453	69.67%	153,902,054	61.24%	15.73%
Total	255,636,145	100.00%	251,327,480	100.00%	1.71%

As at 31 December 2023, Group's direct borrowings accounted for 30.33% of the total, which decreased as compared to the end of last year. In 2023, taking into account the external capital market environment, the Group continued to deepen and increase the development of the indirect financing market, continued to optimize the financing structure, and further introduced indirect financing, so as to consolidate the resource base required for its future development.

3.7 Shareholders' Equity

As at 31 December 2023, the total equity of the Group was RMB57,569,600,000, representing an increase of RMB5,128,178,000 or 9.78% from the end of last year. During the year, the Company maintained stable development, and the profit for the year continued to grow, ensuring the steady increase in the equity attributable to ordinary shareholders of the Company. At the same time, the successful listing of Horizon Construction Development also contributed to the significant increase in non-controlling interests.

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

	31 December 2023		31 December 2022		Change %
	RMB'000	% of total	RMB'000	% of total	
Share capital	13,066,292	22.70%	13,052,344	24.89%	0.11%
Equity component of convertible bonds	228,432	0.40%	233,750	0.45%	-2.28%
Reserve	36,804,645	63.93%	31,962,781	60.95%	15.15%
Equity attributable to ordinary shareholders of the Company ⁽¹⁾	50,099,369	87.03%	45,248,875	86.29%	10.72%
Perpetual securities ⁽²⁾	1,573,876	2.73%	3,080,425	5.87%	-48.91%
Non-controlling interests	5,896,355	10.24%	4,112,122	7.84%	43.39%
Total equity	57,569,600	100.00%	52,441,422	100.00%	9.78%

MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

- (1) The following table sets forth the change in the equity attributable to the ordinary shareholders of the Company in 2023.

	Equity attributable to the ordinary shareholders of the Company
31 December 2022	45,248,875
Profit for the year	6,192,972
Other comprehensive income	136,014
Dividend distribution	(2,536,072)
Other changes in equity	1,057,580
31 December 2023	50,099,369

The final dividend of HK\$0.49 per share for the year ended 31 December 2022 was approved at the annual general meeting on 7 June 2023 and paid on 30 June 2023.

As stated in the announcement of the Company dated 6 December 2023, the Board proposed the Company to distribute a special dividend by way of distribution in specie on the pro-rata basis of 1 ordinary share of Horizon Construction Development for every 27 shares held by shareholders whose names appear on the register of members of the Company on the Record Date (i.e. 3 January 2024). Approximately 160 million shares of Horizon Construction Development will be distributed, representing approximately 5% of the total issued shares of Horizon Construction Development as at 6 December 2023. The aforesaid resolution on distribution of special dividend by way of distribution in specie was voted and approved at the extraordinary general meeting convened on 22 December 2023, and was recognized as a liability on 31 December 2023. Based on the closing price of the shares of Horizon Construction Development on 29 December 2023, the dividends payable by way of distribution of special dividend in specie amounted to approximately RMB664 million. The share certificates for the distributed shares of Horizon Construction Development in respect of the distribution in specie were despatched to the qualifying shareholders at their respective addresses shown on the register of members of the Company by post on 16 January 2024. Upon the completion of distribution in specie, the Company wholly-owned a total of 2,133,230,172 shares of Horizon Construction Development, representing approximately 66.72% of the total number of issued shares of Horizon Construction Development as at 16 January 2024. For details on distribution in specie, please refer to the announcements of the Company dated 6 December 2023, 22 December 2023 and 16 January 2024 and the circular of the Company dated 6 December 2023.

On 25 May 2023, Horizon Construction Development was successfully listed on the Main Board of the Stock Exchange. At the same time, the Group adjusted the total consideration for introducing strategic investors in 2021 from "liabilities" to "equity" in the consolidated statement of financial position. The listing of Horizon Construction Development resulted in an increase of approximately RMB870 million in the equity attributable to the ordinary shareholders of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Type of perpetual securities	Date of issuance	Currency of issuance	Amount of issuance ('000)	Initial annual distribution rate	Basic term ^(iv)	Date of redemption
Perpetual trusted loans ⁽ⁱ⁾	24 July 2019	RMB	49,850	6.0%	5 years	N/A
Perpetual medium-term ⁽ⁱⁱ⁾	6 July 2022	RMB	1,000,000	4.2%	2 years	N/A
Renewable corporate bonds ⁽ⁱⁱⁱ⁾	2 September 2022	RMB	500,000	4.2%	2 years	N/A
Renewable corporate bonds ^(iv)	28 October 2022	RMB	1,000,000	4.09%	1 year	30 October 2023
Perpetual trust securities (Pandemic Prevention and Control Securities) (phase one) ^(v)	18 February 2020	RMB	500,000	4.13%	3 years	20 February 2023

Notes:

- (i) The interest rate of the perpetual trusted loans will be reset every 5 years from the date of issuance for 5 years (the starting date of resetting interest rate). From the starting date of resetting interest rate (inclusive), the interest rate is the prevailing benchmark interest rate plus the initial spread, and the reset interest rate from the date of issuance of 20 years (inclusive) is determined by the prevailing benchmark interest rate plus the initial spread plus 300 basis points. The initial spread is the difference between the initial interest rate and the initial benchmark interest rate. The prevailing benchmark interest rate is the one – to five-year loan interest rate announced and implemented by the People's Bank of China 5 working days before the date of resetting interest rate.
- (ii) The basic term of the perpetual medium-term notes is 2 years. The Group is entitled to exercise its renewable option at the end of the stipulated basic term and at the end of each renewal period. The initial spread is the difference between the coupon rate and the initial benchmark interest rate. The prevailing benchmark interest rate is the arithmetic mean of the yields of treasury bonds with a maturity of 2 years in the 5 working days before the reset date of the coupon rate. Thereafter, the coupon rate will be reset every two years based on the prevailing benchmark interest rate plus the initial spread plus 300 basis points.
- (iii) The basic term of the renewable corporate bonds is 2 years. The Group is entitled to exercise its renewable option at the end of the stipulated basic term and at the end of each renewal period. The coupon rate of the first cycle is the initial benchmark interest rate plus the initial spread, and the coupon rate of subsequent cycles is adjusted to the prevailing benchmark interest rate plus the initial spread plus 300 basis points. The initial spread is the difference between the coupon rate for the first cycle and the initial benchmark interest rate. The benchmark interest rate is the arithmetic mean of the yields of treasury bonds of the same term in the 250 working days before the date of resetting coupon rate.
- (iv) For the perpetual securities with a basic term, the Group is entitled to exercise its renewable option at the end of the stipulated basic term and at the end of each renewal period.
- (v) The Group redeemed these perpetual securities in 2023. The Group may formulate future issuance plans based on market conditions and the Group's financing needs.
- (vi) On 24 July 2023, the Board has updated the medium term note and perpetual securities programme. The Company may offer and issue notes and/or perpetual securities in series, with the aggregate nominal amount of notes and perpetual securities which may be outstanding at any time of up to US\$4,000,000,000 (or its equivalent in other currencies). Application has been made to the Stock Exchange for the listing of the programme for 12 months after 24 July 2023 whereby notes and/or perpetual securities may be issued by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")) only. For other details of the aforesaid offering and issuance of notes and/or perpetual securities in series, please refer to the relevant announcement and offering circular of the Company dated 24 July 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

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

As at 31 December 2023, the Group's outstanding convertible bonds include:

1. The bonds in the principal amount of US\$300,000,000 due 2025 issued by Universe Trek Limited, a wholly-owned subsidiary of the Company, on 8 July 2020 and guaranteed by the Company, convertible into fully paid ordinary shares in the issued and paid-up capital of the Company in accordance with relevant conditions, and bearing interest from and including the issue date at the rate of 2.5% per annum payable semi-annually. Based on the net proceeds from the issuance of such convertible bonds (after deducting the fees, commission and expenses) amounting to approximately US\$296.6 million, the net price of each conversion share of such convertible bonds amounted to approximately HK\$8.24 (at the predetermined exchange rate of US\$1.00 to HK\$7.7503). The convertible bonds were offered and sold to no less than six independent placees (who were independent individuals, corporates and/or institutional investors). The initial conversion price of the convertible bonds was HK\$8.33 per conversion share; the conversion price was adjusted to HK\$7.92 per conversion share on 31 July 2020 due to the payment of dividend; the conversion price was further adjusted to HK\$7.58 per conversion share on 30 June 2021 due to the payment of dividend; the conversion price was further adjusted to HK\$7.11 per conversion share on 30 June 2022 due to the payment of dividend; the conversion price was further adjusted to HK\$6.59 per conversion share on 30 June 2023 due to the payment of dividend. As at the end of 2021, the Company had used all net proceeds for working capital and general corporate purposes, consistent with the use of proceeds disclosed in the announcement of the Company dated 18 June 2020. Approximately US\$169.5 million was used for domestic business operations and approximately US\$127.1 million was used for working capital and other general corporate purposes. On 9 June 2023, the Company received a notice of exercise of the put option amounting to US\$10,000,000. The Company redeemed the relevant convertible bonds for a total consideration equivalent to RMB72,054,000 at 100.00% of their principal amount and the interests accrued but not paid on 8 July 2023. As at the end of 2023, the outstanding principal amount of such convertible bonds was US\$290,000,000.

2. The bonds in the principal amount of US\$250,000,000 due 2026 issued by Universe Trek Limited, a wholly-owned subsidiary of the Company, on 15 June 2021 and guaranteed by the Company, convertible into fully paid ordinary shares in the issued and paid-up capital of the Company in accordance with relevant conditions, and bearing zero coupon. Based on the net proceeds from the issuance of such convertible bonds (after deducting the fees, commission and expenses) amounting to approximately US\$246 million, the net price of each conversion share of such convertible bonds amounted to approximately HK\$10.01 (at the predetermined exchange rate of US\$1.00 to HK\$7.7614). The convertible bonds were offered and sold to no less than six independent placees (who were independent individuals, corporates and/or institutional investors). The initial conversion price of the convertible bonds was HK\$10.20 per conversion share; the conversion price was adjusted to HK\$9.76 per conversion share on 30 June 2021 due to the payment of dividend; the conversion price was further adjusted to HK\$9.16 per conversion share on 30 June 2022 due to the payment of dividend; the conversion price was further adjusted to HK\$8.50 per conversion share on 30 June 2023 due to the payment of dividend. As at the end of 2021, the Company had used all net proceeds for working capital and general corporate purposes, consistent with the use of proceeds disclosed in the announcement of the Company dated 27 May 2021, approximately US\$95 million was used for repayment of bank loans and approximately US\$151 million was used for repayment of the US\$ floating rate notes issued in 2018. As at the end of 2023, the outstanding principal amount of such convertible bonds was US\$250,000,000.

MANAGEMENT DISCUSSION AND ANALYSIS

The above convertible bonds were issued at 100.00% of the principal amount of the bonds as the issue price, and were issued in registered form and in denominations US\$200,000 each and integral multiples of US\$1,000 in excess thereof. The proceeds from the bond issue can provide the Company with additional funding at lower cost to repay its existing debts and optimize its financing structure, to further strengthen the working capital for the Company, as well as potentially enhance the equity base of the Company.

For the principal terms and other details of the abovementioned convertible bonds, please refer to the relevant announcements of the Company dated 17 June, 18 June, 19 June, 8 July, 21 July, 24 November, 4 December and 7 December 2020, 27 May, 15 June, 16 June, 24 June, 20 July, 5 August, 6 August and 29 October 2021, 24 June and 28 October 2022 and 20 June 2023.

(I) Adjustment of Conversion Price of the Convertible Bonds

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

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

As at the end of 2023, no conversion into shares had occurred for the above convertible bonds. If the conversion rights attaching to the above convertible bonds were fully exercised in accordance with relevant conditions, the Company would have issued 569,336,712 shares, representing approximately 13.19% of the issued share capital of the Company as at the end of 2023 and approximately 11.66% of the issued share capital of the Company as enlarged by the issue of such conversion shares.

MANAGEMENT DISCUSSION AND ANALYSIS

The table below sets forth the dilution impact of the full conversion of the above convertible bonds on the shareholding of the substantial shareholders (having referred to the Company's shareholding structure as at 31 December 2023 and assuming no further shares would be issued by the Company):

Name of shareholder	As of 31 December 2023		Immediately following the full conversion of all convertible bonds	
	Number of shares	Approximate percentage of total issued shares (ii)	Number of shares	Approximate percentage of total issued shares (ii)
Sinochem Group Co., Ltd	919,914,440	21.31%	919,914,440	18.83%
KONG Fanxing ⁽ⁱ⁾	905,299,133	20.97%	905,299,133	18.53%
The holders of the Convertible Bonds issued on 8 July 2020	–	–	341,060,242	6.98%
The holders of the Convertible Bonds issued on 15 June 2021	–	–	228,276,470	4.67%
Other shareholders	2,489,922,293	57.70%	2,489,922,293	50.97%
Total	4,315,135,866	100.00%	4,884,472,578	100.00%

Notes:

(i) As at 31 December 2023, these interests include (i) 1,670,000 shares held by Mr. KONG Fanxing; (ii) 34,681,236 vested restricted shares; and (iii) 868,947,897 shares whose voting rights Idea Prosperous Limited were entrusted to exercise, and Idea Prosperous Limited is a wholly-owned company of Mr. KONG Fanxing.

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

Please refer to Note 12 to the financial statements for the impact on earnings per share as if the convertible bonds had been fully converted on 31 December 2023.

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

In 2023, the Company's liabilities and credit status did not change significantly, and the credit ratings assigned to the Company by various credit rating agencies remained unchanged. The Company has sufficient cash flow. At the same time, the banks have granted sufficient credit lines to the Company. Even if investors hold the convertible bonds to maturity and require payment of the principal, the Company is fully capable of paying in cash.

MANAGEMENT DISCUSSION AND ANALYSIS

(III) Analysis of the Implied Internal Rate of Returns

As at 31 December 2023, no conversion into shares had occurred for the convertible bonds issued on 8 July 2020 and the convertible bonds issued on 15 June 2021. Based on the implied internal rate of returns of the abovementioned convertible bonds and other related parameters, the share price at which it would be equally financially advantageous for the bondholders to convert or redeem the revised conversion shares for the end of year 2023 to 2025 were as below:

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

3.9 Events after the reporting period

On 22 January 2024, the conversion price of the convertible bonds issued in July 2020 was further adjusted to HK\$6.48 per conversion share due to the payment of special dividend, and the conversion price of the convertible bonds issued in June 2021 was further adjusted to HK\$8.35 per conversion share due to the payment of special dividend. If the conversion rights attaching to the above convertible bonds were fully exercised in accordance with relevant conditions, the Company would have issued 579,227,090 shares. For other details of the above conversion prices, please refer to the relevant announcement of the Company dated 22 January 2024.

4. CAPITAL MANAGEMENT

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

4.1 Gearing Ratio

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

	31 December 2023	31 December 2022
	RMB'000	RMB'000
Total assets (A)	351,483,236	346,995,497
Total liabilities (B)	293,913,636	294,554,075
Total equity	57,569,600	52,441,422
Gearing ratio (C=B/A)	83.62%	84.89%

MANAGEMENT DISCUSSION AND ANALYSIS

In 2023, the Group made full use of capital leverage for our operations to keep the Group's gearing ratio relatively high while at the same time closely managed the Group's gearing ratio to avoid potential liquidity risk. As at 31 December 2023, the Group's gearing ratio was 83.62%.

4.2 Ratio of Assets at Risk to Equity

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

As at 31 December 2023, the ratios of total assets at risk to net assets of International Far Eastern Financial Leasing Co., Ltd., Far Eastern Horizon (Tianjin) Financial Leasing Co., Ltd., Far Eastern Horizon Financial Leasing Co., Ltd. and Far East Horizon Financial Leasing (Guangdong) Co., Ltd. were 4.58, 3.49, 1.57 and 4.34, respectively, which were in compliance with the ratio of risk assets to equity requirements of the measures. The Group will ensure that all domestic finance leasing operations entities will continue to meet the above regulatory requirements through allocation of internal resources.

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

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

	31 December 2023	31 December 2022
	RMB'000	RMB'000
Total assets	201,099,590	216,258,683
Less: Cash	10,774,280	7,833,798
Total assets at risk	190,325,310	208,424,885
Equity	41,566,768	39,983,172
Ratio of assets at risk to equity	4.58	5.21

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

	31 December 2023	31 December 2022
	RMB'000	RMB'000
Total assets	81,829,951	98,181,851
Less: Cash	4,822,575	2,912,148
Total assets at risk	77,007,376	95,269,703
Equity	22,066,068	21,388,353
Ratio of assets at risk to equity	3.49	4.45

MANAGEMENT DISCUSSION AND ANALYSIS

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

	31 December 2023	31 December 2022
	RMB'000	RMB'000
Total assets	8,507,313	6,538,144
Less: Cash	93,908	1,169,793
Total assets at risk	8,413,405	5,368,351
Equity	5,374,582	4,946,327
Ratio of assets at risk to equity	1.57	1.09

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

	31 December 2023	31 December 2022
	RMB'000	RMB'000
Total assets	9,412,044	N/A
Less: Cash	189,468	N/A
Total assets at risk	9,222,576	N/A
Equity	2,124,838	N/A
Ratio of assets at risk to equity	4.34	N/A

5. CAPITAL EXPENDITURES

The Group's capital expenditure was RMB2,880,915,000 in 2023, which was mainly used as the expenditures for additions of property, plant and equipment, and external equity investments.

MANAGEMENT DISCUSSION AND ANALYSIS

6. RISK MANAGEMENT

6.1 Credit Risk

In 2023, China faced increasing external uncertainty, instability and unpredictability with declining export growth rate, and encountered greater challenges in external economic circulation. The consumer service industry recovered significantly, but the foundation of the overall recovery remained insecure.

China continued to adhere to the general development tone of “making economic stability top priority and pursuing progress while ensuring stability”, strengthened the basic livelihood security, and also continuously increased investment in infrastructure construction, made further support for small and medium-sized enterprises in inclusive, scientific and technological innovation and green development, and cultivated and grew new productive forces. The state combined expanding consumption with promoting investment to enhance the capability of internal economic circulation, made new technological breakthroughs, and further improved the level of security in the fields of food, energy and supply chain industry chain. The transition of economic drivers has been steadily accelerated, vigorously promoting high-quality development.

In the face of the increasingly uncertain external environment, the Company always adheres to the premise of safety first and controllable risks, and insists on achieving steady business growth as the goal, increasing industry focus and regional prioritization, strengthening customer base quality improvement, targeted risk control, strict operation management, and improving operational capabilities, as well as constantly employing financial technology means to improve risk management quality and support effectiveness.

I. Adhere to prioritizing specific industries and regions

Through strengthening professional industry research and increasing regional market research, the Company continuously enhanced its understanding of economy in the macro level, industries and regions in meso level, and customers in the micro levels. It explored the law of China’s economic development from a macro perspective, distinguished the industry and regional pattern changes from a meso perspective, and saw through customer operation situations from a micro perspective, further focusing on advantageous industries for more allocation, and selecting economically developed regions for regional optimization.

MANAGEMENT DISCUSSION AND ANALYSIS

Regarding prioritized industries, the Company continued to focus on serving the real economy, and encouraged the introduction of industries with good stability, high prosperity and key national supports. The Company motivated building presence in medical care, education, public transportation, water, electricity and gas and other domestic demand-oriented and livelihood-oriented fundamental industries, and supported infrastructure construction such as railways, highways, airports and ports. The Company bolstered investment in the field of energy, supply chain and industry chain security, advocated participation in the urbanization of new urban agglomerations and Yangtze River economic belts, and supported the participation in infrastructure construction for rural revitalization. The Company boosted building presence in high-end, intelligent and green manufacturing and upgrading fields, and sustained the introduction of advantageous import alternative industries. The Company spurred the participation in basic consumption, cultural tourism and other consumption upgrading and transformation industries and related digital services, and propelled the development of inclusive finance in support of financing for small and medium-sized enterprises (“SMEs”).

Regarding prioritized regions, as economic capacity and vitality in various regions are different due to the resource endowment, location advantage and industrial competitiveness, the Company built and continuously optimized the urban energy level model, and carried out hierarchical and classified management of regional economic capacity and vitality. We adhered to the combination of qualitative and quantitative analysis, and conducted customer development and cooperation in prioritized regions.

We adhered to prioritizing development prospects and economic benefits, focused on national key core economic belts and core cities, and then gradually extended influences to second-and third-tier cities, thus forming a large asset allocation strategy in the whole Yangtze River from the middle reaches to the east downstream and in the coastal areas from Beijing-Tianjin-Hebei region, to the Yangtze River Delta and to Guangdong-Hong Kong-Macao Greater Bay Area.

The Group allocated its assets in prioritized areas with dynamic economy, large economy output, fast growth and abundant resources.

II. Keep on customer base quality improvement and accurate risk control

In terms of customer base quality improvement, the Company intensified its efforts to sort out the target customer groups, and further focused on the management, maintenance and quality improvement of effective customer bases. Horizontally, the Company stretched along the industrial chain to identify target customers. Vertically, the Company dug deep in certain regions, targeted customers according to local conditions, so as to reach every customer who meets the primary selection criteria, and continuously improved customer management archives. On the other hand, the Company continuously improved the quality of effective customer bases. The Company supported the development of customers who have long been rooted in their industries, keep focusing on market demand, cut across industry life cycle, possess core competitive advantages and brand power, and generate outstanding operating cash flows.

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

MANAGEMENT DISCUSSION AND ANALYSIS

For SME customers, the Company supported the introduction of national-level specialized and sophisticated enterprises that produce new and unique products, especially small giant enterprises and other technological enterprises with a certain size and operating history.

The Company forged targeted risk control. The Company adhered to the principle of security first and controllable risk in carrying out business. On the basis of industry risk perspective, the Company improved the regional risk perspective and formed a three-dimensional view of industry, region and customers. Its targeted risk control focused on major customers and private SMEs.

The Company improved the regional risk view. The Company made full use of its nation-wide operation offices, cooperated with local fund providers, customers' upstream and downstream enterprises, customers' peers, customers' employees and managers, local residents, and local government agencies to fully understand customers' credit status, performance, business reality, development history, professional ability, tax payment and compliance operation, and constantly improved customers' risk view.

The Company made every effort to forge targeted risk control. In order to improve the overall quality of the customer base, the Company strengthened the large group customer review process and effectiveness management, reinforced the overall risk control, and carried out unified and expert evaluation. The Company strengthened the application and effectiveness management of negative list and cross-validation for SME customers with strong private attributes and sufficient risk exposure in market-oriented industries.

The Company conducted expert review for large group customers. In response to the complicated problems such as cross-industry operation, various entities and complicated related transactions, difficulties in identifying actual controllers, and changes in the scope of consolidated statements as to group customers, the Company launched a joint evaluation mode of collective consultation by multi-industry evaluation experts, with unified credit line management and control, single credit standard, multi-link and full-angle review, and information sharing among multiple departments to ensure complete, clear and accurate view.

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

With its efforts, the Company's non-performing asset ratio continued to decline, and the non-performing rate was 1.04% for the year.

MANAGEMENT DISCUSSION AND ANALYSIS

III. Persist in strict operation management and enhancing capabilities

The Company strengthened the whole process checks and balances and supervision and management of incompatible positions, reinforced the three lines of defense before, during and after credit granting, conducted strict management of managers, new recruits, existing employees and professionals, and continuously improved operation quality.

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

The Company consolidated three lines of defense. In particular, the Company continued to strengthen the due diligence before credit granting, evaluation during credit granting and asset inspection after credit granting, especially improving the operational quality of the front-line due diligence before credit granting. The Company continued to consolidate the standard system of position responsibilities, job contents and operation process before, during and after credit granting, and strengthened the self-inspection on operation and the check and correction of the previous process by the latter. The Company fortified the communication mechanism for complicated cross-post operation problems to improve the whole process operation quality.

The Company strictly controlled key groups. The Company intensified the supervision of managers' performance of duties, and carried out manager evaluation feedback and operation quality improvement activities. When conducting evaluation, the Company bound the operation by operators with the operation by managers to improve the front-line operation quality as a whole. The Company strengthened the awareness and skills improvement among new recruits to prevent operational quality problems due to lack of knowledge. The Company focused on strengthening the reminder and rectification of the thinking and operating inertia of its existing employees, and endowed its jobs with new work connotation through various means.

For key professional groups, the Company improved their rational thinking to ensure their independence.

The Company improved its operational ability. The Company continued to strengthen all-staff training and communication on the positive and negative operation cases, focused on the old and new problems during operation, and applied the problem reflection and improvement measures to future management and operation.

MANAGEMENT DISCUSSION AND ANALYSIS

IV. Stand firm in technological empowerment and improve both quality and efficiency

Through hard work, the Company achieved iterative upgrading and comprehensive switching of its core businesses. The Company offered more standardized modules and multi-dimensional report statistics functions for customers' accurate evaluation, further enriched the risk information source channels, and provided greater guarantee for effective risk identification and further evaluation quality improvement.

Meanwhile, the system integrated more prompt functions, which realizes the intelligent audit of internal risk control requirements and reduces the risk of omission or mistake caused by human operation. Through the automatic data identification, the Company improved the efficiency to reduce the time of data collection by front-line personnel, so that they can invest more time on risk identification and risk verification.

6.2 Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank and other borrowings and lease receivables and other loans.

A principal part of the Group's management of interest rate risk is to monitor the sensitivity of projected net interest income under varying interest rate scenarios (simulation modelling). The Group aims to continuously monitor the impact of prospective interest rate movements which could reduce future net interest income, while actively using interest rate swaps and other financial instruments to hedge interest rate risk exposure. The distribution of interest rate sensitive assets and liabilities of the Group is as follows:

	As of 31 December 2023	As of 31 December 2022
	RMB'000	RMB'000
Variable interest bearing assets	1,889,670	1,727,588
Variable interest bearing liabilities	(104,378,061)	(92,206,276)
Monetary funds and others	21,959,952	19,148,926
Derivative financial instruments	57,085,251	50,526,561
Net exposure	(23,443,188)	(20,803,201)

MANAGEMENT DISCUSSION AND ANALYSIS

The table below demonstrates the sensitivity to a reasonably possible change in interest rate, to the Group's profit before tax with all other variables held constant. The sensitivity of the profit before tax is the effect of the assumed changes in interest rates (such as the RMB loan market quoted interest rates) on profit before tax, based on the financial assets and financial liabilities held at the end of each reporting period subject to re-pricing within the coming year.

	Increase/(decrease) in profit before tax of the Group	
	As of 31 December 2023	As of 31 December 2022
	RMB'000	RMB'000
Change in basis points		
+100 basis points	(42,814)	(66,264)
- 100 basis points	44,389	68,147

6.3 Foreign Exchange Risk

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

The Group conducts its businesses mainly in RMB, with certain transactions denominated in US\$, and to a lesser extent, other currencies. The Group's treasury operations exposure mainly arises from its transactions in currencies other than RMB. The Group adopted prudent foreign exchange risk management which hedges risk exposures one by one under comprehensive risk exposure management. The Group proactively hedged against foreign exchange exposure based on the currency and terms through using the operation of financial instruments such as foreign exchange forwards and currency swaps. According to relevant statistics, as at 31 December 2023, the Group's actual exposure to foreign exchange risk approximately amounted to approximately US\$6,084 million, hedges against foreign exchange exposure amounted to approximately US\$6,082 million with the hedge ratio (percentage of the aforesaid two items) of approximately 99.97% (approximately 96.57% as at 31 December 2022). The Group's actual exposure to foreign exchange risk is limited.

MANAGEMENT DISCUSSION AND ANALYSIS

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

	Increase/(decrease) in equity interest of the Group		
	Change in RMB exchange rate	As of 31 December 2023	As of 31 December 2022
		RMB'000	RMB'000
Effect on the profit before tax	+1%	143	16,970

The effect above was based on the assumption that the Group's foreign exchange exposures as at the end of each reporting period are kept unchanged and the average percentage of foreign exchange exposure with hedges remained as above so as to calculate the effect of exchange rate change on equity interest.

6.4 Liquidity Risk

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

The Group manages its liquidity risk through daily monitoring with the following objectives: maintaining the stability of the leasing business, projecting cash flows and evaluating the level of current assets, and maintaining an efficient internal fund transfer mechanism to ensure liquidity of the Group. The following table sets forth the Group's liquidity-related indicators as of the dates indicated.

	As of 31 December 2023	As of 31 December 2022
Liquidity coverage ratio ⁽¹⁾	229.36%	194.23%
Proportion of short-term liabilities ⁽²⁾	52.62%	51.10%
Liabilities/total credit lines ⁽³⁾	54.50%	53.81%

Notes:

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2023							
Total financial assets	21,660,472	60,795,194	134,409,741	114,383,710	2,291,252	2,787,072	336,327,441
Total financial liabilities	884,196	54,759,626	99,545,274	138,763,993	4,231,502	-	298,184,591
Net liquidity gap	20,776,276	6,035,568	34,864,467	(24,380,283)	(1,940,250)	2,787,072	38,142,850
As at 31 December 2022							
Total financial assets	17,872,115	52,509,123	122,452,907	136,371,209	1,723,235	2,698,900	333,627,489
Total financial liabilities	1,362,917	54,632,009	97,967,745	142,773,334	3,815,533	-	300,551,538
Net liquidity gap	16,509,198	(2,122,886)	24,485,162	(6,402,125)	(2,092,298)	2,698,900	33,075,951

6.5 Operational Risk

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

7. CHARGE ON GROUP ASSETS

The Group had lease receivables of RMB33,552,158,000, long-term receivables of RMB8,012,817,000, cash of RMB496,493,000, property, plant and equipment of RMB7,705,295,000, investment properties of RMB32,113,000 and right-of-use assets (the original prepaid land lease payments) of RMB799,144,000 as at 31 December 2023 in order to secure or pay the bank borrowings, cash of RMB617,580,000 was pledged for bank acceptances, letter of credit and etc.

MANAGEMENT DISCUSSION AND ANALYSIS

8. MATERIAL INVESTMENTS, ACQUISITIONS AND DISPOSALS

8.1 Material Investments and Acquisitions

In 2023, the number of hospitals controlled by the Group was 25 with the actual number of beds available amounting to approximately 10,000, respectively. A nationwide hospital operation network covering Eastern China, Southern China, Northern China, Southwest China, and Northeast China has been formed. The Group continued to adjust its business structure, optimize asset efficiency, and accelerate strategic upgrading and transformation, and completed the equity transfer of four hospitals, including Zhengzhou Renji Hospital and Zhoushan Dinghai Hospital, and the execution of equity transfer agreement for Siyang Yunbei Hospital in 2023. Under the operation of “One system, One network, One hospital” and for the future operation vision, the Group will include the above hospitals in the unified operation and management model, and under the main theme of discipline development and construction, efforts will be made to increase the core competitiveness of the hospitals and achieve higher income. For further details, please refer to the discussion and analysis in paragraph 13.1 of this section.

In 2023, the Group operates two non-compulsory schools. The Company insists on a high-quality positioning of school operations, and takes the responsibility of cultivating elites for the society. Its high schools have formed a good brand in the local area and are widely recognized by parents. Two of its high schools attained excellent results regarding further studies, with an admission rate of over 80% for the top 100 universities in the world, and have helped outstanding students to enter top schools such as Oxford, Cambridge and Ivy League for successive years.

In 2023, the Group did not conduct any material investment as defined under Rule 32(4A) of Appendix D2 of the Listing Rules.

8.2 Material Disposals

Deemed Disposal of Interests in a Subsidiary – Entering into the Capital Increase Agreement, Supplemental Agreement and Related Documents with China Insurance Investment Co., Ltd. (“China Insurance Investment”) in Relation to the Investment in Far Eastern Horizon (Tianjin) Financial Leasing Co., Ltd. (遠東宏信(天津)融資租賃有限公司) (“FETJ”)

On 4 May 2023, the Company, International Far Eastern Leasing Co., Ltd. (遠東國際融資租賃有限公司) (“IFELC”), FETJ and China Insurance Investment entered into the capital increase agreement, the supplemental agreement and related documents (collectively, the “Capital Increase Agreements”) in relation to the investment by China Insurance Investment in FETJ. Pursuant to the Capital Increase Agreements, China Insurance Investment will inject capital into FETJ with a total maximum investment amount of RMB4,000,000,000.00. Upon completion of the capital increase, the Company, IFELC and China Insurance Investment will directly hold approximately 46.96%, 37.83% and 15.21% of the equity interests in FETJ, respectively. FETJ will remain a subsidiary of the Company. Pursuant to Rule 14.29 of the Listing Rules, the capital increase constitutes a deemed disposal of interests in a subsidiary. The Company published an announcement on the discloseable transaction on 4 May 2023 which set out the details of the deemed disposal of interests in the subsidiary.

MANAGEMENT DISCUSSION AND ANALYSIS

Deemed Disposal of Interests in a Subsidiary – Spin-off and Separate Listing of Horizon Construction Development on the Main Board of the Stock Exchange (the “Spin-off”)

On 25 May 2023, Horizon Construction Development, a subsidiary of the Company, was officially listed on the Main Board of the Stock Exchange (stock code: 9930). The global offering of Horizon Construction Development offered a total of 364,694,000 shares at an offer price of HK\$4.52 per share of Horizon Construction Development. After the listing, Horizon Construction Development remained a subsidiary of the Company. Pursuant to Rule 14.29 of the Listing Rules, the Spin-off constitutes a deemed disposal of interests in a subsidiary. The Company published an announcement on the discloseable transaction on 24 May 2023 which set out the details of the deemed disposal of interests in the subsidiary.

Save as disclosed above, the Group had no other material disposals in 2023.

9. HUMAN RESOURCES

As of 31 December 2023, the Group had 19,337 full-time employees, a decrease of 2,549 full-time employees as compared to 21,886 in 2022.

The Group believes it has a high quality work force with specialized industry expertise. As at 31 December 2023, approximately 56.6% of the Group’s employees had bachelor’s degrees or above, and approximately 8.2% had master’s degrees or above.

9.1 Incentive Schemes

The Group has established effective employee incentive schemes to correlate the remuneration of our employees with their overall performance and contribution to the Company rather than operating results, and have established a merit based remuneration awards system. Employees are promoted not only in terms of position and seniority, but also in terms of professional classification. Our senior employees are reviewed every quarter on the basis of, among other criteria, their performance as business leaders to achieve stipulated performance targets (such as budget targets) and their risk management capabilities on the operational matters under their charge.

With a view of promoting the Group to establish and complete the medium-long term stimulation and restriction system for fully arousing the enthusiasm of the management, attracting and retaining the excellent management talents, and effectively integrating the interests of Shareholders, the Company and the management to guarantee the long-term, stable and healthy development, the Board of the Company considered and passed the program of setting up the equity incentive plans (including the share option scheme and restricted share award scheme) in 2014 and 2019. The Company also intended to adopt new restricted share award scheme and propose the adoption of new share option scheme in 2024.

9.2 Employee Benefits

In accordance with applicable PRC regulations, the Group has made contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for our employees. The Group also provides supplemental commercial medical insurance, property insurance and safety insurance in addition to those required under the PRC regulations. As of 31 December 2023, the Group complied with all statutory social insurance and housing fund obligations applicable to the Group under the PRC laws in all material aspects.

MANAGEMENT DISCUSSION AND ANALYSIS

10. CIRCUMSTANCES INCLUDING CONTRACTUAL OBLIGATIONS, CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

10.1 Contingent Liabilities

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

	As of 31 December 2023	As of 31 December 2022
	RMB'000	RMB'000
Legal proceedings:		
Claimed amounts	11,345	38,838

10.2 Capital Commitments and Credit Commitments

The Group had the following capital commitments and irrevocable credit commitments as of each of the dates indicated:

	As of 31 December 2023	As of 31 December 2022
	RMB'000	RMB'000
Contracted, but not provided for:		
Capital expenditure for acquisition of property, plant and equipment	111,281	161,423
Irrevocable credit commitment ⁽¹⁾	26,883,670	23,035,482

Note:

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

11. FUTURE OUTLOOK

In 2024, it is predicted that the world will sustain "high debt, moderate inflation, low growth, and weak governance". At the macro level, more than 70 countries and regions around the world will hold elections, covering nearly half of the world's population. Economically, some overseas countries get closer to "protectionism" in economic policies, which will reset the global supply chain. China's economy is also facing many challenges. The flagging real estate market, high local government debt pressure, insufficient residents' demand and sluggish overseas markets will continue to adversely affect the economic growth in 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

While keeping a close eye on the environment at home and abroad, the Group strives to accelerate strategic upgrading and system reform around the “finance + industry” strategy. This time, the Group will continue to take the “marketization, internationalization and specialization, and serving enterprises and serving entrepreneurs” as a brand-new strategic guide, base itself on the international layout, give full play to its marketization advantages and enhance its professional capability. Simultaneously, the Group will launch enterprise services and entrepreneur services, build interaction between the two services, and strive to create new incremental value for shareholders, customers, creditors, government and employees.

In terms of financial services, the Group will implement major system changes. In the traditional finance dimension, the Group will upgrade the system of “flattening marketing organization, building regional position and opening up market resources”, and prioritize the middle and back offices to strengthen the front-line empowerment, so that the front-line could form an iron triangle composed by “account managers, marketing managers and business development managers”. In the new business dimension, the Group will optimize resource allocation for inclusive business, capture structural opportunities, continuously polish operation mode, and strengthen risk management and basic management. The Group has established the Horizon Asset Business Department to improve asset operation and transaction services, and systematically improve its capability to serve city upgrading. For the overseas business, the Group will continue to be based in Hong Kong to meet domestic customers’ cross-border needs. For private equity funds, the Group will establish long-term thinking, optimize investment portfolio and continuously improve asset quality.

In terms of industrial operation, Horizon Construction Development will conform to the national and regional development directions regarding the “three major projects”, “new infrastructure projects” and “new productive forces”, continue to dig deep in the domestic market, and work together with upstream equipment suppliers and downstream service partners to explore new service products and scenarios and fully promote China’s new urbanization and the realization of Chinese-style modernization. At the same time, it will continue to expand overseas markets and seize the growth opportunities in the Southeast Asian market through the establishment of outlets and cooperation with local counterparts in the Southeast Asian market, forming the second growth curve of Horizon Construction Development. Horizon Construction Development will continue to upgrade its regional coverage, service network and hierarchical operations, work more closely with OEMs to consolidate its competitive advantages, and accelerate digitalization and intelligent upgrading to enhance operation and management efficiency. Horizon Construction Development will keep up with market demand changes to continuously create value for customers.

Horizon Healthcare will actively respond to the national strategies of “Healthy China” and “Actively Responding to Aging Population”, and continue to focus on its layout in third-, fourth-, and fifth-tier cities and counties with relatively weak medical resources. With the mission of “good medical care not far away”, it will strengthen the professional and service capabilities of basic medical care, and accelerate the replication of consumer medical business. At the same time, it will continue to promote the expansion and implementation of the major healthcare business, fully activate the operation and management efficiency of each hospital around the standardized and intensive operation management system, and help iterative business upgrades. With the goal of improving the medical and health levels of counties and reducing the growth rate of medical insurance expenditures, it will fully meet the needs of counties for specialty specialties, consumer medical care and healthcare services, and build the largest county health service platform in China to achieve long-term and sustainable development and step towards its vision of “building a long-living Horizon Healthcare brand that the government is pleased to see, the industry recognizes and in which people have confidence”.

MANAGEMENT DISCUSSION AND ANALYSIS

12. EQUIPMENT OPERATION SEGMENT REPORT

12.1 Profit Statement Analysis of the Equipment Operation Segment

	For the year ended 31 December		
	2023	2022	Change %
	RMB million	RMB million	
Total revenue	9,610.58	7,877.64	22.00%
Revenue from operating lease	5,139.28	5,189.95	-0.98%
Revenue from engineering and technical services	2,964.59	2,136.63	38.75%
Revenue from platforms and others	1,506.71	551.06	173.42%
Total cost	(5,849.18)	(4,744.64)	23.28%
Cost of operating lease	(2,848.98)	(2,870.72)	-0.76%
Cost of engineering and technical services	(2,098.93)	(1,496.27)	40.28%
Cost of platforms and others	(901.27)	(377.65)	138.65%
Gross profit	3,761.40	3,133.00	20.06%
Gross profit of operating lease	2,290.30	2,319.23	-1.25%
Gross profit of engineering and technical services	865.66	640.36	35.18%
Gross profit of platforms and others	605.44	173.41	249.14%
Administrative and selling expenses ⁽¹⁾	(1,540.54)	(1,204.58)	27.89%
Provision for assets ⁽¹⁾	(336.34)	(110.11)	205.46%
Other profit	176.17	0.31	-
Earnings before interest and tax	2,060.69	1,818.62	13.31%
Finance costs	(834.16)	(924.82)	-9.80%
Profit before tax	1,226.53	893.80	37.23%
Adjusted profit before tax (a non-HKFRS measure) ⁽²⁾	1,307.09	1,172.02	11.52%
Income tax expense	(264.12)	(229.47)	15.10%
Profit for the year	962.41	664.33	44.87%
Adjusted profit for the year (a non-HKFRS measure) ⁽³⁾	1,042.97	942.55	10.65%
EBITDA profit margin (a non-HKFRS measure) ⁽⁴⁾	46.6%	51.8%	-5.2%

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

- (2) Adjusted profit before tax (a non-HKFRS measure) = profit before tax + listing expenses + interest and net exchange gains or losses on redemption liabilities on ordinary shares. In 2023, listing expenses amounted to RMB12 million, compared with RMB40 million in last year; in 2023, the interest and net exchange gains or losses on redemption liabilities on ordinary shares amounted to RMB68 million, compared with RMB238 million in last year.
- (3) Adjusted profit for the year (a non-HKFRS measure) = profit for the year + listing expenses + interest and net exchange gains or losses on redemption liabilities on ordinary shares.
- (4) EBITDA profit margin (a non-HKFRS measure) = EBITDA (a non-HKFRS measure)/total revenue during the year. EBITDA (a non-HKFRS measure) = profit for the year – bank interest income + income tax expenses + finance costs + depreciation and amortization (including depreciation of property, plant and equipment, depreciation of right-of-use assets and amortization of other intangible assets). In 2023, bank interest income amounted to RMB15 million, compared with RMB11 million in last year; in 2023, depreciation and amortization amounted to RMB2,435 million, compared with RMB2,273 million in last year.

12.2 Asset Analysis of the Equipment Operation Segment

	31 December 2023	31 December 2022	
	RMB million	RMB million	Change %
Monetary fund and short-term bank wealth management	2,166.80	2,159.32	0.35%
Accounts receivables, bill and contract assets	6,650.42	5,827.64	14.12%
Prepayments and other receivables	2,684.81	2,278.80	17.82%
Inventories	170.21	186.22	-8.60%
Fixed assets and other intangible assets	18,224.85	19,106.19	-4.61%
Right-of-use assets	978.43	335.22	191.88%
Deferred income tax assets	348.59	329.68	5.74%
Other assets	12.67	65.32	-80.60%
Total assets	31,236.78	30,288.39	3.13%

MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

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

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

In 2023, Horizon Construction Development ranked the 14th place in IRN World's Top 100 Rental Companies, which is awarded by KHL Group, one of the world's largest international building information providers. As at 31 December 2023, Horizon Construction Development, a leader in the equipment operation service market for aerial work platforms, neo-excavation support systems, neo-formwork systems and other equipment, managed approximately 178,000 pieces of aerial work platform equipment and approximately 2,280,000 tons of materials, with the total original value of its operating assets leading in the equipment service market. The Group's aerial work platform equipment mainly consists of scissor-type and boom-type aerial work platforms, which are extensively used in construction, installation and subsequent maintenance of industrial buildings, municipal venues, commercial sites, energy chemical, transportation logistics and other fields. The neo-excavation support systems consist of temporary steel structures for construction purpose such as steel support, Larsen pile and structural steel, which are widely used in fields such as civil construction, municipal pipelines, subways and bridge infrastructures. The neo-formwork systems mainly consist of socket type scaffolding, mainly used in fields such as industrial construction, municipal construction, housing construction and traffic construction. The pavement equipment consists of paving machines, road rollers and milling machines, which are used in the construction and maintenance of asphalt concrete pavements such as high-grade roads, airport runways, test-drive tracks and municipal roads. The electric power equipment consists of generators and load boxes, which are mainly used in temporary power supply for engineering construction, large-scale exhibitions, advertising campaigns, marine engineering, urban construction, field engineering, and mining.

As at 31 December 2023, Horizon Construction Development continued its strategy of developing overseas and domestic markets. The total number of outlets had further expanded, reaching 494 in aggregate. It had 490 outlets in nearly 200 cities in mainland China, covering Eastern China, Southern China, Northern China, Southwest China and Northeast China, and Hong Kong of China, and providing high quality and convenient services for its corporate customers. Horizon Construction Development has been gradually establishing a diversified, high-quality, and stable customer base, covering a wide range of fields such as municipal construction, housing construction, transportation construction, marine engineering, industrial manufacturing, green energy, warehousing and logistics, culture and art, and commercial entertainment. The number of customers has simultaneously achieved strong growth. As at 31 December 2023, the cumulative number of customers served (in terms of individual customer) was approximately 232,000. In recent years, Horizon Construction Development has steadily expanded its overseas business layout, deepened cooperation with upstream and downstream partners, continuously improved its international development and enhanced its global competitiveness. It steadily promoted overseas sales. At present, there are 4 outlets in overseas region, covering Malaysia and Indonesia.

As at 31 December 2023, the total income of Horizon Construction Development was RMB9,610 million, representing year-on-year growth of 22.00%, and the gross profit and total profit before interest and taxes rose steadily. The main reasons were:

- (1) Leveraging its years of in-depth development in the industry, Horizon Construction Development has established a diverse, stable and high-quality customer base, with an asset utilization efficiency of 70% for the year, representing year-on-year growth. It achieved total revenue from operating lease of RMB5,139 million, which was basically the same as last year. By digitally empowering the business operations of neo-formwork systems and neo-excavation support systems to hedge against the fluctuations in market rental prices, the gross profit margin of the operating leasing business also remained stable this year.
- (2) Beyond equipment, Horizon Construction Development provides a range of customized comprehensive engineering and technical services, empowered by digital service platforms and based on effective synergy and connection among its three product lines. Centered around the pre- and post-construction phases, it builds an integrated operation service system focusing on "lifecycle management" of engineering machinery, thereby contributing to the creation of green and high-quality projects. In 2023, Horizon Construction Development achieved revenue of RMB2,964 million from engineering and technical services, with year-on-year growth of 38.75%. Due to the intensified competition in the engineering and technical services market in recent years, the gross profit margin of the overall engineering and technical services declined.
- (3) Horizon Construction Development continues to strengthen the integration of resources, meets more business needs by integrating external operating assets, and manages external equipment and materials by exporting its asset custody capabilities, expanding the scale of platform service revenue, superimposing the sales of operating lease equipment, materials and spare parts to diversify the sources of income. The revenue achieved by the platform and other business in 2023 reached RMB1,507 million, representing year-on-year growth of 173.42%. The significant increase in the gross profit margin of the platform and other business for the year was mainly due to the change in the business structure as to the proportion of platform service and trading and sales.

MANAGEMENT DISCUSSION AND ANALYSIS

13. HOSPITAL OPERATION SEGMENT REPORT

13.1 Profit Statement Analysis of Hospital Operation Segment

	For the year ended 31 December		
	2023	2022	Change %
	RMB million	RMB million	
Total revenue	4,237.96	3,668.39	15.53%
Revenue from hospital operation ⁽¹⁾	4,226.73	3,655.12	15.64%
Other relevant revenue from hospital operation	11.23	13.27	-15.37%
Total cost	(3,484.74)	(3,076.77)	13.26%
Cost from hospital operation ⁽²⁾	(3,472.78)	(3,069.82)	13.13%
Other cost	(11.96)	(6.95)	72.09%
Gross profit	753.22	591.62	27.31%
Gross profit from hospital operation	765.18	598.57	27.83%
Others	(11.96)	(6.95)	72.09%
Labor cost ⁽³⁾	(105.08)	(110.99)	-5.33%
Other administrative and selling expenses ⁽³⁾	(250.30)	(244.38)	2.42%
Finance costs	(18.00)	(26.00)	-30.75%
Provision for assets	(152.60)	(114.08)	33.77%
Other profit	50.98	17.79	186.57%
Profit before tax	278.22	113.96	144.13%
Income tax expense	(106.23)	(65.21)	62.91%
Profit for the year	171.99	48.75	252.75%

MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

In 2023, the number of hospitals controlled by the Group was 25⁽⁵⁾ with the actual number of beds available amounting to approximately 10,000. A nationwide hospital operation network covering Eastern China, Southern China, Northern China, Southwest China, and Northeast China has been formed. The Group will adhere to the differentiated layout, and fully promote the “Hundred Counties Plan” to “take root” in various regions in China with a positive and steady momentum. In the second half of 2022, the Group had a new hospital project of Lichuan Hongxin Harmony Hospital. In 2023, the Group continued to optimize its asset structure, adhered to the differentiated layout, further innovated the “medical + hospital” model with a positive and steady momentum, and help counties achieve “two improvements and one reduction” (i.e. improving the medical care and health levels of counties, and reducing the growth rate of medical insurance expenditures) through operational upgrades and management enhancements, aiming at “building a long-living Horizon Healthcare brand that the government is pleased to see, the industry recognizes and in which people have confidence”.

At present, the medical service business has resumed in an orderly manner. The Group seized opportunities in service optimization, operation improvement, discipline construction, operation management and other directions. Sound development momentum and stable improvement in operation were seen, and business breakthroughs and accelerated development were achieved. Horizon Healthcare continued to strengthen the service link between high-quality medical resources in first – and second-tier cities and patients in disease origin, and promoted the construction of a hospital-centered healthcare ecosystem so that people in the region can enjoy diverse and multi-level medical and healthcare services nearby.

- (1) The revenue from hospital operation of the Group mainly comprises of revenues from outpatient, inpatient and other revenues. Horizon Healthcare keeps up with the times, extends the scope of healthcare services based on its advantages in medical services, continues to innovate service models, and creates a new platform for health services. Adhering to its “five major concepts of hospital operation”, Horizon Healthcare differentiates its layout, takes root in counties and operates locally while focusing on the healthcare needs of millions of residents in counties, and providing full-cycle, one-stop comprehensive services from medical care to health. The Group fully utilized its advantages as a group, and the member hospitals exerted their functions as a supplementary medical service provider in the local medical market, sustaining growth in revenue, which increased from approximately RMB3,670 million in 2022 to RMB4,240 million in 2023, an increase of 15.5% over the same period.
- (2) The costs of hospital operation shown in the Group’s consolidated financial statements of 2023 increased from approximately RMB3,077 million of 2022 to RMB3,485 million. The volume and size grew compared with last year. Cost of hospital operation of the Group, which primarily includes labor costs, pharmaceutical supplies, inspection costs and other costs, increased comparing to last year as the volume and size grew.

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

- (3) The Group continued to strengthen the construction of medical teams, improve the professional quality of medical staff, enhance the integrated management level, optimize management structure and support development of clinical business, resulting in a certain level of decrease in the labor expenses. Meanwhile, the Group leveraged its group advantages, participated in centralized bidding, and promoted the control of various expenses to reduce costs and increase efficiency. Due to the year-on-year expansion of the member hospitals under the Group in terms of volume and size, other administrative and selling expenses slightly increased in general.
- (4) This analysis of hospital operation segment profit statement has not taken into account the impact of shareholders’ borrowings, goodwill and impairment of fixed assets.
- (5) Taking into consideration of the impacts of equity disposal, the scope of the hospital operation segment for the year excludes the operating data of five hospitals including Zhengzhou Renji Hospital and Zhoushan Dinghai Hospital, and restates the comparative data.

MANAGEMENT DISCUSSION AND ANALYSIS

13.2 Asset Analysis of the Hospital Operation Segment

	31 December 2023		31 December 2022		Change %
	RMB million	% of total	RMB million	% of total	
Monetary fund	92.46	1.45%	193.70	3.19%	-52.27%
Amount of the Group's cash pool	777.59	12.17%	651.54	10.71%	19.35%
Accounts receivables	739.04	11.56%	458.63	7.54%	61.14%
Prepayments ⁽¹⁾	83.85	1.31%	83.33	1.37%	0.62%
Other receivables	187.64	2.94%	109.43	1.80%	71.47%
Entrusted loans	35.06	0.55%	128.02	2.11%	-72.61%
Inventories	232.29	3.63%	242.45	3.99%	-4.19%
Fixed assets and intangible assets ⁽²⁾	3,459.61	54.14%	3,411.03	56.08%	1.42%
Goodwill ⁽³⁾	171.52	2.68%	171.52	2.82%	0.00%
Investments in joint ventures/associates ⁽⁴⁾	–	0.00%	37.75	0.62%	-100.00%
Deferred income tax assets	102.02	1.60%	61.80	1.02%	65.08%
Right-of-use assets ⁽⁵⁾	508.36	7.95%	531.00	8.73%	-4.26%
Other assets	1.41	0.02%	1.40	0.02%	0.71%
Total assets	6,390.85	100.00%	6,081.60	100.00%	5.09%

Notes:

- (1) Prepayments mainly comprised of prepayments for drugs and consumables and transitional purchase fee for equipment;
- (2) Fixed asset and intangible assets mainly comprised of medical equipment and buildings of each hospital;
- (3) Mainly comprised of goodwill generated from acquisition of medical institutions;
- (4) Investments in joint ventures/associates mainly comprised of the investments in Hangzhou Dental Group;
- (5) Right-of-use assets mainly comprised of the rent for hospital sites.

CORPORATE GOVERNANCE REPORT

The board of directors (the “Directors”) of the Company (the “Board”) is pleased to present this Corporate Governance Report in the Group’s Annual Report for the year ended 31 December 2023.

CORPORATE GOVERNANCE PRACTICES

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

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

The Company’s corporate governance practices are based on the Principles as set out in the Corporate Governance Code (the “CG Code”) contained in Appendix C1 to the Listing Rules.

During the accounting period for the year ended 31 December 2023, the Company has complied with all the code provisions set out in the CG Code, except for code provisions C.2.1 and F.2.2 as explained in the paragraphs headed “Chairman and Chief Executive Officer” and “Communication with Shareholders and Investors/Investor Relations” respectively below.

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

CORPORATE CULTURE

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

CORPORATE GOVERNANCE REPORT

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

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

DIRECTORS' SECURITIES TRANSACTIONS

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

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Code of Conduct throughout the year ended 31 December 2023.

The Company has also established written guidelines (the "Employees Written Guidelines") no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company for the year ended 31 December 2023.

BOARD OF DIRECTORS

The Company is headed by an effective Board which assumes responsibility for its leadership and control and be collectively responsibility for promoting the Company's success by directing and supervising the Company's affairs. Directors take decisions objectively in the best interests of the Company.

The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and regularly reviews the contribution required from a Director to perform his/her responsibilities to the Company and whether the Director is spending sufficient time performing them that are commensurate with their role and the Board responsibilities. The Board includes a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

CORPORATE GOVERNANCE REPORT

BOARD COMPOSITION

The Board currently comprises twelve members, consisting of three executive Directors, five non-executive Directors and four independent non-executive Directors.

The list of all Directors, which also specifies the posts held by each Director, is set out under “Corporate Information” on page 4. The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

The Board of the Company during the year ended 31 December 2023 and up to the date of this report comprises the following Directors:

Executive Directors:

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

Mr. WANG Mingzhe (*Chief Financial Officer*)

Mr. CAO Jian (*Senior Vice President*) (*appointed on 24 February 2023*)¹

Non-executive Directors:

Mr. NING Gaoning (*resigned on 24 February 2023*)

Mr. YANG Lin (*resigned on 24 February 2023*)

Mr. CHEN Shumin (*Vice Chairman*) (*appointed on 24 February 2023*)²

Ms. WEI Mengmeng (*appointed on 24 February 2023*)³

Mr. LIU Haifeng David

Mr. KUO Ming-Jian

Mr. John LAW

Independent non-executive Directors:

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

Mr. HAN Xiaojing

Mr. LIU Jialin

Mr. YIP Wai Ming

Mr. WONG Ka Fai Jimmy (*appointed on 7 June 2023*)⁴

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

Notes:

1. Mr. CAO Jian obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 11 January 2023, and Mr. CAO Jian confirmed that he understood his obligations as a director of the Company.
2. Mr. CHEN Shumin obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 11 January 2023, and Mr. CHEN Shumin confirmed that he understood his obligations as a director of the Company.

CORPORATE GOVERNANCE REPORT

3. Ms. WEI Mengmeng obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 11 January 2023, and Ms. WEI Mengmeng confirmed that she understood her obligations as a director of the Company.
4. Mr. WONG Ka Fai Jimmy obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 11 May 2023, and Mr. WONG Ka Fai Jimmy confirmed that he understood his obligations as a director of the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

During the year ended 31 December 2023, the Company has deviated from code provision C.2.1 with the positions of Chairman and Chief Executive Officer being held by Mr. KONG Fanxing.

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

CORPORATE GOVERNANCE REPORT

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the year ended 31 December 2023, the Board has at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

BOARD INDEPENDENCE EVALUATION

The Company has established a Board Independence Evaluation Mechanism which sets out the processes and procedures to ensure a strong independent element on the Board, which allows the Board effectively exercises independent judgment to better safeguard Shareholders' interests.

The objectives of the evaluation are to improve Board effectiveness, maximise strengths, and identify the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director.

Pursuant to the Board Independence Evaluation Mechanism, the Board will conduct annual review on its independence.

During the year ended 31 December 2023, the Board reviewed the implementation and effectiveness of the Board Independence Evaluation Mechanism and the results were satisfactory.

NON-EXECUTIVE DIRECTORS AND DIRECTORS RE-ELECTION

Code provision B.2.2 states that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

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

The non-executive Directors (including independent non-executive Directors) of the Company are appointed for a specific term of three years, subject to renewal after the expiry of the then current term. All Directors are subject to retirement by rotation and re-election at the annual general meetings.

CORPORATE GOVERNANCE REPORT

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

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

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

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

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

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

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

During the year ended 31 December 2023, all Directors have participated in appropriate continuous professional development activities by reading materials including regulatory update and seminar handouts or reviewing the papers and circulars sent by the Company. As part of the continuous professional development programme, the Directors are also encouraged to participate in the various briefings and visits to local management and the Company's facilities, as arranged and funded by the Company with appropriate emphasis on the roles, functions, and duties of the Directors. Details are as follows:

Directors	Reading Relevant Material	Attending Seminars/ Visiting/Interviewing Key Management
Executive Directors		
Mr. KONG Fanxing	✓	✓
Mr. WANG Mingzhe	✓	✓
Mr. CAO Jian (<i>appointed on 24 February 2023</i>)	✓	✓

CORPORATE GOVERNANCE REPORT

Directors	Reading Relevant Material	Attending Seminars/ Visiting/Interviewing Key Management
Non-Executive Directors		
Mr. NING Gaoning (<i>resigned on 24 February 2023</i>)	✓	✓
Mr. YANG Lin (<i>resigned on 24 February 2023</i>)	✓	✓
Mr. CHEN Shumin (<i>appointed on 24 February 2023</i>)	✓	✓
Ms. WEI Mengmeng (<i>appointed on 24 February 2023</i>)	✓	✓
Mr. LIU Haifeng David	✓	✓
Mr. KUO Ming-Jian	✓	✓
Mr. John LAW	✓	✓
Independent Non-Executive Directors		
Mr. CAI Cunqiang (<i>resigned on 7 June 2023</i>)	✓	✓
Mr. HAN Xiaojing	✓	✓
Mr. LIU Jialin	✓	✓
Mr. YIP Wai Ming	✓	✓
Mr. WONG Ka Fai Jimmy (<i>appointed on 7 June 2023</i>)	✓	✓

BOARD DIVERSITY POLICY AND GENDER DIVERSITY

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

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

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

At present, the Board has one female Director among the twelve Board members. The Remuneration and Nomination Committee has reviewed the Board Diversity Policy and considered that the Board has in place a diverse mix of gender, skills, knowledge and experience.

CORPORATE GOVERNANCE REPORT

The Company will strive to achieve and maintain gender balance in the Board through the following measures implemented by the Remuneration and Nomination Committee in accordance with the Board Diversity Policy. The Company will take the initiative to identify female employees who are suitably qualified to serve as a Board member. In the long run, in order to further ensure the gender diversity of the Board, the Company will seize the opportunity to increase the proportion of female members in the Board, identify and select a number of female employees with different skills, experience and knowledge in different fields from time to time, and will include those who have the qualities to be a Board member in a list which will be regularly reviewed by the Remuneration and Nomination Committee in order to develop a pipeline of potential successors for the Board and to promote gender diversity of the Board.

In addition, as of 31 December 2023, the proportion of female members among all employees (including senior management) of the Company was 47.57%. The Company will take steps to maintain gender diversity among all employees (including senior management). The Company plans to provide comprehensive training for female employees who we believe have the appropriate experience, skills and knowledge in operations and business, including but not limited to business operations, management, accounting and finance, legal compliance, and research and development.

POLICY FOR THE NOMINATION OF DIRECTORS

The Company has adopted Policy for the Nomination of Directors, which is incorporated in the terms of reference of the Remuneration and Nomination Committee. The Policy for the Nomination of Directors sets out the objectives, selection criteria and nomination procedures for identifying and recommending candidates for appointment or re-appointment of directors.

BOARD COMMITTEES

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

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

CORPORATE GOVERNANCE REPORT

AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee comprises three members, including two independent non-executive Directors, namely, Mr. YIP Wai Ming (chairman of the Committee) and Mr. HAN Xiaojing, and one non-executive Director, namely, Mr. John LAW. Mr. YIP Wai Ming possesses the appropriate accounting or related financial management expertise.

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

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

The Audit and Risk Management Committee is also responsible for performing the corporate governance duties which are set out under "Corporate Governance" on pages 101 to 102.

The Audit and Risk Management Committee held five meetings during the year ended 31 December 2023 to review the financial results and reports, financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditors, connected transactions and arrangements for employees to raise concerns about possible improprieties. The attendance records of the Audit and Risk Management Committee are set out under "Attendance Record of Directors and Committee Members" on pages 98 to 99.

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

The Company's annual results for the year ended 31 December 2023 have been reviewed by the Audit and Risk Management Committee.

CORPORATE GOVERNANCE REPORT

REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee comprises three members including two independent non-executive Directors, namely, Mr. LIU Jialin (chairman of the Committee), Mr. HAN Xiaojing and one non-executive Director, namely, Mr. KUO Ming-Jian. The majority of the members are independent non-executive Directors.

The principal duties of the Remuneration and Nomination Committee include but are not limited to the following:

- To make recommendations to the Board on the remuneration packages of the individual executive Directors and senior management
- To review and make recommendations to the Board on the remuneration of the non-executive Directors
- To review and make recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management
- To make recommendations to the Board on the terms of service contract(s) or letter(s) of appointment of the new executive Director(s) appointed during the year
- To assess the performance of the executive Directors
- To assess the independence of the independent non-executive Directors
- To make recommendations to the Board on the re-election of Directors
- To review the structure, size and composition of the Board so as to ensure the diversity of the Board
- To review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules

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

CORPORATE GOVERNANCE REPORT

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

The Remuneration and Nomination Committee met four times during the year ended 31 December 2023 to review the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience required for the Company's business, assess the performance of the executive Directors, as well as make recommendation to the Board on the remuneration policy and structure of the Company, the remuneration packages of the executive Directors and senior management, the change in the Chairman and other related matters. The attendance records of the Remuneration and Nomination Committee are set out under "Attendance Record of Directors and Committee Members" on pages 98 to 99.

During the year ended 31 December 2023, the Remuneration and Nomination Committee approved the matters in relation to the grant of share options and restricted shares under the fifth of the second session of the share incentive schemes (include the 2019 Share Option Scheme and the 2014 Restricted Share Award Scheme) in May 2023 and then submitted it to the Board for approval in June 2023. The executive administration committee authorised by the Board to operate, manage and administer the share incentive schemes reviewed and approved the list of grantees under the 2019 Share Option Scheme and the 2014 Restricted Share Award Scheme, and reviewed and approved the announcement in relation to the grant of share options of the 2019 Share Option Scheme in August 2023. Save as disclosed above, there were no other material matters relating to the 2014 Share Option Scheme, the 2019 Share Option Scheme and the 2014 Restricted Share Award Scheme that were required to be reviewed for approval by the Remuneration and Nomination Committee during the reporting period in accordance with Rule 17.07A of the Listing Rules.

STRATEGY AND INVESTMENT COMMITTEE

The Strategy and Investment Committee comprises three members, namely, Mr. LIU Haifeng David (a non-executive Director and chairman of the Committee), Mr. KONG Fanxing (an executive Director) and Mr. WONG Ka Fai Jimmy (an independent non-executive Director).

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

During the year ended 31 December 2023, the Strategy and Investment Committee did not hold any meeting.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

The Environmental, Social and Governance ("ESG") Committee consists of three members, namely, Mr. WONG Ka Fai Jimmy (an independent non-executive Director and chairman of the Committee), Mr. HAN Xiaojing (an independent non-executive Director) and Mr. John LAW (a non-executive Director).

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

CORPORATE GOVERNANCE REPORT

The Environmental, Social and Governance Committee did not hold any meeting during the year ended 31 December 2023.

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

During the year ended 31 December 2023, four regular Board meetings were held, which were held at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

The attendance record of each director during their tenure of office at the Board and Board Committee meeting(s) and the general meeting of the Company held during the year ended 31 December 2023 is set out in the table below:

Name of Director	Attendance/Number of Meetings						
	Board	Audit and Risk Management Committee	Remuneration and Nomination Committee	Strategy and Investment Committee	Environmental, Social and Governance Committee	Annual General Meeting	Extraordinary General Meeting
Executive Directors							
Mr. KONG Fanxing	4/4	N/A	N/A	0/0	N/A	1/1	1/1
Mr. WANG Mingzhe	4/4	N/A	N/A	N/A	N/A	1/1	1/1
Mr. CAO Jian <i>(appointed on 24 February 2023)</i>	4/4	N/A	N/A	N/A	N/A	1/1	0/1
Non-Executive Directors							
Mr. NING Gaoning <i>(resigned on 24 February 2023)</i>	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr. YANG Lin <i>(resigned on 24 February 2023)</i>	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr. CHEN Shumin <i>(appointed on 24 February 2023)</i>	4/4	N/A	N/A	N/A	N/A	0/1	0/1
Ms. WEI Mengmeng <i>(appointed on 24 February 2023)</i>	4/4	N/A	N/A	N/A	N/A	0/1	0/1
Mr. LIU Haifeng David	1/4	N/A	N/A	0/0	N/A	0/1	0/1
Mr. John LAW	3/4	5/5	N/A	N/A	0/0	0/1	0/1
Mr. KUO Ming-Jian	4/4	N/A	4/4	N/A	N/A	0/1	0/1

CORPORATE GOVERNANCE REPORT

Name of Director	Attendance/Number of Meetings						
	Board	Audit and Risk Management Committee	Remuneration and Nomination Committee	Strategy and Investment Committee	Environmental, Social and Governance Committee	Annual General Meeting	Extraordinary General Meeting
Independent Non-Executive Directors							
Mr. CAI Cunqiang <i>(resigned on 7 June 2023)</i>	1/2	N/A	N/A	0/0	0/0	0/1	N/A
Mr. HAN Xiaojing	4/4	5/5	4/4	N/A	0/0	0/1	0/1
Mr. LIU Jialin	4/4	N/A	4/4	N/A	N/A	0/1	0/1
Mr. YIP Wai Ming	3/4	5/5	N/A	N/A	N/A	0/1	0/1
Mr. WONG Ka Fai Jimmy <i>(appointed on 7 June 2023)</i>	2/2	N/A	N/A	0/0	0/0	N/A	0/1

Apart from the Board meetings stated above, the Chairman also held one meeting with the independent non-executive Directors without the presence of other Directors on 9 August 2023.

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

The Company has established its Audit and Risk Management Committee and Internal Audit Department. The Company established the Environmental, Social and Governance Committee on 31 August 2021, which is responsible for identifying ESG risks and opportunities related to the Company, assessing the effect of such risks or opportunities on the Group, providing suggestions to the Board regarding the response to risks or opportunities, as well as fully implementing the Company's ESG activities. The Audit and Risk Management Committee oversees risk management processes within the Group. The main duties and responsibilities of the Audit and Risk Management Committee are to design risk management systems and policies, to review, approve and supervise overall risk management measures and procedures and their general implementation and effectiveness.

CORPORATE GOVERNANCE REPORT

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

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

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

Meanwhile, the Company handles and disseminates the inside information according to the related policy to ensure that the inside information is kept confidential before being approved for dissemination and the relevant information will be released effectively and conformably. The management has confirmed to the Board and the Audit and Risk Management Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2023.

The Board, as supported by the Audit and Risk Management Committee as well as the management report, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2023, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and staff qualifications, experiences and relevant resources.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2023.

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

CORPORATE GOVERNANCE REPORT

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

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditors' Report" on pages 149 to 153.

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

AUDITORS' REMUNERATION

The remuneration paid/payable to the Company's external auditors of the Company in respect of audit services and non-audit services for the year ended 31 December 2023 is set out below:

	Amount of fees
Type of services provided by the external auditors	RMB'000
Audit services	10,348
Non-audit service	5,008
Total	15,356

The Group's non-audit service fees mainly comprise of: (i) interim review service fee amounted to RMB1,800,000; (ii) asset securitization business related service fee amounted to RMB1,450,000; (iii) bond issue related service fee amounted to RMB1,560,000; and (iv) tax service fee amounted to RMB198,000.

CORPORATE GOVERNANCE

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

- (a) to develop, review and implement the Company's policy and practices on corporate governance and make recommendations to the Board;
- (b) to review and monitor the training and continuous professional development of directors and senior management;

CORPORATE GOVERNANCE REPORT

- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and
- (e) to review the Company's compliance with the CG Code which is amended from time to time, and its disclosure in the corporate governance report.

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

COMPANY SECRETARY

Ms. Yuen Wing Yan Winnie ("Ms. Yuen") was nominated by Tricor Services Limited, an external service provider, and engaged by the Company as its company secretary. Her primary contact person at the Company is Mr. KONG Fanxing, currently an executive director, the Chairman and Chief Executive Officer of the Company.

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

SHAREHOLDERS' RIGHT

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

CONVENING A GENERAL MEETING

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

CORPORATE GOVERNANCE REPORT

PUTTING FORWARD PROPOSALS AT GENERAL MEETING

Pursuant to Sections 580 and 615 of the Companies Ordinance, shareholders representing at least 2.50% of the total voting rights of all shareholders, or at least 50 shareholders (as the case may be) who have a right to vote at the relevant general meeting, may put forward proposals for considerations at a general meeting by sending requests in writing to the Company. Shareholders should follow the requirements and procedures as set out in the Companies Ordinance for circulating a resolution for general meeting.

PUTTING FORWARD ENQUIRIES TO THE BOARD

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

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

CONTACT DETAILS

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

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies.

The Company has in place a Shareholders' Communication Policy. The policy aims at promoting effective communication with Shareholders and other stakeholders, encouraging Shareholders to engage actively with the Company and enabling Shareholders to exercise their rights as Shareholders effectively. The Board reviewed the implementation and effectiveness of the Shareholders' Communication Policy and the results were satisfactory.

The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings.

CORPORATE GOVERNANCE REPORT

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

At the annual general meeting of the Company held on 7 June 2023 (the “2023 AGM”), Mr. YIP Wai Ming (the chairman of the Audit and Risk Management Committee), Mr. LIU Jialin (the chairman of the Remuneration and Nomination Committee), Mr. LIU Haifeng, David (the chairman of the Strategy and Investment Committee), Mr. CAI Cunqiang (the then chairman of the Environmental, Social and Governance Committee and the member of the Strategy and Investment Committee), Mr. HAN Xiaojing (the member of each of the Audit and Risk Management Committee, the Remuneration and Nomination Committee and the Environmental, Social and Governance Committee), Mr. KUO Ming-Jian (the member of the Remuneration and Nomination Committee) and Mr. John LAW (the member of each of the Audit and Risk Management Committee and the Environmental, Social and Governance Committee) were unable to attend due to other important business engagements. To ensure relevant matters can be smoothly handled at the 2023 AGM, Mr. KONG Fanxing (the Chairman and the member of the Strategy and Investment Committee) chaired and attended the 2023 AGM to answer questions where necessary.

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

During the year under review, the Company has not made any changes to its Articles of Association. An up to date version of the Company’s Articles of Association is also available on the Company’s website and the Stock Exchange’s website.

The Company has adopted a policy on payment of dividends pursuant to code provision F.1.1 of the CG Code taking into consideration of various elements including but not limited to the Group’s actual and expected financial performance, the level of the Group’s debts to equity ratio, return on equity and financial covenants, general economic conditions, business cycle of the Group’s business, etc. The Company endeavours to maintain a balance between its shareholders’ interests and the Group’s business operation as well as its long-term development goal.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

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

Mr. KONG Fanxing (孔繁星), aged 60, is an executive director, the Chairman and the Chief Executive Officer of the Company. Mr. Kong received an EMBA degree from Peking University in March 2005, a master's degree in Economics and a bachelor's degree in Economics from University of International Business and Economics (對外經濟貿易大學) in China in June 1991 and July 1986, respectively. Mr. Kong joined Sinochem Group in August 1991. During the period which Mr. Kong worked for Sinochem Group, he had been the general manager of Sinochem International Engineering Trade Company (中化國際工程貿易公司), the deputy general manager of Sinochem International Industrial Company (中化國際實業公司), the deputy general manager, general manager of Sinochem International Tendering Co., Ltd. (中化國際招標有限責任公司), the deputy chief of the fertiliser division of China National Chemicals Import & Export Corporation (中國化工進出口總公司), the executive deputy general manager of Sinochem International Fertilizer Trading Company (中化國際化肥貿易公司), etc., respectively. In April 2001, he joined International Far Eastern Leasing Co., Ltd. (遠東國際融資租賃有限公司) ("Far Eastern") and has become an executive director and the general manager since then. Mr. Kong has been the President and Chief Executive Officer of the Company since September 2009, and has been the Chairman of the Company since December 2022. Currently, Mr. Kong is also an executive director and the general manager of International Far Eastern Leasing Co., Ltd. (遠東國際融資租賃有限公司), a director and the chairman of the board of directors of Horizon Construction Development Limited (宏信建設發展有限公司) (a company listed on the Stock Exchange, stock code: 9930), the chairman and general manager of Far East Horizon (Tianjin) Financial Leasing Co., Ltd. (遠東宏信(天津)融資租賃有限公司) and Far East Horizon Financial Leasing Co., Ltd. (遠東宏信融資租賃有限公司), the chairman and general manager of Far East Horizon Inclusive Financial Leasing (Tianjin) Co., Limited (遠東宏信普惠融資租賃(天津)有限公司), the chairman and general manager of Far East Horizon Financial Leasing (Guangdong) Co., Ltd. (遠東宏信融資租賃(廣東)有限公司), the executive director and general manager of Shanghai Donghong Industrial Development Co., Ltd. (上海東泓實業發展有限公司) and Donghong Investment Co., Ltd. (東泓投資有限公司), an executive director of Far East Horizon Healthcare Industry Development Co., Ltd. (遠東宏信健康產業發展有限公司) and Far East Horizon Industrial Investment (Tianjin) Co., Ltd. (遠東宏信實業投資(天津)有限公司), the executive director and general manager of Yuanhong Investment (Guangdong) Co., Ltd. (遠宏投資(廣東)有限公司) and a director of Far East Horizon Shipping Holdings Co., Ltd. (遠東宏信航運控股有限公司), etc.

Mr. Kong has over 29 years of experience in enterprise management.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

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

Mr. WANG Mingzhe (王明哲), aged 53, is an executive director and the Chief Financial Officer of the Company. Mr. Wang obtained a bachelor's degree in Economics from Hangzhou Institute of Electronic Engineering (杭州電子工業學院) in China in July 1993 and an MBA degree from Northeastern University (東北大學) in China in March 2003. Mr. Wang joined Far Eastern in October 1995 and has worked there since then. In Far Eastern, Mr. Wang served as the manager of the business development department, the deputy general manager of the first business division, the deputy general manager, the general manager and assistant general manager of quality control department and the chief financial officer, etc. In September 2009, Mr. Wang was appointed as the Chief Financial Officer of the Company and he has held the position since then. Currently, Mr. Wang is also the general manager of operation centre of the company, a director and chief financial officer of Far East Horizon (Tianjin) Financial Leasing Co., Ltd. (遠東宏信(天津)融資租賃有限公司) and Far East Horizon Financial Leasing Co., Ltd. (遠東宏信融資租賃有限公司), a director of Far East Horizon Financial Leasing (Guangdong) Co., Ltd. (遠東宏信融資租賃(廣東)有限公司), a director and the chief financial officer of Far East Horizon Inclusive Financial Leasing (Tianjin) Co., Limited (遠東宏信普惠融資租賃(天津)有限公司), the chief financial officer of East Horizon Factoring (Tianjin) Co., Limited (遠宏商業保理(天津)有限公司), the executive director and general manager of Tianjin Horizon Asset Management Co. Ltd. (天津宏信資產管理有限公司), the chief financial officer of Shanghai Donghong Co., Ltd. (上海東泓實業發展有限公司) and Donghong Investment Co., Ltd. (東泓投資有限公司), the executive director and general manager of Shanghai Depeng Industrial Co., Ltd. (上海德朋實業有限公司) and a director of Far East Horizon Shipping Holdings Co., Ltd. (遠東宏信航運控股有限公司), etc.

Mr. Wang has over 28 years of experience in finance management.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

MR. CAO JIAN (曹健) – EXECUTIVE DIRECTOR AND SENIOR VICE PRESIDENT

Mr. CAO Jian (曹健), aged 49, is an executive director and the senior vice president of the Company. Mr. Cao graduated from Nankai University (南開大學) with a bachelor's degree in finance in June 1997, and obtained a master's degree in finance from the University of International Business and Economics (對外經濟貿易大學) in December 2006 and an MBA from Shanghai Jiaotong University (上海交通大學) in June 2008.

Mr. Cao started his career in 1997, and joined International Far Eastern Leasing Co., Ltd. (遠東國際融資租賃有限公司) in September 2002 and gained extensive experience in corporate management, serving multiple managerial roles, among others, the deputy general manager, the standing deputy general manager and the general manager of the healthcare business division, the assistant president and the vice president of the Company. Mr. Cao was appointed as the senior vice president of the Company in January 2013, and has concurrently served as the general manager of the factoring business division since December 2021, and currently serves as the executive director and the general manager of East Horizon Factoring (Tianjin) Co., Limited (遠宏商業保理(天津)有限公司) and a director of Far East Horizon Financial Leasing (Guangdong) Co., Ltd. (遠東宏信融資租賃(廣東)有限公司).

Mr. Cao has over 21 years of experience in the financial leasing industry.

MR. CHEN SHUMIN (陳樹民) – NON-EXECUTIVE DIRECTOR

Mr. CHEN Shumin (陳樹民), aged 57, is a non-executive director of the Company. Mr. Chen is currently the deputy chief accountant of Sinochem Holdings Corporation Limited (中國中化控股有限責任公司, "Sinochem"), and the vice chairman and general manager of Sinochem Hong Kong (Group) Company Limited. He is also a member of the Second Accounting Standards Advisory Committee for Business Enterprises of the Ministry of Finance of the People's Republic of China. Mr. Chen received a bachelor's degree in financial accounting from Beijing Business College (北京商學院) and a master's degree in business administration from Xiamen University (廈門大學). Mr. Chen holds the qualifications of senior accountant and financial manager.

After graduation, Mr. Chen worked in China International Book Trading Corporation (中國國際圖書貿易總公司) and joined Sinochem in April 1989. He served as the head of the finance section in the company's finance and accounting department, the manager of the finance department of Sinochem Asia Group(中化亞洲集團公司), deputy chief accountant, general manager of the accounting management department, director of finance department, member of the party committee and vice president of the financial business division of Sinochem Group. Mr. Chen has served as the deputy chief accountant of Sinochem since June 2021, and has served as the vice chairman and general manager of Sinochem Hong Kong (Group) Company Limited since September 2023.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

MS. WEI MENGMEG (衛濛濛) – NON-EXECUTIVE DIRECTOR

Ms. WEI Mengmeng (衛濛濛女士), aged 42, is a non-executive director of the Company. Ms. Wei is the secretary to the party committee and the general manager of China Foreign Economy and Trade and Trust Co., Ltd. (中國對外經濟貿易信託有限公司, “FOTIC”), a subsidiary of Sinochem. She is also a member of the China Trustee Association’s Professional Committee of Industrial Development Research. Ms. Wei obtained a bachelor’s degree in international economics and trade and a master’s degree in finance from the University of International Business and Economics.

Ms. Wei joined FOTIC after graduation, and had successively served as the general manager of securities products department, the general manager of securities trust business department, the general manager of wealth management centre, the assistant to the general manager and deputy general manager of FOTIC. Ms. Wei has served as the general manager of FOTIC since July 2022.

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

Mr. LIU Haifeng David (劉海峰), aged 54, has been a non-executive director of the Company since October 2009. He is the Executive Chairman of DCP. Prior to establishing DCP, Mr. Liu was a Partner of KKR, the co-head of KKR Asia Private Equity and CEO of KKR Greater China. Prior to joining KKR, Mr. Liu was a Managing Director and the co-head of Morgan Stanley Private Equity Asia. Mr. Liu has established one of the leading investment track records in Greater China over the past 28 years and was responsible for a number of successful and innovative investments, including: Ping An Group, Mengniu Dairy, Haier Electronics, China International Capital Corp, Far East Horizon, Oriental Yuhong, Dongbao Pharmaceutical, Simple Love Yogurt, Nanfu Battery, COFCO Joycome, Sunner Poultry, Hengan Intl., Belle Intl., Modern Dairy, United Envirotech, and Yuehai Feed. Mr. Liu is an Advisory Director of the Private Equity Investment Fund Committee of the Asset Management Association of China (AMAC) and the Chairman of the China Venture Capital and Private Equity Association (CVCA). Mr. Liu graduated from Columbia University as Class Salutatorian with a B.S. in Electrical Engineering. He is a member of Tau Beta Pi National Engineering Honor Society and a winner of the Edwin Howard Armstrong Memorial Award for the top electrical engineering student at Columbia University. “KKR” as defined in this paragraph means Kohlberg Kravis Roberts & Co. L.P. together with its affiliates.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

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

Mr. KUO Ming-Jian (郭明鑑), aged 62, was appointed as a non-executive director of the Company in March 2013. Mr. Kuo is currently the Chairman of Cathay United Bank and a director of Cathay Financial Holding Co., Ltd. (a company listed in Taiwan, stock code: 2882). He took the roles as vice chairman and senior advisor of Blackstone Group L.P. (a company listed on the New York Stock Exchange, NYSE: BX), Hong Kong during 2007 to 2018. Before joining Blackstone Group L.P., Mr. Kuo was a director of H&Q Asia Pacific. From February 2002 to June 2005, Mr. Kuo was an executive director and senior president of JPMorgan Chase & Co (a company listed on the New York Stock Exchange, NYSE: JPM) in Hong Kong. From September 1998 to June 2005, he was an executive director and senior president of J.P. Morgan Chase Bank, Taiwan. From September 1989 to September 1998, Mr. Kuo was a vice president of Citibank (Taiwan). Mr. Kuo was an independent non-executive director of Cathay Financial Holdings Co., Ltd. and Cathay Life Insurance Co., Ltd.

Mr. Kuo is also an independent non-executive director of Samson Holding Limited (a company listed on the Stock Exchange, stock code: 0531) and an independent director of Huali Industrial Group Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 300979). Mr. Kuo was a director of Long Chen Paper & Packing Co., Ltd. (a company listed in Taiwan, stock code: 1909) from August 2014 to May 2023.

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

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

Mr. John LAW (羅強), aged 73, was appointed as a non-executive director of the Company on 25 October 2012. Mr. Law worked for J.P. Morgan & Co. as training head of Asia Pacific Region, as risk manager for Greater China Region and as senior credit officer for Asia Pacific Region, Euroclear respectively. He then worked for Citigroup (a company listed on the New York Stock Exchange, NYSE: C) from August 2000 to November 2003 as the regional credit officer for Asia Pacific Financial Markets. Prior to joining the Company, he worked for International Finance Corporation from March 2004 to September 2012 as the principal banking specialist for global financial markets. Mr. Law is currently a non-executive director of Rizal Commercial Banking Corporation (a company listed on the Philippine Stock Exchange, stock code: RCB) and a non-executive director of Khan Bank (a company listed on the Mongolian Stock Exchange, stock code: KHAN).

Mr. Law holds a master degree in business administration (finance) from Indiana University in USA and has more than 34 years' experience in finance.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

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

Mr. HAN Xiaojing (韓小京), aged 69, was appointed as an independent non-executive director of the Company in March 2011. From 1986 to 1992, Mr. Han worked at China Law Center (中國法律事務中心). During the same period, he spent three and a half years at Zimmerman Lawyers (默爾曼律師事務所) in Canada and Livasiri & Co. (廖綺雲律師事務所) in Hong Kong for study. In 1992, Mr. Han was involved in the establishment of Commerce & Finance Law Offices (北京市通商律師事務所), and has been a founding partner there ever since. Mr. Han is admitted to practicing law in the PRC and has 37 years of experience in the legal profession.

Currently, Mr. Han is an independent non-executive director of Sino-Ocean Group Holdings Limited (遠洋集團控股有限公司) (a company listed on the Stock Exchange, stock code: 3377), Vital Innovations Holdings Limited (維太創科控股有限公司) (a company listed on the Stock Exchange, stock code: 6133) and Angelalign Technology Inc. (時代天使科技有限公司) (a company listed on the Stock Exchange, stock code: 6699). He also serves as a supervisor of Ping An Bank Company Limited (平安銀行股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 000001).

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

Mr. LIU Jialin (劉嘉凌), aged 61, was appointed as an independent non-executive director of the Company in March 2011. From 1992 to 2007, Mr. Liu worked for Morgan Stanley group of companies and once served as a member of the Management Committee and Asia Executive Committee as well as a Managing Director in the Fixed Income Division in Hong Kong. Currently, Mr. Liu is the managing director of Cinda International Asset Management Limited (信達國際資產管理有限公司) and an independent non-executive director of Horizon Construction Development Limited (宏信建設發展有限公司) (a company listed on the Stock Exchange, stock code: 9930). Mr. Liu has 35 years of experience in finance and securities industry.

Mr. Liu served as an independent non-executive director of Changyou Alliance Group Limited (a company listed on the Stock Exchange, stock code: 1039) from April 2017 to July 2023.

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

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

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

Mr. YIP Wai Ming (葉偉明), aged 59, was appointed as an independent non-executive director of the Company in March 2011. Mr. Yip graduated from the University of Hong Kong (香港大學) with a bachelor of social sciences degree in November 1987. He also obtained a degree of bachelor of laws from the University of London (倫敦大學) in August 2001. Mr. Yip started his career in Ernst & Young in 1987, and was a senior manager at the time of his departure in 1996. From 1996 to 2022, Mr. Yip served as an associate director in ING Bank N.V., the chief financial officer in Fulbond Holdings Limited (福邦控股有限公司), the vice president of Hi Sun Technology (China) Limited (高陽科技(中國)有限公司) (a company listed on the Stock Exchange, stock code: 0818), the chief financial officer of Haier Electronics Group Co., Ltd. (海爾電器集團有限公司) (a company listed on the Stock Exchange, stock code: 1169), the deputy general manager of Yuzhou Properties Company Limited (禹州地產股份有限公司) (a company listed on the Stock Exchange, stock code: 1628) and an independent non-executive director of Poly Culture Group Corporation Limited (保利文化集團股份有限公司) (a company listed on the Stock Exchange, stock code: 3636), etc., respectively. Currently, Mr. Yip is an independent non-executive director of Ju Teng International Holdings Limited (巨騰國際控股有限公司) (a company listed on the Stock Exchange, stock code: 3336), Pax Global Technology Limited (百富環球科技有限公司) (a company listed on the Stock Exchange, stock code: 0327), Yida China Holdings Limited (億達中國控股有限公司) (a company listed on the Stock Exchange, stock code: 3639), and Sinohope Technology Holdings Limited (新火科技控股有限公司) (a company listed on the Stock Exchange, stock code: 1611) and Peijia Medical Limited (沛嘉醫療有限公司) (a company listed on the Stock Exchange, stock code: 9996).

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

Mr. Yip has over 33 years of experience in accounting and finance.

MR. WONG KA FAI JIMMY (黃家輝先生) – INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. WONG Ka Fai Jimmy (黃家輝先生), aged 54, is an independent non-executive director of the Company. Mr. Wong is an adjunct lecturer at the Business School of the University of New South Wales, Australia. Mr. Wong received his bachelor's and master's degree of arts from the University of Cambridge in 1992 and 1997, respectively, and his master's degree of business administration from the Australian Graduate School of Management in 1998.

Mr. Wong worked at UBS AG, Hong Kong Branch between 2006 and 2020. He became the Managing Director in 2011, and served as the head of the Financial Institutions Group, Asia Pacific from 2015 to 2020. In his role, he oversaw corporate finance and mergers & acquisitions advisory transactions throughout the Asia Pacific region. Prior to joining UBS AG, Mr. Wong worked as an assistant director at the Financial Institutions Group, Asia of ABN AMRO Bank NV, Hong Kong Branch from 2003 to 2006, and as an associate director in Telecom & Media Group of Credit Suisse First Boston (Hong Kong) Limited from 1999 to 2002. Before joining the investment banking sector, Mr. Wong was an engineer and worked as product manager for data services at Hong Kong Telecommunications Limited from 1992 to 1997. In April 2023, Mr. Wong was appointed as an independent non-executive director of Mobvista Inc. (a company listed on the Stock Exchange, stock code: 1860).

Mr. Wong has over 20 years of working experience in investment banking.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

MR. WANG RUIHENG (王瑞生) – VICE PRESIDENT

Mr. WANG Ruisheng (王瑞生), aged 70, is the Vice President of the Company. Mr. Wang graduated from East China Normal University (華東師範大學) majoring in history in September 1989 and obtained an EMBA degree from Peking University (北京大學) in September 2005. Prior to joining Far East Horizon Limited, he worked as Section Chief Assistant of Shanghai Chemicals Import and Export Corporation, General Manager of Black & White Advertising Co., Ltd., Deputy General Manager of Sinochem Shanghai Co., Ltd. and Deputy General Manager of Sinochem International Tendering Co., Ltd. He has extensive experience in corporate management and government relationship. Mr. Wang was appointed as the Vice President of the Company in June 2012. Mr. Wang is also the general manager of Shanghai Zhenjing Industrial Development Co., Ltd (上海臻璟實業發展有限公司).

Mr. Wang has over 32 years of experience in enterprise management.

MR. LI JIANCHENG (李建成) – VICE PRESIDENT

Mr. LI Jiancheng (李建成), aged 52, is the Vice President of the Company. Mr. Li graduated from Shandong University of Science and Technology (山東科技大學) majoring in Geophysics with a bachelor degree in July 1995. He obtained a master degree in Finance from Fudan University (復旦大學) in July 2006 and an EMBA degree from China Europe International Business School (CEIBS) in October 2015. Mr. Li worked at Zhongkexin Jinzhen Futures Brokerage Co., Ltd. (中科信金震期貨經紀有限公司) and Hainan Shenhai Futures Brokerage Co., Ltd. (海南深海期貨經紀有限公司). Upon joining Far East in May 2001, he worked as various positions including the deputy general manager and the general manager of the printing system business division, the general manager of packaging system business division, the general manager of public utility business unit II, the general manager of the infrastructure group and the assistant to the president, etc. Mr. Li was appointed as the Vice President of the Company since August 2019. Currently, Mr. Li is also the general manager of Far East Horizon Healthcare Industry Development Co., Ltd. (遠東宏信健康產業發展有限公司).

Mr. Li has over 22 years of experience in the financial leasing industry.

MR. ZHAN JING (詹靜) – VICE PRESIDENT

Mr. ZHAN Jing (詹靜), aged 49, is the Assistant President of the Company. Mr. Zhan graduated from Nanjing Audit University in July 1997 with a bachelor's degree in international finance. He obtained an MBA degree from Peking University in July 2004. Mr. Zhan used to work in Nanjing branch of China Citic Bank. Since joining the Company in June 2004, he has served as deputy general manager of business development department, general manager of electronic information business division, general manager of people's livelihood and consumption business division, general manager of strategic operations department, etc. Mr. Zhan has been appointed as a Vice President of the Company since December 2023.

Mr. Zhan has more than 19 years of financial leasing industry experience and 5 years of banking experience.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

MR. XU HUIBIN (徐會斌) – VICE PRESIDENT

Mr. XU Huibin (徐會斌), whose former name was XU Huibing (徐會兵), aged 53, is the Assistant President of the Company. Mr. Xu graduated from the University of Science and Technology Beijing with a bachelor's degree in industrial electric automation in July 1995, and obtained an MBA degree from Fudan University in July 2005. Mr. Xu previously worked for China Construction Bank and Tianyi Securities. After joining Far East in December 2004, he worked as various positions including the assistant general manager and deputy general manager of construction system business division, deputy general manager and general manager of quality control department, general manager of business operation center, general manager of strategic development and management department, general manager of strategic center. Mr. Xu has been appointed as a Vice President of the Company since December 2023, and has been a non-executive director of Horizon Construction Development Limited (a company listed on the Stock Exchange, stock code: 9930) since May 2021.

Mr. Xu has more than 19 years of financial leasing industry experience and 8 years of banking experience.

MR. MA HONG (馬宏) – ASSISTANT PRESIDENT

Mr. MA Hong (馬宏), aged 46, is the Assistant President of the Company. Mr. Ma graduated from the Huazhong University of Science and Technology with a bachelor's degree in international trade and economic law in July 2000. He previously worked at Amoi Electronics and US E-TOOR. After joining Far East in December 2003, he worked as various positions including the assistant general manager of medical system business division, assistant general manager of electronic information business division, assistant general manager of people's livelihood and consumer business division, deputy general manager of urban public utilities division II (in charge of the routine work), general manager of urban public utilities division II, and the vice president of the company. Mr. Ma has been appointed as the Assistant President of the Company since December 2021.

Mr. Ma has more than 20 years of financial leasing industry experience.

DIRECTORS' REPORT

The Board is pleased to present the Directors' Report of the year 2023 together with the audited financial statements of the Group for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

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

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

Further discussion and analysis as required by Schedule 5 to the Companies Ordinance, including a fair review of the business and a discussion of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year 2023, and an indication of likely future development in the Group's business, are set out in the "Chairman's Statement", "Management Discussion and Analysis", "Corporate Governance Report" and "Notes to Financial Statements" sections of this annual report. The above sections form part of the Directors' Report.

DIRECTORS' REPORT

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2023 are set out in the Consolidated Statement of Profit or Loss on page 154 of this annual report.

The Board recommends the payment of a final dividend of HK\$0.50 (2022: HK\$0.49) per share in respect of the year ended 31 December 2023 to shareholders whose names appear on the register of members of the Company on Friday, 14 June 2024. The proposed final dividend will be paid on Friday, 28 June 2024 after approval at the Annual General Meeting (the "2024 AGM") to be held on Wednesday, 5 June 2024.

As stated in the announcement of the Company dated 6 December 2023, the Board proposed the distribution of a special dividend by way of distribution in specie in the proportion of one Horizon Construction share for every 27 Shares held by shareholders whose names appear on the register of members of the Company on the Record Date (3 January 2024). The total number of distribution shares shall not exceed 159,819,846 Horizon Construction shares, representing approximately 5% of total issued shares of Horizon Construction as at 6 December 2023. The resolution on the aforementioned distribution of special dividend by way of distribution in specie was passed at the extraordinary general meeting held on 22 December 2023. The share certificates for the distribution shares of Horizon Construction in respect of the distribution in specie were despatched to the qualifying shareholders at their respective addresses shown on the register of members of the Company by post at their risk on 16 January 2024. Upon completion of the distribution in specie, a total of 2,133,230,172 Horizon Construction shares were wholly-owned by the Company, representing approximately 66.72% of the total number of issued shares of Horizon Construction as at 16 January 2024. For details on the distribution in specie, please refer the the announcements of the Company dated 6 December 2023, 22 December 2023 and 16 January 2024, and the circular dated 6 December 2023.

CLOSURE OF SHARE REGISTER

The AGM of the Company is scheduled to be held on Wednesday, 5 June 2024. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 31 May 2024 to Wednesday, 5 June 2024, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. (Hong Kong time) on Thursday, 30 May 2024, being the last registration date.

The final dividend is subject to the approval of the shareholders of the Company at the AGM, and the date of payment of the final dividend is expected to be 28 June 2024. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Wednesday, 12 June 2024 to Friday, 14 June 2024, both days inclusive, during which period no transfer of shares will be registered. The record date on which the shareholders of the Company are qualified to receive the proposed final dividend is Friday, 14 June 2024. In order to qualify for the proposed final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. (Hong Kong time) on Tuesday, 11 June 2024, being the last registration date.

DIRECTORS' REPORT

FINANCIAL HIGHLIGHTS

The summary of the Group's results, assets, liabilities and non-controlling interests for the past five financial years is extracted from the audited financial information and financial statements published, which is set out on pages 11 to 13 to this annual report. This summary does not form a part of the audited financial statements.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group believes that environment, health and safety are indispensable pillars for sustainable business. The Group advocates for "Green Finance" and adjusts industry credit granting system according to the environmental performance. The Group's investment direction turned to the national policies and livelihood, avoiding enterprises with "high pollution and high environmental risk", enterprises with outdated technology and enterprises with safety risks. During the year, the Group further reduced credit granting to engineering machinery, mine smelting machinery, oil equipment, ferrous metal smelting and chemical industry as they had higher environmental risks. The Group gradually raised credit granting to railway, rail transit and energy saving equipment industry. Meanwhile, with continuous expansion of the industry sector, the Group conducted a unified planning on the health, safety and environment issues of the relevant operating system and pushed forward the work related to environment and safety as an important part for enhancing industry value. In 2023, the Group's business achieved environmentally friendly and safe operation and no related accident occurred.

COMPLIANCE WITH LAWS AND REGULATIONS

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

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in Note 35 to the financial statements.

DIRECTORS' REPORT

PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

In October 2023 and November 2023, the Company repurchased a total of 2,500,000 ordinary shares on the Stock Exchange, with total paid consideration of HK\$14,079,800. Subsequently, all shares repurchased by the Company were cancelled on 24 November 2023, and the issued share capital of the Company was reduced accordingly. The purposes of share buy-backs by the Board is to reflect the Company's long-term confidence in its business development, increase the net asset value and earnings per Share, and are in the best interests of the Company and the Shareholders. Details of the share buy-backs are as follow:

Month of share buy-backs	Repurchase price per share			Total consideration paid
	Number of shares repurchased	Highest price paid	Lowest price paid	
		HK\$	HK\$	
October 2023	1,300,000	5.75	5.5	7,341,180
November 2023	1,200,000	5.63	5.6	6,738,620
Total	2,500,000			14,079,800

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any shares of the Company for the year ended 31 December 2023.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in the Consolidated Statement of Changes in Equity on pages 158 to 159 of this annual report and Note 38 to the financial statements respectively.

PERMITTED INDEMNITY

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

DIRECTORS' REPORT

CHARITABLE DONATIONS

The Group's external charitable donations for the year amounted to RMB14,740,000 (2022: RMB13,546,000).

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

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

Name of director	Details of changes
KONG Fanxing	Appointed as the chairman and general manager of Far East Horizon Financial Leasing (Guangdong) Co., Ltd. (遠東宏信融資租賃(廣東)有限公司) with effect from 13 April 2023. Appointed as an executive director and the general manager of Yuanhong Investment (Guangdong) Co., Ltd. (遠宏投資(廣東)有限公司) with effect from 20 April 2023. Horizon Construction Development Limited (宏信建設發展有限公司), in which he is the chairman of the board of directors and a non-executive director, was listed on the Stock Exchange (stock code: 9930) with effect from 25 May 2023
WANG Mingzhe	Appointed as a director of Far East Horizon Financial Leasing (Guangdong) Co., Ltd. (遠東宏信融資租賃(廣東)有限公司) with effect from 13 April 2023
CAO Jian	Appointed as an executive Director of the Company with effect from 24 February 2023. Appointed as a director of Far East Horizon Financial Leasing (Guangdong) Co., Ltd. (遠東宏信融資租賃(廣東)有限公司) with effect from 13 April 2023.
NING Gaoning	Resigned as a non-executive Director of the Company on 24 February 2023
YANG Lin	Resigned as a non-executive Director of the Company on 24 February 2023
CHEN Shumin	Appointed as a non-executive Director of the Company with effect from 24 February 2023. Resigned as the chief financial of Sinochem on 19 September 2023, and appointed as the vice chairman and general manager of Sinochem Hong Kong (Group) Company Limited.
WEI Mengmeng	Appointed as a non-executive Director of the Company with effect from 24 February 2023. Became the secretary to the party committee of China Foreign Economy and Trade and Trust Co., Ltd. (中國對外經濟貿易信託有限公司) with effect from 7 August 2023. Ceased to be the vice president of China Trustee Association with effect from 25 December 2023
KUO Ming-Jian	Resigned as a director of Longchen Paper & Packaging Co., Ltd. (a company listed in Taiwan, stock code: 1909) with effect from 31 May 2023
John LAW	Appointed as a non-executive director of Khan Bank since August 2020, which has been listed on the Mongolian Stock Exchange since 29 June 2023 with a stock code of "KHAN"
CAI Cunqiang	Resigned as an independent non-executive Director of the Company on 7 June 2023
LIU Jialin	Horizon Construction Development Limited (宏信建設發展有限公司), in which he is an independent non-executive director, was listed on the Stock Exchange (stock code: 9930) with effect from 25 May 2023 Resigned as an independent non-executive director of Changyou Alliance Group Limited (a company listed on the Stock Exchange, stock code: 1039) with effect from 14 July 2023
WONG Ka Fai Jimmy	Appointed as an independent non-executive Director of the Company with effect from 7 June 2023

DIRECTORS' REPORT

DIRECTORS

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

Executive Directors

Mr. KONG Fanxing

(Chairman, Chief Executive Officer)

Mr. WANG Mingzhe

(Chief Financial Officer)

Mr. CAO Jian

(Senior Vice President) (appointed on 24 February 2023)

Non-Executive Directors

Mr. NING Gaoning

(resigned on 24 February 2023)

Mr. YANG Lin

(resigned on 24 February 2023)

Mr. CHEN Shumin

(Vice Chairman) (appointed on 24 February 2023)

Ms. WEI Mengmeng

(appointed on 24 February 2023)

Mr. LIU Haifeng David

Mr. KUO Ming-Jian

Mr. John LAW

Independent Non-Executive Directors

Mr. CAI Cunqiang

(resigned on 7 June 2023)

Mr. HAN Xiaojing

Mr. LIU Jialin

Mr. YIP Wai Ming

Mr. WONG Ka Fai Jimmy

(appointed on 7 June 2023)

In accordance with the Article of Association of the Company, Mr. KONG Fanxing, Mr. WANG Mingzhe and Mr. LIU Haifeng David will retire at the 2024 Annual General Meeting. All of the retiring directors above are eligible for re-election at the 2024 Annual General Meeting.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors and senior management are set out on pages 105 to 113 of this annual report.

DIRECTORS' REPORT

DIRECTORS' SERVICE CONTRACTS

As at 31 December 2023, none of the Directors had a service contract with the Company or any of its subsidiaries which is not terminable within one year without payment of compensation other than statutory compensation.

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

Executive Directors

Each of the executive Directors has entered into a service contract with the Company. Either party has the right to give not less than three months' written notice to terminate the service contract.

Each of the appointments of Mr. KONG Fanxing and Mr. WANG Mingzhe is for a term of three years commencing from 11 March 2023. Each of Mr. KONG Fanxing and Mr. WANG Mingzhe is entitled to a salary and bonus payment, allowance and benefits-in-kind, at the discretion of the Board, and social welfare benefits provided under the relevant PRC laws and regulations. The aggregate amount of the annual salaries of Mr. KONG Fanxing and Mr. WANG Mingzhe is RMB7,238,000 and RMB4,602,000 respectively.

As disclosed in the announcement of the Company dated 24 February 2023, the Company has entered into a service contract with Mr. CAO Jian in respect of his appointment as an executive Director for a term of three years commencing from 24 February 2023, under which Mr. CAO Jian will not receive any remuneration as an executive Director. For holding other positions with the Company and other members of the Group, Mr. CAO Jian received a total annual emolument of RMB4,602,000 in 2023. Mr. CAO Jian is also entitled to a bonus payment at the discretion of the Board, which will be determined with reference to the Group's remuneration policy, market rate and the Group's indicators for performance appraisal.

Non-Executive Directors

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

Each of the appointments of Mr. LIU Haifeng David, Mr. KUO Ming-Jian and Mr. John LAW is for a term of three years commencing from 11 March 2023. Under the relevant appointment letters, the Company shall pay HK\$420,000 p.a. as Director's fee to each of Mr. LIU Haifeng David, Mr. KUO Ming-Jian and Mr. John LAW.

As disclosed in the announcement of the Company dated 24 February 2023, Mr. CHEN Shumin and Ms. WEI Mengmeng were appointed as the non-executive Director of the Company for a term of three years commencing from 24 February 2023. The Company has entered into appointment letters with each of Mr. CHEN Shumin and Ms. WEI Mengmeng, under which no Director's fee shall be made by the Company to Mr. CHEN Shumin and Ms. WEI Mengmeng.

DIRECTORS' REPORT

Independent Non-Executive Directors

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

Each of the appointments of Mr. HAN Xiaojing, Mr. LIU Jialin and Mr. YIP Wai Ming is for a term of three years commencing from 30 March 2023.

As disclosed in the announcement of the Company dated 7 June 2023, Mr. WONG Ka Fai Jimmy was appointed as an independent non-executive Director for a term of three years commencing from 7 June 2023. The Company has entered into an appointment letter with Mr. WONG Ka Fai Jimmy.

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

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' EMOLUMENTS AND SENIOR MANAGEMENT'S EMOLUMENTS

Details of the remuneration of the Directors and that of the senior management of the Group for the year ended 31 December 2023 are set out in Note 8 to the consolidated financial statements of the Group.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2023, none of the Directors of the Company are considered to be interested in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

DIRECTORS' REPORT

NON-COMPETITION COMMITMENTS

Pursuant to the non-competition deed entered into between the Company and Horizon Construction Development on 12 November 2021, the Company has issued an annual confirmation to Horizon Construction Development, confirming that the Company and/or its associates (excluding Horizon Construction Development Group) has/have complied with the commitments stipulated in the deed from the listing date of Horizon Construction Development (i.e. 25 May 2023) to 31 December 2023. For details of the non-competition deed, please refer to prospectus dated 12 May 2023 published by Horizon Construction Development.

PENSION SCHEME

In accordance with applicable PRC regulations, the Group has made contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for our employees, details of which are set out in Note 2.4 (Summary of Significant Accounting Policies – Employee benefits) to the financial statements.

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

As at 31 December 2023, the interests or short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), to be notified to the Company and the Stock Exchange, were detailed as follows:

Name of director	Name of corporation	Capacity/nature of interest	Total number of ordinary shares ⁽¹⁾	Approximate percentage of interest in the Company
KONG Fanxing	The Company	Beneficial owner	85,176,620(L) ⁽²⁾	1.97%
		Interest in a controlled corporation	868,947,897(L) ⁽³⁾	20.13%
WANG Mingzhe	The Company	Beneficial owner	33,450,801(L) ⁽⁴⁾	0.77%

DIRECTORS' REPORT

LIU Haifeng David	The Company	Interest in a controlled corporation	365,842,100(L) ⁽⁵⁾	8.47%
LIU Jialin	The Company	Beneficial owner	125,000(L)	0.00%
		Interest of spouse	125,000(L)	0.00%
CAO Jian <i>(appointed on 24 February 2023)</i>	The Company	Beneficial owner	32,164,112(L) ⁽⁶⁾	0.74%

Notes:

- (1) The letter "L" denotes the person's long position in the shares of the Company.
- (2) The interest includes 13,169,599 underlying shares in respect of the share options granted pursuant to the Company's 2014 Share Option Scheme, 19,709,663 underlying shares in respect of the share options granted pursuant to the Company's 2019 Share Option Scheme and 50,627,358 underlying shares in respect of the awarded shares granted pursuant to the Company's 2014 Restricted Share Award Scheme. In addition to the share interest in respect of the share options and awarded shares granted, to the best of the directors' knowledge, information and belief, having made all reasonable enquiries, Mr. Kong Fanxing is interested in 1,670,000 ordinary shares of the Company as at 31 December 2023. Please refer to the section headed "Incentive Schemes" for the details of those schemes and the grants of share options.
- (3) The interest includes 272,237,062 shares held directly by Idea Delicacy Limited, 40,726,000 shares held directly by Powerful Force HK Limited, 159,670,000 shares held directly by Will of Heaven HK Limited, 107,503,000 held directly by Swallow Gird HK Limited, 197,945,000 held directly by Energon HK Limited and an aggregate of 90,866,835 held directly by certain employees of the Company. All of them had unconditionally, irrevocably and permanently entrusted Idea Prosperous Limited, a company 100% owned by Mr. Kong Fanxing, to exercise the voting rights attached to the shares.
- (4) The interest includes 4,220,264 underlying shares in respect of the share options granted pursuant to the Company's 2014 Share Option Scheme, 9,473,906 underlying shares in respect of the share options granted pursuant to the Company's 2019 Share Option Scheme and 19,170,631 underlying shares in respect of the awarded shares granted pursuant to the Company's 2014 Restricted Share Award Scheme. In addition to the share interest in respect of the share options and awarded shares granted, to the best of the directors' knowledge, information and belief, having made all reasonable enquiries, Mr. Wang Mingzhe is interested in 586,000 ordinary shares of the Company as at 31 December 2023. Please refer to the section headed "Incentive Schemes" for the details of those schemes and the grants of share options.
- (5) The interest includes (1) 1,067,000 ordinary shares of the Company held directly by New Trace Limited which is 100% controlled by Mr. Liu Haifeng David; (2) 314,775,100 ordinary shares of the Company held directly by Capital Rise Limited; and (3) 50,000,000 ordinary shares of the Company held directly by Capital Lead Limited. Capital Bridge Limited holds the entire share capital of Capital Rise Limited and Capital Lead Limited respectively. Capital Bridge Limited is 100% controlled by DCP Capital Partners L.P., which is 100% controlled by DCP General Partner, Ltd, which in turn is 100% controlled by DCP Partners Limited. DCP Partners Limited is 100% controlled by DCP, Ltd., which is 50% controlled by Mr. Julian Juul Wolhardt and 50% controlled by Mr. Liu Haifeng David.
- (6) The interest includes 3,533,264 underlying shares in respect of the share options granted pursuant to the Company's 2014 Share Option Scheme, 9,473,906 underlying shares in respect of the share options granted pursuant to the Company's 2019 Share Option Scheme and 19,156,942 underlying shares in respect of the awarded shares granted pursuant to the Company's 2014 Restricted Share Award Scheme. In addition to the share interest in respect of the share options and awarded shares granted, to the best of the directors' knowledge, information and belief, having made all reasonable enquiries, Mr. Cao Jian is not interested in the ordinary shares of the Company as at 31 December 2023. Please refer to the section headed "Incentive Schemes" for the details of those schemes and the grants of share options.

Save as disclosed above, as at 31 December 2023, none of the directors or the chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he/she is taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register kept by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES

Based on the information available to the directors of the Company, as at 31 December 2023 (including such information as was available on the website of the Stock Exchange) or so far as they are aware of, as at 31 December 2023, the entities or individuals who had interests or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company under section 336 of the SFO or had otherwise notified to the Company were as follows:

Name of shareholder	Capacity/nature of interest	Number of ordinary Shares ⁽¹⁾	Approximate percentage of interest
Sinochem Capital Investment Management (Hong Kong) Limited ⁽²⁾	Beneficial owner	919,914,440(L)	21.31%
Sinochem Capital Investment Management Limited ⁽²⁾	Interest in a controlled corporation	919,914,440(L)	21.31%
Sinochem Corporation ⁽²⁾	Interest in a controlled corporation	919,914,440(L)	21.31%
Sinochem Group Co., Ltd ⁽²⁾	Interest in a controlled corporation	919,914,440(L)	21.31%
The State-owned Assets Supervision and Administration Commission of the State Council ⁽²⁾	Interest in a controlled corporation	919,914,440(L)	21.31%
KONG Fanxing	Beneficial owner	85,176,620(L) ⁽³⁾	1.97%
	Interest in a controlled corporation	868,947,897(L) ⁽⁴⁾	20.13%
Idea Prosperous Limited ⁽⁴⁾	Entrusted to exercise voting rights	868,947,897(L)	20.13%
JPMorgan Chase & Co. ⁽⁵⁾	Interest in a controlled corporation	59,745,195(L)	1.38%
		45,755,469(S)	1.06%
	Investment manager	680,000(L)	0.01%
	Person having a security interest in shares	79,251,558(L)	1.83%
	Approved lending agent	133,682,851(P)	3.09%
Aim Future Limited ⁽⁶⁾	Interest in a controlled corporation	505,844,000(L)	11.72%
Gold Stone Enterprise Limited ⁽⁶⁾	Interest in a controlled corporation	505,844,000(L)	11.72%
Cantrust (Far East) Limited ⁽⁶⁾	Trustee	505,844,000(L)	11.72%
UBS Group AG ⁽⁷⁾	Interest in a controlled corporation	494,031,053(L)	11.44%
		59,071,727(S)	1.36%
Sunshine Trust Company Limited ⁽⁸⁾	Trustee	272,237,062(L)	6.30%
LIU Haifeng David	Interest in a controlled corporation	365,842,100(L) ⁽⁹⁾	8.47%

DIRECTORS' REPORT

Name of shareholder	Capacity/nature of interest	Number of ordinary Shares ⁽¹⁾	Approximate percentage of interest
Capital Rise Limited ⁽⁹⁾	Beneficial owner	314,775,100(L)	7.29%
Capital Bridge Limited ⁽⁹⁾	Interest in a controlled corporation	364,775,100(L)	8.45%
DCP Capital Partners L.P. ⁽⁹⁾	Interest in a controlled corporation	364,775,100(L)	8.45%
DCP General Partner, Ltd ⁽⁹⁾	Interest in a controlled corporation	364,775,100(L)	8.45%
DCP, Ltd. ⁽⁹⁾	Interest in a controlled corporation	364,775,100(L)	8.45%
Julian Juul WOLHARDT ⁽⁹⁾	Interest in a controlled corporation	364,775,100(L)	8.45%
HSBC Holdings plc ⁽¹⁰⁾	Interest in a controlled corporation	15,512,731(L)	0.35%
	Trustee	581,097,410(L)	13.46%
	Custodian (other than an exempt custodian interest)	6,007,364(L)	0.13%

Notes:

- (1) The letter "L" denotes the person's long position in the shares of the Company. The letter "S" denotes the person's short position in the shares of the Company. The letter "P" denotes the person's shares of the Company by approved lending agent.
- (2) Sinochem Capital Investment Management (Hong Kong) Limited is 100% controlled by Sinochem Capital Investment Management Limited, which is 100% controlled by Sinochem Corporation, which is in turn controlled as to 98% by Sinochem Group Co., Ltd. Sinochem Group Co., Ltd is 100% controlled by the State-owned Assets Supervision and Administration Commission of the State Council.
- (3) Please refer to Note (2) of the section headed "Directors' and Chief Executives' Interests and/or Short Positions in the Shares, Underlying Shares and Debentures of the Company or any of its Associated Corporations" for further details of the shareholding structure.
- (4) Please refer to Note (3) of the section headed "Directors' and Chief Executives' Interests and/or Short Positions in the Shares, Underlying Shares and Debentures of the Company or any of its Associated Corporations" for further details of the shareholding structure.
- (5) Please refer to Form 2 – Corporate Substantial Shareholder Notice for the relevant event on 21 December 2023 for further details of the shareholding structure.
- (6) The interest is held directly by Will of Heaven HK Limited, Swallow Gird HK Limited, Powerful Force HK Limited and Energon HK Limited. Will of Heaven HK Limited, Swallow Gird HK Limited, Powerful Force HK Limited and Energon HK Limited are 100% controlled by Aim Future Limited, which is in turn 100% controlled by Gold Stone Enterprise Limited. Cantrust (Far East) Limited is the trustee of The Gold Stone I Trust and holds 100% interest in Gold Stone Enterprise Limited.
- (7) Please refer to Form 2 – Corporate Substantial Shareholder Notice for the relevant event on 1 November 2023 for further details of the shareholding structure.
- (8) The interest is held directly by Idea Delicacy Limited, which is 100% controlled by Sunshine Trust Company Limited.
- (9) Please refer to Note (5) of the section headed "Directors' and Chief Executives' Interests and/or Short Positions in the Shares, Underlying Shares and Debentures of the Company or any of its Associated Corporations" for further details of the shareholding structure.
- (10) Please refer to Form 2 – Corporate Substantial Shareholder Notice for the relevant event on 30 June 2023 for further details of the shareholding structure.

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

DIRECTORS' REPORT

PUBLIC FLOAT

Based on the information publicly available to the Company and as far as the directors are aware as at the latest practicable date prior to the printing of this annual report, at least 25.00% of the total issued share capital of the Company is held by the public pursuant to the Listing Rules.

BOND ISSUE

In 2023, the Group further enriched the bond financing varieties in the domestic direct financing market, thus forming a continuous issuance situation. The Group completed 27 issuances throughout the year, with an aggregate amount of RMB24.6 billion, including ultra-short financial bonds of RMB15.0 billion, short-term financial bonds of RMB3.0 billion, corporate bonds of RMB4.6 billion and mid-term notes of RMB2.0 billion as follows:

- (1) In 2023, it completed the issuance of fifteen 270-day ultra-short financial bonds totaling RMB15.0 billion with an annual interest rate range of 3.05% to 4.12% in China.
- (2) In 2023, it completed the issuance of three 1-year short-term financial bonds totaling RMB3.0 billion with an annual interest rate range of 4.26% to 4.40% in China.
- (3) In 2023, it completed the issuance of six 2-year corporate bonds totaling RMB4.6 billion with an annual interest rate range of 4.10 to 4.90% in China.
- (4) In 2023, it completed the issuance of three 3-year mid-term notes totaling RMB2.0 billion with an annual interest rate range of 4.80 to 5.30% in China.

In 2023, the Group completed two issuances of free-trade zone offshore bonds and one issuance of offshore premium bond in overseas market, with an aggregate amount of RMB0.9 billion and JPY4.3 billion respectively, as follows:

- (1) On 17 January 2023, it issued the 3-year RMB0.6 billion free-trade zone offshore bond with an annual interest rate of 5.5%.
- (2) On 17 April 2023, it issued the 3-year RMB0.3 billion free-trade zone offshore bond with an annual interest rate of 4.8%.
- (3) On 19 December 2023, it completed the issuance of 3-year JPY4.3 billion premium bond under overseas MTN with an annual interest rate of 1.9%.

DIRECTORS' REPORT

On 24 July 2023, the Board updated the US\$4,000,000,000 medium term note and perpetual securities programme. The Company may offer and issue notes and/or perpetual securities in series, with the aggregate nominal amount of notes and perpetual securities which may be outstanding at any time of up to US\$4,000,000,000 (or its equivalent in other currencies). Application was made to the Stock Exchange for the listing of the programme for 12 months after 24 July 2023 whereby notes and/or perpetual securities may be issued by way of debt issues to professional investors (as defined in Chapter 37 of the Listing Rules) only. For other details of the aforesaid offering and issuance of notes and/or perpetual securities in series, please refer to the relevant announcement and offering circular of the Company dated 24 July 2023.

As of 15 September 2023, the Company repurchased part of the US\$500,000,000 2.625% notes due 2024 (stock code: 40606) (the "USD Notes") in an aggregate principal amount of US\$50,024,000 in the open market, representing approximately 10.0048% of the initial aggregate principal amount of the USD Notes, and as at the end of 2023, the outstanding principal amount of the USD Notes was US\$500,000,000. As of 15 November 2023, the Company repurchased part of the RMB1,700,000,000 4.70% notes due 2024 (stock code: 85953) (the "RMB Notes") in an aggregate principal amount of RMB272,400,000 in the open market, representing approximately 16.02% of the initial aggregate principal amount of the RMB Notes, and as at the end of 2023, the outstanding principal amount of the RMB Notes was RMB1,700,000,000. For other details of the aforesaid repurchases of notes, please refer to the announcements of the Company dated 15 September 2023 and 15 November 2023.

Events after the reporting period

The Company made further repurchase of the USD Notes in the aggregate principal amount of US\$7,920,000 (approximately 1.58% of the initial aggregate principal amount of the USD Notes) such that the aggregate principal amount of the USD Notes purchased by the Company reached US\$57,944,000. The Company also made further repurchase of the RMB Notes in the aggregate principal amount of RMB9,000,000 (approximately 0.53% of the initial aggregate principal amount of the RMB Notes) such that the aggregate principal amount of the RMB Notes purchased by the Company reached RMB281,400,000. As of 5 February 2024, the Company has surrendered the USD Notes in the aggregate principal amount of US\$57,944,000 and the RMB Notes in the aggregate principal amount of RMB281,400,000 for cancellation and such notes have been cancelled. As of 5 February 2024, the outstanding principal amount of the USD Notes is US\$442,056,000 (representing approximately 88.41% of initial aggregate principal amount of the USD Notes) and the outstanding principal amount of the RMB Notes is RMB1,418,600,000 (representing approximately 83.45% of initial aggregate principal amount of the RMB Notes). For other details of the aforesaid repurchases and cancellation of notes, please refer to the announcement of the Company dated 5 February 2024.

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

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

	For the year ended 31 December 2023
	Percentage of the total income (before business taxes and surcharges) (%)
Top five customers	1.14%
The largest customer	0.36%

	Percentage of total costs (%)
Top five suppliers	11.66%
The largest supplier	4.19%

As far as the Directors are aware, none of the Directors, their close associates or shareholders holding more than 5.00% shares of the Company had any interest in the top five customers or top five suppliers of the Group.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND OTHERS

The Company is committed to building harmonious and mutual relationships with employees, customers, suppliers, investors, the government and the whole society and promotes the healthy, sustainable, stable and harmonious development of the industry economy and the whole society through value sharing and supply. The Company regards employees as valuable assets. For details of employees' talent development and remuneration policy, please refer to the section headed "Human Resources" under "Management Discussion and Analysis" of this annual report. The Company upholds the principle of honesty and trustworthiness, strives to provide customers with quality services and creates a reliable service environment for customers. The Company puts emphasis on the selection of suppliers, encourages fair and open competition and establishes long-term cooperation with quality suppliers on the basis of mutual trust. For the year ended 31 December 2023, the Company has had no significant dispute with its employees, customers or suppliers.

CONNECTED TRANSACTIONS

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

DIRECTORS' REPORT

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

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

Sale-leaseback agreement I

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

Pursuant to the Shenyang Chemical Sale-leaseback Agreement I, the lessor shall, at the request of the lessee, purchase the equipment and facilities from the lessee and then lease back such equipment and facilities to the lessee, who shall, in return, pay rent to the lessor accordingly. Such equipment and facilities include but are not limited to ion-membrane electrolyzers, plate-and-frame type filter presses and other equipment or facilities. The pricing was determined as follows: (i) the principal amount payable by the lessee shall be the amount for which the lessor has paid to obtain ownership of the relevant equipment and facilities, i.e. RMB62,500,000; and (ii) an applicable interest rate determined by both parties after arm's length negotiation by referencing the benchmark interest rate of People's Bank of China and the actual business condition. The lease payments shall be payable by the lessee to the lessor quarterly according to the terms of the Shenyang Chemical Sale-leaseback Agreement I. As at 31 December 2023, the aggregated outstanding amount payable by the lessee to the lessor for the existing leaseback under the Shenyang Chemical Sale-leaseback Agreement I was approximately RMB5,301,000. Please refer to the announcement of the Company dated 16 September 2021 relating to the Shenyang Chemical Sale-leaseback Agreement I.

Sale-leaseback agreement II

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

DIRECTORS' REPORT

Pursuant to the Shenyang Chemical Sale-leaseback Agreement II, the lessor shall, at the request of the lessee, purchase the equipment and facilities from the lessee and then lease back such equipment and facilities to the lessee, who shall, in return, pay rent to the lessor accordingly. Such equipment and facilities include but are not limited to ion-membrane electrolyzers, air dryers, atomizers and other equipment or facilities. The pricing was determined as follows: (i) the principal amount payable by the lessee shall be the amount for which the lessor has paid to obtain ownership of the relevant equipment and facilities, i.e. RMB77,500,000; and (ii) an applicable interest rate determined by both parties after arm's length negotiation by referencing the benchmark interest rate of People's Bank of China and the actual business condition. The lease payments shall be payable by the lessee to the lessor quarterly according to the terms of the Shenyang Chemical Sale-leaseback Agreement II. As at 31 December 2023, the aggregated outstanding amount payable by the lessee to the lessor for the existing leaseback under the Shenyang Chemical Sale-leaseback Agreement II was approximately RMB6,601,000. Please refer to the announcement of the Company dated 16 September 2021 relating to the Shenyang Chemical Sale-leaseback Agreement II.

On 16 September 2021, 中國中化集團有限公司("Sinochem Group") and 中國化工集團有限公司("ChemChina") completed the joint restructuring (the "Joint Restructuring"). Shenyang Chemical, a subsidiary of ChemChina, became an associate of Sinochem Group (a substantial shareholder of the Company) upon completion of the Joint Restructuring, and accordingly, Shenyang Chemical is a connected person of the Company. Prior to the Joint Restructuring, IFELC and Shenyang Chemical have entered into the Shenyang Chemical Sale-leaseback Agreement I and the Shenyang Chemical Sale-leaseback Agreement II, which are for fixed period with fixed terms. Therefore, following the completion of the Joint Restructuring, the continuing transactions under the Shenyang Chemical Sale-leaseback Agreement I and the Shenyang Chemical Sale-leaseback Agreement II constitute continuing connected transactions of the Company and are subject to reporting, annual review and disclosure requirements pursuant to Rule 14A.60 of the Listing Rules.

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

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

DIRECTORS' REPORT

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

The annual cap on the maximum daily outstanding balance of deposits (including accrued interest) is RMB1,100 million during the term of the 2021 Sinochem Finance Framework Agreement. This annual cap is based on several factors including (i) the historical maximum daily outstanding balance of deposits; (ii) the requirement to settle accounts receivables from the member units of Sinochem Group or any third party through the deposit accounts of the members of the Group maintained with Sinochem Finance; (iii) the strategies of the treasury management of the Group; (iv) the development and financial needs of the Group during the term of the 2021 Sinochem Finance Framework Agreement; and (v) the average cash balance of the Group since the date of listing of the Company. The applicable annual cap was not exceeded for the year ended 31 December 2023.

The annual cap of other financial services is RMB50 million during the term of the 2021 Sinochem Finance Framework Agreement. This annual cap is based on several factors including (i) the historical transaction amounts; and (ii) the significant increase in the business development needs of the industry sectors. The applicable annual cap was not exceeded for the year ended 31 December 2023.

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

Details of related party transactions of the Company for the year ended 31 December 2023 are set out in note 45 to the consolidated financial statements. Save as the related party transactions as set out under items (ii), (iv) (excluding those with BlueStar New Chemical Materials Guangxi Branch and Shenyang Chemical Co., Ltd.), (vii), (viii) and the related party transactions of payment of compensation to senior management (non-Directors) as set out under (xi), all the related party transactions as set out under note 45 constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of all such related party transactions.

CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

- (a) in the ordinary and usual course of business of the Group;
- (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and
- (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

DIRECTORS' REPORT

CONFIRMATION OF THE AUDITORS

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

- (a) have received the approval of the Board;
- (b) have been entered into in accordance with the pricing policies of the Group;
- (c) have been entered into in accordance with the relevant agreements governing the transactions; and
- (d) have not exceeded the relevant annual caps for the financial year ended 31 December 2023.

INCENTIVE SCHEMES

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

Since all restricted shares and all share options under the 2014 Restricted Share Award Scheme and the 2019 Share Option Scheme, have been fully granted, on 13 March 2024, the Company adopted a new restricted share reward scheme (the "2024 Restricted Share Award Scheme") and proposed to adopt a new share option scheme (the "2024 Share Option Scheme"), which is subject to the approval by the shareholders at the AGM and is conditional upon the Stock Exchange granting the approval of the listing of, and permission to deal in, such number of shares to be issued by the Company pursuant to the exercise of the share options in accordance with the terms of the 2024 Share Option Scheme. For details of the 2024 Restricted Share Award Scheme, please refer to the announcement of the Company dated 13 March 2024. For details of the 2024 Share Option Scheme, please refer to the announcement of the Company dated 13 March 2024 and the circular containing further details of the 2024 Share Option Scheme to be considered by the shareholders at the AGM for the purpose of (among others) considering and, if think fit, the approval of the adoption of the 2024 Share Option Scheme, to be published in due course.

DIRECTORS' REPORT

2014 Share Option Scheme

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

The maximum number of new shares in respect of which options may be granted under the 2014 Share Option Scheme shall not exceed 4.00% of the Company's issued share capital as at the date of approval of the 2014 Share Option Scheme by the Shareholders, which is 131,696,000 shares, representing 3.05% of the issued share capital of the Company as at the disclosure date of this report.

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

An offer shall be open for acceptance for such period within 14 days inclusive of, and from, the offer date by the selected participant. An offer not accepted within this period shall lapse. An amount of HK\$1.00 is payable upon acceptance of the grant of options and such payment shall not be refundable and shall not be deemed to be a part payment of the exercise price under the 2014 Share Option Scheme. The purchase price of HK\$1.00 is a nominal consideration. Considering that the selected participants have contributed or will contribute to the Group, the Board is of the view that the consideration of HK\$1.00 (instead of any lower or higher amount) to be paid by each selected participant for purchasing each share option is fair and reasonable and the Board considers that such arrangement aligns with the purpose of the 2014 Share Option Scheme where the share options are intended to be granted to the selected participants to reward their contributions to the Group.

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

DIRECTORS' REPORT

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

Grantee	Date of grant	Vesting period (Note 1)	Exercise period (Note 2)	Exercise price per share HK\$ (Notes 3-7)	Outstanding as at 1 January 2023	Number of share options				Outstanding as at 31 December 2023
						Granted (Note 9)	Exercised (Note 8)	Lapsed	Cancelled	
KONG Fanxing, CEO and executive Director	11 July 2014	11 July 2016 - 11 July 2018	11 July 2016 - 11 July 2024	5.86	1,316,960	-	-	-	-	1,316,960
KONG Fanxing, CEO and executive Director	3 July 2015	3 July 2017 - 3 July 2019	3 July 2017 - 3 July 2025	7.17	1,856,913	-	-	-	-	1,856,913
KONG Fanxing, CEO and executive Director	15 June 2016	15 June 2018 - 15 June 2020	15 June 2018 - 15 June 2026	5.714	3,292,400	-	-	-	-	3,292,400
KONG Fanxing, CEO and executive Director	20 June 2017	20 June 2019 - 20 June 2021	20 June 2019 - 20 June 2027	6.82	3,292,400	-	-	-	-	3,292,400
KONG Fanxing, CEO and executive Director	18 July 2018	18 July 2020 - 18 July 2022	18 July 2020 - 18 July 2028	7.36	3,410,926	-	-	-	-	3,410,926
WANG Mingzhe, CFO and executive Director	11 July 2014	11 July 2016 - 11 July 2018	11 July 2016 - 11 July 2024	5.86	460,936	-	-	-	-	460,936
Mr. WANG Mingzhe, CFO and executive Director	3 July 2015	3 July 2017 - 3 July 2019	3 July 2017 - 3 July 2025	7.17	594,212	-	-	-	-	594,212
WANG Mingzhe, CFO and executive Director	15 June 2016	15 June 2018 - 15 June 2020	15 June 2018 - 15 June 2026	5.714	1,053,568	-	-	-	-	1,053,568
WANG Mingzhe, CFO and executive Director	20 June 2017	20 June 2019 - 20 June 2021	20 June 2019 - 20 June 2027	6.82	1,037,106	-	-	-	-	1,037,106
WANG Mingzhe, CFO and executive Director	18 July 2018	18 July 2020 - 18 July 2022	18 July 2020 - 18 July 2028	7.36	1,074,442	-	-	-	-	1,074,442
CAO Jian, Senior Vice President and executive Director	11 July 2014	11 July 2016 - 11 July 2018	11 July 2016 - 11 July 2024	5.86	135,936	-	-	-	-	135,936
CAO Jian, Senior Vice President and executive Director	3 July 2015	3 July 2017 - 3 July 2019	3 July 2017 - 3 July 2025	7.17	594,212	-	-	-	-	594,212
CAO Jian, Senior Vice President and executive Director	15 June 2016	15 June 2018 - 15 June 2020	15 June 2018 - 15 June 2026	5.714	831,568	-	-	-	-	831,568

DIRECTORS' REPORT

Grantee	Date of grant	Number of share options								
		Vesting period (Note 1)	Exercise period (Note 2)	Exercise price per share HK\$ (Notes 3-7)	Outstanding as at 1 January 2023	Granted (Note 9)	Exercised (Note 8)	Lapsed	Cancelled	Outstanding as at 31 December 2023
CAO Jian, Senior Vice										
President and executive Director	20 June 2017	20 June 2019 - 20 June 2021	20 June 2019 - 20 June 2027	6.82	897,106	-	-	-	-	897,106
CAO Jian, Senior Vice										
President and executive Director	18 July 2018	18 July 2020 - 18 July 2022	18 July 2020 - 18 July 2028	7.36	1,074,442	-	-	-	-	1,074,442
SUBTOTAL FOR DIRECTORS					20,923,127	-	-	-	-	20,923,127
Employees	11 July 2014	11 July 2016 - 11 July 2018	11 July 2016 - 11 July 2024	5.86	2,256,267	-	414,155	-	1,027	1,841,085
Employees	3 July 2015	3 July 2017 - 3 July 2019	3 July 2017 - 3 July 2025	7.17	4,589,074	-	133,000	-	735,220	3,720,854
Employees	15 June 2016	15 June 2018 - 15 June 2020	15 June 2018 - 15 June 2026	5.714	6,451,326	-	1,333,581	-	150,357	4,967,388
Employees	20 June 2017	20 June 2019 - 20 June 2021	20 June 2019 - 20 June 2027	6.82	8,843,997	-	165,543	-	289,548	8,388,906
Employees	18 July 2018	18 July 2020 - 18 July 2022	18 July 2020 - 18 July 2028	7.36	9,454,158	-	-	-	336,883	9,117,275
Total					52,517,949	-	2,046,279	-	1,513,035	48,958,635

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

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

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

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

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

DIRECTORS' REPORT

- Note 6: The exercise price is not less than the higher of (i) the closing price of HK\$6.820 per share on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on 20 June 2017 (i.e. the grant date) and (ii) the average closing price of HK\$6.714 per share on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding 20 June 2017. The Share does not carry nominal value. The closing price of shares immediately before the date on which the options were granted is HK\$6.8 per share.
- Note 7: The exercise price is not less than the higher of (i) the closing price of HK\$7.36 per share on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on 18 July 2018 (i.e. the grant date) and (ii) the average closing price of HK\$7.032 per share on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding 18 July 2018. The Share does not carry nominal value. The closing price of shares immediately before the date on which the options were granted is HK\$7.18 per share.
- Note 8: The weighted average closing price of shares immediately before the dates on which the options were exercised by directors and employees is HK\$6.8936.
- Note 9: No option is available for grant under the 2014 Share Option Scheme at the beginning and the end of the financial year. Therefore, the number of shares that may be issued in respect of the share options granted under the 2014 Share Option Scheme during the reporting period divided by the weighted average number of the number of shares in issue for the reporting period is not applicable.

Please refer to note 36 to the financial statements for details of accounting treatment for share options and the remaining life of the 2014 Share Option Scheme.

2019 Share Option Scheme

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

The maximum number of new shares in respect of which options may be granted under the 2019 Share Option Scheme shall not exceed 4.00% of the Company's issued share capital as at the date of approval of the 2019 Share Option Scheme by the Shareholders, which is 158,167,904 shares, representing 3.67% of the issued share capital of the Company as at the disclosure date of this report.

The maximum number of shares which are issued and may be issued upon exercise of all options (including exercised and outstanding options) granted to any selected participant within any 12-month period must not exceed 1.00% of the issued share capital of the Company from time to time. Any grant of further share options above this limit is subject to certain requirements as stipulated in the Listing Rules and the rules of the 2019 Share Option Scheme.

An offer shall be open for acceptance for such period within 14 days inclusive of, and from, the offer date by the selected participant. An offer not accepted within this period shall lapse. An amount of HK\$1.00 is payable upon acceptance of the grant of options and such payment shall not be refundable and shall not be deemed to be a part payment of the exercise price under the 2019 Share Option Scheme. The purchase price of HK\$1.00 is a nominal consideration. Considering that the selected participants have contributed or will contribute to the Group, the Board is of the view that the consideration of HK\$1.00 (instead of any lower or higher amount) to be paid by each selected participant for purchasing each share option is fair and reasonable and the Board considers that such arrangement aligns with the purpose of the 2019 Share Option Scheme where the share options are intended to be granted to the selected participants to reward their contributions to the Group.

DIRECTORS' REPORT

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

During the reporting period, options entitling the holders thereof to subscribe for an aggregate of 8,812,596 Shares were granted to three executive Directors and the remaining options entitling the holders to subscribe for an aggregate of 25,035,334 Shares were granted to 89 grantees under the 2019 Share Option Scheme. A summary of the movements of the outstanding share options under the 2019 Share Option Scheme during the year is as follows:

Grantee	Date of grant	Vesting period (Note 1)	Exercise period (Note 2)	Exercise price per share HK\$ (Notes 3-7)	Number of share options					Outstanding as at 31 December 2023
					Outstanding as at 1 January 2023	Granted (Notes 9-10)	Exercised (Note 8)	Lapsed	Cancelled	
KONG Fanxing, CEO and executive Director	19 July 2019	19 July 2020 - 19 July 2022	19 July 2020 - 19 July 2029	7.618	3,163,358	-	-	-	-	3,163,358
KONG Fanxing, CEO and executive Director	23 July 2020	23 July 2021 - 23 July 2023	23 July 2021 - 23 July 2030	6.70	3,748,579	-	-	-	-	3,748,579
KONG Fanxing, CEO and executive Director	26 July 2021	26 July 2022 - 26 July 2024	26 July 2022 - 26 July 2031	8.40	4,164,656	-	-	-	-	4,164,656
KONG Fanxing, CEO and executive Director	27 July 2022	27 July 2023 - 27 July 2025	27 July 2023 - 27 July 2032	6.38	4,315,460	-	-	-	-	4,315,460
KONG Fanxing, CEO and executive Director	10 August 2023	10 August 2024 - 10 August 2026	10 August 2024 - 10 August 2033	5.58	-	4,317,610	-	-	-	4,317,610
WANG Mingzhe, CFO and executive Director	19 July 2019	19 July 2020 - 19 July 2022	19 July 2020 - 19 July 2029	7.618	996,458	-	-	-	-	996,458
WANG Mingzhe, CFO and executive Director	23 July 2020	23 July 2021 - 23 July 2023	23 July 2021 - 23 July 2030	6.70	1,614,388	-	-	-	-	1,614,388
WANG Mingzhe, CFO and executive Director	26 July 2021	26 July 2022 - 26 July 2024	26 July 2022 - 26 July 2031	8.40	2,357,201	-	-	-	-	2,357,201
WANG Mingzhe, CFO and executive Director	27 July 2022	27 July 2023 - 27 July 2025	27 July 2023 - 27 July 2032	6.38	2,258,366	-	-	-	-	2,258,366
WANG Mingzhe, CFO and executive Director	10 August 2023	10 August 2024 - 10 August 2026	10 August 2024 - 10 August 2033	5.58	-	2,247,493	-	-	-	2,247,493
CAO Jian, Senior Vice President and executive Director	19 July 2019	19 July 2020 - 19 July 2022	19 July 2020 - 19 July 2029	7.618	996,458	-	-	-	-	996,458

DIRECTORS' REPORT

Grantee	Date of grant	Number of share options								Outstanding as at 31 December 2023
		Vesting period (Note 1)	Exercise period (Note 2)	Exercise price per share HK\$ (Notes 3-7)	Outstanding as at 1 January 2023	Granted (Notes 9-10)	Exercised (Note 8)	Lapsed	Cancelled	
CAO Jian, Senior Vice President and executive Director	23 July 2020	23 July 2021 - 23 July 2023	23 July 2021 - 23 July 2030	6.70	1,614,388	-	-	-	-	1,614,388
CAO Jian, Senior Vice President and executive Director	26 July 2021	26 July 2022 - 26 July 2024	26 July 2022 - 26 July 2031	8.40	2,357,201	-	-	-	-	2,357,201
CAO Jian, Senior Vice President and executive Director	27 July 2022	27 July 2023 - 27 July 2025	27 July 2023 - 27 July 2032	6.38	2,258,366	-	-	-	-	2,258,366
CAO Jian, Senior Vice President and executive Director	10 August 2023	10 August 2024 - 10 August 2026	10 August 2024 - 10 August 2033	5.58	-	2,247,493	-	-	-	2,247,493
SUBTOTAL FOR DIRECTORS					29,844,879	8,812,596	-	-	-	38,657,475
Employees	19 July 2019	19 July 2020 - 19 July 2022	19 July 2020 - 19 July 2029	7.618	9,275,212	-	-	-	338,704	8,936,508
Employees	23 July 2020	23 July 2021 - 23 July 2023	23 July 2021 - 23 July 2030	6.70	13,096,590	-	79,986	-	537,097	12,479,507
Employees	26 July 2021	26 July 2022 - 26 July 2024	26 July 2022 - 26 July 2031	8.40	22,244,996	-	-	-	704,252	21,540,744
Employees	27 July 2022	27 July 2023 - 27 July 2025	27 July 2023 - 27 July 2032	6.38	24,737,788	-	-	-	370,611	24,367,177
Employees	10 August 2023	10 August 2024 - 10 August 2026	10 August 2024 - 10 August 2033	5.58	-	25,035,334	-	-	-	25,035,334
Total					99,199,465	33,847,930	79,986	-	1,950,664	131,016,745

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

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

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

DIRECTORS' REPORT

- Note 4: The exercise price is not less than the higher of (i) the closing price of HK\$6.480 per share on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on 23 July 2020 (i.e. the grant date) and (ii) the average closing price of HK\$6.700 per share on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding 23 July 2020. The Share does not carry nominal value.
- Note 5: The exercise price is not less than the higher of (i) the closing price of HK\$8.202 per share on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on 26 July 2021 (i.e. the grant date) and (ii) the average closing price of HK\$8.40 per share on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding 26 July 2021. The Share does not carry nominal value.
- Note 6: The exercise price is not less than the higher of (i) the closing price of HK\$6.340 per share on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on 27 July 2022 (i.e. the grant date) and (ii) the average closing price of HK\$6.378 per share on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding 27 July 2022. The Share does not carry nominal value.
- Note 7: The exercise price is not less than the higher of (i) the closing price of HK\$5.390 per share on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on 10 August 2023 (i.e. the grant date) and (ii) the average closing price of HK\$5.582 per share on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding 10 August 2023. The Share does not carry nominal value.
- Note 8: The weighted average closing price of shares immediately before the dates on which the options were exercised by directors and employees is HK\$7.0512.
- Note 9: Subject to the rules of the 2019 Share Option Scheme, the Board or the administration committee is entitled to, at any time, grant options to a grantee who is selected under its absolute discretion within the validity period of the scheme. Options were granted to the grantees based on the grantees' contribution to the Company and their performance in their positions, as well as whether they can meet their individual performance indicators. In particular, the individual performance indicators measure each grantee's regular duties and/or assigned tasks during the appraisal period in terms of, among other things, quality, efficiency, progress and timeliness of completion and/or team management. The performance indicators for different employees also vary in view of the unique characteristics of their different positions. The closing price of shares immediately before the grant date of share options was HK\$5.55 per share.
- Note 10: The number of options available for grant under the 2019 Share Option Scheme at the beginning and the end of the financial year is 33,847,930 and 0, respectively. The number of shares that may be issued under the share options granted under the 2019 Share Option Scheme during the reporting period divided by the weighted average number of the number of shares in issue for the reporting period was 0.0081.

During the year ended 31 December 2023, the aggregated fair value of the share options granted on 10 August 2023 under the 2019 Share Option Scheme was RMB25,780,000. The estimated value of the share options granted on that date to Mr. KONG Fanxing, Mr. WANG Mingzhe, Mr. CAO Jian and other eligible employees was RMB3,288,000, RMB1,712,000, RMB1,712,000 and RMB19,068,000, respectively.

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

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

Please refer to note 36 to the financial statements for details of accounting standards and policies for the fair value of options granted as at 10 August 2023 and the remaining life of the 2019 Share Option Scheme.

DIRECTORS' REPORT

2014 Restricted Share Award Scheme

The 2014 Restricted Share Award Scheme (revised twice by the Board on 2 June 2016 and 20 March 2019) (the "Award Scheme") aims to incentivize and reward the selected participants (i.e. senior and middle management personnel, as well as other key employees of the Company or any of subsidiaries of the Company) for their contribution to the Group and align their interests with that of the Company so as to encourage them to work towards enhancing the value of the Company. The eligibility for selected participants will be decided by the Board or the administration committee of the Award Scheme, at its respective absolute discretion, as to his/her contribution to the Company or any of its subsidiaries. According to the rules of the Award Scheme, the restricted shares will be shares purchased by the trustee (an independent third party of the Company) with cash paid by the Company to the trustee from its own funds, and will be held on trust on behalf of the relevant selected grantees until such restricted shares are vested with the relevant selected grantees in accordance with the rules of the Award Scheme and the award conditions (if any) of such restricted shares.

The maximum number of shares that may be granted under the Award Scheme shall not exceed the sum of the following: (i) 6.00% of the total number of issued shares when the Board approved the adoption of the Award Scheme on 11 June 2014, that is, 197,544,000 shares (accounting for approximately 4.58% of the issued share capital of the Company as at the disclosure date of this report); and (ii) 6.00% of the total number of issued shares when the Board approved the adoption of the revised Award Scheme on 20 March 2019, i.e. 237,251,856 shares (accounting for approximately 5.50% of the issued share capital of the Company as at the disclosure date of this report). There is no agreed limit on the upper limit of shares that may be granted for each grantee under the Award Scheme, and the grantee is not required to pay any amount for accepting the restricted share award granted.

An offer shall be open for acceptance for such period within 28 days inclusive of, and from, the offer date by the selected participant. An offer not accepted within this period shall lapse.

According to the rules of the Award Scheme, unless the Award Scheme is terminated early according to the resolution of the Board or the resolution of the Company's general meeting, the Award Scheme will remain valid.

During the reporting period, the Company granted an aggregate of 50,771,898 Shares and an aggregate of 36,776,325 Shares were vested under the 2014 Restricted Share Award Scheme. As at 31 December 2023, there were no more Shares to be granted under the 2014 Restricted Share Award Scheme.

DIRECTORS' REPORT

The changes in the unvested restricted shares under the Award Scheme in 2023 are summarized as follows:

Changes in the number of restricted shares in 2023								
Grantee	Date of grant	Vesting period (Note 1)	Not yet vested as at 1 January 2023	Granted (Notes 2, 4-6)	Vested (Note 3)	Lapsed	Cancelled	Not yet vested as at 31 December 2023
KONG Fanxing, CEO and executive Director	19 July 2019	19 July 2020 – 19 July 2022	-	-	-	-	-	-
KONG Fanxing, CEO and executive Director	23 July 2020	23 July 2021 – 23 July 2023	1,874,289	-	1,799,111	-	75,178	-
KONG Fanxing, CEO and executive Director	26 July 2021	26 July 2022 – 26 July 2024	5,221,049	-	1,313,433	-	1,297,091	2,610,525
KONG Fanxing, CEO and executive Director	27 July 2022	27 July 2023 – 27 July 2025	7,954,415	-	2,545,121	-	106,351	5,302,943
KONG Fanxing, CEO and executive Director	10 August 2023	10 August 2024 – 10 August 2026	-	8,032,654	-	-	-	8,032,654
WANG Mingzhe, CFO and executive Director	19 July 2019	19 July 2020 – 19 July 2022	-	-	-	-	-	-
WANG Mingzhe, CFO and executive Director	23 July 2020	23 July 2021 – 23 July 2023	807,194	-	778,011	-	29,183	-
WANG Mingzhe, CFO and executive Director	26 July 2021	26 July 2022 – 26 July 2024	2,273,311	-	739,562	-	397,094	1,136,655
WANG Mingzhe, CFO and executive Director	27 July 2022	27 July 2023 – 27 July 2025	3,274,278	-	1,051,967	-	39,459	2,182,852
WANG Mingzhe, CFO and executive Director	10 August 2023	10 August 2024 – 10 August 2026	-	3,252,796	-	-	-	3,252,796
CAO Jian, Senior Vice President and executive Director	19 July 2019	19 July 2020 – 19 July 2022	-	-	-	-	-	-
CAO Jian, Senior Vice President and executive Director	23 July 2020	23 July 2021 – 23 July 2023	807,194	-	778,011	-	29,183	-
CAO Jian, Senior Vice President and executive Director	26 July 2021	26 July 2022 – 26 July 2024	2,273,311	-	1,095,561	-	41,095	1,136,655

DIRECTORS' REPORT

Changes in the number of restricted shares in 2023								
Grantee	Date of grant	Vesting period (Note 1)	Not yet vested as at 1 January 2023	Granted (Notes 2, 4-6)	Vested (Note 3)	Lapsed	Cancelled	Not yet vested as at 31 December 2023
CAO Jian, Senior Vice President and executive Director	27 July 2022	27 July 2023 – 27 July 2025	3,274,278	–	1,051,967	–	39,459	2,182,852
CAO Jian, Senior Vice President and executive Director	10 August 2023	10 August 2024 – 10 August 2026	–	3,252,796	–	–	–	3,252,796
SUBTOTAL FOR DIRECTORS			27,759,319	14,538,246	12,701,125	–	505,712	29,090,728
Employees	19 July 2019	19 July 2020 – 19 July 2022	–	–	–	–	–	–
Employees	23 July 2020	23 July 2021 – 23 July 2023	6,931,137	–	5,331,710	–	1,599,427	–
Employees	26 July 2021	26 July 2022 – 26 July 2024	21,453,311	–	8,505,536	–	2,507,402	10,440,373
Employees	27 July 2022	27 July 2023 – 27 July 2025	35,865,938	–	10,237,954	–	2,036,369	23,591,615
Employees	10 August 2023	10 August 2024 – 10 August 2026	–	36,233,652	–	–	–	36,233,652
SUBTOTAL FOR EMPLOYEES			64,250,386	36,233,652	24,075,200	–	6,143,198	70,265,640
TOTAL			92,009,705	50,771,898	36,776,325	–	6,648,910	99,356,368
Five highest paid employees	19 July 2019	19 July 2020 – 19 July 2022	–	–	–	–	–	–
Five highest paid employees	23 July 2020	23 July 2021 – 23 July 2023	4,564,520	–	4,393,868	–	170,652	–
Five highest paid employees	26 July 2021	26 July 2022 – 26 July 2024	12,630,360	–	6,079,166	–	236,014	6,315,180
Five highest paid employees	27 July 2022	27 July 2023 – 27 July 2025	18,683,971	–	5,995,029	–	232,962	12,455,980
Five highest paid employees	10 August 2023	10 August 2024 – 10 August 2026	–	18,699,322	–	–	–	18,699,322
TOTAL (FIVE HIGHEST PAID EMPLOYEES)			35,878,851	18,699,322	16,468,063	–	639,628	37,470,482

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

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

Note 3: The weighted average closing price of shares immediately before the date on which the restricted shares were vested by Directors and employees under the Award Scheme (i.e. 27 July 2023) is HK\$5.60.

DIRECTORS' REPORT

Note 4: As at 1 January 2023 and 31 December 2023, the number of shares available for grant under the Award Scheme was 50,771,898 and 0, respectively.

Note 5: Subject to the rules of the Award Scheme, the Board or the administration committee is entitled to, at any time, grant restricted shares to a grantee who is selected under its absolute discretion within the validity period of the scheme. Restricted shares were granted to the grantees based on the grantees' contribution to the Company and their performance in their positions, as well as whether they can meet their individual performance indicators. In particular, the individual performance indicators measure each grantee's regular duties and/or assigned tasks during the appraisal period in terms of, among other things, quality, efficiency, progress and timeliness of completion and/or team management. The performance indicators for different employees also vary in view of the unique characteristics of their different positions. The closing price of shares immediately before the date on which the restricted shares were granted is HK\$5.55 per share.

Note 6: The 2014 Restricted Share Award Scheme does not involve the issuance of new shares. Therefore, the number of shares that may be issued in respect of the restricted shares granted under the 2014 Restricted Share Award Scheme during the reporting period divided by the weighted average number of the number of shares in issue for the reporting period is not applicable.

During the year ended 31 December 2023, the aggregated fair value of the restricted shares granted on 10 August 2023 under the Award Scheme was RMB209,427,000. The estimated value of the restricted shares granted on that date to Mr. KONG Fanxing, Mr. WANG Mingzhe, Mr. CAO Jian, other eligible employees and the five highest paid employees was RMB33,134,000, RMB13,417,000, RMB13,417,000, RMB149,459,000 and RMB77,132,000, respectively.

Grantee	Date of grant	Total number granted	Fair value of restricted shares granted
			RMB'000
KONG Fanxing	10 August 2023	8,032,654	33,134
WANG Mingzhe	10 August 2023	3,252,796	13,417
CAO Jian ⁽¹⁾	10 August 2023	3,252,796	13,417
Employees	10 August 2023	36,233,652	149,459
Total		50,771,898	209,427
Five highest paid employees	10 August 2023	18,699,322	77,132

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

Please refer to note 37 to the financial statements for details of accounting standards and policies for fair value of restricted shares granted as at 10 August 2023.

MANAGEMENT CONTRACTS

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

DIRECTORS' REPORT

ARRANGEMENTS FOR THE DIRECTORS TO PURCHASE SHARES OR DEBENTURES

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

AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee comprises three members, namely Mr. YIP Wai Ming (chairman), Mr. HAN Xiaojing and Mr. John LAW, among whom, two are independent non-executive Directors (including one independent non-executive Director who possesses appropriate professional qualifications or expertise in accounting or relevant finance management). They have reviewed the accounting principles and practices adopted by the Group and discussed matters regarding auditing and financial reporting, including reviewing the financial results of the Group for the year ended 31 December 2023.

The consolidated financial statements of the Company which are prepared in accordance with Hong Kong Financial Reporting Standards for the year ended 31 December 2023 have been audited by Ernst & Young, the auditor of the Company.

AUDITOR

Pursuant to the resolution of the 2023 AGM of the Company, the Company reappointed Ernst & Young as the auditor of the Company in 2023. The Company has not changed its auditor in the past three years.

By order of the Board
KONG Fanxing
Chairman
13 March 2024

CORPORATE SOCIAL RESPONSIBILITY REPORT

PHILOSOPHY OF RESPONSIBILITY

Sharing of value created for the building of harmonious development

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

ACCOUNTABLE TO INVESTORS

Valuable in-depth cooperation to share the growth in China

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

ACCOUNTABLE TO INDUSTRIES

Support industries upgrade and resurrection of the Chinese culture

Far East Horizon focuses on serving the fundamental industries, namely healthcare, cultural & tourism, engineering construction, machinery, chemical & medicine, electronic information, public consuming, transportation & logistics and urban public utility, and build industry-specific and professional operation and security systems that closely adhere to the needs of customers. Far East Horizon provides customization of specialized financial services and products, as well as industrial investment operations, equipment operation, trade brokers, management consulting, engineering services and other industries integrated operations services.

In the equipment operation field, Horizon Construction Development is a leading equipment operation service provider in China under the Group, with diversified equipment and strong service capabilities. Building on its rich equipment categories and scientific management system, Horizon Construction Development is committed to providing customers with multi-functional, multi-latitude and full-cycle comprehensive services, and has been consistently creating value for customers leveraging its national network layout, which forms nation-wide operation network and comprehensive operation capabilities with synergetic nature.

In the hospital operation field, Horizon Healthcare is a large public healthcare platform in China under the Group. With the mission of “good medical care not far away” and align with China’s medical policy direction, Horizon Healthcare focuses on regions with insufficient medical resources, thereby establishing an unique hospital network of Far East.

CORPORATE SOCIAL RESPONSIBILITY REPORT

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

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

EMPLOYEE RESPONSIBILITIES

Employee value is respected and we carefully devoted to the growth of employees

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

Employee rights

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

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

CORPORATE SOCIAL RESPONSIBILITY REPORT

Employee development

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

Employee care

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

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

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

SOCIAL WELFARE ACTIVITIES

We are kind at heart and have showed boundless love

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

Since its establishment, the foundation has stuck to its initial principle, focused on people’s livelihood, drawn on its strengths and organized public programs and events in various areas including scholarships and student grants, rural revitalization and poverty alleviation, medical and emergency assistance and volunteer services. Public programs were organized across 52 cities in 28 provinces or autonomous regions, with donations of over RMB48 million and over 160,000 direct beneficiaries.

CORPORATE SOCIAL RESPONSIBILITY REPORT

Scholarships and student grants

For nine years, the foundation has organized scholarship and student grant programs in 20 cities and 24 schools across China, subsidizing over 9,500 students. In particular, during 2023, the foundation has set up scholarship programs in a total of 11 universities and subsidized poverty students in 21 communities, with charity expenses of RMB1.38 million and over 280 beneficiaries. On one hand, the foundation provides scholarships to outstanding college students to help them exploit their creativity and fulfill their dreams. On the other hand, the foundation provides student grants for poverty children to help them complete their studies. Moreover, the foundation also promotes its charity philosophy and culture through promotion activities including award ceremony and campus seminars.

Rural revitalization and poverty alleviation

Actively responding to the call of government of “consolidating the achievements of poverty alleviation and assisting comprehensive rural revitalization”, the foundation stepped up its efforts in supporting poverty alleviation by consistently carrying out rural revitalization and poverty alleviation projects in rural and border areas with over 60,000 direct beneficiaries and more than 100,000 people served. The foundation’s rural revitalization projects mainly focus on “green industry”, “quality education” and “health and well-being”, which are in line with the sustainable development goals of the United Nations. The projects launched include the “Tibet Shigatse Grassroots Animal Vaccine Cold Chain” (西藏日喀則市基層動物疫苗冷鏈) support project, the “Yunshang Jingmai” (雲上景邁) green industry support project in Yunnan, the “Horizon Warmth Action” (宏信暖心行動) love and care project, the “Hong Se Mi Yun, Dang Jian Wo Hang” (紅色密雲黨建我行) project for improving office conditions of grassroots party organizations, and the “Great Love & Beautiful Heart” (大美同行) campus mental health project. Meanwhile, based on the actual needs of rural areas, Horizon Charity Foundation paid attention to the cultural core of rural development and strove to support comprehensive rural revitalization from the cultural level. It has launched the “Wen Zhi Support Program” (文志幫扶計劃), aiming to gather cultural professionals for rural development, explore the cultural resources of villages, help improve the cultural environment of villages through multiple channels, and promote the upgrading of rural cultural industries.

Medical and emergency assistance

With its focus on groups with hardship getting medical treatment, the foundation organized medical assistance programs in over 30 cities across China, providing financial support for impoverished patients and helping families falling into poverty due to illness. In addition, the foundation supported the medical development of the western region, elevated overall local diagnosis and treatment technology, and delivering hope to more patients and families, with over 5,500 beneficiaries in total. Meanwhile, in 2023, the foundation launched the different Horizon Vanguard in the Emergency programs, such as the “Special Emergency Relief Program in Beijing and Heibei (京冀救災專項)”, the “Warm Care Campaign for Disaster Victims (“愈向暖陽”災後撫慰療愈主題活動項目)” and “Aiding Program in Gansu (馳援甘肅項目)”, which not only provides preliminary aids but also take care of the mental health of disaster victims, thus spreading the warmth of Far East Horizon.

Volunteer services

The foundation set up a volunteer service platform for staffs of the Company and caring people in the community, formed the Far East Horizon Volunteer Team and continuously carried out various diverse volunteer activities such as the “Mentorship Program of Rural Children (鄉村兒童陪伴着成長項目)” under the Core of Volunteer Training Program (“志願芯”賦能培訓計劃), the “Qian Li Cao Education-aid and Volunteering Program” (千里草助學志願服務項目) and “Care for Left-behind Children in Chongming Volunteer Activities” (關愛崇明留守兒童志願者活動), bringing joy and happiness to the community, spreading the spirit of charitable philosophy of “gathering small love in the heart, showing love without boundaries” and promoting the spirit of volunteering.

INDEPENDENT AUDITOR'S REPORT



Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道 979 號
太古坊一座 27 樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

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

OPINION

We have audited the consolidated financial statements of Far East Horizon Limited (the "Company") and its subsidiaries (the "Group") set out on pages 154 to 344, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
<i>Impairment assessment of loans and accounts receivable</i>	
<p>As at 31 December 2023, the Group's loans and accounts receivable consisted of lease receivables, interest receivables, notes receivable, accounts receivable, factoring receivables, entrusted loans, long-term receivables and secured loans, and accounted for 77.0% of the Group's total assets. The assessment of impairment of such loans and accounts receivable was considered to be a matter of most significance as it required the application of judgement and use of subjective assumptions by management.</p> <p>HKFRS 9 requires the use of the "expected credit loss" ("ECL") model for the measurement of impairment allowances of financial assets. In measuring the ECLs of loans and accounts receivable under HKFRS 9, management need to apply judgement, make necessary assumptions and select reasonable ECL model methodology in aspects such as determining whether there are significant increases in credit risk, determining the parameters and the forward-looking adjustments.</p> <p>The accounting policies, disclosures of the allowances for impairment of loans and receivables and the related credit risk are included in Note 2.4, Note 3, Note 24 and Note 48 to the consolidated financial statements.</p>	<p>We evaluated and tested the effectiveness of the design and implementation of key controls relating to approval, post approval monitoring, credit grading management, and loan impairment assessment.</p> <p>We adopted a risk-based sampling approach in our tests of the allowances for impairment of loans and receivables.</p> <p>We selected samples of loans considering size, risk factors, industry trends for our tests on the reasonableness of loan grading and measurement of impairment.</p> <p>We evaluated and tested the key parameters of the expected credit loss model, management's major judgements and related assumptions, mainly focusing on the following aspects:</p> <ul style="list-style-type: none"> • Assessing the reasonableness of the expected credit loss model methodology and related parameters, including probability of default, loss given default, exposure at default, and significant increase in credit risk; • Assessing the reasonableness of the management's consideration of forward-looking adjustment information when determining expected credit losses, including the use of macroeconomic information and the judgement of adjustments. <p>We also assessed the appropriateness of the Group's disclosures of the allowances for impairment of loans and receivables and the related credit risk in Note 2.4, Note 3, Note 24 and Note 48 to the consolidated financial statements.</p>

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

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

(continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Benny Bing Yin Cheung.

Ernst & Young
Certified Public Accountants
Hong Kong
13 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2023

		2023	2022
	Notes	RMB'000	RMB'000 (Restated)
Interest income	5	22,467,103	21,677,501
Revenue from operating leases	5	6,126,865	5,440,268
Revenue from contracts with customers	5	9,508,737	9,615,249
Tax and surcharges		(142,907)	(147,296)
Cost of sales	7	(19,958,815)	(18,127,725)
Other income and gains	5	2,251,349	2,880,940
Selling and distribution costs		(3,628,535)	(2,771,706)
Administrative expenses		(4,515,957)	(4,497,498)
Impairment losses on financial and contract assets, net		(613,314)	(1,639,319)
Gains on derecognition of financial assets measured at amortised cost		–	1,486
Other expenses		(300,601)	(1,302,547)
Finance costs	6	(1,037,956)	(1,054,775)
Share of net profits of:			
Associates		63,409	420,642
Share of net profits/(losses) of:			
Joint ventures		205,882	(176,615)
PROFIT BEFORE TAX	7	10,425,260	10,318,605
Income tax expense	10	(3,508,237)	(3,718,684)
PROFIT FOR THE YEAR		6,917,023	6,599,921
Attributable to:			
Ordinary shareholders of the parent		6,192,972	6,128,954
Holders of perpetual securities	39	106,894	249,759
Non-controlling interests		617,157	221,208
		6,917,023	6,599,921
EARNINGS PER SHARE ATTRIBUTABLE TO			
ORDINARY EQUITY HOLDERS OF THE PARENT	12	RMB	RMB
Basic			
– Earnings per share		1.47	1.46
Diluted			
– Earnings per share		1.33	1.33

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

		2023	2022
	Note	RMB'000	RMB'000 (Restated)
PROFIT FOR THE YEAR		6,917,023	6,599,921
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods, net of tax:			
Cash flow hedges:			
Effective portion of changes in fair value of hedging instruments arising during the year	23	907,271	2,792,952
Reclassification to the consolidated statement of profit or loss	23	(693,910)	(3,270,351)
Income tax effect	23	3,236	16,629
		216,597	(460,770)
Exchange differences on translation of foreign operations		(80,561)	(195,373)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		136,036	(656,143)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		136,036	(656,143)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		7,053,059	5,943,778
Attributable to:			
Ordinary shareholders of the parent		6,328,986	5,472,811
Holders of perpetual securities		106,894	249,759
Non-controlling interests		617,179	221,208
		7,053,059	5,943,778

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

		31 December 2023	31 December 2022
	Notes	RMB'000	RMB'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	13	23,513,055	24,965,863
Investment properties	14	107,767	115,682
Right-of-use assets	15(a)	2,388,496	1,873,637
Goodwill	16	171,523	270,512
Other intangible assets	17	121,749	85,969
Investments in joint ventures	19	3,572,175	2,977,525
Investments in associates	20	5,533,062	5,599,193
Financial assets at fair value through profit or loss	21	7,105,741	7,924,638
Derivative financial instruments	23	922,674	1,575,188
Loans and accounts receivables	24	100,463,939	118,171,325
Prepayments, other receivables and other assets	25	1,219,577	2,096,647
Deferred tax assets	27	6,052,352	6,118,290
Restricted deposits	28	1,560,000	–
Total non-current assets		152,732,110	171,774,469
CURRENT ASSETS			
Inventories	29	409,681	466,282
Loans and accounts receivables	24	170,302,904	148,966,908
Contract assets	26	383,863	304,295
Prepayments, other receivables and other assets	25	3,893,686	3,458,266
Debt investment at fair value through other comprehensive income	22	372,228	1,182,401
Financial assets at fair value through profit or loss	21	1,735,854	1,433,468
Derivative financial instruments	23	1,211,308	278,114
Restricted deposits	28	1,589,062	3,227,451
Cash and cash equivalents	28	18,852,540	15,903,843
Total current assets		198,751,126	175,221,028
CURRENT LIABILITIES			
Trade and bills payables	30	9,509,889	13,975,210
Other payables and accruals	31	13,466,682	12,991,463
Derivative financial instruments	23	5,928	28,093
Interest-bearing bank and other borrowings	32	132,389,989	123,454,985
Lease liabilities	15(b)	280,495	143,957
Income tax payable		1,437,537	1,858,302
Total current liabilities		157,090,520	152,452,010
NET CURRENT ASSETS		41,660,606	22,769,018
TOTAL ASSETS LESS CURRENT LIABILITIES		194,392,716	194,543,487

continued/...

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

		31 December 2023	31 December 2022
	Notes	RMB'000	RMB'000 (Restated)
TOTAL ASSETS LESS CURRENT LIABILITIES		194,392,716	194,543,487
NON-CURRENT LIABILITIES			
Convertible bonds – host debts	33	3,806,952	3,717,829
Interest-bearing bank and other borrowings	32	119,439,204	124,154,666
Lease liabilities	15(b)	707,150	362,425
Derivative financial instruments	23	209,553	243,472
Deferred tax liabilities	27	860,952	902,566
Other payables and accruals	31	9,054,119	8,058,410
Deferred revenue	34	911,238	604,987
Other non-current liabilities	49	1,833,948	4,057,710
Total non-current liabilities		136,823,116	142,102,065
Net assets		57,569,600	52,441,422
EQUITY			
Equity attributable to ordinary shareholders of the parent			
Share capital	35	13,066,292	13,052,344
Equity component of convertible bonds	33	228,432	233,750
Reserves	38	36,804,645	31,962,781
		50,099,369	45,248,875
Holder of perpetual securities	39	1,573,876	3,080,425
Non-controlling interests		5,896,355	4,112,122
Total equity		57,569,600	52,441,422

Kong Fanxing

Director

Wang Mingzhe

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

Attributable to ordinary shareholders of the parent															
	Equity component of convertible bonds		Shares held for the share award scheme		Share-based compensation reserve		Special reserve	Reserve fund	Hedging reserve	Exchange fluctuation reserve	Retained profits	Total	Perpetual securities	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000									
At 31 December 2021	13,042,863	233,750	1,566,318	(731,556)	346,167	46,173	121,913	(41,971)	837,099	26,107,794	41,522,550	7,514,376	4,017,184	53,054,110	
Effect of adoption of amendments to HKAS 12 (Note 22(c))	-	-	-	-	-	-	-	-	-	4,429	4,429	-	-	4,429	
At 1 January 2022 (restated)	13,042,863	233,750	1,566,318	(731,556)	346,167	46,173	121,913	(41,971)	837,099	26,106,223	41,526,979	7,514,376	4,017,184	53,058,539	
Profit for the year (restated)	-	-	-	-	-	-	-	-	-	6,128,954	6,128,954	249,739	221,208	6,599,921	
Other comprehensive income for the year:															
Cash flow hedges, net of tax	-	-	-	-	-	-	-	(460,770)	-	-	(460,770)	-	-	(460,770)	
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(195,373)	(195,373)	-	(195,373)	-	-	(195,373)	
Total comprehensive income (restated)	-	-	-	-	-	-	-	(460,770)	(195,373)	6,128,954	5,472,811	249,739	221,208	5,943,778	
Final 2021 dividend declared (net of dividends received from shares held for the share award scheme)	-	-	-	-	-	-	-	-	-	(1,505,444)	(1,505,444)	-	-	(1,505,444)	
Distribution paid to holders of perpetual securities	-	-	-	-	-	-	-	-	-	-	-	(303,951)	-	(303,951)	
Shares vested under restricted share award scheme	-	-	-	203,092	(185,243)	-	-	-	-	(17,849)	-	-	-	-	
Purchase of shares under restricted share award scheme	-	-	-	(253,524)	-	-	-	-	-	-	(253,524)	-	-	(253,524)	
Transfer of share option reserve upon exercise of share options	9,481	-	-	-	(1,950)	-	-	-	-	-	7,531	-	-	7,531	
Recognition of equity-settled share-based payments	-	-	-	-	246,367	-	-	-	-	-	246,367	-	-	246,367	
Special reserve – safety fund appropriation	-	-	-	-	-	30,093	-	-	-	(37,175)	(7,082)	-	-	-	
Capital injection by non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	7,082	7,082	
Disposal of subsidiaries (Note 40)	-	-	54,291	-	-	-	-	-	-	-	54,291	-	(101,370)	(47,079)	
Purchase of non-controlling interests	-	-	54,537	-	-	-	-	-	-	-	54,537	-	66,432	120,969	
Dividends declared to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	(141,264)	(141,264)	
Share of other reserves of investments accounted for using the equity method	-	-	(26,375)	-	-	-	-	-	-	-	(26,375)	-	-	(26,375)	
Redemption of perpetual securities (Note 39)	-	-	(182,090)	-	-	-	-	-	-	-	(182,090)	(6,876,759)	-	(7,058,849)	
Issue of perpetual securities (Note 39)	-	-	-	-	-	-	-	-	-	-	-	2,497,000	-	2,497,000	
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	63,932	63,932	
Put option granted to non-controlling shareholders (Note 49)	-	-	(139,126)	-	-	-	-	-	-	-	(139,126)	-	(106,179)	(245,305)	
At 31 December 2022 (restated)	13,052,344	233,750	1,327,555*	(781,988)*	405,341*	76,266*	121,913*	(502,741)	* 641,726	* 30,674,709*	45,248,875	3,080,425	4,112,122	52,441,422	

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

	Attributable to ordinary shareholders of the parent																								
	Equity component of convertible bonds		Shares held for the share award scheme		Share-based compensation reserve		Special reserve		Reserve fund		Hedging reserve		Exchange fluctuation reserve		Retained profits		Total		Perpetual securities		Non-controlling interests		Total equity		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2022	13,052,344	233,750	(Note 33)	1,327,555	(Note 38)	(781,988)	(Note 37)	405,341	(Note 38)	76,266	(Note 38)	121,913	(Note 38)	(502,741)	(Note 38)	30,672,800	45,246,966	3,080,425	(Note 39)	4,112,122	3,080,425	4,112,122	52,439,513		
Effect of adoption of amendments to HKAS 12 (Note 22(c))	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,909	1,909	-	-	-	-	-	-	1,909	-	-
At 1 January 2023 (restated)	13,052,344	233,750		1,327,555		(781,988)		405,341		76,266		121,913		(502,741)		30,674,709	45,248,875	3,080,425		4,112,122	3,080,425	4,112,122	52,441,422		
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,192,972	6,192,972	106,894	-	-	6,171,57	106,894	6,171,57	6,917,033		
Other comprehensive income for the year:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	22	216,597		
Cash flow hedges, net of tax	-	-	-	-	-	-	-	-	-	-	-	216,575	-	216,575	-	-	-	-	-	-	-	-	-	-	
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	-	-	-	(80,561)	-	(80,561)	-	-	-	-	-	-	-	-	(80,561)		
Total comprehensive income	-	-	-	-	-	-	-	-	-	-	-	216,575	-	216,575	6,192,972	6,238,986	106,894	-	-	6,179	106,894	6,179	7,053,059		
Final 2022 dividend and special dividend declared (net of dividends received from shares held for the share award scheme)	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,871,222)	(1,871,222)	-	-	-	-	-	-	-	(1,871,222)		
Special dividend (Note 11)	-	-	-	-	-	-	-	-	-	-	-	-	-	(664,850)	(664,850)	-	-	-	-	-	-	-	(664,850)		
Distribution paid to holders of perpetual securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(116,645)		
Shares vested under restricted share award scheme	-	-	-	-	-	252,994	(204,575)	-	-	-	-	-	-	(48,419)	(48,419)	-	-	-	-	-	-	-	-		
Purchase of shares under restricted share award scheme	-	-	-	-	-	(47,514)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(47,514)		
Transfer of share option reserve upon exercise of share options	13,948	-	-	-	-	-	(2,808)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11,140		
Recognition of equity-settled share-based payments	-	-	-	-	-	-	233,148	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	233,148		
Special reserve – safety fund appropriation	-	-	-	-	-	-	-	-	15,494	-	-	-	-	-	(21,603)	(21,603)	-	-	-	-	-	-	6,109	-	
Capital injection/reduction by non-controlling shareholders	-	-	-	284,981	-	-	-	-	-	-	-	-	-	-	-	284,981	-	-	-	-	-	-	519,912	804,893	
Disposal of subsidiaries (Note 40)	-	-	-	(10,277)	-	-	-	-	-	-	-	-	-	-	(10,277)	-	-	-	-	-	-	(272,448)	(282,725)		
Dividends declared to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(170,238)	(170,238)		
Redemption of perpetual securities (Note 39)	-	-	-	(10,647)	-	-	-	-	-	-	-	-	-	-	(10,647)	-	-	-	-	-	(1,496,798)	-	(1,507,445)		
Redemption of convertible bonds	-	(5,318)	-	(1,213)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(6,531)		
Re-purchase of shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(12,920)	(12,920)	-	-	-	-	-	-	(12,920)		
Termination of put option granted to non-controlling shareholders (Note 49)	-	-	-	587,189	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,021,089	1,606,278	
Others	-	-	-	35,120	-	-	-	-	-	-	-	-	-	-	35,120	35,120	-	-	-	-	-	-	62,630	97,750	
At 31 December 2023	13,066,292	228,432		2,212,708*		(576,508)*		431,106*		91,760*		121,913*		(286,166)*		34,248,667*	50,099,369	1,573,876		5,896,355	1,573,876	5,896,355	57,569,600		

* These reserve accounts comprise the consolidated reserves of RMB36,804,645,000 (31 December 2022: RMB31,962,781,000 (restated)) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

		2023	2022
	Notes	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		10,425,260	10,318,605
Adjustments for:			
Finance costs		10,993,370	10,041,520
Bank interest income	5	(215,923)	(201,248)
Share of net profits of associates		(63,409)	(420,642)
Share of net losses/(profits) of joint ventures		(205,882)	176,615
Gains on unlisted debt investments, at fair value	5	(10,872)	(91,584)
Gains on disposal of property, plant and equipment, net		(3,606)	(303,077)
Gains on disposal of subsidiaries	5	(126,498)	(95,880)
(Gains)/losses on disposal of a joint venture	5/7	(82,094)	1,740
Depreciation of property, plant and equipment	13	2,646,961	2,853,073
Depreciation of investment properties	14	7,915	–
Depreciation of right-of-use assets	15	267,725	196,724
Impairment of loans and accounts receivables	7	477,312	1,567,780
(Reversal of impairment)/impairment of property, plant and equipment	7	(512,860)	271,498
Impairment of inventories	7	–	19,063
Impairment of prepayments, other receivables and other assets	7	143,878	38,124
Impairment of right-of-use assets	7	218	–
Reversal of impairment of investments in joint ventures	7	(90,000)	–
Impairment of investments in associates	7	23,269	–
Impairment of credit commitments	7	14,431	33,415
Impairment of goodwill	7	–	187,295
Interest expense on lease liabilities	15	26,667	20,849
Amortisation of intangible assets and other assets		40,918	27,466
Equity-settled share-based payment expense	7	233,148	246,367
Foreign exchange loss, net	7	(6,509)	265,042
Gains from acquisition of subsidiaries		–	(10,922)
Realised gains on derecognition of financial assets at fair value through profit or loss	5	(412,295)	(323,580)
Fair value losses/(gains) from financial liabilities at fair value through profit or loss	7	28,384	(316,500)
Fair value losses from financial assets at fair value through profit or loss		23,464	545,008
Dividends from financial assets at fair value through profit or loss	5	(14,141)	(22,415)
		23,608,831	25,024,336

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CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

		2023	2022
	Notes	RMB'000	RMB'000
Decrease/(increase) in inventories		36,932	(10,930)
Increase in loans and accounts receivables		(2,708,916)	(15,786,045)
Increase in contract assets		(79,568)	(27,436)
(Increase)/decrease in prepayments, other receivables and other assets		(408,380)	1,444,179
Decrease in restricted cash related to asset-backed securitisations, collective fund trusts and litigation		730,256	1,032,259
(Decrease)/increase in trade and bills payables		(4,377,357)	95,867
Increase/(decrease) in other payables and accruals		1,408,084	(4,520,093)
Increase/(decrease) in other liabilities		305,791	(860,178)
Net cash flows from operating activities before tax and interest		18,515,673	6,391,959
Interest paid		(11,111,582)	(10,056,884)
Bank interest received		215,923	201,248
Income tax paid		(3,893,487)	(4,221,958)
Net cash flows from/(used in) operating activities		3,726,527	(7,685,635)
CASH FLOWS FROM INVESTING ACTIVITIES			
Gains on unlisted debt investments, at fair value	5	10,872	91,584
Proceeds from disposal of property, plant and equipment, intangible assets and other long-term assets		1,243,767	909,075
Acquisition of subsidiaries		-	14,386
Purchase of items of property, plant and equipment, intangible assets and other long-term assets		(2,558,961)	(3,958,002)
Purchase of shareholdings for joint ventures		(321,954)	(560,103)
Purchase of shareholdings for associates		-	(70,021)
Dividend received from joint ventures		12,000	122,584
Dividend received from associates		94,999	135,134
Proceeds from disposal of a joint venture		92,651	(1,340)
Proceeds from disposal of part of the equity of an associate		-	12,502
Purchase of financial assets at fair value through profit or loss		(1,230,702)	(1,829,468)
Disposal of subsidiaries		416,259	114,289
Disposal of financial assets at fair value through profit or loss		1,027,387	3,231,131
Realized gains on derecognition of financial assets at fair value through profit or loss		412,295	-
Dividends of financial assets at fair value through profit or loss	5	14,141	22,415
Increase in restricted time deposits		(1,610,000)	-
Net cash flows used in investing activities		(2,397,246)	(1,765,834)

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CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

		2023	2022
	Notes	RMB'000	RMB'000
Net cash flows used in investing activities		(2,397,246)	(1,765,834)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received upon exercise of share options		11,140	7,531
Capital injection from non-controlling shareholders		1,511,786	513,763
Capital reduction from non-controlling shareholders		(735,199)	(7,845)
Cash received from borrowings		205,064,073	196,226,137
Repayments of borrowings		(201,811,538)	(179,140,191)
Principal portion of lease payments		(308,053)	(216,270)
Dividends paid		(1,871,222)	(1,505,444)
Decrease/(increase) in pledged deposits		958,133	(19,951)
Realised fair value gains/(losses) from derivative financial instruments in hedges for borrowings		580,785	(1,126,963)
Distribution paid to holders of perpetual securities	39	(116,645)	(303,951)
Dividends paid to non-controlling shareholders		(123,762)	(182,121)
Issue of perpetual securities		–	2,497,000
Redemption of perpetual securities		(1,507,445)	(6,876,759)
Purchase of shares under share award scheme		(47,514)	(253,524)
Re-purchase of shares		(12,920)	–
Net cash flows from financing activities		1,591,619	9,611,412
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year		15,903,843	15,659,036
Effect of exchange rate changes on cash and cash equivalents		27,797	84,864
CASH AND CASH EQUIVALENTS AT END OF YEAR	28	18,852,540	15,903,843

NOTES TO FINANCIAL STATEMENTS

31 December 2023

1. CORPORATE AND GROUP INFORMATION

Far East Horizon Limited (the “Company”) is a limited liability company which was incorporated in Hong Kong on 15 May 2008. Pursuant to the special resolutions dated 15 October 2008 and 29 November 2010, respectively, the Company changed its name from Fully Ascent Limited to Far Eastern Hong Xin Co., Limited and then to Far East Horizon Limited. The registered office address of the Company is Unit 6608, 66/F, International Commerce Centre, 1 Austin Road West, Kowloon.

The Group is principally engaged in the provision of finance to its customers by a wide array of assets under finance lease arrangements, operating lease arrangements, entrusted loan arrangements, factoring, the provision of advisory services, equipment operation business, industrial operation business and other services as approved by the Ministry of Commerce (the “MOFCOM”) of the People’s Republic of China (the “PRC”).

2.1 BASIS OF PREPARATION

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

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's 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. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.
- (c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

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. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022. 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 at 1 January 2022, with cumulative effect recognised as an adjustment to the balances of retained profits and non-controlling interests at that date. The quantitative impact on the financial statements is summarised below.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(c) (continued)

Impact on the consolidated statements of financial position:

	Increase/(decrease)		
	As at 31 December 2023	As at 31 December 2022	As at 1 January 2022
	RMB'000	RMB'000	RMB'000
Assets			
Deferred tax assets/(liabilities) (Note)	(11,176)	1,909	4,429
Total non-current assets/(liabilities)	(11,176)	1,909	4,429
Total assets/(liabilities)	(11,176)	1,909	4,429
Net assets	(11,176)	1,909	4,429
Equity			
Retained profits (included in reserves)	(11,176)	1,909	4,429
Equity attributable to ordinary Shareholders of the parent	(11,176)	1,909	4,429
Total equity	(11,176)	1,909	4,429

Note: 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. The amendments did not have significant impact on the Group's consolidated statements of financial position as at 1 January 2022.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(c) (continued)

Impact on the consolidated statements of profit or loss:

	Increase/(decrease)	
	For the year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Income tax expense from continuing operations	13,085	2,520
Profit for the year	(13,085)	(2,520)
Attributable to:		
Ordinary shareholders of the parent	(13,085)	(2,520)
Total comprehensive income for the year	(13,085)	(2,520)
Attributable to:		
Ordinary shareholders of the parent	(13,085)	(2,520)

The adoption of amendments to HKAS 12 did not have any material impact on the basic and diluted earnings per share attributable to ordinary equity holders of the parent, other comprehensive income and the consolidated statements of cash flows for the years ended 31 December 2023 and 2022.

- (d) The Group has not yet applied the temporary exception during the current year because the entities comprising the Group are operating in jurisdictions in which the Pillar Two tax law has not yet been enacted or substantively enacted. The Group will disclose known or reasonably estimable information related to its exposure to Pillar Two income taxes in the consolidated financial statements by the time when the Pillar Two tax law has been enacted or substantively enacted and will disclose separately the current tax expense or income related to Pillar Two income taxes when it is in effect.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following revised HKFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised HKFRSs, if applicable, when they become effective.

Amendments to HKFRS 10	<i>Sale or Contribution of Assets between an Investor and its and HKAS 28 Associate or Joint Venture³</i>
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback¹</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the "2020 Amendments")^{1,4}</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the "2022 Amendments")^{1,4}</i>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements¹</i>
Amendments to HKAS 21	<i>Lack of Exchangeability²</i>

1 Effective for annual periods beginning on or after 1 January 2024

2 Effective for annual periods beginning on or after 1 January 2025

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

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

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

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

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

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2.4 MATERIAL ACCOUNTING POLICIES

Investments in subsidiaries in the Company's separate financial statements

HKAS 27 allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The Company changed its accounting for investments in subsidiaries from cost method to equity method in its separate financial statements for the year ended 31 December 2016 and consistently applied this policy in subsequent years. The Company's investments in subsidiaries are stated in its separate financial statements at the Company's share of net assets under the equity method of accounting, less any impairment losses. Investments in subsidiaries are eliminated in full upon consolidation.

Investments in associates and joint ventures

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

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

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Business combinations and goodwill

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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

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

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

Fair value measurement

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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

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

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

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

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for non-financial asset is required (other than inventories, contract assets, deferred tax assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

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

Related parties

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

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary of fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third party;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Related parties (continued)

- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

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

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

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

Category	Annual depreciation rate
Leasehold improvements	Shorter of the remaining period of the lease and the useful life of the assets
Buildings	1.90-20.00%
Equipment, tools and moulds	5.00-50.00%
Office equipment and computers	9.00-50.00%
Motor vehicles	10.00-25.00%
Vessels	3.72-4.74%
Others	20.00-33.33%

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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

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

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including right-of-use assets) held to earn rental income and/or for capital appreciation. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment losses.

Depreciation is calculated on a straight-line basis to write off the cost of each item of investment properties.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

Intangible assets (other than goodwill)

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

Leases

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

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee

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

(a) Right-of-use assets

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

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

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

(b) Lease liabilities

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

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

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

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

Group as a lessor

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

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

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

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

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

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Gains or losses from changes in the fair value of such assets (excluding the interest component) are reported in fair value gains or losses from financial assets at fair value through profit or loss included in other income and gains or other expenses, separately. The interest component is reported as part of the interest income. Dividend income received on equity securities of this category is recognised as dividend income included in other income and gains.

This category includes derivative instruments not designated as hedged instruments under cash flow hedges and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

General approach

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

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach (continued)

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

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

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

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

Simplified approach

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

Financial liabilities

Initial recognition and measurement

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Initial recognition and measurement (continued)

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

Financial liabilities at amortised cost (trade and other payables, and borrowings)

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement (continued)

Convertible bonds

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

Derecognition of financial liabilities

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

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

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent measurement (continued)

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

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

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

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

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

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

Cash flow hedges

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

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

Cash flow hedges (continued)

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

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

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

Fair value hedges

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Treasury shares

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

Perpetual securities

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted-average basis and specific identification basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Provisions (continued)

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general policy for provisions above; and (ii) the amount initially recognised less, when appropriate, the amount of income recognised in accordance with the policy for revenue recognition.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the jurisdictions in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) Sale of goods

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

(b) Construction services

Revenue from the provision of construction services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

(c) Provision of services

Revenue from the provision of services is recognised over the scheduled period on a straight-line basis or at a point in time.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from other sources

Operating lease income

Operating lease income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Finance lease, factoring and loan interest income

Finance lease, factoring and loan interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial assets.

Other income

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract assets

If the Group performs by transferring goods or services to a customer before being unconditionally entitled to the consideration under the contract terms, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets. They are reclassified to trade receivables when the right to the consideration becomes unconditional.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Share-based payments

The Company operates a share option scheme and a restricted share award scheme. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using appropriate valuation models, further details of which are given in Note 36 and Note 37 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Employee benefits

Salaries and bonuses, social security contributions and other short term employee benefits are accrued in which services have been rendered by the employees of the Group.

The employees of the Company and its subsidiaries which operate in Chinese Mainland are required to participate in a central pension scheme operated by the local municipal government. The entities are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

In addition, employees in Chinese Mainland also participate in a defined contribution retirement benefit plan established by the Group (the "Annuity Plan"). The Group and its employees are required to contribute a certain percentage of the employees' previous year's basic salaries to the Annuity Plan. The contribution is charged to the statement of profit or loss when it incurs. The Group pays a fixed contribution into the Annuity Plan and has no obligation to pay further contributions even if the Annuity Plan does not hold sufficient assets to pay all employee benefits.

Contributions to these plans are recognised in the statement of profit or loss as incurred. There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

In respect of a dividend by way of distribution of non-cash assets, the liability to distribute the non-cash assets as a dividend is measured at the fair value of the assets to be distributed on the declaration date. At the end of the reporting period and at the date of settlement, the Group reviews and adjusts the carrying amount of the dividend liability, and any subsequent change in the fair value of the dividend liability is recognised in equity as an adjustment to the amount of the dividend distribution. Upon settlement, if the distributed assets are the shares of a subsidiary of the Group without a loss of control, the Group decreases in the ownership interest in a subsidiary by adjusting the carrying amounts of the controlling interest and non-controlling interest in equity rather than recognising a gain or loss in the statement of profit or loss. Otherwise, the difference between the carrying amount of the dividend liability which is also the fair value of the assets distributed, and the carrying amount of the assets distributed, if any, is recognised in profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of subsidiaries whose functional currency is other than RMB are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of subsidiaries with a functional currency other than RMB which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Classification between finance leases and operating leases

Leases are required to be classified as either finance leases (which transfer substantially all the risks and rewards of ownership, and give rise to asset and liability recognition by the lessee and a receivable by the lessor) and operating leases (which result in asset and liability recognition by the lessee, with the asset remaining recognised by the lessor).

Situations that would normally lead to a lease being classified as a finance lease include the following:

- the lease transfers ownership of the asset to the lessee by the end of the lease term;
- the lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable and, at the inception of the lease, it is reasonably certain that the option will be exercised;
- the lease term is for the major part of the economic life of the asset, even if the title is not transferred;
- at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset;
- and the leased assets are of a specialised nature such that only the lessee can use them without major modifications being made.

Significant judgement in determining the lease term of contracts with renewal options

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate the lease.

The Group includes the renewal period as part of the lease term for leases of buildings due to the significance of these assets to its operations. These leases have a short non-cancellable period and there will be a significant negative effect on operation if a replacement is not readily available.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of financial instruments

The measurement of impairment losses under HKFRS 9 across debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, and credit commitments requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of appropriate models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- (i) The Group's internal credit grading model, which assigns the probability of defaults (PDs) to the individual grades
- (ii) The Group's criteria for assessing whether there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment
- (iii) Development of ECL models, including the various formulas and the choice of inputs
- (iv) Determination of associations between macroeconomic scenarios and, economic inputs, and the effect on PDs, the exposure of defaults (EADs) and the loss given defaults (LGDs)

The Group will regularly review the expected credit loss model in the context of the actual loss experience and adjust it when necessary.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Where the actual or expected tax positions of the relevant companies of the Group in future are different from the original estimates, such differences will impact on the recognition of deferred tax assets and liabilities and income tax charge in the period in which such estimate has been changed.

Fair value of financial instruments

For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models or other valuation models.

Valuation techniques make use of observable market information to the greatest extent, however, when the observable market information cannot be obtained, management will have to make assumptions on the credit risk, market volatility and correlations of the Group and the counterparties, and any changes in these underlying assumptions will affect the fair value of financial instruments.

Share-based payments

Estimating the fair value for share-based payment transactions requires determination of an appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including volatility, the expected exercise behaviour and dividend yield, etc, and making assumptions about them. The assumptions and models used for estimating the fair value for share-based payment transactions are disclosed in Note 36 and Note 37.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into two operating segments, namely the financial, lease and advisory business and the industrial operation and management business, based on the internal organisational structure, management requirement and the internal reporting system:

- The financial, lease and advisory business comprises (a) direct finance leasing; (b) sale-leaseback; (c) factoring; (d) entrusted loans; (e) operating leases; (f) advisory services and (g) construction services.
- The industrial operation and management business comprises primarily (a) import and export trade and domestic trade of medical equipment, as well as the provision of trade agency services primarily within the machinery industry; (b) the ship brokerage services; (c) medical engineering; (d) hospital and healthcare management and (e) education consulting and management.

Management monitors the operating results of the Group's business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Group.

Segment revenue, results and assets mainly include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Intersegment transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

4. OPERATING SEGMENT INFORMATION (continued)

As at and for the year ended 31 December 2023

	Financial, lease and advisory	Industrial operation and management	Adjustments and eliminations	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue: (Note 5)				
Sales to external customers	32,992,536	4,967,262	–	37,959,798
Intersegment sales	186,314	4,392	(190,706)	–
Cost of sales	(15,922,808)	(4,036,007)	–	(19,958,815)
Other income and gains	1,879,725	465,275	(93,651)	2,251,349
Selling and distribution costs and administrative expenses	(7,968,340)	(182,475)	6,323	(8,144,492)
Other expenses	(242,062)	(58,539)	–	(300,601)
Finance costs	(1,087,253)	(228,737)	278,034	(1,037,956)
Impairment losses on financial and contract assets	(501,027)	(112,287)	–	(613,314)
Share of profits of associates	65,689	(2,280)	–	63,409
Share of profits of joint ventures	87,851	118,031	–	205,882
Profit before tax	9,490,625	934,635	–	10,425,260
Income tax expense	(3,415,605)	(92,632)	–	(3,508,237)
Profit after tax	6,075,020	842,003	–	6,917,023
Segment assets	354,159,255	13,762,901	(16,438,920)	351,483,236
Other segment information:				
Impairment losses recognised in the statement of profit or loss	507,897	(451,649)	–	56,248
Depreciation and amortisation	2,616,565	346,954	–	2,963,519
Capital expenditure	2,069,977	810,938	–	2,880,915

NOTES TO FINANCIAL STATEMENTS

31 December 2023

4. OPERATING SEGMENT INFORMATION (continued)

As at and for the year ended 31 December 2022 (restated)

	Financial, lease and advisory	Industrial operation and management	Adjustments and eliminations	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue: (Note 5)				
Sales to external customers	31,305,891	5,279,831	–	36,585,722
Intersegment sales	186,740	27,300	(214,040)	–
Cost of sales	(13,874,156)	(4,253,569)	–	(18,127,725)
Other income and gains	1,933,183	1,032,472	(84,715)	2,880,940
Selling and distribution costs and administrative expenses	(6,050,056)	(1,256,097)	36,949	(7,269,204)
Other expenses	(794,173)	(508,374)	–	(1,302,547)
Finance costs	(1,057,439)	(259,142)	261,806	(1,054,775)
Impairment losses on financial and contract assets	(1,507,350)	(131,969)	–	(1,639,319)
Gains on disposal of financial assets measured at amortised cost	1,486	–	–	1,486
Share of profits of associates	417,675	2,967	–	420,642
Share of losses of joint ventures	52,490	(229,105)	–	(176,615)
Profit before tax	10,614,291	(295,686)	–	10,318,605
Income tax expense	(3,619,669)	(99,015)	–	(3,718,684)
Profit after tax	6,994,622	(394,701)	–	6,599,921
Segment assets	344,662,215	16,060,216	(13,726,934)	346,995,497
Other segment information:				
Impairment losses recognised in the statement of profit or loss	1,529,453	587,722	–	2,117,175
Depreciation and amortisation	2,721,394	355,869	–	3,077,263
Capital expenditure	3,887,262	700,864	–	4,588,126

NOTES TO FINANCIAL STATEMENTS

31 December 2023

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2023	2022
	RMB'000	RMB'000
Chinese Mainland	37,791,840	36,164,441
Hong Kong	105,695	170,348
Other locations	62,263	250,933
Total revenue	37,959,798	36,585,722

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

(b) Non-current assets

	2023	2022
	RMB'000	RMB'000
Chinese Mainland	35,582,240	36,136,746
Hong Kong	454,960	740,065
Total non-current assets	36,037,200	36,876,811

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

There was no single customer from whom the revenue derived amounted to 10% or more of the total revenue of the Group during the year.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

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

		2023	2022
	Note	RMB'000	RMB'000
Interest Income			
Interest income from finance leases, factoring and loans		22,231,630	21,323,744
Interest income from financial assets at fair value through profit or loss		235,473	353,757
Revenue from operating leases		6,126,865	5,440,268
Revenue from contracts with customers	(i)	9,508,737	9,615,249
Taxes and surcharges		(142,907)	(147,296)
Total revenue		37,959,798	36,585,722

NOTES TO FINANCIAL STATEMENTS

31 December 2023

5. INTEREST INCOME, REVENUE FROM OPERATING LEASES, REVENUE FROM CONTRACTS WITH CUSTOMERS, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2023

Segments	Financial, lease and advisory RMB'000	Industrial operation and management RMB'000	Total RMB'000
Types of goods or services			
Sale of goods	515,569	668	516,237
Construction services	2,964,596	–	2,964,596
Service fee income	896,331	–	896,331
Healthcare service income	–	4,646,323	4,646,323
Education service income	–	163,757	163,757
Chartering and brokerage income	–	154,833	154,833
Other income	95,628	71,032	166,660
Total revenue from contracts with customers	4,472,124	5,036,613	9,508,737
Geographical markets			
Hong Kong	13,542	103,282	116,824
Chinese Mainland	4,446,224	4,883,426	9,329,650
Other locations	12,358	49,905	62,263
Total revenue from contracts with customers	4,472,124	5,036,613	9,508,737
Timing of revenue recognition			
Goods or services transferred at a point in time	559,255	1,889,407	2,448,662
Services transferred over time	3,912,869	3,147,206	7,060,075
Total revenue from contracts with customers	4,472,124	5,036,613	9,508,737

NOTES TO FINANCIAL STATEMENTS

31 December 2023

5. INTEREST INCOME, REVENUE FROM OPERATING LEASES, REVENUE FROM CONTRACTS WITH CUSTOMERS, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

For the year ended 31 December 2022

Segments	Financial, lease and advisory RMB'000	Industrial operation and management RMB'000	Total RMB'000
Types of goods or services			
Sale of goods	300,748	444,094	744,842
Construction services	2,136,630	–	2,136,630
Service fee income	1,822,575	–	1,822,575
Healthcare service income	–	4,199,251	4,199,251
Education service income	–	146,330	146,330
Chartering and brokerage income	–	309,906	309,906
Other income	73,943	181,772	255,715
Total revenue from contracts with customers	4,333,896	5,281,353	9,615,249
Geographical markets			
Hong Kong	21,135	80,229	101,364
Chinese Mainland	4,301,109	4,961,844	9,262,953
Other locations	11,652	239,280	250,932
Total revenue from contracts with customers	4,333,896	5,281,353	9,615,249
Timing of revenue recognition			
Goods or services transferred at a point in time	1,709,844	2,248,255	3,958,099
Services transferred over time	2,624,052	3,033,098	5,657,150
Total revenue from contracts with customers	4,333,896	5,281,353	9,615,249

NOTES TO FINANCIAL STATEMENTS

31 December 2023

5. INTEREST INCOME, REVENUE FROM OPERATING LEASES, REVENUE FROM CONTRACTS WITH CUSTOMERS, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

Set out below is the reconciliation of the revenue from contracts with customers to the amounts disclosed in the segment information:

For the year ended 31 December 2023

Segments	Financial, lease and advisory RMB'000	Industrial operation and management RMB'000	Total RMB'000
Revenue from contracts with customers			
External customers	4,472,124	5,036,613	9,508,737
Intersegment sales	3,556	4,441	7,997
Intersegment adjustments and eliminations	(3,556)	(4,441)	(7,997)
Total revenue from contracts with customers	4,472,124	5,036,613	9,508,737

For the year ended 31 December 2022

Segments	Financial, lease and advisory RMB'000	Industrial operation and management RMB'000	Total RMB'000
Revenue from contracts with customers			
External customers	4,333,896	5,281,353	9,615,249
Intersegment sales	8,955	28,033	36,988
Intersegment adjustments and eliminations	(8,955)	(28,033)	(36,988)
Total revenue from contracts with customers	4,333,896	5,281,353	9,615,249

NOTES TO FINANCIAL STATEMENTS

31 December 2023

5. INTEREST INCOME, REVENUE FROM OPERATING LEASES, REVENUE FROM CONTRACTS WITH CUSTOMERS, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2023	2022
	RMB'000	RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Service fee income	116,404	391,798
Sale of goods	25,069	25,904
Total	141,473	417,702

(ii) Performance obligations

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

Sale of goods

The performance obligation is satisfied upon delivery of the goods and payment is generally due within 60 to 180 days from delivery.

Construction services

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

Services

The performance obligation is satisfied over time or at a point in time as services are rendered and short-term advances are normally required before rendering the services. Most service contracts are for periods of one year or less, or are billed based on the time incurred.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

5. INTEREST INCOME, REVENUE FROM OPERATING LEASES, REVENUE FROM CONTRACTS WITH CUSTOMERS, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(ii) Performance obligations (Continued)

Services (Continued)

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2023	2022
	RMB'000	RMB'000
Amounts expected to be recognised as revenue:		
Within one year	309,401	141,473
After one year	548,897	827,540
Total	858,298	969,013

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to service fee, of which the performance obligations are to be satisfied within 2 to 27 years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

5. INTEREST INCOME, REVENUE FROM OPERATING LEASES, REVENUE FROM CONTRACTS WITH CUSTOMERS, OTHER INCOME AND GAINS (continued)

		2023	2022
	Note	RMB'000	RMB'000
Other income and gains			
Bank interest income		215,923	201,248
Gains on unlisted debt investments, at fair value		10,872	91,584
Gains on disposal of property, plant, and equipment		4,514	306,714
Government grants	5a	225,377	161,018
Fair value gains from financial assets at fair value through profit or loss		193,662	351,689
Fair value gains from financial liabilities at fair value through profit or loss		–	316,500
Interest income from continuing involvement in transferred assets		342,111	856,580
Dividends of financial assets at fair value through profit or loss		14,141	22,415
Realised gains on financial assets at fair value through profit or loss		412,295	323,580
Gains on disposal of subsidiaries		126,498	95,880
Gains on disposal of a joint venture		82,094	–
Reversal of impairment of property, plant and equipment		512,860	–
Others		111,002	153,732
Total other income and gains		2,251,349	2,880,940

5a. Government grants

	2023	2022
	RMB'000	RMB'000
Government special subsidies	225,377	161,018

NOTES TO FINANCIAL STATEMENTS

31 December 2023

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2023	2022
	RMB'000	RMB'000
Interest on bank loans, overdrafts and other loans for the industrial operation business	1,011,289	1,033,926
Interest on lease liabilities	26,667	20,849
Total	1,037,956	1,054,775

7. PROFIT BEFORE TAX

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

	2023	2022
	RMB'000	RMB'000
Cost of borrowings included in cost of sales	9,982,081	9,007,594
Cost of inventories sold	280,040	604,145
Cost of construction services	2,098,931	1,496,266
Cost of operating leases	3,475,121	2,873,739
Cost of chartering	111,159	165,022
Cost of healthcare services	3,783,585	3,551,200
Cost of education services	118,796	110,375
Cost of others	109,102	319,384
Depreciation of property, plant and equipment	323,680	308,938
Less: Government grants released*	(2,197)	(1,026)
Total	321,483	307,912

NOTES TO FINANCIAL STATEMENTS

31 December 2023

7. PROFIT BEFORE TAX (continued)

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

	2023	2022
	RMB'000	RMB'000
Depreciation of right-of-use assets	267,725	175,919
Amortisation of intangible assets and other assets	40,918	27,466
Auditors' remuneration – audit services	10,348	8,689
– other services	5,008	7,537
Employee benefit expense (including directors' remuneration (Note 8))		
– Wages and salaries*		
Current year expenditure	5,558,240	5,616,679
Less: Government grants released**	(514,136)	(1,704,406)
Total	5,044,104	3,912,273
– Equity-settled share-based payment expense	233,148	246,367
– Pension scheme contributions	185,689	199,986
– Other employee benefits	229,322	320,050
	5,692,263	4,678,676

NOTES TO FINANCIAL STATEMENTS

31 December 2023

7. PROFIT BEFORE TAX (continued)

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

	2023	2022
	RMB'000	RMB'000
Reversal of impairment of investments in joint ventures	(90,000)	–
Impairment of investments in associates	23,269	–
Impairment of goodwill (Note 16)	–	187,295
Impairment of loans and accounts receivables (Note 24)	477,312	1,567,780
Impairment of financial assets included in prepayments, other receivables and other assets	143,878	38,124
Impairment of credit commitments	14,431	33,415
Impairment of inventories	–	19,063
Impairment of right-of-use assets	218	–
(Reversal of impairment)/Impairment of property, plant and equipment (Note 13)	(512,860)	271,498
Lease payments not included in the measurement of lease liabilities	40,553	26,181
Entertainment expenses	134,488	115,716
Business travelling expenses	340,607	210,044
Consultancy fees	191,534	217,273
Office expenses	58,540	58,918
Advertising and promotional expenses	64,213	35,408
Transportation expenses	162,452	143,436
Communication expenses	54,448	54,090
Litigation expenses	31,412	42,801
Other miscellaneous expenses:		
Current year expenditure	790,258	623,406
Less: Government grants released**	(20,723)	(6,687)
Total	769,535	616,719

NOTES TO FINANCIAL STATEMENTS

31 December 2023

7. PROFIT BEFORE TAX (continued)

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

	2023	2022
	RMB'000	RMB'000
Losses on disposal of property, plant and equipment	908	3,637
Donation	14,142	13,546
Bank commission expenses	22,679	86,149
Foreign exchange gains, net:		
Foreign exchange losses	737,652	3,631,171
Derivative gain or loss recycled from equity under cash flow hedge	(744,161)	(3,366,129)
Total	(6,509)	265,042
(Gains)/Losses on disposal of a joint venture	(82,094)	1,740
Fair value losses from financial assets at fair value through profit or loss	217,126	896,697
Other expenditure	28,269	34,657
Finance costs	1,037,956	1,054,775
Gains on derecognition of loans and accounts receivables measured at amortised cost	-	(1,486)
Fair value losses/(gains) from financial liabilities at fair value through profit or loss***	28,384	(316,500)
Bank interest income	(215,923)	(201,248)
Interest income from continuing involvement in transferred assets	(342,111)	(856,580)
Fair value gains from financial assets at fair value through profit or loss	(193,662)	(351,689)

* The Group has adopted collective economic-gain bonus schemes (the "Schemes", details of which are set out in Note 9) since 2014. In 2020, a trust scheme ("2020 Trust Scheme") was established in Hongkong. In 2022, new trust schemes ("2022 Trust Schemes") were established in Chinese Mainland and Hong Kong, respectively. The beneficiaries of the 2020 Trust Scheme and the 2022 Trust Schemes comprised certain employees of the Group (including senior management) and directors. During the years ended 31 December 2023 and 2022, no distribution was made to senior management and directors under the aforesaid 2020 and 2022 Schemes. During the year ended 31 December 2023, the Group paid no bonus (2022: RMB1,080,000,000) to the 2022 Trust Schemes in Chinese Mainland while paid bonuses of USD300,000,000 (2022: HK\$1,177,500,000 and USD128,000,000) to the 2022 Trust Schemes in Hong Kong. No bonuses were paid by the Group to the 2020 Trust Scheme during the years ended 31 December 2022 and 2023.

** Government grants have been received by subsidiaries of the Company from the local government for improvement of technology, staff training and development, and others. The government grants received have been deducted from the expenses to which they related. Government grants received for which related expenditure has yet been undertaken are included in deferred revenue in the statement of financial position (Note 34).

*** The fair value gains/losses from a financial liability at fair value through profit or loss are accounted for the fair value change linked to the investments by Limited Partners other than the Group in several Investment Limited Partnerships that are classified as financial liabilities in the consolidated financial statements of the Group.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2023	2022
	RMB'000	RMB'000
Fees	2,646	2,513
Other emoluments:		
Salaries, allowances and benefits in kind	10,087	7,404
Performance related bonuses*	6,100	4,300
Pension scheme contributions	195	126
Subtotal	16,382	11,830
Total fees and other emoluments	19,028	14,343

* Certain executive directors of the Company are entitled to bonus payments which are determined based on the business performance of the Group.

During 2023, certain directors were granted share options and restricted shares, in respect of their services to the Group, under the share option scheme and the restricted share award scheme of the Company, details of which are set out in Note 36 and Note 37 to the financial statements, respectively. Certain directors participated in the Group's collective economic-gain bonus schemes (the "Schemes"), details of which are set out in Note 9. During the year ended 31 December 2023, no distribution was made to the directors who are the beneficiaries of the Schemes, the above information of directors' and chief executive's remuneration has not taken into consideration the employees' potential entitlement under the Schemes.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2023	2022
	RMB'000	RMB'000
Mr. Cai Cunqiang	189	359
Mr. Han Xiaojing	378	359
Mr. Liu Jialing	378	359
Mr. Yip Wai Ming	378	359
Mr. Wong Ka Fai	189	–
Total	1,512	1,436

NOTES TO FINANCIAL STATEMENTS

31 December 2023

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Non-executive directors

The fees paid to non-executive directors during the year were as follows:

	2023	2022
	RMB'000	RMB'000
Mr. Liu Haifeng	378	359
Mr. Luo Qiang	378	359
Mr. Kuo Mingjian	378	359
Total	1,134	1,077

(c) Executive directors

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2023					
Executive directors:					
Mr. Kong Fanxing	–	4,673	2,500	65	7,238
Mr. Wang Mingzhe	–	2,737	1,800	65	4,602
Mr. Cao Jian	–	2,677	1,800	65	4,542
Total	–	10,087	6,100	195	16,382

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2022					
Executive directors:					
Mr. Kong Fanxing	–	4,670	2,500	63	7,233
Mr. Wang Mingzhe	–	2,734	1,800	63	4,597
Total	–	7,404	4,300	126	11,830

NOTES TO FINANCIAL STATEMENTS

31 December 2023

9. FIVE HIGHEST PAID EMPLOYEES

An analysis of the five highest paid employees within the Group during the year is as follows:

	Number of employees	
	2023	2022
Directors	3	2
Non-directors	2	3
Total	5	5

The five highest paid employees during the year included three (2022: two) directors, details of whose remuneration are set out in Note 8 above. Details of the remuneration of the remaining two (2022: three) non-director, highest paid employees for the year are as follows:

	2023	2022
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	4,553	7,523
Performance related bonuses	2,200	3,700
Pension scheme contributions	130	188
Total	6,883	11,411

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2023	2022
HK\$3,500,001 to HK\$4,000,000 (Equivalent to RMB3,149,108 to RMB3,598,980)	1	1
HK\$4,000,001 to HK\$4,500,000 (Equivalent to RMB3,598,981 to RMB4,048,853)	1	1
HK\$4,500,001 to HK\$5,000,000 (Equivalent to RMB4,048,853 to RMB4,498,725)	-	-
HK\$5,000,001 to HK\$5,500,000 (Equivalent to RMB4,498,726 to RMB4,948,598)	-	1
Total	2	3

During the year ended 31 December 2023, certain highest paid employees were granted share options and restricted shares, in respect of their services to the Group, under the share option scheme and the restricted share award scheme of the Company, details of which are set out in Note 36 and Note 37 to the financial statements, respectively.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

9. FIVE HIGHEST PAID EMPLOYEES (continued)

The Group has adopted collective economic-gain bonus schemes (the “Schemes”) since 2014. According to the Schemes, the Group paid a portion of employee bonus to separate funds (the “Employees’ Collectively Owned Funds”). The Employees’ Collectively Owned Funds are collectively owned by employees participating in the Scheme until distributed to individual employees. A committee (the “Committee”), elected by the general meeting of employee representatives, is established to be in charge of the management and operation of the Schemes and the determination and distribution of the Employees’ Collectively Owned Funds to all individual participating employees. The members of the Committee exclude any of the directors or senior management of the Company. In the view of the directors, the Employees’ Collectively Owned Funds are not the property of the Company or any of its subsidiaries, and the Group has no rights and obligations in respect of the management and operation of the Employees’ Collectively Owned Funds.

In 2020, a trust scheme (“2020 Trust Scheme”) was established in Hong Kong. In 2022, new trust schemes (“2022 Trust Schemes”) were established in Chinese Mainland and Hong Kong, respectively. The beneficiaries of the 2020 Trust Scheme and the 2022 Trust Schemes comprised certain employees of the Group (including senior management) and directors. During the years ended 31 December 2023 and 2022, no distribution was made to senior management and directors under the aforesaid 2020 and 2022 Schemes. The above information of the five highest paid employees and directors’ and chief executive’s remuneration (Note 8) have not taken into consideration the employees’ potential entitlement under the Schemes. Upon being knowledgeable of the actual distribution or the amount of distribution being determined in the future, the Group will make disclosures in accordance with the relevant requirements of the Listing Rules.

10. INCOME TAX

	2023	2022
	RMB’000	RMB’000 (Restated)
Current – Hong Kong		
Charge for the year	119,399	129,619
Current – Chinese Mainland		
Charge for the year	3,284,644	3,749,090
Underprovision in prior years	76,548	26,587
Deferred tax (Note 27)	27,646	(186,612)
Total tax charge for the year	3,508,237	3,718,684

Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong for the year.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

10. INCOME TAX (Continued)

Corporate Income Tax ("CIT")

The income tax provision of the Group in respect of its operations in Chinese Mainland has been calculated at the tax rate of 25% (2022: 25%) on the estimated assessable profits for the year, based on existing legislation, interpretations and practices in respect thereof.

The State Administration of Taxation announced that enterprises of encouraged industries in the Western Region of the PRC could use a preferential tax rate of 15% from 1 January 2011 to 31 December 2030. Deyang The Fifth Hospital Co., Ltd., Chongqing Yudong Hospital Co., Ltd., Nayong Xinli Hospital Co., Ltd. and Chengdu Jinsha Hospital Co., Ltd. were recognised to fulfil the aforesaid preferential taxation policy and thus have enjoyed a preferential tax rate of 15% since 2016. Zhaotong Renan Hospital Co., Ltd. and Qiaojia Renan Hospital Co., Ltd. were recognised to fulfil the aforesaid preferential taxation policy and thus have enjoyed a preferential tax rate of 15% since 2017. Qinghai Kangle Hospital Company Ltd. was recognised to fulfil the aforesaid preferential taxation policy and thus has enjoyed a preferential tax rate of 15% since 2020.

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

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

	2023	2022
	RMB'000	RMB'000 (Restated)
Profit before tax	10,425,260	10,318,605
Tax at the statutory income tax rates	2,882,284	2,701,472
Expenses not deductible for tax	896,061	523,492
Income not subject to tax	(483,629)	(282,463)
Adjustment on current income tax in respect of prior years	76,548	26,587
Utilisation of previously unrecognised tax losses	(215,054)	(135,981)
Unrecognised tax losses and temporary differences	284,248	258,996
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	1,386	571,107
Effect of withholding tax on interest on intra-group balances	66,393	55,474
Income tax expense as reported in the consolidated statement of profit or loss	3,508,237	3,718,684

NOTES TO FINANCIAL STATEMENTS

31 December 2023

10. INCOME TAX (Continued)

Pillar Two income taxes

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

11. DIVIDENDS

	2023	2022
	RMB'000	RMB'000
Proposed final dividend – HK\$0.50 (2022: HK\$0.49) per ordinary share	1,908,864	1,832,398

A final dividend for the year of 2023 of HK\$0.50 per share was proposed at the meeting of the board of directors (the “Board”) held on 13 March 2024. As at 31 December 2023, based on the total number of outstanding ordinary shares of 4,212,804,910 (2022: 4,186,402,320) (excluding the 102,330,956 (2022: 129,107,281) shares held for the share award scheme (Note 37), the proposed final dividend amounted to approximately HK\$2,106,402,000 (2022: HK\$2,051,337,000) (equivalent to RMB1,908,864,000 (2022: RMB1,832,398,000)). The proposed final dividend for the year is subject to the approval of the Company’s shareholders at the forthcoming annual general meeting. This proposed dividend is not reflected as a dividend payable in the financial statements.

On 6 December 2023, the Company announced a special dividend to the shareholders of the Company in the form of a distribution of 159,819,828 shares of Horizon Construction Development Limited (“HCD”) which is a subsidiary of the Company (Special Dividend). The total market value of the special dividend was HK\$733,573,000 (equivalent to RMB664,850,000) which was calculated at HK\$4.59 per share at the end of the year 2023.

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

The calculation of basic earnings per share for the year is based on the consolidated net profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 4,200,089,498 (2022: 4,185,832,025) outstanding during the year.

The calculation of the diluted earnings per share amounts is based on the consolidated net profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the host debt component of convertible bonds. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

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

(continued)

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

Earnings

	2023	2022
	RMB'000	RMB'000 (Restated)
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculations	6,192,972	6,128,954
Interest on the host debt component of convertible bonds	139,016	136,269
Profit attributable to ordinary equity holders of the parent, before the above impact arising from convertible bonds	6,331,988	6,265,223

Shares

	Number of shares	
	2023	2022
Weighted average number of ordinary shares outstanding during the year, used in the basic earnings per share calculation	4,200,089,498	4,185,832,025
Effect of dilution – weighted average number of ordinary shares:		
Share options	1,136,777	1,440,059
Convertible bonds	575,394,277	538,845,479
Weighted average number of ordinary shares for diluted earnings per share	4,776,620,552	4,726,117,563

NOTES TO FINANCIAL STATEMENTS

31 December 2023

13. PROPERTY, PLANT AND EQUIPMENT

31 December 2023

	Leasehold improvements	Buildings	Equipment, tools and moulds	Office equipment and computers	Motor vehicles	Construction in progress	Vessels	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023:									
Cost	826,300	5,693,687	25,706,853	459,086	153,782	313,977	1,239,611	447,187	34,840,483
Accumulated depreciation and impairment	(666,015)	(1,342,466)	(6,566,093)	(337,113)	(100,338)	-	(541,228)	(321,367)	(9,874,620)
Net carrying amount	160,285	4,351,221	19,140,760	121,973	53,444	313,977	698,383	125,820	24,965,863
At 1 January 2023, net of accumulated depreciation and impairment	160,285	4,351,221	19,140,760	121,973	53,444	313,977	698,383	125,820	24,965,863
Additions	71,053	30,600	2,123,481	33,997	31,922	125,291	-	111	2,416,455
Depreciation provided during the year	(59,913)	(160,523)	(2,317,044)	(36,775)	(37,621)	-	(31,766)	(3,319)	(2,646,961)
Disposal of subsidiaries (Note 40)	(933)	(508,239)	(56,898)	(12,143)	(4,902)	(53,682)	-	-	(636,797)
Transfers	-	126,832	53,088	988	-	(180,908)	-	-	-
Disposals	(7,404)	(7,133)	(652,499)	(2,586)	(820)	(44,876)	(511,451)	(801)	(1,227,570)
Exchange realignment	-	-	-	-	-	-	129,205	-	129,205
Reversal of impairment	-	229,468	-	-	-	-	283,392	-	512,860
At 31 December 2023, net of Accumulated depreciation and impairment	163,088	4,062,226	18,290,888	105,454	42,023	159,802	567,763	121,811	23,513,055
At 31 December 2023:									
Cost	887,961	5,278,121	26,209,743	446,690	171,107	159,802	687,951	446,488	34,287,863
Accumulated depreciation and impairment	(724,873)	(1,215,895)	(7,918,855)	(341,236)	(129,084)	-	(120,188)	(324,677)	(10,774,808)
Net carrying amount	163,088	4,062,226	18,290,888	105,454	42,023	159,802	567,763	121,811	23,513,055

NOTES TO FINANCIAL STATEMENTS

31 December 2023

13. PROPERTY, PLANT AND EQUIPMENT (continued)

31 December 2022

	Leasehold improvements	Buildings	Equipment, tools and moulds	Office equipment and computers	Motor vehicles	Construction in progress	Vessels	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022:									
Cost	733,021	5,487,030	23,134,796	471,466	162,263	197,894	1,494,290	446,463	32,127,223
Accumulated depreciation and impairment	(570,975)	(894,434)	(4,725,468)	(312,192)	(87,498)	–	(684,460)	(321,358)	(7,596,385)
Net carrying amount	162,046	4,592,596	18,409,328	159,274	74,765	197,894	809,830	125,105	24,530,838
At 1 January 2022, net of accumulated depreciation and impairment	162,046	4,592,596	18,409,328	159,274	74,765	197,894	809,830	125,105	24,530,838
Acquisition of subsidiaries	–	188,952	15,336	284	553	–	134,392	–	339,517
Additions	418,336	16,490	3,135,740	33,684	20,655	231,869	–	724	3,857,498
Depreciation provided during the year	(400,665)	(173,550)	(2,132,256)	(61,534)	(22,918)	–	(62,141)	(9)	(2,853,073)
Disposal of subsidiaries (Note 40)	(15,604)	(1,271)	(117,189)	(3,429)	(1,417)	(19,233)	–	–	(158,143)
Transfers	–	2,604	18,863	–	–	(21,467)	–	–	–
Disposals	(3,828)	(600)	(189,062)	(6,306)	(18,194)	(75,086)	(312,922)	–	(605,998)
Exchange realignment	–	–	–	–	–	–	126,722	–	126,722
Impairment	–	(274,000)	–	–	–	–	2,502	–	(271,498)
At 31 December 2022, net of Accumulated depreciation and impairment	160,285	4,351,221	19,140,760	121,973	53,444	313,977	698,383	125,820	24,965,863
At 31 December 2022:									
Cost	826,300	5,693,687	25,706,853	459,086	153,782	313,977	1,239,611	447,187	34,840,483
Accumulated depreciation and impairment	(666,015)	(1,342,466)	(6,566,093)	(337,113)	(100,338)	–	(541,228)	(321,367)	(9,874,620)
Net carrying amount	160,285	4,351,221	19,140,760	121,973	53,444	313,977	698,383	125,820	24,965,863

NOTES TO FINANCIAL STATEMENTS

31 December 2023

13. PROPERTY, PLANT AND EQUIPMENT (continued)

As at 31 December 2023, the Group has not obtained the property ownership certificates for four buildings (31 December 2022: five) with a net book value of RMB141,535,000 (31 December 2022: RMB444,329,000).

The Group was in the process of applying for the property ownership certificates for the above buildings as at 31 December 2023.

As at 31 December 2023, property, plant and equipment with a net carrying amount of RMB7,705,295,000 (31 December 2022: RMB7,823,189,000) were pledged to secure general banking facilities granted to the Group.

As at 31 December 2023, property, plant and equipment with a net carrying amount of RMB17,632,005,000 (31 December 2022: RMB18,444,228,000) were held for operating lease.

14. INVESTMENT PROPERTIES

	For the year ended 31 December 2023	For the year ended 31 December 2022
	RMB'000	RMB'000
At beginning of year:		
Cost	115,682	–
Accumulated depreciation and impairment	–	–
Net carrying amount	115,682	–
At beginning of year, net of accumulated depreciation and impairment	115,682	–
Additions	–	115,682
Depreciation	(7,915)	–
At end of year, net of accumulated depreciation and impairment	107,767	115,682
At end of year:		
Cost	115,682	115,682
Accumulated depreciation and impairment	(7,915)	–
Net carrying amount	107,767	115,682

The Group's investment properties consist of one commercial property and one industrial property in Chinese Mainland (2022: One commercial property and one industrial property).

NOTES TO FINANCIAL STATEMENTS

31 December 2023

14. INVESTMENT PROPERTIES (Continued)

Management has determined that the investment properties consist of two classes of asset, i.e., commercial and industrial properties, based on the nature, characteristics and risks of each property.

The investment properties are leased to third parties under operating leases.

As at 31 December 2023, the Group has obtained the property ownership certificates for the commercial property with a net book value of RMB32,113,000 (31 December 2022: RMB33,682,000); the Group has obtained the property ownership certificates for the industrial property with a net book value of RMB75,654,000 (31 December 2022: RMB82,000,000).

As at 31 December 2023, the commercial property with a net carrying amount of RMB32,113,000 (31 December 2022: Nil) was pledged to secure general banking facilities.

As at 31 December 2023, there was no industrial property (31 December 2022: RMB82,000,000) which was pledged to secure general banking facilities.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

31 December 2023

Fair value measurement as at 31 December 2023 using				
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Commercial property	–	–	110,930	110,930
Industrial property	–	–	80,450	80,450
Total	–	–	191,380	191,380

NOTES TO FINANCIAL STATEMENTS

31 December 2023

14. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy (Continued)

31 December 2022

Fair value measurement as at 31 December 2022 using				
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Commercial property	–	–	111,930	111,930
Industrial property	–	–	82,000	82,000
Total	–	–	193,930	193,930

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2022: Nil).

Set out below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

31 December 2023

	Valuation techniques	Significant unobservable inputs	weighted average
			RMB
Commercial property	Market comparison method	Estimated value (per sq. m.)	11,702
Industrial property	Discounted cash flow method	Estimated rental value (per sq. m. per day)	0.41
		Rent growth rate	3.5%
		Long term vacancy rate	5.0%
		Discount rate	6.0%

NOTES TO FINANCIAL STATEMENTS

31 December 2023

14. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy (Continued)

31 December 2022

	Valuation techniques	Significant unobservable inputs	weighted average
			RMB
Commercial property	Market comparison method	Estimated value (per sq. m.)	11,807
Industrial property	Discounted cash flow method	Estimated rental value (per sq. m. per day)	0.40
		Rent growth rate	3.5%
		Long term vacancy rate	5.0%
		Discount rate	6.0%

15. LEASES

The Group as a lessee

The Group has lease contracts for various items of buildings and equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 40 to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms between 1 and 25 years, while equipment generally has lease terms between 5 and 10 years or of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

15. LEASES (Continued)

The Group as a lessee (Continued)

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land	Buildings	Equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2022	1,436,225	428,833	–	1,865,058
Additions	29,927	194,621	–	224,548
Acquisition of subsidiaries	28,016	–	–	28,016
Depreciation charge	(38,330)	(158,394)	–	(196,724)
Disposal of subsidiaries	–	(15,495)	–	(15,495)
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	(31,766)	–	(31,766)
As at 31 December 2022 and 1 January 2023	1,455,838	417,799	–	1,873,637
Additions	31,732	122,325	725,844	879,901
Impairment	(218)	–	–	(218)
Depreciation charge	(63,480)	(145,611)	(58,634)	(267,725)
Disposal of subsidiaries	(20,709)	(13,237)	–	(33,946)
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	(63,153)	–	(63,153)
As at 31 December 2023	1,403,163	318,123	667,210	2,388,496

As at 31 December 2023, the Group's leasehold land of approximately RMB799,144,000 (31 December 2022: RMB820,679,000) was pledged to secure general banking facilities granted to the Group.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

15. LEASES (continued)

The Group as a lessee (continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2023	2022
	RMB'000	RMB'000
Carrying amount at 1 January	506,382	607,015
New leases	848,169	194,621
Accretion of interest recognised during the year (Note 6)	26,667	20,849
Payments	(308,054)	(216,269)
Disposal of subsidiaries	(19,277)	(71,384)
Revision of a lease term arising from a change in the non-cancellable period of a lease	(66,242)	(28,450)
Carrying amount at 31 December	987,645	506,382
Analysed into:		
Current portion	280,495	143,957
Non-current portion	707,150	362,425

The maturity analysis of lease liabilities is disclosed in Note 48 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

15. LEASES (continued)

The Group as a lessee (continued)

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

	2023	2022
	RMB'000	RMB'000
Interest on lease liabilities	26,667	20,849
Depreciation charge for right-of-use assets	267,725	196,724
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2023 (included in administrative expenses)	40,553	26,163
Expense relating to leases of low-value assets (included in administrative expenses)	-	18
Total amount recognised in profit or loss	334,945	243,754

(d) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in Note 41(c), to the financial statements.

The Group as a lessor – operating leases

The Group leases its equipment, tools and moulds under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB6,126,865,000 (2022: RMB5,440,268,000), details of which are included in Note 5 to the financial statements.

At 31 December 2023, undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2023	2022
	RMB'000	RMB'000
Within one year	4,367,659	4,361,282
After one year but within two years	536,734	535,532
After two years but within three years	17,458	17,292
Total	4,921,851	4,914,106

NOTES TO FINANCIAL STATEMENTS

31 December 2023

16. GOODWILL

	RMB'000
Cost at 1 January 2022, net of accumulated impairment	373,982
Acquisition of subsidiaries	83,825
Impairment during the year	(187,295)
Cost and net carrying amount at 31 December 2022	270,512
At 31 December 2022:	
Cost	2,453,521
Accumulated impairment	(2,183,009)
Net carrying amount	270,512
Cost at 1 January 2023, net of accumulated impairment	270,512
Disposal of subsidiaries (Note 40)	(98,989)
Cost and net carrying amount at 31 December 2023	171,523
At 31 December 2023:	
Cost	2,253,115
Accumulated impairment	(2,081,592)
Net carrying amount	171,523

Goodwill acquired through business combinations is allocated to each acquired subsidiary as the cash-generating units ("CGUs") within the medical service industry for impairment testing.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

16. GOODWILL (continued)

For cash-generating units within the medical service industry

The recoverable amount of each CGU within the medical service industry has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period and approved by senior management. The post-tax discount rate applied to the cash flow projections is 14.0% (2022: 14.0%). The implied pre-tax discount rates for the cash flow projections are 16.5% to 18.3% (2022: 16.5% to 18.3%).

The carrying amounts of goodwill are as follows:

	2023	2022
	RMB'000	RMB'000
Medical service industry	171,523	270,512

Assumptions were used in the value-in-use calculation of each CGU within the medical service industry for 31 December 2023 and 31 December 2022. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Expected gross margin – the basis used to determine the value assigned to the expected gross margin is the gross margin achieved in the current year, adjusted for expected growth and other changes, and expected market development.

Discount rates – the discount rates used reflect specific risks relating to the units.

The values assigned to the key assumptions on market development of the medical service industry, and the discount rates are comparable to external information sources.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

17. OTHER INTANGIBLE ASSETS

	2023	2022
	RMB'000	RMB'000
Software (Note 17a)	121,712	85,929
Others	37	40
Total	121,749	85,969

17a. SOFTWARE

	2023	2022
	RMB'000	RMB'000
Cost:		
At the beginning of the year	179,710	153,184
Additions	79,235	31,528
Disposals	(12,985)	(2,521)
Disposal of subsidiaries	(20,550)	(2,481)
At the end of the year	225,410	179,710
Accumulated amortisation:		
At the beginning of the year	(93,781)	(81,003)
Additions	(16,951)	(14,417)
Disposals	395	780
Disposal of subsidiaries	6,639	859
At the end of the year	(103,698)	(93,781)
Net carrying amount:		
At the end of the year	121,712	85,929
At the beginning of the year	85,929	72,181

NOTES TO FINANCIAL STATEMENTS

31 December 2023

18. SCOPE OF CONSOLIDATION

As at 31 December 2023, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows:

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
International Far Eastern Leasing Co., Ltd. (遠東國際融資租賃有限公司) (Note ii)	PRC/Chinese Mainland 13 September 1991	USD1,816,710,922	100	–	Finance lease
Far East Horizon (Tianjin) Financial Leasing Co., Ltd. (遠東宏信(天津)融資租賃有限公司) (Note ii/Note iv)	PRC/Chinese Mainland 10 December 2013	RMB6,500,000,000	55.38	44.62	Finance lease
Far East Horizon Financial Leasing Co., Ltd. (遠東宏信融資租賃有限公司) (Note ii)	PRC/Chinese Mainland	RMB2,500,000,000/ RMB2,050,000,000	45	55	Finance lease
Shanghai Donghong Co., Ltd. (上海東泓實業發展有限公司) (Note ii)	PRC/Chinese Mainland 28 April 2006	RMB10,400,000,000/ RMB9,700,000,000	–	100	Trading
Shanghai Domin Medical Engineering Co., Ltd. (上海德明醫用設備工程有限公司) (Note ii)	PRC/Chinese Mainland 4 March 2010	RMB100,000,000	–	100	Engineering and trading
Shanghai Dopont Industrial Co, Ltd ("Dopont") (上海德朋實業有限公司) (Note ii)	PRC/Chinese Mainland 10 November 2011	RMB7,000,000,000	–	100	Trading
Far East Horizon Shipping Holdings Co., Ltd. (遠東宏信航運控股有限公司) (Note i)	Cayman Islands 2 October 2009	USD50,000/USD0	100	–	Investment holding
Shanghai Horizon Construction Development Co., Ltd. (上海宏信建設發展有限公司) (Note ii)	PRC/Chinese Mainland 14 April 2014	RMB5,550,000,000	–	71.72	Construction

NOTES TO FINANCIAL STATEMENTS

31 December 2023

18. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2023, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Shanghai Horizon Equipment & Engineering Co., Ltd. (上海宏信設備工程有限公司) (Note ii)	PRC/Chinese Mainland 13 July 2011	RMB5,920,000,000	–	71.72	Engineering
Tianjin Horizon Equipment Rental Co., Ltd. (天津宏信設備租賃有限公司) (Note ii)	PRC/Chinese Mainland 27 July 2012	RMB100,000,000	–	71.72	Operating leasing
Shanghai Horizon Construction Investment Co., Ltd. (上海宏信建設投資有限公司) (Note ii)	PRC/Chinese Mainland 12 January 2016	RMB3,000,000,000/ RMB2,500,000,000	–	100	Investment holding
Shanghai Hongjin Equipment & Engineering Co., Ltd. (上海宏金設備工程有限公司) (Note ii)	PRC/Chinese Mainland 2 August 2013	RMB600,000,000	–	71.72	Operating lease
Yiyang Yuhong Infrastructure Construction & Development Co., Ltd. (益陽市昱宏基礎設施建設發展有限公司) (Note ii)	PRC/Chinese Mainland 26 November 2015	RMB30,000,000	–	100	Construction
Pan Zhou Yuhong Infrastructure Investment Co., Ltd. (盤州市昱宏基礎設施投資有限公司) (Note ii)	PRC/Chinese Mainland 7 November 2015	RMB80,000,000	–	100	Construction
Kunming Hongqi Infrastructure Investment Co., Ltd. (昆明宏騏建設投資有限公司) (Note ii)	PRC/Chinese Mainland 6 May 2022	RMB182,825,500/ RMB140,827,541	–	98	Construction

NOTES TO FINANCIAL STATEMENTS

31 December 2023

18. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2023, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Jishou Yuxin Construction Investment Co., Ltd. (吉首市昱信建設發展有限公司) (Note ii)	PRC/Chinese Mainland 14 September 2016	RMB93,400,000	–	100	Construction
Yanan Yanyan Expressway Link Line Infrastructure Construction & Investment Co., Ltd. (延安市延延連接線建設投資有限公司) (Note ii)	PRC/Chinese Mainland 19 January 2017	RMB202,318,678	–	54	Construction
Yanan Yuhua Infrastructure Construction & Investment Co., Ltd. (延安昱華建設投資有限公司) (Note ii)	PRC/Chinese Mainland 22 September 2017	RMB92,858,760	–	60	Construction
Zhongxiang Hongrui Infrastructure Construction & Investment Co., Ltd. (鐘祥宏瑞建設投資有限公司) (Note ii)	PRC/Chinese Mainland 25 October 2017	RMB296,817,100	–	90	Construction
Guangzhou Horizon Equipment & Engineering Co., Ltd. (廣州宏途設備工程有限公司) (Note ii)	PRC/Chinese Mainland 23 March 2015	RMB1,133,220,000	–	71.72	Operating lease
Grand Flight Investment Management Co., Ltd. (宏翔投資管理有限公司) (Note i)	British Virgin Islands 12 August 2014	USD50,000/USD1	–	100	Investment holding
Shanghai Thrive Kind Healthcare Investment Co., Ltd. (上海臻慈醫療投資有限公司) (Note ii)	PRC/Chinese Mainland 10 February 2015	RMB400,000,000	–	100	Investment holding

NOTES TO FINANCIAL STATEMENTS

31 December 2023

18. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2023, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Horizon Education Investment Holding (Shanghai) Co., Ltd. (上海宏信教育投資控股有限公司) (Note ii)	PRC/Chinese Mainland 17 July 2014	RMB1,098,640,000	–	100	Investment holding
Shanghai Team Joy Management Limited (上海周濟同悅資產管理有限公司) (Note ii)	PRC/Chinese Mainland 23 October 2015	RMB397,751,217	–	100	Investment holding
Lichuan Horizon Harmonious Hospital Co., Ltd (利川宏信和諧醫院有限責任公司) (Note ii)	PRC/Chinese Mainland 3 December 2021	RMB100,680,000	–	70	Medical services
Grand Worthy Limited (宏冠有限公司) (Note i)	British Virgin Islands 20 April 2021	USD0	–	100	Investment holding
Shanghai Jingduo Enterprise Management Co., Ltd (上海景鐸企業管理有限公司) (Note ii)	PRC/Chinese Mainland 30 December 2016	RMB1,000,000	–	100	Management consulting
Confucius International School Qingdao (青島市市南區宏文外語學校) (Note ii)	PRC/Chinese Mainland 8 July 2009	RMB1,200,000	–	90	Education services
Horizon Healthcare Management (Shanghai) Co., Ltd. (上海宏信醫院管理有限公司) (Note ii)	PRC/Chinese Mainland 27 December 2012	RMB5,000,000	–	100	Advisory services

NOTES TO FINANCIAL STATEMENTS

31 December 2023

18. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2023, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Far East Healthcare Holding Limited (遠東醫療控股有限公司) (Note i)	Hong Kong 30 August 2012	HK\$10,000,000	–	100	Investment holding
Tianjin Renju Investment Management Co., Ltd. (天津仁聚投資控股有限公司) (Note ii)	PRC/Chinese Mainland 12 January 2015	USD450,000,000/ USD444,142,508	–	100	Investment holding
Horizon Healthcare Investment & Holding (Shanghai) Co., Ltd. (上海宏信醫療投資控股有限公司) (Note ii)	PRC/Chinese Mainland 26 April 2013	RMB3,000,000,000/ RMB2,826,890,000	–	100	Investment holding
Huakang Orthopaedics Hospital Co., Ltd. (惠州華康醫院有限公司) (Note ii)	PRC/Chinese Mainland 20 February 2004	RMB35,130,000	–	69.30	Medical services
Siping Cancer Institute & Hospital Co., Ltd. (四平市腫瘤醫院有限公司) (Note ii)	PRC/Chinese Mainland 23 April 2014	RMB58,823,990	–	58.48	Medical services
Binhai Xinrenci Hospital Co., Ltd. (濱海新仁慈醫院有限公司) (Note ii)	PRC/Chinese Mainland 20 January 2015	RMB4,112,900	–	66.06	Medical services
Anda Jiren Hospital Co., Ltd. (安達市濟仁醫院有限責任公司) (Note ii)	PRC/Chinese Mainland 9 April 2015	RMB20,460,878	–	50.44	Medical services
Deyang The Fifth Hospital Co., Ltd. (德陽第五醫院股份有限公司) (Note ii)	PRC/Chinese Mainland 6 January 2012	RMB145,000,000	–	70	Medical services

NOTES TO FINANCIAL STATEMENTS

31 December 2023

18. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2023, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Nayong Xinli Hospital Co., Ltd. (納雍新立醫院有限公司) (Note ii)	PRC/Chinese Mainland 12 May 2016	RMB89,881,469	–	51	Medical services
Siyang Hospital of Traditional Chinese Medicine Co., Ltd. (泗陽縣中醫院有限公司) (Note ii)	PRC/Chinese Mainland 6 January 2016	RMB30,000,000	–	50	Medical services
Siyang Yunbei Hospital Co., Ltd. (泗陽運北醫院有限公司)(Note ii)	PRC/Chinese Mainland 8 July 2016	RMB3,833,333	–	35	Medical services
Chongqing Yudong Hospital Co., Ltd. (重慶渝東醫院有限責任公司) (Note ii)	PRC/Chinese Mainland 7 December 2007	RMB29,154,515	–	51	Medical services
Shenzhen CiHai Hospital (深圳慈海醫院) (Note ii)	PRC/Chinese Mainland 21 December 2015	RMB50,000,000/ RMB0	–	80	Medical services
Shenzhen ZhongHai Hospital (深圳中海醫院) (Note ii)	PRC/Chinese Mainland 22 December 2015	RMB50,000,000/ RMB30,000,000	–	80	Medical services
Dongguan Tangxia GuanHua Hospital Co., Ltd. (東莞市塘廈莞華醫院有限公司) (Note ii)	PRC/Chinese Mainland 20 January 2016	RMB23,000,000/ RMB0	–	80	Medical services
Meizhou TieLuQiao Hospital Co., Ltd. (梅州鐵爐橋醫院有限公司) (Note ii)	PRC/Chinese Mainland 8 December 2015	RMB13,422,819	–	51	Medical services

NOTES TO FINANCIAL STATEMENTS

31 December 2023

18. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2023, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Zhaotong Renan Hospital Co., Ltd. (昭通仁安醫院有限責任公司) (Note ii)	PRC/Chinese Mainland 26 November 2013	RMB534,545,000	–	80	Medical services
Qiaojia Renan Hospital Co., Ltd. (巧家仁安醫院有限公司) (Note ii)	PRC/Chinese Mainland 1 April 2017	RMB500,000	–	80	Medical services
Tianjin Junda Enterprise Management Co., Ltd. (天津駿達企業管理有限公司) (Note ii)	PRC/Chinese Mainland 4 November 2016	RMB100,000/RMB0	–	100	Investment management
Shanghai Grand Glory Eco Technology Co., Ltd. (上海宏瑞環保科技有限公司) (Note ii)	PRC/Chinese Mainland 26 December 2014	RMB50,000,000/ RMB22,000,000	–	100	Ecotechnology
Far East Horizon Medical Technology Development Co., Ltd. (遠東宏信醫療科技發展有限公司) (Note ii)	PRC/Chinese Mainland 16 November 2016	RMB50,000,000	–	100	Investment holding
Shanghai Everboom Health Investment Co., Ltd. (上海佰昆健康投資有限公司) (Note ii)	PRC/Chinese Mainland 21 April 2016	RMB100,000,000	–	100	Investment holding
Grand Wise Limited (宏慧有限公司) (Note i)	British Virgin Islands 16 April 2021	USD0	–	100	Investment holding
Grand Gain Limited (宏達有限公司) (Note i)	British Virgin Islands 16 April 2021	USD0	–	100	Investment holding

NOTES TO FINANCIAL STATEMENTS

31 December 2023

18. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2023, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Tangshan Caofeidian Yurui Construction and Engineering Co., Ltd (唐山曹妃甸昱瑞建設工程有限公司) (Note ii)	PRC/Chinese Mainland 31 March 2016	RMB84,920,000/ RMB34,560,100	–	89	Construction
Tianjin Hongsheng Leasing Co., Ltd. (天津宏聖租賃有限公司) (Note ii)	PRC/Chinese Mainland 12 July 2019	RMB1,500,000,000/ RMB1,000,000,000	–	100	Operating lease
Xianning Matang Hospital Company Limited (咸寧麻塘風濕病醫院有限公司) (Note ii)	PRC/Chinese Mainland 23 August 2006	RMB22,448,980	–	51	Medical services
Renshou Yunchang Hospital Company Limited (仁壽運長醫院有限公司) (Note ii)	PRC/Chinese Mainland 20 October 2016	RMB40,000,000	–	60	Medical services
Yangjiang Senyi New Energy Technology Co., Ltd. (陽江森益新能源科技有限公司) (Note ii)	PRC/Chinese Mainland 15 June 2021	RMB5,000,000/ RMB1,234,375	–	100	Ecotechnology
Qinghai Kangle Hospital Company Limited (青海省康樂醫院有限公司) (Note ii)	PRC/Chinese Mainland 14 September 2017	RMB25,000,000	–	100	Medical services
Xinxiang League Hospital Company Limited (新鄉同盟醫院有限公司) (Note ii)	PRC/Chinese Mainland 9 November 2017	RMB22,727,273	–	51	Medical services
Sihui Wanlong Hospital Co., Ltd (四會萬隆醫院有限公司) (Note ii)	PRC/Chinese Mainland 9 June 2003	RMB127,120,000/ RMB100,590,035	–	100	Medical services

NOTES TO FINANCIAL STATEMENTS

31 December 2023

18. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2023, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Tianjin Horizon Yuanzhan Enterprise Management Co., Ltd. (宏信遠展企業管理有限公司) (Note ii)	PRC/Chinese Mainland 29 March 2018	RMB900,000,000	–	100	Investment management
Tianjin Hongtuo Investment Management Co., Ltd. (宏拓投資管理有限公司) (Note ii)	PRC/Chinese Mainland 9 November 2017	RMB3,000,000,000	–	100	Investment management
Shanghai Shengyi Yuanhong Investment Co., Ltd. (上海聖裔遠宏投資有限公司) (Note ii)	PRC/Chinese Mainland 10 August 2015	RMB63,219,500	–	100	Investment holding
Hongjie Asset Management Co., Ltd. (宏傑資產管理有限公司) (Note ii)	PRC/Chinese Mainland 29 January 2018	RMB1,000,000,000	–	100	Investment management
Horizon Financial Company Limited (宏信金服(天津)信息科技有限公) (Note ii)	PRC/Chinese Mainland 10 May 2018	RMB30,000,000	–	100	Investment management
Jinan Fuzuo New Energy Technology Co., Ltd. (濟南福祚新能源科技有限公) (Note ii)	PRC/Chinese Mainland 12 August 2022	RMB500,000/ RMB1,587,300	–	100	Ecotechnology
Xinyang Hongye Infrastructure Investment Co., Ltd. (滎陽市宏冶建設投資有限公) (Note ii)	PRC/Chinese Mainland 9 March 2022	RMB50,000,000/ RMB20,050,000	–	67.50	Construction

NOTES TO FINANCIAL STATEMENTS

31 December 2023

18. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2023, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Nanchang Hongdi Infrastructure Construction Co., Ltd. (南昌市宏迪建設有限公司) (Note ii)	PRC/Chinese Mainland 8 August 2017	RMB20,000,000	–	94	Construction
Far East Horizon Medical Group Co., Ltd. (遠東宏信醫院集團有限公司) (Note ii)	PRC/Chinese Mainland 13 April 2015	RMB3,000,000,000/ RMB2,826,890,000	–	100	Investment holding
Ruyang Junzuo New Energy Technology Co., Ltd (汝陽浚祚新能源科技有限公司) (Note ii)	PRC/Chinese Mainland 25 April 2018	RMB5,878,800	–	51	Ecotechnology
Suqian Hongjing Water Treatment Co., Ltd (宿遷市宏景水處理有限責任公司) (Note ii)	PRC/Chinese Mainland 25 July 2019	RMB287,753,200/ RMB158,322,581	–	61	Ecotechnology
Tianjin Tongli Hongyang No.14 Enterprise Management and Advisory Centre (LP) (天津同歷宏陽十四號企業管理諮詢合夥企業(有限合夥)) (Note ii, Note iii)	PRC/Chinese Mainland 23 June 2021	RMB1,490,000/ RMB152,247	–	66	Investment management
Ningbo Qixu New Energy Co., Ltd. (寧波市啟煦新能源有限公司) (Note ii)	PRC/Chinese Mainland 20 December 2016	RMB30,000,000/ RMB8,872,000	–	100	Ecotechnology
Chengdu Jinsha Hospital Co., Ltd. (成都金沙醫院有限公司) (Note ii)	PRC/Chinese Mainland 18 June 2014	RMB10,000,000	–	100	Medical services
Ningbo Zhenhai Second Hospital Co., Ltd. (寧波鎮海第二醫院) (Note ii)	PRC/Chinese Mainland 27 September 2017	RMB25,171,080	–	70	Medical services
Zhecheng Hospital of Traditional Chinese Medicine Co., Ltd. (柘城中醫院有限公司) (Note ii)	PRC/Chinese Mainland 21 March 2019	RMB3,630,858	–	51	Medical services

NOTES TO FINANCIAL STATEMENTS

31 December 2023

18. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2023, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Tianjin Horizon Asset Management Co. Ltd. (天津宏信資產管理有限公司) (Note ii)	PRC/Chinese Mainland 23 November 2017	RMB4,000,000,000	–	100	Investment management
Xinyang Hongkun Infrastructure Investment Co., Ltd (滎陽市宏坤建設投資有限公司) (Note ii)	PRC/Chinese Mainland 9 March 2022	RMB50,000,000/ RMB43,641,500	–	67.50	Construction
Shanghai Jingyi Enterprise Management Co., Ltd (上海景屹企業管理有限公司) (Note ii)	PRC/Chinese Mainland 30 December 2016	RMB242,000,000/ RMB240,000,000	–	100	Investment management
Tianjin Hongmao Enterprise Management Co., Ltd (天津宏茂企業管理有限公司) (Note ii)	PRC/Chinese Mainland 5 January 2018	RMB730,000,000/ RMB511,000,000	–	100	Investment management
Tianjin Horizon Yuanpeng Enterprise Management Co., Ltd (天津宏信遠鵬企業管理有限公司) (Note ii)	PRC/Chinese Mainland 27 February 2018	RMB700,000,000	–	100	Investment management
Tianjin Junmeng Management Co., Ltd (天津駿盟企業管理有限公司) (Note ii)	PRC/Chinese Mainland 12 April 2017	RMB100,000,000	–	100	Investment management
Tianjin Juntai Enterprise Management Co., Ltd (天津駿泰企業管理有限公司) (Note ii)	PRC/Chinese Mainland 16 March 2017	RMB300,000,000	–	95.28	Investment management

NOTES TO FINANCIAL STATEMENTS

31 December 2023

18. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2023, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Tianjin Junjia Enterprise Management Co., Ltd (天津駿嘉企業管理有限公司) (Note ii)	PRC/Chinese Mainland 12 July 2017	RMB700,000,000	–	100	Investment management
Tianjin Junyang Enterprise Management Co., Ltd (天津駿洋企業管理有限公司) (Note ii)	PRC/Chinese Mainland 12 July 2017	RMB180,000,000/ RMB113,000,000	–	100	Investment management
Shanghai Hongzuo New Energy Co., Ltd (上海宏祚新能源科技有限公司) (Note ii)	PRC/Chinese Mainland 14 August 2017	RMB191,110,000/ RMB150,943,400	–	100	Ecotechnology
Wuhan Fuzuo New Energy Co., Ltd. (武漢福祚新能源有限公司) (Note ii)	PRC/Chinese Mainland 30 January 2022	RMB500,000/ RMB6,832,500	–	100	Ecotechnology
Yangzhou Jianglin Construction & Investment Co., Ltd (揚州江臨投資建設有限公司) (Note ii)	PRC/Chinese Mainland 21 April 2017	RMB300,000,000	–	100	Construction investment
Jinyun Hongzhi Transportation Investment Co., Ltd (緡雲縣宏治交通投資有限公司) (Note ii)	PRC/Chinese Mainland 29 September 2018	RMB346,122,360/ RMB196,544,929	–	94.05	Investment management
Linghai Dalinghe Hospital Co., Ltd (凌海大凌河醫院有限責任公司) (Note ii)	PRC/Chinese Mainland 8 August 2016	RMB87,833,334	–	70	Medical services

NOTES TO FINANCIAL STATEMENTS

31 December 2023

18. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2023, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Longpei (Shanghai) Enterprise Management Limited (龍佩(上海)企業管理有限公司) (Note ii)	PRC/Chinese Mainland 29 June 2020	RMB5,000,000	–	100	Investment management
FE Jintai (Tianjin) Investment LP. (遠東金泰(天津)投資合夥企業(有限合夥)) (Note ii, Note iii)	PRC/Chinese Mainland 7 September 2020	RMB1,001,000,000	–	30.05	Investment management
Zibo Hongjia Construction Investment Limited (淄博市宏嘉建設投資有限公司) (Note ii)	PRC/Chinese Mainland 16 July 2020	RMB100,000,000	–	95	Construction
Shanghai Hongsun Engineering Management Limited (上海宏昇工程管理有限公司) (Note ii)	PRC/Chinese Mainland 22 October 2019	RMB30,000,000/ RMB4,000,000	–	100	Construction
Tianjin Tongli Hongyang No.3 Enterprise Management and Advisory Centre (LP) (天津同歷宏陽三號企業管理諮詢中心 (有限合夥)) (Note ii, Note iii)	PRC/Chinese Mainland 6 September 2017	RMB29,960,000/ RMB29,950,000	–	22.04	Investment management
Tianjin Tongli Bingying No.6 Equity Investment Fund Partnership Enterprise (LP) (天津同歷並贏六號股權投資基金合夥企業 (有限合夥)) (Note ii, Note iii)	PRC/Chinese Mainland 6 August 2020	RMB50,010,000/ RMB50,000,000	–	78.86	Investment management
Chuzhou Fuzuo New Energy Technology Co., Ltd (滁州市福祚新能源科技有限公司) (Note ii)	PRC/Chinese Mainland 29 May 2020	RMB2,699,000	–	95.22	Ecotechnology

NOTES TO FINANCIAL STATEMENTS

31 December 2023

18. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2023, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Kunshan Hongxu New Energy Technology Co., Ltd (昆山市宏旭新能源科技有限公司) (Note ii)	PRC/Chinese Mainland 21 May 2020	RMB3,727,420	–	95.22	Ecotechnology
Nantong Hanjiang New Energy Technology Co., Ltd (南通漢將新能源科技有限公司) (Note ii)	PRC/Chinese Mainland 10 September 2019	RMB5,000,000/ RMB4,945,563	–	100	Ecotechnology
Foshan Qingshun Solar Energy Technology Co., Ltd (佛山晴順太陽能科技有限公司) (Note ii)	PRC/Chinese Mainland 6 December 2019	RMB5,000,000/ RMB1,853,000	–	100	Ecotechnology
Tianjin Yuhui Solar Energy Co., Ltd (天津昱輝光伏發電有限公司) (Note ii)	PRC/Chinese Mainland 17 August 2018	RMB5,000,000/ RMB3,370,000	–	100	Ecotechnology
Foshan Qinghao Solar Energy Technology Co., Ltd (佛山晴浩新能源科技有限公司) (Note ii)	PRC/Chinese Mainland 14 July 2020	RMB5,000,000/ RMB3,900,600	–	100	Ecotechnology
Yantai Junhui Urban Development Co., Ltd. (煙台駿匯城市發展有限公司) (Note ii)	PRC/Chinese Mainland 28 December 2021	RMB50,000,000/ RMB0	–	100	Investment management
Grand Flight Yongxuan (Tianjin) Enterprise Management Centre (LP) (天津遠翼永宣企業管理中心(有限合夥)) (Note ii, Note iii)	PRC/Chinese Mainland 11 October 2018	RMB1,341,840,000/ RMB1,342,115,721	–	41.18	Investment management

NOTES TO FINANCIAL STATEMENTS

31 December 2023

18. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2023, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
The National Mathematics and Science College Limited (英國國家文理中學) (Note i)	United Kingdom 2 February 2015	UK£50,000	–	75	Education services
Yingke (Beijing) International Education Advisory Co., Ltd. (英科(北京)國際教育諮詢有限公司) (Note ii)	PRC/Chinese Mainland 27 June 2017	RMB20,000,000/ RMB1,146,276	–	75	Education services
Yantai Grand Light Municipal Development Limited (煙台宏明城市發展有限公司) (Note ii)	PRC/Chinese Mainland 19 August 2020	USD95,000,000/ USD302,600,000	–	100	Investment management
Pizhou Dongda Hospital Co., Ltd. (邳州市東大醫院有限公司) (Note ii)	PRC/Chinese Mainland 19 September 2011	RMB181,603,602	–	54.67	Medical services
Horizon Construction Development Limited (宏信建設發展有限公司) (Note i)	Cayman Islands 28 September 2020	USD100,000/ USD63,945	71.72	–	Construction
Horizon Construction (Hong Kong) Limited (宏信建發(香港)有限公司) (Note i)	Hong Kong 19 December 2014	HK\$1	–	71.72	Investment holding
Tianjin Horizon Construction Development Investment Co., Ltd. (天津宏信建發投資有限公司) (Note ii)	PRC/Chinese Mainland 20 June 2019	USD1,000,000,000/ USD7,235,300,000	–	71.72	Investment holding
Shanghai Horizon Construction Technology Co., Ltd. (上海宏信建築科技有限公司) (Note ii)	PRC/Chinese Mainland 20 April 2020	RMB200,000,000	–	71.72	Construction

NOTES TO FINANCIAL STATEMENTS

31 December 2023

18. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2023, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Shanghai Horizon Engineering Technology Co., Ltd. (上海宏信工程技術有限公司) (Note ii)	PRC/Chinese Mainland 11 September 2020	RMB200,000,000	–	71.72	Construction
Tianjin Horizon Construction Development Leasing Co., Ltd. (天津宏信建發租賃有限公司) (Note ii)	PRC/Chinese Mainland 16 April 2020	RMB955,000,000	–	71.72	Construction
Tianjin Hongtu Supply Chain Management Co., Ltd. (天津宏途供應鏈管理有限公司) (Note ii)	PRC/Chinese Mainland 19 November 2020	RMB10,000,000	–	71.72	Construction
Tianjin Horizon Construction Development Engineering Technology Co., Ltd. (天津宏信建發工程技術有限公司) (Note ii)	PRC/Chinese Mainland 23 November 2020	RMB60,000,000	–	71.72	Construction
Beijing Hongtu Equipment Leasing Co., Ltd. (北京宏途設備租賃有限公司) (Note ii)	PRC/Chinese Mainland 2 December 2020	RMB1,000,000/ RMB0	–	71.72	Construction
Horizon Commercial Factoring Co., Ltd. (遠宏商業保理(天津)有限公司) (Note ii)	PRC/Chinese Mainland 8 November 2019	RMB3,000,000,000	100	–	Factoring
Shanghai Chongzhi Information Technology Development Limited (上海崇至信息科技發展有限公司) (Note ii)	PRC/Chinese Mainland 12 May 2016	RMB750,000,000	–	100	Information technology

NOTES TO FINANCIAL STATEMENTS

31 December 2023

18. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2023, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Far East Horizon Inclusive Financial Leasing (Tianjin) Co., Ltd. (遠東宏信普惠融資租賃(天津)有限公司) (Note ii)	PRC/Chinese Mainland 25 October 2019	RMB2,000,000,000	45	55	Finance lease
Far East Horizon Healthcare Industry Development Co., Ltd. (遠東宏信健康產業發展有限公司) (Note i)	Cayman Islands 4 November 2014	USD161,212,393/ USD147,580,889	–	100	Medical services
Beijing Hongxian Enterprise Management Consulting Co., Ltd. (北京宏賢企業管理諮詢有限公司) (Note ii)	PRC/Chinese Mainland 4 December 2017	RMB2,000,000	–	100	Management consulting
Far East Horizon Capital Limited (遠東宏信資本有限公司) (Note i)	Hong Kong 31 August 2015	HK\$2,000,000,000/ HK\$1,116,364,359	100	–	Investment management
Far East Horizon International Finance Co., Limited (遠東宏信國際金融有限公司) (Note i)	Hong Kong 4 September 2019	HK\$10,000,000	–	100	International finance
Horizon Construction Overseas (Hong Kong) Limited (宏信建發海外(香港)有限公司) (Note i)	Hong Kong 29 April 2021	HK\$10,000,000	–	71.72	Investment holding
Horizon Construction Development (Singapore) PTE. LTD (宏信建發海外(新加坡)有限公司) (Note i)	Singapore 21 July 2021	SGD1,000,000	–	71.72	Trading

NOTES TO FINANCIAL STATEMENTS

31 December 2023

18. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2023, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Horizon Construction Overseas (Malaysia) SDN. BHD (宏信建發海外(馬來西亞)有限公司) (Note i)	Malaysia 8 November 2021	MYR1,000,000	–	71.72	Import and export sale and leasing of new and used equipment
Yuanhong Investment (Guangdong) Co., Ltd. (遠宏投資(廣東)有限公司) (Note ii)	PRC/Chinese Mainland 20 April 2023	USD310,000,000 USD304,160,160	100	–	Investment management
Hongjie Investment Management (Guangzhou) Co., Ltd (宏傑投資控股(廣州)有限公司) (Note ii)	PRC/Chinese Mainland 19 June 2023	RMB3,100,000,000 RMB2,777,600,000	–	100	Investment management
Far East Horizon Financial Leasing (Guangdong) Co., Ltd (遠東宏信融資租賃(廣東)有限公司) (Note ii)	PRC/Chinese Mainland 13 April 2023	RMB2,000,000,000	–	100	Finance lease

The above table lists the subsidiaries and consolidated structured entities of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

Note i: Foreign invested enterprises

Note ii: Domestic companies

Note iii: Consolidated structured entities

Note iv: On 4 May 2023, the Company, International Far Eastern Leasing Co., Ltd. ("IFELC"), (Far Eastern Horizon (Tianjin) Financial Leasing Co., Ltd.) ("FETJ") and China Insurance Investment Co., Ltd. ("China Insurance Investment") entered into the capital increase agreement, the supplemental agreement and related documents (collectively, the "Capital Increase Agreements") in relation to the investment by China Insurance Investment in FETJ. Pursuant to the Capital Increase Agreements, China Insurance Investment will inject capital into FETJ with a total maximum investment amount of RMB4,000,000,000. Upon completion of the capital increase, the Company, IFELC and China Insurance Investment will directly hold approximately 46.96%, 37.83% and 15.21% of the equity interests in FETJ, respectively. FETJ will remain a subsidiary of the Company. As of 31 December 2023, no capital has been injected by China Insurance Investment.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

19. INVESTMENTS IN JOINT VENTURES

	2023	2022
	RMB'000	RMB'000
Share of net assets	3,735,017	3,230,367
Excess of consideration over share of net assets acquired	17,844	17,844
Provision for impairment	(180,686)	(270,686)
Total	3,572,175	2,977,525

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

Name	Particulars of issued shares held	Place of registration and business	Percentage of		Principal activities
			Ownership interest	Profit sharing	
Kunming Broadhealthcare Co., Ltd. (昆明博健醫療(集團)有限公司)	Registered capital of RMB14,333,328	PRC/Chinese Mainland	33.3837	33.3837	Healthcare investment and management
Guangzhou Kangda Industrial Technology Co., Ltd. ("Kangda") (廣州康大工業科技產業有限公司)	Registered capital of HK\$570,000,000	PRC/Chinese Mainland	60*	60	Development and construction
Kunming Boyue Maternal and Infant Care Co., Ltd. (昆明博悅母嬰護理有限責任公司)	Registered capital of RMB5,555,600	PRC/Chinese Mainland	28.36	28.36	Medical services
Grand Flight Holdings Co., Ltd. (遠翼控股有限公司)	Authorised capital of USD50,000	British Virgin Islands	70*	70	Investment holding
Grand Flight Hooyoung Investment Management Co., Ltd. (遠翼宏揚投資管理有限公司)	Authorised capital of USD50,000	Cayman Islands	70*	70	Investment holding
Grand Flight Hooyoung Investment L.P. (遠翼宏揚投資有限合夥)	Registered capital of USD100,500,002	Cayman Islands	54.73*	54.73	Investment holding

NOTES TO FINANCIAL STATEMENTS

31 December 2023

19. INVESTMENTS IN JOINT VENTURES (continued)

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

Name	Particulars of issued shares held	Place of registration and business	Percentage of		Principal activities
			Ownership interest	Profit sharing	
Fengyang Qianmen Hospital Co., Ltd. (Formerly known as Fengyang Gulou Hospital Co., Ltd.) (鳳陽縣前門醫院有限公司) (原名：鳳陽縣鼓樓醫院有限公司)	Registered capital of RMB100,000,000	PRC/Chinese Mainland	35	35	Medical services
Grand Flight Investment Management Co., Ltd. (遠翼投資管理有限公司)	Registered capital of RMB50,000,000	PRC/Chinese Mainland	78*	90	Investment holding
Tianjin Yuanyi Kaiyuan Asset Management Centre ("Yuanyi Kaiyuan") (Limited Partnership) (天津遠翼開元資產管理中心(有限合夥))	Registered capital of RMB1,505,420,000	PRC/Chinese Mainland	39.856	39.856	Investment holding
Guangzhou Yimei Tiancheng Decoration Engineering Co., Ltd. (廣州藝美天成裝飾工程有限公司)	Registered capital of RMB5,000,000	PRC/Chinese Mainland	60*	60	Decoration engineering
Wuhan Matang Hospital of Traditional Chinese Medicine Co., Ltd. (武漢麻塘中醫醫院有限公司)	Registered capital of RMB16,040,000	PRC/Chinese Mainland	49	49	Medical services
Shanghai Xiangyun Enterprise Management Partnership (Limited Partnership) (上海襄雲企業管理合夥企業(有限合夥))	Registered capital of RMB350,010,000	PRC/Chinese Mainland	51.9985*	51.9985	Management consulting
Wuhan Hongye Construction Development Co., Ltd. (武漢泓冶建設發展有限公司)	Registered capital of RMB328,000,000	PRC/Chinese Mainland	47	47	Drainage works

NOTES TO FINANCIAL STATEMENTS

31 December 2023

19. INVESTMENTS IN JOINT VENTURES (continued)

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

Name	Particulars of issued shares held	Place of registration and business	Percentage of		Principal activities
			Ownership interest	Profit sharing	
Guixi Hongyu Infrastructure Investment Co., Ltd. (貴溪市宏宇基礎設施投資有限公司)	Registered capital of RMB146,280,748	PRC/Chinese Mainland	48	48	Infrastructure construction
Guixi Hongye Infrastructure Investment Co., Ltd. (貴溪市宏艱基礎設施投資有限公司)	Registered capital of RMB151,294,129	PRC/Chinese Mainland	48	48	Infrastructure construction
Xi'an Chuxin Investment Construction Co., Ltd. (西安楚信投資建設有限公司)	Registered capital of RMB100,000,000	PRC/Chinese Mainland	46	46	Municipal engineering
Sichuan Hongzhu City Construction Investment Co., Ltd. (四川宏鑄城市建設投資有限公司)	Registered capital of RMB10,000,000	PRC/Mainland China	60*	60	Construction investment
Qingdao Co-e-Wins Venture Capital Limited Partnership (青島同歷並贏創業投資合夥企業(有限合夥))	Registered capital of RMB100,000,000	PRC/Chinese Mainland	50	50	Investment management
Yantai Zhongdaxinhong Education Investment Co., Ltd. (煙台中達信宏科教投資有限公司)	Registered capital of RMB520,000,000	PRC/Chinese Mainland	47.5	47.5	Infrastructure construction
Yantai Yuanxin Zhongda Investment Co., Ltd. (煙台遠信中達投資有限公司)	Registered capital of RMB260,000,000	PRC/Chinese Mainland	67*	67	Infrastructure construction
Nanchang Xintie City Construction Investment Co., Ltd. (南昌市新鐵城建設有限公司)	Registered capital of RMB50,000,000	PRC/Chinese Mainland	45	45	Infrastructure construction

NOTES TO FINANCIAL STATEMENTS

31 December 2023

19. INVESTMENTS IN JOINT VENTURES (continued)

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

Name	Particulars of issued shares held	Place of registration and business	Percentage of		Principal activities
			Ownership interest	Profit sharing	
Deyang Hongbo Construction Investment Co., Ltd. (德陽宏博建設投資有限公司)	Registered capital of RMB371,825,488	PRC/Chinese Mainland	87*	87	Infrastructure construction
Ziyang Yuyi Construction Investment Co., Ltd. (資陽市昱奕建設投資有限公司)	Registered capital of RMB100,000,000	PRC/Chinese Mainland	98.15*	98.15	Infrastructure construction
Qingdao Huizhu Zhouji Equity Investment Limited Partnership (青島匯鑄周濟股權投資合夥企業(有限合夥))	Registered capital of RMB500,000,000	PRC/Chinese Mainland	50	50	Investment management
Chengdu Jinlanyue City Construction Development Co., Ltd. (成都錦瀾銳城市建設開發有限公司)	Registered capital of RMB20,000,000	PRC/Chinese Mainland	31.77	31.77	Infrastructure construction
Suzhou Lancheng Rongyuan Property Development Co., Ltd. (蘇州藍城融源置業發展有限公司)	Registered capital of RMB10,000,000	PRC/Chinese Mainland	25	25	Infrastructure construction

* The decisions about the relevant activities that most significantly affect the returns of these investees would be subject to the consent of others (e.g. other shareholders or directors), and hence, the ownership interests and powers held by the Group in those investees do not currently grant the Group the unilateral ability to direct the relevant activities in these investees.

The Group's loans and accounts receivable balances due from the joint ventures are disclosed in Note 24j to the financial statements. There was no recent history of default and past due amounts for loans to joint ventures. As at 31 December 2023 and 2022, the loss allowance was assessed to be minimal.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2023

19. INVESTMENTS IN JOINT VENTURES (continued)

The following table illustrates the summarised financial information in respect of Kangda adjusted for any differences in accounting policies and reconciled to the carrying amount of the net assets in the financial statements:

	2023	2022
	RMB'000	RMB'000
Cash and cash equivalents	109,751	83,896
Other current assets	3,076,671	2,870,516
Current assets	3,186,422	2,954,412
Non-current assets	115,487	129,541
Other payables and accruals	(476,986)	(498,551)
Current liabilities	(476,986)	(498,551)
Non-current liabilities	(584,795)	(422,116)
Net assets	2,240,128	2,163,286
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	60%	60%
Group's share of net assets of the joint venture, excluding the excess of consideration over share of net assets acquired	1,344,077	1,297,972
Cumulative impairment	-	(120,000)
Carrying amount of the investment	1,344,077	1,177,972

	2023	2022
	RMB'000	RMB'000
Revenue	294,787	587,308
Cost of sales	(96,426)	(194,054)
Administrative expenses	(20,734)	(27,623)
Other expenses	(100,842)	(173,389)
Other income	59	40
Profit and other comprehensive income for the year	76,844	192,282

NOTES TO FINANCIAL STATEMENTS

31 December 2023

19. INVESTMENTS IN JOINT VENTURES (continued)

The following table illustrates the summarised financial information in respect of Yuanyi Kaiyuan adjusted for any differences in accounting policies and reconciled to the carrying amount of the net assets in the financial statements:

	2023	2022
	RMB'000	RMB'000
Cash and cash equivalents	4,448	9,272
Other current assets	773,289	691,484
Current assets	777,737	700,756
Net assets	777,737	700,756
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	39.856%	39.856%
Group's share of net assets of the joint venture, excluding the excess of consideration over share of net assets acquired	309,975	279,293
Carrying amount of the investment	309,975	279,293
	2023	2022
	RMB'000	RMB'000
Other expenses	(4,887)	(592,464)
Other income	76,568	1,055
Profit/(loss) and total comprehensive income for the year	71,681	(591,409)

NOTES TO FINANCIAL STATEMENTS

31 December 2023

19. INVESTMENTS IN JOINT VENTURES (continued)

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

	2023	2022
	RMB'000	RMB'000
Share of the joint venture's gain/(loss) for the year	131,206	(56,272)
Aggregate carrying amount of the Group's investments in the joint ventures	1,918,123	1,526,421

20. INVESTMENTS IN ASSOCIATES

	2023	2022
	RMB'000	RMB'000
Share of net assets	4,992,340	5,023,071
Excess of consideration over share of net assets acquired	563,991	576,122
Provision for impairment	(23,269)	–
Total	5,533,062	5,599,193

As at 31 December 2023, the Group also invested in six companies which are mainly engaged in the investment holding business in Chinese Mainland, with the registered capital of RMB2,600,000,000, RMB3,000,000,000, RMB7,100,000,000, RMB6,017,805,000, RMB1,000,000,000 and RMB3,000,000,000 (31 December 2022: RMB2,600,000,000, RMB3,000,000,000, RMB7,100,000,000, RMB5,717,805,000, RMB1,000,000,000 and RMB3,000,000,000) respectively. The percentages of ownership interest and profit sharing of the Group in these companies are 27.2000%, 19.5000%, 8.5011%, 10.8977%, 10.0000% and 17.0000% (31 December 2022: 27.2000%, 19.5000%, 8.5011%, 11.4700%, 10.0000% and 17.0000%) respectively. The aforementioned companies are accounted for using the equity method.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

20. INVESTMENTS IN ASSOCIATES (continued)

The following table illustrates the summarised financial information in respect of the 5 largest associates (in terms of carrying amount as at 31 December 2023) adjusted for any differences in accounting policies and reconciled to the carrying amount of the net assets in the financial statements.

	2023				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	29,834,853	1,436,702	42,269,459	5,782,808	4,773,068
Non-current assets	31,564,333	4,431,493	25,297,482	1,535,832	4,454,722
Current liabilities	(16,606,197)	(1,082,480)	(18,628,335)	(1,911,909)	(1,354,088)
Non-current liabilities	(29,259,350)	–	(32,082,788)	(3,068,057)	(4,302,528)
Net assets	15,533,639	4,785,715	16,855,818	2,338,674	3,571,174
Net assets attributable to the shareholders of the parent	9,011,325	4,785,715	14,568,963	2,275,499	3,571,174
Reconciliation to the Group's interests in the associates:					
Proportion of the Group's ownership	10.8977%	19.5000%	8.5011%	27.2000%	17.0000%
Group's share of net assets of the associates, excluding the excess of consideration over share of net assets	982,027	933,215	1,238,522	618,935	607,100
Excess of consideration over share of net assets	230,996	23,717	134,134	132,022	–
Carrying amount of the investment	1,213,023	956,932	1,372,656	750,957	607,100
Revenue	913,258	482,372	5,652,461	172,492	430,440
Profit and total comprehensive income for the year after the Group's investments in the associates	1,507,686	368,061	1,445,683	(1,392,821)	239,834
Profit and total comprehensive income attributable to the parent	953,377	368,061	1,279,023	(1,390,273)	239,834
Dividend received	13,116	19,793	50,039	–	–

NOTES TO FINANCIAL STATEMENTS

31 December 2023

20. INVESTMENTS IN ASSOCIATES (continued)

The following table illustrates the summarised financial information in respect of the 5 largest associates (in terms of carrying amount as at 31 December 2022) adjusted for any differences in accounting policies and reconciled to the carrying amount of the net assets in the financial statements.

	2022				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	14,318,143	580,121	41,683,184	4,572,601	1,633,299
Non-current assets	34,067,267	4,002,828	28,035,121	3,541,292	3,757,748
Current liabilities	(12,930,933)	(68,105)	(20,015,724)	(988,717)	(109,236)
Non-current liabilities	(22,397,794)	–	(33,483,856)	(3,300,688)	(1,909,013)
Net assets	13,056,683	4,514,844	16,218,725	3,824,488	3,372,798
Net assets attributable to the shareholders of the parent	7,770,244	4,514,844	13,921,256	3,667,162	3,372,798
Reconciliation to the Group's interests in the associates:					
Proportion of the Group's ownership	11.4700%	19.5000%	8.5011%	27.2000%	17.0000%
Group's share of net assets of the associates, excluding the excess of consideration over share of net assets	891,247	880,395	1,183,460	997,468	573,376
Excess of consideration over share of net assets	243,128	23,717	134,134	132,022	–
Carrying amount of the investment	1,134,375	904,112	1,317,594	1,129,490	573,376
Revenue	1,049,621	529,767	5,519,770	380,096	400,979
Profit and total comprehensive income for the year	1,661,948	375,546	1,971,394	118,401	198,740
Profit and total comprehensive income attributable to the parent	1,262,168	375,546	1,866,398	115,133	198,740
Dividend received	13,116	16,184	39,021	–	50,555

NOTES TO FINANCIAL STATEMENTS

31 December 2023

20. INVESTMENTS IN ASSOCIATES (continued)

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

	2023	2022
	RMB'000	RMB'000
Share of the associates' profit/(loss) for the year	116,392	(21,127)
Aggregate carrying amount of the Group's investments in the associates	632,394	540,246

The Group's loans and accounts receivable balances due from the associates are disclosed in Note 24j to the financial statements.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023	2022
	RMB'000	RMB'000
Unlisted equity investments, at fair value	2,493,862	2,516,128
Listed equity investments, at fair value	275,210	157,771
Unlisted debt investments, at fair value	6,072,523	6,684,207
Total	8,841,595	9,358,106
Analysed into:		
Current portion	1,735,854	1,433,468
Non-current portion	7,105,741	7,924,638

The above equity investments were classified as financial assets at fair value through profit or loss as the Group has not elected to recognise the fair value gain or loss through other comprehensive income.

The above debt investments were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

22. DEBT INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023	2022
	RMB'000	RMB'000
Measured at fair value:		
Notes receivable	372,228	1,182,401

23. DERIVATIVE FINANCIAL INSTRUMENTS

	2023		2022	
	Assets	Liabilities	Assets	Liabilities
	RMB'000	RMB'000	RMB'000	RMB'000
Cross-currency interest rate swaps	2,109,349	(152,731)	1,780,159	(203,786)
Forward currency contracts	3,555	–	28,081	(38,865)
Interest rate swaps	21,078	(62,750)	45,062	(28,914)
Total	2,133,982	(215,481)	1,853,302	(271,565)
Portion classified as non-current:				
Cross-currency interest rate swaps	919,032	(151,344)	1,530,126	(203,786)
Forward currency contracts	3,361	–	–	(15,082)
Interest rate swaps	281	(58,209)	45,062	(24,604)
	922,674	(209,553)	1,575,188	(243,472)
Current portion	1,211,308	(5,928)	278,114	(28,093)
Total	2,133,982	(215,481)	1,853,302	(271,565)

NOTES TO FINANCIAL STATEMENTS

31 December 2023

23. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedge under HKFRS 9

At 31 December 2023, the Group designated 98 (2022: 87) cross-currency interest rate swap contracts, 3 (2022: 13) forward currency contracts and 61 (2022: 43) interest rate swap contracts as hedges of future cash flows arising from foreign currency borrowings, details of which are as follows:

At 31 December 2023, the Group had 49 (2022: 39) cross-currency interest rate swaps in place with notional amounts of HK\$24,974,904,000 (2022: HK\$22,402,400,000) whereby the Group receives a floating rate of interest on the HK\$ notional amount at HKD-HIBOR-HKAB and pays a fixed rate of interest on the RMB notional amount at 4.00% to 4.96% (2022: 4.00% to 4.96%) per annum. The swaps are being used to hedge the foreign currency and interest rate exposure of 49 floating rate long-term borrowings denominated in HK\$ with the total principal of HK\$24,974,904,000 (2022: HK\$22,402,400,000).

At 31 December 2023, the Group had 1 (2022: 1) cross-currency interest rate swap in place with a notional amount of HK\$490,808,000 (2022: HK\$490,833,000) whereby the Group receives a fixed rate of interest on the HK\$ notional amount at 1.50% (2022: 1.50%) per annum and pays a fixed rate of interest on the RMB notional amount at 4.00% (2022: 4.00%) per annum. The swap is being used to hedge the foreign currency exposure of 1 fixed rate long-term borrowing denominated in HK\$ with the total principal of HK\$490,808,000 (2022: HK\$490,833,000).

At 31 December 2023, the Group had 23 (2022: 29) cross-currency interest rate swaps in place with notional amounts of USD1,199,639,000 (2022: USD2,214,368,000) whereby the Group receives a floating rate of interest on the USD notional amount at USD-SOFR and pays a fixed rate of interest on the RMB notional amount at 3.73% to 4.45% (2022: 3.89% to 4.36%) per annum. The swaps are being used to hedge the foreign currency and interest rate exposure of 23 floating rate long-term borrowings denominated in USD with the total principal of USD1,199,639,000 (2022: USD2,214,368,000).

At 31 December 2023, the Group had 13 (2022: 14) cross-currency interest rate swaps in place with notional amounts of USD949,199,000 (2022: USD1,137,178,000) whereby the Group receives a fixed rate of interest on the USD notional amount at 2.63% to 7.18% (2022: 2.63% to 4.38%) per annum and pays a fixed rate of interest on the RMB notional amount at 3.86% to 5.99% (2022: 4.50% to 5.99%) per annum. The swaps are being used to hedge the foreign currency exposure of 13 fixed rate long-term borrowings denominated in USD with the total principal of USD949,199,000 (2022: USD1,137,178,000).

At 31 December 2023, the Group had 3 (2022: 3) cross-currency interest rate swaps in place with notional amounts of JPY22,000,000,000 (2022: JPY22,000,000,000) whereby the Group receives floating rate interest on the JPY notional amount at JPY-TONA and pays a fixed rate interest on the RMB notional amount at 4.67% (2022: 4.67%) per annum. The swaps are being used to hedge the foreign currency and interest rate exposure of 3 floating rate long-term borrowings denominated in JPY with the principal of JPY22,000,000,000 (2022: JPY22,000,000,000).

At 31 December 2023, the Group had 1 (2022: Nil) cross-currency interest rate swap in place with notional amounts of JPY4,300,000,000 (2022: Nil) whereby the Group receives a fixed rate interest on the JPY notional amount at 1.90% and pays a fixed rate interest on the RMB notional amount at 4.98% per annum. The swap is being used to hedge the foreign currency and interest rate exposure of 1 fixed rate long-term borrowings denominated in JPY with the principal of JPY4,300,000,000 (2022: Nil).

NOTES TO FINANCIAL STATEMENTS

31 December 2023

23. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedge under HKFRS 9 (continued)

At 31 December 2023, the Group had 8 (2022: 1) cross-currency interest rate swaps in place with a notional amount of EUR264,697,000 (2022: EUR49,000,000) whereby the Group receives a fixed rate of interest on the EUR notional amount at 3.30% to 3.95% (2022: 3.30%) per annum and pays a fixed rate of interest on the RMB notional amount at 3.90% to 4.80% (2022: 4.00%) per annum. The swap is being used to hedge the foreign currency exposure of 8 fixed rate long-term borrowing denominated in EUR with the total principal of EUR264,697,000 (2022: EUR49,000,000).

At 31 December 2023, the Group had 2 (2022: 12) forward currency contracts with a total notional amount of USD145,000,000 (2022: USD358,390,000) as hedges of future cash flows arising from foreign currency borrowings with the total principal of USD145,000,000 (2022: USD358,390,000) which will be settled in USD.

At 31 December 2023, the Group had 1 (2022: 1) forward currency contract with a total notional amount of EUR500,000 (2022: EUR1,000,000) as hedges of future cash flows arising from a foreign currency borrowing with the total principal of EUR500,000 (2022: EUR1,000,000) which will be settled in EUR.

At 31 December 2023, the Group had 1 (2022: 1) interest rate swap in place with a notional amount of USD75,000,000 (2022: USD100,000,000) whereby the Group receives a floating rate of interest on the USD notional amount at USD-SOFR and pays a fixed rate of interest on the USD notional amount at 0.50% (2022: 0.45%) per annum. The swap is being used to hedge interest rate exposure of 1 floating rate long-term borrowing denominated in USD with the principal of USD75,000,000 (2022: USD100,000,000).

At 31 December 2023, the Group had 60 (2022: 42) interest rate swaps in place with a total notional amount of RMB24,020,754,000 (2022: RMB13,296,945,000) whereby the Group receives interest at variable rates based on the Loan Prime Rate on the notional amount and pays a fixed rate of interest on the RMB notional amount at 3.42% to 4.20% (2022: 3.65% to 4.20%) per annum. The swaps are being used to hedge interest rate exposure of 60 floating rate long-term borrowings denominated in RMB with the principal of RMB24,020,754,000 (2022: RMB13,296,945,000).

There is an economic relationship between the hedged items and the hedging instruments as the terms of the cross-currency interest rate swap contracts, forward currency contracts and interest rate swaps match the terms of the borrowing contracts (i.e., the notional amount, expected payment date and interest rate). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risks of the cross-currency interest rate swap contracts, forward currency contracts and interest rate swaps are identical to the hedged risk components. To measure the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

Hedge ineffectiveness can arise from:

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

NOTES TO FINANCIAL STATEMENTS

31 December 2023

23. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedge under HKFRS 9 (continued)

The Group holds the following cross-currency interest rate swap contracts, forward currency contracts and interest rate swaps:

	Maturity						Total
	Less than 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 5 years	
As at 31 December 2023							
Cross-currency interest rate swap contracts							
Notional amount (in RMB'000)	4,192,276	1,617,500	3,995,989	179,500	1,628,111	2,520,600	14,133,976
Average forward exchange rate (USD/RMB)	6.5206	6.4700	6.4668	7.1390	6.9603	6.7032	
Notional amount (in RMB'000)	1,710,038	1,300,260	-	-	12,470,308	6,615,291	22,095,897
Average forward exchange rate (HK\$/RMB)	0.8391	0.8335	-	-	0.8542	0.9114	
Notional amount (in RMB'000)	-	-	-	-	1,131,772	215,000	1,346,772
Average forward exchange rate (JPY/RMB)	-	-	-	-	0.0518	0.0500	
Notional amount (in RMB'000)	392,927	-	-	-	397,084	1,162,940	1,952,951
Average forward exchange rate (EUR/RMB)	7.3450	-	-	-	7.7821	7.4860	
Forward currency contracts							
Notional amount (in RMB'000)	-	-	-	-	990,096	-	990,096
Average forward exchange rate (USD/RMB)	-	-	-	-	6.8283	-	
Notional amount (in RMB'000)	-	-	-	3,728	-	-	3,728
Average forward exchange rate (EUR/RMB)	-	-	-	7.4560	-	-	
Interest rate swaps							
Notional amount (in RMB'000)	-	314,410	283,186	3,233,503	11,847,817	8,873,041	24,551,957
Average interest rate (%)	-	3.7827	4.0567	3.1537	3.6854	3.5193	
Hedge rate	1	1	1	1	1	1	

NOTES TO FINANCIAL STATEMENTS

31 December 2023

23. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedge under HKFRS 9 (continued)

The Group holds the following cross-currency interest rate swap contracts, forward currency contracts and interest rate swaps: (continued)

	Maturity						Total
	Less than 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 5 years	
As at 31 December 2022							
Cross-currency interest rate swap contracts							
Notional amount (in RMB'000)	1,242,179	–	5,846,110	–	11,486,144	3,548,516	22,122,949
Average forward exchange rate (USD/RMB)	6.3376	–	6.8294	–	6.4910	6.7201	
Notional amount (in RMB'000)	–	–	2,996,371	–	5,017,735	11,666,234	19,680,340
Average forward exchange rate (HK\$/RMB)	–	–	0.8832	–	0.8372	0.8639	
Notional amount (in RMB'000)	–	–	–	–	–	1,131,892	1,131,892
Average forward exchange rate (JPY/RMB)	–	–	–	–	–	0.0518	
Notional amount (in RMB'000)	–	–	–	–	–	365,344	365,344
Average forward exchange rate (EUR/RMB)	–	–	–	–	–	7.4560	
Forward currency contracts							
Notional amount (in RMB'000)	991,419	134,192	–	329,363	–	990,096	2,445,070
Average forward exchange rate (USD/RMB)	6.6617	6.7197	–	6.7217	–	6.8283	
Notional amount (in RMB'000)	–	–	–	–	7,456	–	7,456
Average forward exchange rate (EUR/RMB)	–	–	–	–	7.4560	–	
Interest rate swaps							
Notional amount (in RMB'000)	591,231	635,240	183,700	1,202,640	5,993,232	5,387,362	13,993,405
Average interest rate (%)	3.8162	3.7902	3.8400	3.8447	3.3651	3.5737	
Hedge rate	1	1	1	1	1	1	

NOTES TO FINANCIAL STATEMENTS

31 December 2023

23. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedge under HKFRS 9 (continued)

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

	Notional amount	Carrying amount	Line item in the statement of financial position	Change in fair value used for measuring hedge ineffectiveness for the year
	RMB'000	RMB'000		RMB'000
As at 31 December 2023				
Forward currency contracts	993,824	3,555	Derivative financial instruments (assets)	(24,526)
Forward currency contracts	–	–	Derivative financial instruments (liabilities)	37,359
Cross-currency interest rate swaps	30,501,814	2,096,691	Derivative financial instruments (assets)	637,772
Cross-currency interest rate swaps	9,027,782	(152,731)	Derivative financial instruments (liabilities)	324,179
Interest rate swap	1,733,203	21,078	Derivative financial instruments (assets)	(23,985)
Interest rate swap	22,818,754	(62,750)	Derivative financial Instruments (liabilities)	(43,528)

NOTES TO FINANCIAL STATEMENTS

31 December 2023

23. 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: (continued)

	Notional amount	Carrying amount	Line item in the statement of financial position	Change in fair value used for measuring hedge ineffectiveness for the year
	RMB'000	RMB'000		RMB'000
As at 31 December 2022				
Forward currency contracts	909,179	28,081	Derivative financial instruments (assets)	28,081
Forward currency contracts	1,543,348	(38,865)	Derivative financial instruments (liabilities)	30,966
Cross-currency interest rate swaps	35,763,176	1,777,780	Derivative financial instruments (assets)	1,752,706
Cross-currency interest rate swaps	7,537,349	(203,786)	Derivative financial instruments (liabilities)	981,919
Interest rate swap	1,463,960	45,062	Derivative financial instruments (assets)	34,327
Interest rate swap	12,529,445	(28,915)	Derivative financial Instruments (liabilities)	(35,047)

NOTES TO FINANCIAL STATEMENTS

31 December 2023

23. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedge under HKFRS 9 (continued)

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2023

23. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedge under HKFRS 9 (continued)

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2023

23. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedge under HKFRS 9 (continued)

Year ended 31 December 2022	Total hedging gain/(loss) recognised in other comprehensive income			Hedge ineffectiveness recognised in profit or loss	Line item in the statement of profit or loss	Amount reclassified from other comprehensive income to profit or loss			Line item (gross amount) in the statement of profit or loss
	Gross amount	Tax effect	Total			Gross amount	Tax effect	Total	
	RMB'000	RMB'000	RMB'000	RMB'000		RMB'000	RMB'000	RMB'000	
Forward currency contracts	59,047	(18,497)	40,550	-	N/A	(73,250)	24,346	(48,904)	Other expenses
Cross-currency interest rate swaps	2,734,625	(3,390)	2,731,235	-	N/A	(3,216,017)	10,542	(3,205,475)	Cost of sales/other expenses
Interest rate swap	(720)	8,357	7,637	-	N/A	18,916	(4,729)	14,187	Cost of sales
Total	2,792,952	(13,530)	2,779,422	-	N/A	(3,270,351)	30,159	(3,240,192)	

Derivative financial instruments – transactions not qualifying as hedges:

As at 31 December 2023, cross-currency interest rate swaps with a total nominal amount of USD23,492,000 (as at 31 December 2022: USD26,625,000) and fair value of RMB12,656,000 (as at 31 December 2022: RMB2,377,000) were not designated for hedge purposes and were measured at fair value through profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

24. LOANS AND ACCOUNTS RECEIVABLES

	31 December 2023	31 December 2022
	RMB'000	RMB'000
Loans and accounts receivables due within 1 year	170,302,904	148,966,908
Loans and accounts receivables due after 1 year	100,463,939	118,171,325
Total	270,766,843	267,138,233

24a. Loans and accounts receivables by nature

	31 December 2023	31 December 2022
	RMB'000	RMB'000
Lease receivables (Note 24b)*	259,576,065	259,140,932
Less: Unearned finance income	(21,674,427)	(24,206,437)
Net lease receivables (Note 24b)	237,901,638	234,934,495
Interest receivables*	2,141,664	2,367,379
Factoring receivable (Note 24g)	9,296,193	9,224,694
Entrusted loans (Note 24h)*	1,436,497	1,946,788
Long-term receivables*	14,885,697	17,694,246
Secured loans	172,715	360,579
Subtotal of Interest-earning assets (Note 24c)**	265,834,404	266,528,181
Less: Provision for lease receivables	(5,448,726)	(5,924,992)
Provision for factoring receivables	(159,617)	(141,376)
Provision for entrusted loans	(115,225)	(103,263)
Provision for long-term receivables	(597,363)	(507,453)
Provision for secured loans	(2,721)	(8,489)
Provision for interesting-earning assets (Note 24d)**	(6,323,652)	(6,685,573)
Notes receivable, net	5,417,060	2,050,916
Accounts receivable (Note 24e)*	7,303,040	6,453,769
Provision for accounts receivable (Note 24f)	(1,464,009)	(1,209,060)
Total of loans and accounts receivables	270,766,843	267,138,233

* These balances included balances with related parties which are disclosed in Note 24j.

** These balances are included in the interest-earning assets disclosed in Note 24c and Note 24d.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

24. LOANS AND ACCOUNTS RECEIVABLES (continued)

- 24b** (1). An ageing analysis of lease receivables, determined based on the ageing of the receivables since the effective date of the relevant lease contracts, as at the end of the reporting period is as follows:

	31 December 2023	31 December 2022
	RMB'000	RMB'000
Lease receivables:		
Within 1 year	149,932,585	151,141,866
1 to 2 years	64,839,270	68,371,328
2 to 3 years	26,677,892	25,836,533
3 to 5 years	18,126,318	13,791,205
Total	259,576,065	259,140,932

	31 December 2023	31 December 2022
	RMB'000	RMB'000
Net lease receivables:		
Within 1 year	137,846,435	136,068,055
1 to 2 years	59,527,311	62,678,316
2 to 3 years	24,696,265	23,903,891
3 to 5 years	15,831,627	12,284,233
Total	237,901,638	234,934,495

NOTES TO FINANCIAL STATEMENTS

31 December 2023

24. LOANS AND ACCOUNTS RECEIVABLES (continued)

24b (2). The table below illustrates the gross and net amounts of lease receivables the Group expects to receive in the following five or more than five consecutive accounting years:

	31 December 2023	31 December 2022
	RMB'000	RMB'000
Lease receivables:		
Due within 1 year	163,700,731	147,365,814
Due in 1 to 2 years	67,213,814	72,101,339
Due in 2 to 3 years	23,883,699	28,868,356
Due in 3 to 5 years	4,477,280	10,089,564
Due after 5 years	300,541	715,859
Total	259,576,065	259,140,932

	31 December 2023	31 December 2022
	RMB'000	RMB'000
Net lease receivables:		
Due within 1 year	148,586,942	131,861,144
Due in 1 to 2 years	62,293,353	66,020,983
Due in 2 to 3 years	22,582,249	26,950,465
Due in 3 to 5 years	4,157,033	9,425,948
Due after 5 years	282,061	675,955
Total	237,901,638	234,934,495

There was no unguaranteed residual value in connection with finance lease arrangements or contingent lease arrangements of the Group that need to be recorded as at the end of the reporting period.

As at 31 December 2023, the Group's lease receivables pledged or charged as security for the Group's bank and other borrowings amounted to RMB33,552,158,000 (31 December 2022: RMB21,788,356,000) (see Note 32(a)).

NOTES TO FINANCIAL STATEMENTS

31 December 2023

24. LOANS AND ACCOUNTS RECEIVABLES (continued)

24c. Analysis of interest-earning assets

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

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

24d. Movements in provision for interest-earning assets

The Group has applied the general approach to providing for expected credited losses (“ECLs”) prescribed by HKFRS 9 from 1 January 2018, which permits the use of either a twelve-month basis or a lifetime basis to record expected credit losses based on an expected credit loss model for interest-earning assets.

The Group has conducted an assessment of ECLs according to forward-looking information and used appropriate models and a large number of assumptions in its expected measurement of credit losses. These models and assumptions relate to the future macroeconomic conditions and borrower’s creditworthiness (e.g., the likelihood of default by customers and the corresponding losses). The Group has adopted judgement, assumptions and estimation techniques in order to measure ECLs according to the requirements of accounting standards such as criteria for judging significant increases in credit risk, definition of credit-impaired financial assets, parameters for measuring ECLs and forward-looking information.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

24. LOANS AND ACCOUNTS RECEIVABLES (continued)

24d. Movements in provision for interest-earning assets (continued)

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

NOTES TO FINANCIAL STATEMENTS

31 December 2023

24. LOANS AND ACCOUNTS RECEIVABLES (continued)

24d. Movements in provision for interest-earning assets (continued)

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

* This includes a loss allowance of RMB1,637,249,000 (2022: RMB1,769,189,000) provided for newly originated interest-earning assets, and RMB1,577,681,000 (2022: RMB2,696,996,000) reversed as a result of repayment of existing interest-earning assets.

** The majority of the interest-earning assets are finance lease receivables, under which the lessor owns the related leased asset, so the finance leases are similar to secured lending. Among these interest-earning assets, 87% (2022: 79%) (in terms of carrying amount) of the credit-impaired assets falling in stage 3 in the table above are finance lease receivables, and hence, the related leased assets are owned by the Group. Such leased assets are similar to security and constitute the main source of collection of impaired assets.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

24. LOANS AND ACCOUNTS RECEIVABLES (continued)

24e. An aging analysis of accounts receivable as at the end of the reporting period is as follows:

Accounts receivable are non-interest-earning and are generally on 60-day terms, while the credit terms for major customers can be extended to 180 days.

	31 December 2023	31 December 2022
	RMB'000	RMB'000
Within 1 year	5,397,454	5,285,519
More than 1 year	1,905,586	1,168,250
Total	7,303,040	6,453,769

24f. Movement in provision for accounts receivable

	31 December 2023	31 December 2022
	RMB'000	RMB'000
At beginning of year	1,209,060	1,145,609
Charge for the year	253,732	179,908
Acquisition of a subsidiary	-	(1,391)
Recovery/(write-off)	1,217	(115,066)
At end of year	1,464,009	1,209,060

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

NOTES TO FINANCIAL STATEMENTS

31 December 2023

24. LOANS AND ACCOUNTS RECEIVABLES (continued)

24f. Movement in provision for accounts receivable (continued)

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

As at 31 December 2023

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

As at 31 December 2022

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

NOTES TO FINANCIAL STATEMENTS

31 December 2023

24. LOANS AND ACCOUNTS RECEIVABLES (continued)

24g. An aging analysis of factoring receivables as at the end of the reporting period is as follows:

	31 December 2023	31 December 2022
	RMB'000	RMB'000
Within 1 year	6,766,832	6,454,837
More than 1 year	2,529,361	2,769,857
Total	9,296,193	9,224,694

24h (1). An aging analysis of entrusted loans, determined based on the ageing of the receivables since the effective dates of the relevant loan contracts, as at the end of the reporting period, is as follows:

	31 December 2023	31 December 2022
	RMB'000	RMB'000
Entrusted loans:		
Within 1 year	83,167	1,083,029
1 to 2 years	904,273	577,670
2 to 3 years	386,022	138,111
3 to 5 years	63,035	147,978
Total	1,436,497	1,946,788

NOTES TO FINANCIAL STATEMENTS

31 December 2023

24. LOANS AND ACCOUNTS RECEIVABLES (continued)

24h (2). The table below illustrates the amounts of entrusted loans the Group expects to receive in the following five or more than five consecutive accounting years:

	31 December 2023	31 December 2022
	RMB'000	RMB'000
Entrusted loans:		
Due within 1 year	544,800	536,700
Due in 1 to 2 years	333,626	543,740
Due in 2 to 3 years	312,852	331,663
Due in 3 to 5 years	245,219	534,685
Total	1,436,497	1,946,788

24i. Long term receivables

As at 31 December 2023, the carrying value of long term receivables pledged or charged as collateral for the Group's borrowings amounted to RMB8,012,817,000 (31 December 2022: RMB6,549,860,000) (Note 32(a)).

NOTES TO FINANCIAL STATEMENTS

31 December 2023

24. LOANS AND ACCOUNTS RECEIVABLES (continued)

24j. Balances with related parties

		31 December 2023	31 December 2022
		RMB'000	RMB'000
Joint ventures:			
– Kunming Broadhealthcare (Group) Co., Ltd.			
Entrusted loan	(i)	–	50,000
Lease receivables	(iii)	–	32,992
Interest receivables		–	5,162
– Guangzhou Kangda Industrial Technology Co., Ltd.			
Long-term receivables	(ii)	150,000	150,000
Interest receivables		275	275
– Suzhou Gaoxin Rehabilitation Hospital Co., Ltd.			
Entrusted loan	(i)	–	76,963
Accounts receivables		–	114
– Grand Flight Investment Management Co., Ltd.			
Accounts receivables		–	1,435
– Fengyang Qianmen Hospital Co., Ltd.			
Accounts receivables		–	4,372
– Ziyang Yuyi Construction Investment Co., Ltd.			
Long-term receivables	(ii)	40,000	40,000
Interest receivables		2,087	2,059
– Guixi Hongye Infrastructure Investment Co., Ltd			
Long-term receivables	(ii)	31,800	–
Interest receivables		378	–
Associates:			
– Guangzhou Wealth Healthy Electronics Co., Ltd.			
Lease receivables	(iii)	–	15,011
Interest receivables		–	90
– Hangzhou Guoya Stomatological Hospital Co., Ltd.			
Lease receivables	(iii)	1,616	10,206
Interest receivables		10	61
Subsidiaries of the ultimate holding company of the shareholder with significant influence:			
– Shanghai Jinmao Construction & Decoration Co., Ltd.			
Accounts receivables		–	28
– Shenyang Chemical Co., Ltd.			
Lease receivables	(iii)	11,778	57,674
Interest receivables		90	442
Provision		(2,394)	(34,756)
		235,640	412,128

NOTES TO FINANCIAL STATEMENTS

31 December 2023

24. LOANS AND ACCOUNTS RECEIVABLES (continued)

24j. Balances with related parties (continued)

- (i) There were no entrusted loans interest-earning at 31 December 2023 (31 December 2022: at annual interest rate ranging from 4.05% to 9%).
- (ii) Balances of long-term receivables interest-earning at annual interest rate ranging from 5.15% to 6% (31 December 2022: 5.15%-6%).
- (iii) Balances of lease receivables interest-earning at annual interest rate ranging from 3.73% to 9.35% (31 December 2022: 3.73% to 9.35%).

25. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

		2023	2022
	Note	RMB'000	RMB'000
Current assets:			
Prepayments		834,683	561,418
Leased assets*		22,018	25,165
Rental and project deposits		555,551	442,774
Other receivables		964,809	702,761
Input VAT		1,412,624	1,844,673
Dividend receivables		1,278	–
Subordinated tranches of asset-backed securities/notes (Note 50)		93,687	–
Continuing involvement in transferred assets (Note 50)		93,687	–
Due from related parties	25a	2,575	1,930
Other current asset		55,980	9,295
Impairment allowance		(143,206)	(129,750)
Subtotal		3,893,686	3,458,266
Non-current assets:			
Rental and project deposits due after 1 year		258,989	156,737
Subordinated tranches of asset-backed securities/notes (Note 50)		275,485	890,572
Continuing involvement in transferred assets (Note 50)		275,485	890,572
Long-term other receivables		43,007	59,808
Others		484,999	266,938
Impairment allowance		(118,388)	(167,980)
Subtotal		1,219,577	2,096,647
Total		5,113,263	5,554,913

NOTES TO FINANCIAL STATEMENTS

31 December 2023

25. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (continued)

- * The leased assets arise from the situations where the Group had already made payments to vendors or suppliers of machinery and equipment, but the terms of the lease contracts of the said machinery and equipment have not commenced. The Group records these paid amounts under leased assets among its current assets as such assets had already been earmarked for leases to customers. Once the terms of a lease contract commence, the Group ceases to recognise the amount relating to the leased assets and recognises the lease receivables due under the lease contract.

25a. BALANCES WITH RELATED PARTIES

		2023	2022
		RMB'000	RMB'000
Joint ventures:			
Fengyang Qianmen Hospital Co., Ltd.	(i)	565	565
Suzhou Gaoxin Rehabilitation Hospital Co., Ltd.	(i)	–	1,365
Associates:			
Shanghai Yijia Construction Development Co., Ltd.	(i)	2,010	–
Total		2,575	1,930

- (i) Balances with related parties were unsecured and non-interest-earning.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

26. CONTRACT ASSETS

	31 December 2023	31 December 2022	1 January 2022
	RMB'000	RMB'000	RMB'000
Contract assets arising from construction services	428,947	335,104	307,892
Impairment	(45,084)	(30,809)	(31,033)
Net carrying amount	383,863	304,295	276,859

Contract assets are initially recognised for revenue earned from the provision of related construction services as the receipt of consideration is conditional on successful completion of construction. Upon completion of construction and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables.

The movements in the loss allowance for impairment of contract assets are as follows:

	2023	2022
	RMB'000	RMB'000
At beginning of year	30,809	31,033
Impairment losses/(Reversal of impairment), net	14,275	(224)
At end of year	45,084	30,809

NOTES TO FINANCIAL STATEMENTS

31 December 2023

27. DEFERRED TAX

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

Deferred tax assets

	Fee income received in advance	Government special subsidy	Share- based payments	Allowances for impairment losses	Salary and welfare payable	Losses available for offsetting against future taxable profits	Cash flow hedge	Lease	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross deferred tax assets at 31 December 2022 (Audited)	614,819	1,083,884	102,733	2,736,123	1,351,592	67,847	25,903	-	148,564	6,131,465
Effect of adoption of amendments to HKAS 12 (Note 2.2(c))	-	-	-	-	-	-	-	82,372	-	82,372
Gross deferred tax assets at 1 January 2023 (restated)	614,819	1,083,884	102,733	2,736,123	1,351,592	67,847	25,903	82,372	148,564	6,213,837
(Charged)/credited to the statement of profit or loss during the period	(224,945)	20,519	(5,432)	182,845	(137,816)	114,158	-	72,774	(20,587)	1,516
Charged to reserve	-	-	-	-	-	-	3,236	-	-	3,236
Exchange differences	-	-	-	60	-	26	-	-	-	86
Gross deferred tax assets at 31 December 2023	389,874	1,104,403	97,301	2,919,028	1,213,776	182,031	29,139	155,146	127,977	6,218,675

NOTES TO FINANCIAL STATEMENTS

31 December 2023

27. DEFERRED TAX (continued)**Deferred tax assets (continued)**

	Fee income received in advance	Government special subsidy	Share- based payments	Allowances for impairment losses	Salary and welfare payable	Losses available for offsetting against future taxable profits	Cash flow hedge	Lease	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross deferred tax assets at 31 December 2021 (Audited)	394,256	1,045,233	92,182	2,418,823	1,382,534	51,610	9,274	-	34,395	5,428,307
Effect of adoption of amendments to HKAS 12 (Note 2.2(c))	-	-	-	-	-	-	-	91,351	-	91,351
Gross deferred tax assets at 1 January 2022 (restated)	394,256	1,045,233	92,182	2,418,823	1,382,534	51,610	9,274	91,351	34,395	5,519,658
(Charged)/credited to the statement of profit or loss during the year	220,563	38,651	10,551	317,003	(30,942)	16,196	-	(8,979)	114,169	677,212
Charged to reserve	-	-	-	-	-	-	16,629	-	-	16,629
Exchange differences	-	-	-	297	-	41	-	-	-	338
Gross deferred tax assets at 31 December 2022 (Audited and restated)	614,819	1,083,884	102,733	2,736,123	1,351,592	67,847	25,903	82,372	148,564	6,213,837

NOTES TO FINANCIAL STATEMENTS

31 December 2023

27. DEFERRED TAX (continued)

Deferred tax liabilities

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

NOTES TO FINANCIAL STATEMENTS

31 December 2023

27. DEFERRED TAX (continued)

Deferred tax liabilities (continued)

	Asset revaluation	Fair value adjustments arising from financial assets at fair value through profit or loss	Withholding income tax	Lease	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross deferred tax liabilities at 31 December 2021 (Audited)	137,253	220,245	21,155	–	41,938	420,591
Effect of adoption of amendments to HKAS 12 (Note 2.2(c))	–	–	–	86,922	–	86,922
Gross deferred tax liabilities at 1 January 2022 (restated)	137,253	220,245	21,155	86,922	41,938	507,513
(Credited)/charged to the statement of profit or loss during the year	(2,979)	(52,139)	571,872	(6,459)	(19,695)	490,600
Gross deferred tax liabilities at 31 December 2022 (audited and restated)	134,274	168,106	593,027	80,463	22,243	998,113

NOTES TO FINANCIAL STATEMENTS

31 December 2023

27. DEFERRED TAX (continued)

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

	31 December 2023	31 December 2022
	RMB'000	RMB'000 (Restated)
Net deferred tax assets recognised in the consolidated statement of financial position	6,052,352	6,118,290
Net deferred tax liabilities recognised in the consolidated statement of financial position	860,952	902,566

As at 31 December 2023, the Group had tax losses arising in Hong Kong of RMB84,142,000 (31 December 2022: RMB87,195,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose and tax losses arising in Chinese Mainland of RMB638,594,000 (31 December 2022: RMB179,844,000) that will expire in one to five years for offsetting against future taxable profits. The Group has recognised deferred tax assets in respect of the tax losses mentioned above. Aside from this, as at 31 December 2023, the Group did not recognise deferred tax assets arising in Chinese Mainland and Hong Kong in respect of unutilised tax losses of RMB2,812,276,000 (31 December 2022: RMB2,812,035,000) and RMB1,925,425,000 (31 December 2022: RMB1,497,370,000), respectively, due to uncertainty in their recoverability.

Pursuant to the resolution of the Company, part of the Chinese Mainland subsidiaries' profits generated from 2012 onwards will be retained by the Chinese Mainland subsidiaries for the use in future operations or investments. In the opinion of the directors, it is probable that the temporary differences relating to the profits that are not expected to be distributed will not reverse in the foreseeable future. During the year ended 31 December 2023, the Group credited withholding taxes of RMB48,614,000 (2022: RMB571,107,000). As at 31 December 2023, the aggregate amount of unrecognised deferred tax liabilities (i.e., withholding taxes relating to such temporary differences) was approximately RMB1,820,964,000 (31 December 2022: RMB1,354,813,000).

NOTES TO FINANCIAL STATEMENTS

31 December 2023

28. CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS

	2023	2022
	RMB'000	RMB'000
Cash and bank balances	20,391,602	19,121,294
Time deposits	1,610,000	10,000
Subtotal	22,001,602	19,131,294
Less:		
Restricted time deposits	1,610,000	–
Pledged deposits	1,114,073	2,072,206
Restricted bank deposits related to asset securitisations	399,606	1,116,081
Restricted bank deposits related to litigation	25,383	39,164
Cash and cash equivalents	18,852,540	15,903,843

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi (“RMB”) amounted to RMB20,239,510,000 (31 December 2022: RMB17,991,846,000). RMB is not freely convertible into other currencies, however, under Chinese Mainland’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

As at 31 December 2023, cash of RMB496,493,000 (31 December 2022: RMB493,766,000) was pledged for bank and other borrowings (Note 32).

As at 31 December 2023, cash of RMB617,580,000 (31 December 2022: RMB1,578,440,000) was pledged for bank acceptances, letters of credit and others.

As at 31 December 2023, cash of RMB1,610,000,000 (31 December 2022: Nil) was restricted time deposit without pledge or any other encumbrances.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2023

29. INVENTORIES

	2023	2022
	RMB'000	RMB'000
Finished goods	267,202	362,347
Work in process	15,160	19,348
Raw materials	127,319	84,587
	409,681	466,282

30. TRADE AND BILLS PAYABLES

		2023	2022
	Note	RMB'000	RMB'000
Current:			
Bills payable		5,335,092	10,144,414
Trade payables		4,174,027	3,826,663
Due to related parties	30a	770	4,133
		9,509,889	13,975,210

NOTES TO FINANCIAL STATEMENTS

31 December 2023

30. TRADE AND BILLS PAYABLES (continued)

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

	2023	2022
	RMB'000	RMB'000
Within 1 year	8,988,968	13,569,433
1 to 2 years	260,959	293,697
2 to 3 years	177,990	41,258
3 years and beyond	81,972	70,822
	9,509,889	13,975,210

30a. BALANCES WITH RELATED PARTIES

	2023	2022
	RMB'000	RMB'000
Due to related party:		
Associate:		
Shanghai Yijia Construction Development Co., Ltd.	770	4,133

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

NOTES TO FINANCIAL STATEMENTS

31 December 2023

31. OTHER PAYABLES AND ACCRUALS

		2023	2022
	Notes	RMB'000	RMB'000
Current:			
Lease deposits, entrusted loan deposits and factoring deposits due within one year		4,280,920	4,201,600
Salary payables		2,380,979	1,431,393
Welfare payables		154,232	160,220
Advances from customers		364,935	636,760
Due to related parties	31a	55,173	67,343
Contract liabilities	31b	309,401	141,473
Other taxes payable		745,884	751,065
Interest payable		1,889,995	2,204,729
Funds collected on behalf of special purpose entities in relation to asset-backed securitisations		402,040	1,113,797
Provision for credit commitments		100,814	86,383
Other payables		1,978,564	2,194,561
Dividend payables		710,058	2,139
Continuing involvement in transferred assets		93,687	–
		13,466,682	12,991,463
Non-current:			
Lease deposits, entrusted loan deposits and factoring deposits due after one year		8,503,142	7,217,022
Contract liabilities	31b	548,897	827,540
Other payables		2,080	13,848
		9,054,119	8,058,410
		22,520,801	21,049,873

The Group accrued in expense of wages and salaries of USD150,000,000 for the bonuses to be paid to the 2022 Trust Schemes (Note 7) in Hong Kong, which was accounted for as salary payables as at 31 December 2023 (31 December 2022: Nil).

NOTES TO FINANCIAL STATEMENTS

31 December 2023

31. OTHER PAYABLES AND ACCRUALS (continued)

31a. BALANCES WITH RELATED PARTIES

	2023	2022
	RMB'000	RMB'000
Due to related parties:		
Subsidiary of the ultimate holding company of a shareholder with significant influence:		
Shenyang Chemical Co., Ltd.	10,000	10,000
Joint ventures:		
Fengyang Qianmen Hospital Co., Ltd.	268	268
Kunming Broadhealthcare (Group) Co., Ltd.	1	951
Suzhou Gaoxin Rehabilitation Hospital Co., Ltd.	–	14,600
Tian Jin Grand Flight Hooyoung Asset Management Co., Ltd.	63	63
Grand Flight Investment Management Co., Ltd.	44,661	41,431
Shanghai Yijia Construction Development Co., Ltd.	150	–
Guangzhou Kangda Industrial Technology Co., Ltd.	30	30
	45,173	57,343
	55,173	67,343

NOTES TO FINANCIAL STATEMENTS

31 December 2023

31. OTHER PAYABLES AND ACCRUALS (continued)

31a. BALANCES WITH RELATED PARTIES (continued)

Except for the amounts due to Fengyang Qianmen Hospital Co., Ltd., Kunming Broadhealthcare (Group) Co., Ltd., Tian Jin Grand Flight Hooyoung Asset Management Co., Ltd., Grand Flight Investment Management Co., Ltd., and Guangzhou Kangda Industrial Technology Co., Ltd., which bear interest at an interest rate of 1.485% (31 December 2022: 1.485%) per annum, amounts due to other related parties are unsecured and non-interest-bearing.

31b. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

	31 December 2023	31 December 2022	1 January 2022
	RMB'000	RMB'000	RMB'000
Contract liabilities			
Short-term:			
–Sale of goods	19,695	25,069	25,904
–Service fee	289,706	116,404	391,798
Long-term:			
–Service fee	548,897	827,540	664,917
Total contract liabilities	858,298	969,013	1,082,619

Contract liabilities include short-term advances received to deliver goods and services. The decrease in contract liabilities in 2023 and 2022 was mainly due to the decrease in advances received from customers in relation to the provision of services at the end of the year.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

32. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2023			2022		
	Effective annual interest rate (%)	Maturity	RMB'000	Effective annual interest rate (%)	Maturity	RMB'000
Current						
Lease liabilities (Note 15(b))	3.64~4.90	2024	280,495	3.44~4.98	2023	143,957
Bank loans – secured	3.80~4.00	2024	27,553	4.30	2023	6,000
Current portion of long term bank loans – secured	2.90~5.40	2024	5,472,032	3.10~7.13	2023	3,366,318
Bank loans – unsecured	2.90~7.18	2024	22,229,037	1.18~4.50	2023	16,432,440
Current portion of long term bank loans – unsecured	1.30~5.55	2024	47,341,854	1.20~6.17	2023	40,655,787
Other loans – secured	2.77~5.75	2024	2,823,051	2.97~5.75	2023	4,063,895
Other loans – unsecured	3.40~5.80	2024	7,902,471	5.63	2023	3,687,471
Bonds – secured	3.20~5.68	2024	9,035,406	3.02~5.37	2023	13,126,646
Bonds – unsecured	2.00~6.40	2024	37,558,585	1.93~4.50	2023	42,116,428
Total – current			132,670,484			123,598,942
Non-current						
Lease liabilities (Note 15(b))	3.64~4.90	2025~2046	707,150	3.44~4.98	2024~2046	362,425
Bank loans – secured	3.55~5.40	2025~2045	9,493,754	3.10~5.39	2024~2045	6,806,678
Bank loans – unsecured	1.50~5.00	2025~2031	71,038,204	0.80~6.71	2024~2031	66,972,864
Other loans – secured	3.08~5.37	2025~2030	7,180,365	2.97~5.68	2024~2029	7,411,800
Other loans – unsecured	4.85~5.80	2025~2027	4,596,133	5.09~5.55	2024~2027	4,498,801
Bonds – secured	3.10~5.44	2025~2027	11,650,434	3.20~5.15	2024~2026	3,044,102
Bonds – unsecured	1.90~5.50	2025~2026	15,480,314	2.63~4.70	2024~2026	35,420,421
Subtotal – non-current			120,146,354			124,517,091
Convertible bonds – host debts (Note 33)	3.21~4.45	2025~2026	3,806,952	3.21~4.45	2025~2026	3,717,829
Total – non-current			123,953,306			128,234,920
Total			256,623,790			251,833,862

NOTES TO FINANCIAL STATEMENTS

31 December 2023

32. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

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

	2023	2022
	RMB'000	RMB'000
HKD	27,412,061	23,638,009
RMB	208,942,263	207,285,140
USD	17,080,464	19,387,777
EUR	2,084,316	371,060
Other	1,104,686	1,151,876
Total	256,623,790	251,833,862

	2023	2022
	RMB'000	RMB'000
Fixed interest rate	152,245,728	159,887,891
Variable interest rate	104,378,062	91,945,971
Total	256,623,790	251,833,862

NOTES TO FINANCIAL STATEMENTS

31 December 2023

32. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

	2023	2022
	RMB'000	RMB'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	75,070,475	60,460,543
In the second year	52,210,437	40,659,039
In the third to fifth years, inclusive	26,212,181	31,542,368
Beyond five years	2,109,340	1,578,137
Subtotal	155,602,433	134,240,087
Other borrowings repayable:		
Within one year or on demand	57,600,008	63,138,399
In the second year	26,269,178	28,869,722
In the third to fifth years, inclusive	16,915,398	25,351,986
Beyond five years	236,773	233,668
Subtotal	101,021,357	117,593,775
Total	256,623,790	251,833,862

- (a) As at 31 December 2023, the Group's bank and other borrowings were secured by the pledge of or the transfer of certain of the Group's lease receivables and long-term receivables amounting to RMB24,386,119,000 (31 December 2022: RMB26,052,330,000) and RMB5,230,631,000 (31 December 2022: RMB4,584,902,000), respectively.
- (b) As at 31 December 2023, the Group's bank borrowings amounting to RMB546,493,000 (31 December 2022: RMB492,441,000) were secured by the pledge of bank deposits.
- (c) As at 31 December 2023, the Group's bank and other borrowings, secured by the Group's leasehold land, and property, plant and equipment, amounted to RMB5,353,619,000 (31 December 2022: RMB7,010,553,000).

NOTES TO FINANCIAL STATEMENTS

31 December 2023

33. CONVERTIBLE BONDS

On 8 July 2020, Universe Trek Limited (“the Issuer”), a wholly-owned subsidiary of the Company issued 2.5 percent guaranteed convertible bonds with a nominal value of USD300,000,000 (“the 300 million 2.5 percent Bonds”). The 300 million 2.5 percent Bonds will be unconditionally and irrevocably guaranteed by the Company. The 300 million 2.5 percent Bonds are convertible at the option of the bondholders into ordinary shares of the Company with the initial conversion price of HK\$8.33 per share at any time on or after 18 August 2020 and up to the close of business on the date falling ten days prior to 8 July 2025. The number of shares issuable upon conversion of any bond shall be determined by dividing the principal amount of the bond to be converted, translated into Hong Kong dollars at the fixed rate of HK\$7.7503 = USD1.00 by the conversion price in effect on the relevant conversion date. The conversion price of the 300 million 2.5 percent Bonds was adjusted from HK\$8.33 per share to HK\$7.92 per share with effect from 31 July 2020 as a result of the declaration of the final dividends for the year ended 31 December 2019, and was further adjusted from HK\$7.92 per share to HK\$7.58 per share with effect from 30 June 2021 as a result of the declaration of the final dividends for the year ended 31 December 2020, and then to HK\$7.11 per share with effect from 30 June 2022 as a result of the declaration of the final dividends for the year ended 31 December 2021, and then to HK\$6.59 per share with effect from 30 June 2023 as a result of the declaration of the final dividends for the year ended 31 December 2022. The 300 million 2.5 percent Bonds are redeemable at the option of the bondholders at 100.00 percent of its principal amount on 8 July 2023. According to the notice issued by certain bondholders in early June 2023, USD10 million out of the USD300 million 2.5 percent Bonds were required to be redeemed and were deemed on 8 July 2023 by the Issuer at 100.00 percent of their principal amount together with interests accrued but not paid. Any convertible notes of the 300 million 2.5 percent Bonds not converted will be redeemed on 8 July 2025 at 100.00 percent of its principal amount. The 300 million 2.5 percent Bonds carry interest at a rate of 2.5 percent per annum, which is payable semi-annually in arrears on 8 July and 8 January each year.

On 15 June 2021, Universe Trek Limited issued zero coupon guaranteed convertible bonds with a nominal value of USD250,000,000 (“the 250 million Zero Coupon Bonds”). The 250 million Zero Coupon Bonds will be unconditionally and irrevocably guaranteed by the Company. There was no movement in the number of these convertible bonds during the period. The 250 million Zero Coupon Bonds are convertible at the option of the bondholders into ordinary shares of the Company with the initial conversion price of HK\$10.20 per share at any time on or after 26 July 2021 and up to the close of business on the date falling ten days prior to 15 June 2026. The number of shares issuable upon conversion of any bond shall be determined by dividing the principal amount of the bond to be converted, translated into Hong Kong dollars at the fixed rate of HK\$7.7614 = USD1.00 by the conversion price in effect on the relevant conversion date. The conversion price of the 250 million Zero Coupon Bonds was adjusted from HK\$10.20 per share to HK\$9.76 per share with effect from 30 June 2021 as a result of the declaration of the final dividends for the year ended 31 December 2020, and was further adjusted from HK\$9.76 per share to HK\$9.16 and then to HK\$8.50 per share with effect from 30 June 2022 and 30 June 2023 respectively as a result of the declaration of the final dividends for the year ended 31 December 2021 and 31 December 2022. The 250 million Zero Coupon Bonds are redeemable at the option of the bondholders at 106.15 percent of its principal amount on 15 June 2024. Any convertible notes of the 250 million Zero Coupon Bonds not converted will be redeemed on 15 June 2026 at 110.46 percent of its principal amount.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders’ equity.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

33. CONVERTIBLE BONDS (continued)

The changes in liability of convertible bonds during the year are as follows:

	2023	2022
	RMB'000	RMB'000
Liability component at 1 January	3,717,829	3,321,086
Interest expense	139,016	136,269
Interest paid	(52,879)	(49,037)
Exchange realignment	73,223	309,511
Redeemed	(70,237)	–
Liability component at 31 December (Note 32)	3,806,952	3,717,829

34. DEFERRED REVENUE

	Government special subsidies	
	2023	2022
	RMB'000	RMB'000
At the beginning of year	604,987	1,465,194
Additions during the year	858,959	851,912
Amortised to the statement of profit or loss	(552,708)	(1,712,119)
At the end of year	911,238	604,987

(i) Government special subsidies

For the year ended 31 December 2023, the Group received a government special subsidy of RMB223,995,000 (2022: RMB172,099,000), which was mainly granted in accordance with the policies on the Shanghai Pudong New Area government financial subsidy and the financial support funds for economic development. In addition, the Group also received a government special subsidy of RMB559,930,000 (2022: RMB606,480,000) due to policies to support the finance lease industry of the Tianjin Dongjiang bonded port area. In addition, the Group received a government special subsidy of RMB51,760,000 (2022: RMB48,670,000) due to policies of Putuo District to upgrade and develop the industry support fund of enterprises. Those special subsidies are granted for certain purposes only. The amortisation of those special subsidies reduced the expense to which it related or reduced the amortisation charges of the related assets.

The government grants received have been amortised to the expenses to which they related. Government grants released as a deduction of wages and salaries expenses for the year ended 31 December 2023 included bonuses paid to the Schemes (details refer to Note 7) was Nil (31 December 2022: RMB1,080,000,000).

NOTES TO FINANCIAL STATEMENTS

31 December 2023

35. SHARE CAPITAL

	Number of shares	Amounts
		HK\$
Issued and fully paid ordinary shares:		
At 31 December 2022 (Note (i))	4,315,509,601	16,415,750,000
At 31 December 2023 (Note (i))	4,315,135,866	16,431,771,000

Note:

- (i) The Company purchased its own shares through a trust under a share award scheme (Note 37), which were presented as shares held for the share award scheme.

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

	Number of shares in issue	Share capital	Equivalent share capital
		HK\$'000	RMB'000
At 1 January 2023 and 31 December 2022	4,315,509,601	16,415,750	13,052,344
Share options exercised (Note (ii))	2,126,265	16,021	13,948
Re-purchase of shares (Note (iii))	(2,500,000)	–	–
As at 31 December 2023	4,315,135,866	16,431,771	13,066,292

Note:

- (ii) The subscription rights attaching to 414,155, 133,000, 1,333,581, 165,543 and 79,986 share options were exercised at the subscription prices of HK\$5.86, HK\$7.17, HK\$5.714, HK\$6.82 and HK\$6.7 per share, respectively (Note 36), resulting in the issue of 2,126,265 shares for a total cash consideration, after expenses, of HK\$12,665,000. An amount of HK\$3,356,000 was transferred from the share option reserve to share capital upon the exercise of the share options.
- (iii) During the year ended 31 December 2023, 2,500,000 ordinary shares of the Company were re-purchased at a price ranging from HK\$5.50 to HK\$5.75 per share. The total amount paid for the re-purchase was approximately HK\$14,135,000. All shares re-purchased have been cancelled during the year ended 31 December 2023.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

36. SHARE OPTION SCHEME

Pursuant to a resolution in writing passed on 7 July 2014 by the shareholders of the Company, a share option scheme (the "Share Option Scheme") has been adopted by the Company.

The Company operates the Share Option Scheme for the purpose of providing incentives and rewards to eligible participants and certain qualified participants who contribute to the success of the Group's operations. Eligible participants of the Share Option Scheme include senior and middle management personnel, as well as other key employees of the Company or any subsidiary (the "Grantees"). The total number of new shares in respect of which options may be granted under the Share Option Scheme shall not exceed 4% of the Company's issued share capital as at the date of approval of the Share Option Scheme by the shareholders at the General Meeting, which is 131,696,000 shares. The Share Option Scheme will be valid for 10 years from the date of its adoption.

Since the total share options under the 2014 Share Option Scheme have been fully granted, the Company adopted a New Share Option Scheme which was approved by the Shareholders at the Annual General Meeting on 5 June 2019. The total number of new Shares in respect of which the Share Options may be granted under the New Share Option Scheme shall not exceed 4% of the Company's issued shares as at the date of approval of the New Share Option Scheme by the shareholders, which is 158,167,904 shares.

The offer of a grant of share options ("Share Options") may be accepted upon payment of a nominal consideration of HK\$1 in total by the Grantees subject to any early termination, and the share option scheme will remain in force for a period of 10 years commencing on the date on which the share option scheme is approved by the shareholders of the Company. The vesting of the share options is mainly subject to fulfilment of the Company's performance targets, the Grantees remaining at all times after the offer date and on each vesting date as an employee of the Group, as well as the Grantees achieving a specified level in annual personal performance evaluations.

The exercise price in respect of any option shall be such price as determined by the Board or the Administration Committee of the Share Option Scheme and notified to the Grantees and which shall not be less than the higher of: (i) the closing price of the shares on the Stock Exchange as stated in the Stock Exchange's daily quotation sheet on the offer date; and (ii) the average of the closing prices of the shares on the Stock Exchange as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the Offer Date. The Shares do not carry nominal value.

On 10 August 2023, the Board announced that, the Company has resolved the tenth offer to grant Share Options to the Grantees under the Share Option Scheme to subscribe for a total of 33,847,930 ordinary shares in the capital of the Company.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

36. SHARE OPTION SCHEME (continued)

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Expiry date	Exercise price*		Number of share options	
	per share option		2023	2022
	HK\$			
11 July 2024	5.86	3,754,917	4,170,099	
3 July 2025	7.17	6,766,191	7,634,411	
15 June 2026	5.714	10,144,924	11,628,862	
20 June 2027	6.82	13,615,518	14,070,609	
18 July 2028	7.36	14,677,085	15,013,968	
19 July 2029	7.618	14,092,782	14,431,486	
23 July 2030	6.70	19,456,862	20,073,945	
26 July 2031	8.40	30,419,802	31,124,054	
27 July 2032	6.378	33,199,369	33,569,980	
10 August 2033	5.58	33,847,930	–	
Total		179,975,380	151,717,414	

* Movements in the number of the Share Options outstanding and their related weighted average exercise prices granted under the Share Option Scheme during the year are as follows:

NOTES TO FINANCIAL STATEMENTS

31 December 2023

36. SHARE OPTION SCHEME (continued)

Exercise price per share option (HK\$)	Date of grant	Outstanding as at 1 January 2022	Granted during the year ended 31 December 2022	Forfeited during the year ended 31 December 2022	Exercised during the year ended 31 December 2022	Outstanding as at 31 December 2022	Forfeited/			Outstanding as at 31 December 2023
							Granted during the year ended 31 December 2023	cancelled during the year ended 31 December 2023	Exercised during the year ended 31 December 2023	
5.86	11 July 2014	4,256,643	-	-	(86,544)	4,170,099	-	(1,027)	(414,155)	3,754,917
7.17	3 July 2015	7,978,819	-	(316,353)	(28,055)	7,634,411	-	(735,220)	(133,000)	6,766,191
5.714	15 June 2016	12,799,021	-	(32,936)	(1,137,223)	11,628,862	-	(150,357)	(1,333,581)	10,144,924
6.82	20 June 2017	14,607,996	-	(426,734)	(110,653)	14,070,609	-	(289,548)	(165,543)	13,615,518
7.36	18 July 2018	16,952,183	-	(1,930,256)	(7,959)	15,013,968	-	(336,883)	-	14,677,085
7.618	19 July 2019	16,521,715	-	(2,082,848)	(7,381)	14,431,486	-	(338,704)	-	14,092,782
6.70	23 July 2020	20,871,143	-	(653,198)	(144,000)	20,073,945	-	(537,097)	(79,986)	19,456,862
8.40	26 July 2021	33,079,659	-	(1,955,605)	-	31,124,054	-	(704,252)	-	30,419,802
6.378	27 July 2022	-	33,847,932	(277,952)	-	33,569,980	-	(370,611)	-	33,199,369
5.580	10 August 2023	-	-	-	-	-	33,847,930	-	-	33,847,930
Total number at the end of the year		127,067,179	33,847,932	(7,675,882)	(1,521,815)	151,717,414	33,847,930	(3,463,699)	(2,126,265)	179,975,380
Weighted average exercise price (HK\$)		7.27	6.38	7.56	5.94	7.26	5.58	7.23	5.96	6.80

3,754,917 (2022: 4,170,099), 6,766,191 (2022: 7,634,411), 10,144,924 (2022: 11,628,862), 13,615,518 (2022: 14,070,609), 14,677,085 (2022: 15,013,968), 14,092,782 (2022: 14,431,486), 19,456,862 (2022: 13,127,405), 20,243,028 (2022: 10,374,696) and 11,039,437 (2022: Nil) share options which were granted on 11 July 2014, 3 July 2015, 15 June 2016, 20 June 2017, 18 July 2018, 19 July 2019, 23 July 2020, 26 July 2021 and 27 July 2022, respectively, were vested and exercisable, but not yet exercised during the year.

The fair value (measured as at the grant dates) of the Share Options that were outstanding as at 31 December 2023 was RMB228,281,000 (31 December 2022: RMB210,385,000). The weighted average fair values were RMB1.14, RMB1.26, RMB1.29 and RMB1.57 per option for each of the four tranches with one-year, two-year, three-year and four-year (31 December 2022: The weighted average fair values were RMB1.27, RMB1.38, RMB1.41 and RMB1.57 per option for each of the four tranches with one-year, two-year, three-year and four-year) vesting periods, respectively. The Group recognised a share option expense of RMB33,143,615 (2022: RMB35,438,000) during the year ended 31 December 2023 in employee benefit expense.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

36. SHARE OPTION SCHEME (continued)

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

	2023	2022
Expected dividend yield (%)	9.09	6.62
Expected volatility (%)	32.59	32.79
Risk-free interest rate (%)	3.81	2.58
Validity period of the share options (year)	10	10
Share price (HK\$ per share)	5.39	6.34
Expected exercise trigger multiple	2.00	2.00

Estimation of the value of the share options is subjective and uncertain as such values are subject to a number of assumptions and the limitation of the model. The expected volatility is based on the historical volatility reflecting the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. The expected exercise trigger multiple is also estimated and is not necessarily indicative of the exercise patterns that may occur.

All significant features necessary to be considered for the measurement of fair values of the share options granted in the year were incorporated into such measurement.

At 31 December 2023, the Company had 66,184,636 (31 December 2022: 61,265,878) non-vested share options (including 17,660,407 (31 December 2022: 12,709,387) non-vested share options granted to certain executive directors, 23,447,417 (31 December 2022: 22,657,223) non-vested share options granted to certain employees among five highest paid employees and 28,332,459 (31 December 2022: 27,448,779) non-vested share options granted to certain key management personnel) outstanding under the Share Option Scheme. Should all of them be vested, the exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 66,184,636 (31 December 2022: 61,265,878) additional ordinary shares of the Company.

At the date of approval of these financial statements, the Company had 179,975,380 (2022: 151,717,414) share options outstanding under the Share Option Scheme, which represented approximately 4.17% (2022: 3.52%) of the Company's shares in issue as at that date.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

37. RESTRICTED SHARE AWARD SCHEME

On 11 June 2014, the Board announced that it has adopted a share award scheme (the “Share Award Scheme”), under which some restricted shares (the “Restricted Shares”) will be held on trust for the relevant selected grantees (the “Selected Grantees”) until such Restricted Shares are vested with the relevant Selected Grantees in accordance with the rules of the Share Award Scheme. The number of Restricted Shares under the Share Award Scheme shall not exceed 197,544,000, representing 6% of the Company’s issued share capital as at the date of approval of the Share Award Scheme by the Board. The Share Award Scheme shall be effective from its adoption until it is terminated by the Board or shareholders in a general meeting.

Pursuant to the rules of the Share Award Scheme, the Company has set up a trust, and a third party company acts as the trustee (the “Trustee”). The Company’s shares may be purchased by the Trustee from the market out of cash contributed by the Group and be held in trust for the Selected Grantees until such shares are vested with the Selected Grantees in accordance with the provisions of the Share Award Scheme.

Since the number of the Restricted Shares administered by the Trustee has reached the maximum limit as stipulated in the Share Award Scheme, the Board has resolved to make certain amendments to the Share Award Scheme. The Board resolved to refresh the maximum limit of the Shares as Restricted Shares under the Restricted Share Award Scheme (the “Maximum Award Scheme Limit”) to the sum of the following numbers of the Shares: (a) 6% of the total number of issued Shares as at the date of approval of the Restricted Share Award Scheme by the Board on 11 June 2014, being 197,544,000 Shares; and (b) 6% of the total number of issued Shares as at the date of approval of the amendments to the Restricted Share Award Scheme by the Board on 20 March 2019, being 237,251,856 shares.

The vesting of the Restricted Shares under the Share Award Scheme is mainly subject to the fulfilment of the Company’s performance targets, Selected Grantees remaining as an employee of the Group, as well as Selected Grantees achieving a specified level in annual personal performance evaluations.

The following Restricted Shares were outstanding under the Share Award Scheme during the year:

	Number of Restricted Shares
At 1 January 2022	81,228,570
Granted	50,771,897
Vested	(30,537,637)
Forfeited	(9,453,125)
At 31 December 2022 and 1 January 2023	92,009,705
Granted	50,771,898
Vested	(36,776,325)
Forfeited	(6,648,910)
At 31 December 2023	99,356,368

NOTES TO FINANCIAL STATEMENTS

31 December 2023

37. RESTRICTED SHARE AWARD SCHEME (continued)

36,776,325 (31 December 2022: 30,537,637) Restricted Shares were vested during the year. The vesting periods of the Restricted Shares outstanding as at the end of the reporting period are as follows:

2023

Number of Restricted Shares	Vesting period
15,324,208	26 July 2024
16,630,131	27 July 2024
16,630,131	27 July 2025
16,923,966	10 August 2024
16,923,966	10 August 2025
16,923,966	10 August 2026
99,356,368	

2022

Number of Restricted Shares	Vesting period
10,419,815	23 July 2023
15,610,491	26 July 2023
15,610,491	26 July 2024
16,789,636	27 July 2023
16,789,636	27 July 2024
16,789,636	27 July 2025
92,009,705	

NOTES TO FINANCIAL STATEMENTS

31 December 2023

37. RESTRICTED SHARE AWARD SCHEME (continued)

At 31 December 2023, the Company had 99,356,368 (31 December 2022: 92,009,705) non-vested Restricted Shares (including 29,090,728 (31 December 2022: 21,404,536) non-vested Restricted Shares granted to certain executive directors, 37,470,482 (31 December 2022: 35,878,851) non-vested Restricted Shares granted to certain employees among five highest paid employees and 44,544,123 (31 December 2022: 42,855,156) non-vested Restricted Shares granted to certain key management personnel) outstanding under the Share Award Scheme.

Under the Share Award Scheme, there were shares of 102,330,956 (31 December 2022: 129,107,281) in total amounting to RMB576,508,000 (31 December 2022: RMB781,987,000), i.e. at a weighted average price of RMB5.63 (2022: RMB6.06), held by the trust at 31 December 2023. The movements of the shares held for the Share Award Scheme are as follows:

	Number of shares	Amount
		RMB'000
At 1 January 2022	115,803,918	731,556
Purchase of shares under Share Award Scheme	43,841,000	253,524
Vested	(30,537,637)	(203,092)
At 31 December 2022 and 1 January 2023	129,107,281	781,988
Purchase of shares under Share Award Scheme	10,000,000	47,514
Vested	(36,776,325)	(252,994)
At 31 December 2023	102,330,956	576,508

The fair value (measured as at the grant dates) of the Restricted Shares that were outstanding as at 31 December 2023 was RMB458,070,000 (31 December 2022: RMB490,360,000). The weighted average fair values were RMB4.50, RMB4.45 and RMB4.76 per share (31 December 2022: RMB5.12, RMB5.58 and RMB5.23 per share) for each of the three tranches with one-year, two-year and three-year vesting periods, respectively. The Group recognised an amount of RMB200,003,908 (2022: RMB210,929,000) in employee benefit expense during the year ended 31 December 2023.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

37. RESTRICTED SHARE AWARD SCHEME (continued)

The fair value of the Restricted Shares granted during the year was estimated as at their respective dates of grant, using a no-arbitrage model, taking into account the terms and conditions upon which the restricted shares were granted. The following table lists the main inputs to the model used:

	2023	2022
Expected dividend yield (%)	9.09	6.62
Share price (HK\$ per share)	5.39	6.34

38. RESERVES

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

The Group's capital reserve represents the excess of the carrying amounts of capital and capital reserve of the subsidiaries acquired pursuant to the reorganisation as defined in the Prospectus, over the nominal value of the Company's shares issued as consideration plus the amount of borrowings capitalised in excess of the nominal value of shares issued.

Pursuant to the relevant PRC rules and regulations, those PRC subsidiaries which are domestic enterprises in the PRC are required to transfer no less than 10% of their profits after taxation, as determined under the PRC Company Law, to the statutory reserve fund until the balance reaches 50% of the registered capital. The transfer to this statutory reserve fund must be made before the distribution of dividends to shareholders.

The special reserve mainly represents funds set aside for the purpose of certain safety production activities. Pursuant to certain regulations issued by the State Administration of Work Safety of the PRC and other relevant regulatory bodies, the subsidiary, Shanghai Horizon Construction Engineering Equipment Co., Ltd. and Shanghai Hongjin Equipment & Engineering Co., Ltd. set aside funds mainly for construction service activities at prescribed rates. These funds can be used for maintenance and/or improvements of safety of these activities, and are not available for distribution to shareholders.

The share-based compensation reserve of the Group comprises the recognition of the equity-settled share-based payments under the Share Option Scheme and the Share Award Scheme which are yet to be exercised. The amount will be transferred to share capital or shares held for the Share Award Scheme when the related Share Options are exercised or when the Restricted Shares are vested.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

39. PERPETUAL SECURITIES

On 24 July 2019, Far Eastern Leasing completed the issuance of perpetual trusted loans (the “Perpetual Loans”) in an amount of RMB49,850,000 in the PRC. The basic term of the Perpetual Loans will be 5 years (Far Eastern Leasing is entitled to exercise its renewable option at the end of the stipulated basic term and at the end of each renewal period), with a coupon distribution rate of 6.0% per annum.

Distributions of the Perpetual Loans may be paid annually in arrears on 24 July of each year and may be deferred at the discretion of Far Eastern Leasing unless a compulsory distribution payment event (including distributions to shareholders of Far Eastern Leasing) has occurred. Following a deferral, arrears of distributions are cumulative.

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

Distributions of the Renewable Corporate Bonds (Phase One) may be paid annually in arrears on 18 February of each year and may be deferred at the discretion of Far Eastern Leasing unless a compulsory distribution payment event (including distributions to shareholders of Far Eastern Leasing) has occurred. Following a deferral, arrears of distributions are cumulative. The Variety One of the Renewable Corporate Bonds (Phase One) have been fully redeemed on 15 February 2022. The Variety Two of the Renewable Corporate Bonds (Phase One) have been fully redeemed on 20 February 2023.

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

Distributions of the Medium-term notes may be paid annually in arrears on 6 July of each year and may be deferred at the discretion of Far Eastern Leasing unless a compulsory distribution payment event (including distributions to shareholders of Far Eastern Leasing) has occurred. Following a deferral, arrears of distributions are cumulative.

On 2 September 2022, Far Eastern Leasing completed the issuance of renewable corporate bonds (the “Renewable Bonds”) (Phase One) in an amount of RMB500,000,000 in the PRC. The basic term of the Renewable Corporate Bonds (Phase One) will be 2 years (Far Eastern Leasing is entitled to exercise its renewable option at the end of the stipulated basic term and at the end of each renewal period), with a coupon distribution rate of 4.20% per annum.

Distributions of the Renewable Bonds (Phase One) may be paid annually in arrears on 2 September of each year and may be deferred at the discretion of Far Eastern Leasing unless a compulsory distribution payment event (including distributions to shareholders of Far Eastern Leasing) has occurred. Following a deferral, arrears of distributions are cumulative.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

39. PERPETUAL SECURITIES (continued)

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

Distributions of the Renewable Bonds (Phase Two) may be paid annually in arrears on 28 October of each year and may be deferred at the discretion of Far Eastern Leasing unless a compulsory distribution payment event (including distributions to shareholders of Far Eastern Leasing) has occurred. Following a deferral, arrears of distributions are cumulative. The Renewable Corporate Bonds (Phase Two) have been fully redeemed on 30 October 2023.

In the opinion of the directors, the Group is able to control the delivery of cash or other financial assets to the holders of the Perpetual Loans, the Medium-term Notes and the Renewable Bonds other than an unforeseen liquidation of the Company.

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

For the year ended 31 December 2023, the profits attributable to holders of the Perpetual Loans, the Renewable Corporate Bonds, the Medium-term Notes and the Renewable Bonds (collectively “Perpetual Securities”), based on the applicable distribution rates, were RMB2,784,000 (2022: RMB2,783,000), RMB12,911,000 (2022: RMB22,861,000), RMB39,948,000 (2022: RMB19,888,000), RMB20,195,000 (2022: RMB6,761,000), and RMB31,055,000 (2022: RMB6,766,000), respectively, and the distribution made by the Group to the holders of the Perpetual Securities was RMB116,645,000 (2022: RMB303,951,000).

40. DISPOSAL OF SUBSIDIARIES

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

In September 2023, the Group disposed of 42.2% of the voting shares of Zhoushan Dinghai Guanghua Hospital Co., Ltd. (“Zhoushan Dinghai Hospital”), 52.43% of the voting shares of Daishan Guanghua bone injury hospital Co., Ltd. (“Daishan Guanghua hospital”).

NOTES TO FINANCIAL STATEMENTS

31 December 2023

40. DISPOSAL OF SUBSIDIARIES (continued)

Disposal of Zhengzhou Renji Hospital, Zhoushan Dinghai Hospital, Daishan Guanghua Hospital and other medical industry related companies (“Medical Industry Related Companies”)

Net assets of Medical Industry Related Companies as at the date of disposal were as follows:

	2023
	RMB'000
Net assets disposed of:	
Cash and cash equivalents	27,386
Loans and accounts receivables	69,738
Prepayments, other receivables and other assets	35,224
Inventories	19,675
Goodwill	98,989
Property, plant and equipment	538,732
Right-of-use assets	24,574
Other intangible assets	5,573
Deferred tax assets	2,916
Trade and bills payables	(87,023)
Other payables and accruals	(74,503)
Interest-bearing bank and other borrowings	(76,516)
Lease liabilities	(719)
Non-controlling interests	(272,448)
Aggregate net assets of other entities	108,652
Gain on disposal of subsidiaries	126,498
Total consideration	546,748
Satisfied by:	
Cash	546,748
Including: Consideration received upon disposal	458,199
Consideration to be received after disposal	88,549
Analysis of cash flows on disposal:	
Cash received	458,199
Cash and cash equivalents disposed of	(41,940)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	416,259

NOTES TO FINANCIAL STATEMENTS

31 December 2023

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB848,169,000 (2022: RMB194,621,000) and RMB848,169,000 (2022: RMB194,621,000), respectively, in respect of lease arrangements for plant and equipment.

(b) Changes in liabilities arising from financing activities

2023

	Bank and other loans	Bonds	Lease liabilities	Convertible Bonds	Payables to non- controlling interests of consolidated structured entities
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	154,941,288	94,873,092	506,381	3,717,829	1,557,715
Changes from financing cash flows	23,390,013	(20,067,241)	(308,053)	(70,237)	(28,306)
New leases	–	–	848,169	–	–
Foreign exchange movement	859,122	55,727	–	73,223	–
Interest expense	10,704,298	103,792	26,667	139,016	–
Interest paid classified as operating cash flows	(10,981,511)	(77,192)	–	(52,879)	–
Fair value losses	–	–	–	–	28,384
Reassessment and revision of lease terms	–	–	(66,242)	–	–
Decrease arising from disposal of subsidiaries	(82,200)	–	(19,277)	–	–
At 31 December 2023	178,831,010	74,888,178	987,645	3,806,952	1,557,793

NOTES TO FINANCIAL STATEMENTS

31 December 2023

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

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

2022

	Bank and other loans	Bonds	Lease liabilities	Convertible Bonds	Payables to non- controlling interests of consolidated structured entities
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022	124,569,451	104,577,362	607,015	3,321,086	1,453,931
Changes from financing cash flows	27,514,986	(10,429,040)	(216,270)	–	420,283
New leases	–	–	194,621	–	–
Foreign exchange movement	3,268,950	728,724	–	309,511	–
Interest expense	9,722,123	87,350	20,849	136,269	–
Interest paid classified as operating cash flows	(9,916,543)	(91,304)	–	(49,037)	–
Fair value losses	–	–	–	–	(316,499)
Reassessment and revision of lease terms	–	–	(28,450)	–	–
Increase arising from acquisition of subsidiaries	111,282	–	–	–	–
Decrease arising from disposal of subsidiaries	(328,961)	–	(71,384)	–	–
At 31 December 2022	154,941,288	94,873,092	506,381	3,717,829	1,557,715

(c) Total cash outflow for leases

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

	2023	2022
	RMB'000	RMB'000
Within operating activities	(40,553)	(26,181)
Within financing activities	(308,053)	(216,270)

NOTES TO FINANCIAL STATEMENTS

31 December 2023

42. CONTINGENT LIABILITIES

At 31 December 2023, contingent liabilities that are not provided for in the financial statements were as follows:

	2023	2022
	RMB'000	RMB'000
Claimed amounts	11,345	38,838

On 20 June 2022, the subsidiary of the Company and a bank entered into a guarantee agreement, pursuant to which, the subsidiary of the Company will provide a guarantee of no more than RMB1,000,000,000 for the outstanding loans provided by the bank to borrowers which are third parties to the Group. As at 31 December 2023, the balance of guaranteed bank loans were RMB803,306,100 (2022: RMB584,691,000). In the opinion of the directors of the Company, the amount of expected credit losses on the guaranteed bank loans is not expected to be significant.

43. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans and other borrowings are included in Notes 13, 14, 15, 24, 28 and 32, respectively, to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

44. COMMITMENTS

(a) Capital commitments

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

	2023	2022
	RMB'000	RMB'000
Contracted, but not provided for:		
Capital expenditure for acquisition of property, plant and machinery	111,281	161,423

(b) Credit commitments

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

	2023	2022
	RMB'000	RMB'000
Irrevocable credit commitments	26,883,670	23,035,482

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

NOTES TO FINANCIAL STATEMENTS

31 December 2023

45. RELATED PARTY TRANSACTIONS

Relationship between the Group and its related parties:

Ultimate holding company of a shareholder with significant influence

Sinochem Group

A shareholder with significant influence

Greatpart Limited

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

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

Sinochem Finance Co., Ltd.

China Jin Mao Group Co., Ltd.

Beijing Chemsunny Property Co., Ltd.

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

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

Sinochem Corporation

BlueStar New Chemical Materials Guangxi Branch

Shenyang Chemical Co., Ltd.

Shanghai Jinmao Construction & Decoration Co., Ltd.

Sinochem Fuling Chongqing Chemical Industry Co., Ltd.

Bluestar Engineering Co., Ltd.

Jiangsu Ruiheng New Material Technology Co., Ltd.

Sinochem Insurance Brokerage (Beijing) Co., Ltd.

Joint ventures

Guangzhou Kangda Industrial Technology Co., Ltd.

Kunming Broadhealthcare (Group) Co., Ltd.*

Fengyang Qianmen Hospital Co., Ltd.

Tian Jin Grand Flight Hooyoung Asset Management Co., Ltd.**

Grand Flight Investment Management Co., Ltd.

Guangzhou Yimei Tiancheng Decoration Engineering Co., Ltd.

Associates

Shanghai Yijia Construction Development Co., Ltd.

Hangzhou Guoya Stomatological Hospital Co., Ltd.

Guangzhou Wealth Healthy Electronics Co., Ltd.***

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

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

*** No longer a subsidiary of the Group since September 2022.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

45. RELATED PARTY TRANSACTIONS (continued)

In addition to the transactions and balances disclosed in Notes 24, 25, 28, 30 and 31 to the financial statements, the Group had the following material transactions with related parties during the year:

(i) Interest income from cash at banks

	2023	2022
	RMB'000	RMB'000
Sinochem Finance Co., Ltd.	2	995

The interest income was earned at rate of 0.55% (2022: 0.35% to 1.495%) per annum.

(ii) Interest expenses

	2023	2022
	RMB'000	RMB'000
Tian Jin Grand Flight Hooyoung Asset Management Co., Ltd.	1	6
Grand Flight Investment Management Co., Ltd.	485	400
Suzhou Gaoxin Rehabilitation Hospital Co., Ltd.	-	137
Total	486	543

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

(iii) Rentals paid as a lessee (rental expenses)

	2023	2022
	RMB'000	RMB'000
Beijing Chemsunny Property Co., Ltd.	800	8,547

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

NOTES TO FINANCIAL STATEMENTS

31 December 2023

45. RELATED PARTY TRANSACTIONS (continued)

(iv) Interest income from loans and accounts receivables

	2023	2022
	RMB'000	RMB'000
Guangzhou Kangda Industrial Technology Co., Ltd.	8,608	2,299
Kunming Broadhealthcare (Group) Co., Ltd.	15	3,391
Suzhou Gaoxin Rehabilitation Hospital Co., Ltd.	-	5,889
Guangzhou Wealth Healthy Electronics Co., Ltd.	360	502
BlueStar New Chemical Materials Guangxi Branch	-	187
Shenyang Chemical Co., Ltd.	1,663	4,143
Hangzhou Guoya Stomatological Hospital Co., Ltd.	217	883
Total	10,863	17,294

(v) Sales of goods

	2023	2022
	RMB'000	RMB'000
Sinochem Fuling Chongqing Chemical Industry Co., Ltd.	-	248

(vi) Operating lease income

	2023	2022
	RMB'000	RMB'000
Bluestar Engineering Co., Ltd.	-	5
Shanghai Jinmao Construction & Decoration Co., Ltd.	-	83
Sinochem Fuling Chongqing Chemical Industry Co., Ltd.	1	-
Jiangsu Ruiheng New Material Technology Co., Ltd.	9	-
Total	10	88

NOTES TO FINANCIAL STATEMENTS

31 December 2023

45. RELATED PARTY TRANSACTIONS (continued)

(vii) Decoration fee

	2023	2022
	RMB'000	RMB'000
Shanghai Yijia Construction Development Co., Ltd.	-	5,668

(viii) Administrative fee

	2023	2022
	RMB'000	RMB'000
Grand Flight Investment Management Co., Ltd.	-	48,624

(ix) Property fee

	2023	2022
	RMB'000	RMB'000
Beijing Chemsunny Property Co., Ltd.	-	4
Sinochem Jinmao Property Management (Beijing) Co., Ltd.	49	561
Total	49	565

(x) Insurance brokerage service fee

	2023	2022
	RMB'000	RMB'000
Sinochem Insurance Brokerage (Beijing) Co., Ltd.	291	-

NOTES TO FINANCIAL STATEMENTS

31 December 2023

45. RELATED PARTY TRANSACTIONS (continued)

(xi) Compensation of key management personnel of the Group

	2023	2022
	RMB'000	RMB'000
Short term employee benefits	155,264	163,412

During 2023, certain members of key management personnel of the Group were granted share options and restricted shares in respect of their services to the Group under the share option scheme and the restricted share award scheme of the Company, further details of which are set out in Note 36 and Note 37 to the financial statements.

Further details of directors' emoluments are set out in Note 8 to the financial statements.

The related party transactions in respect of items (i), (iii), (iv), (v), (vi), (ix) and (x) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

The above short term employee benefits have not taken into consideration the employees' potential entitlement under the collective economic-gain bonus schemes during the year ended 31 December 2023.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

46. 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:

2023

Financial assets

	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Hedging instruments designated in cash flow hedges	Debt investment at fair value through other comprehensive income	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Loans and accounts receivables	270,766,843	-	-	-	270,766,843
Financial assets included in prepayments, other receivables and other assets	2,566,041	-	-	-	2,566,041
Restricted deposits	3,149,062	-	-	-	3,149,062
Derivative financial instrument	-	12,657	-	-	12,657
Derivative financial instruments designated as hedging instruments in cash flow hedges	-	-	2,121,325	-	2,121,325
Financial assets at fair value through profit or loss	-	8,841,595	-	-	8,841,595
Debt investment at fair value through other comprehensive income	-	-	-	372,228	372,228
Cash and cash equivalents	18,852,540	-	-	-	18,852,540
Total	295,334,486	8,854,252	2,121,325	372,228	306,682,291

NOTES TO FINANCIAL STATEMENTS

31 December 2023

46. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2023 (continued)

Financial liabilities

	Financial liabilities at amortised cost	Financial liabilities at fair value through profit or loss	Hedging instruments designated in cash flow hedges	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payables	9,509,889	–	–	9,509,889
Financial liabilities included in other payables and accruals	17,118,372	–	–	17,118,372
Interest-bearing bank and other borrowings	251,829,193	–	–	251,829,193
Convertible bonds – host debts	3,806,952	–	–	3,806,952
Lease liabilities	987,645	–	–	987,645
Hedging instruments designated as cash flow hedges	–	–	215,481	215,481
Other non-current liabilities	–	1,557,793	–	1,557,793
Total	283,252,051	1,557,793	215,481	285,025,325

NOTES TO FINANCIAL STATEMENTS

31 December 2023

46. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2022

Financial assets

	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Hedging instruments designated in cash flow hedges	Debt investment at fair value through other comprehensive income	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Loans and accounts receivables	267,138,233	–	–	–	267,138,233
Financial assets included in prepayments, other receivables and other assets	2,149,599	–	–	–	2,149,599
Restricted deposits	3,227,451	–	–	–	3,227,451
Derivative financial instrument	–	2,379	–	–	2,379
Derivative financial instruments designated as hedging instruments in cash flow hedges	–	–	1,850,923	–	1,850,923
Financial assets at fair value through profit or loss	–	9,358,106	–	–	9,358,106
Debt investment at fair value through other comprehensive income	–	–	–	1,182,401	1,182,401
Cash and cash equivalents	15,903,843	–	–	–	15,903,843
Total	288,419,126	9,360,485	1,850,923	1,182,401	300,812,935

NOTES TO FINANCIAL STATEMENTS

31 December 2023

46. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2022 (continued)
Financial liabilities

	Financial liabilities at amortised cost	Financial liabilities at fair value through profit or loss	Hedging instruments designated in cash flow hedges	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payables	13,975,210	–	–	13,975,210
Financial liabilities included in other payables and accruals	16,552,035	–	–	16,552,035
Interest-bearing bank and other borrowings	247,609,651	–	–	247,609,651
Convertible bonds – host debts	3,717,829	–	–	3,717,829
Lease liabilities	506,381	–	–	506,381
Hedging instruments designated as cash flow hedges	–	–	271,566	271,566
Other non-current liabilities	1,608,276	1,557,715	–	3,165,991
Total	283,969,382	1,557,715	271,566	285,798,663

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Financial instruments not measured at fair value

Financial assets and liabilities not presented at their fair value in the statement of financial position mainly represent cash and cash equivalents, restricted deposits, loans and accounts receivables, financial assets included in prepayments, other receivables and other assets, trade and bills payables, financial liabilities included in other payables and accruals, and interest-bearing bank and borrowings.

Fair value estimates are made at a specific point in time based on relevant market information and information about various financial instruments. The following methods and assumptions have been used to estimate the fair value of each class of financial instrument as far as practicable:

Cash and cash balances, the current portion of financial assets included in prepayments and other receivables, trade and bills payables, short term borrowings and the current portion of financial liabilities included in other payables and accruals

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

NOTES TO FINANCIAL STATEMENTS

31 December 2023

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Financial instruments not measured at fair value (continued)

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

Substantially all of the restricted deposits and interest-bearing bank and other borrowings, except for bonds issued and short-term borrowings, are on floating rate terms and bear interest at prevailing market interest rates and their carrying values approximate to their fair values. For loans and accounts receivables with long-term remaining maturities, the applied interest rates approximate to prevailing market interest rates and their carrying values approximate to their fair value.

Bonds issued and convertible bonds-host debts

The fair values of the bonds and host debts convertible bonds issued are calculated based on a discounted cash flow model that is used based on a current yield curve appropriate for the remaining term to maturity.

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows :

	Carrying amounts		Fair values	
	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities				
Bonds issued	73,724,739	93,707,597	76,176,598	94,247,778
Convertible bonds – host debts	3,806,952	3,717,829	3,995,778	3,862,848
Other non-current liabilities	-	1,608,276	-	1,527,380

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2023

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Financial instruments measured at fair value

Non-deliverable cross-currency swaps and interest rate swaps

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

Financial assets at fair value through profit or loss

The valuations of the financial assets at fair value through profit or loss were based on information known to the Group and market conditions existing at the end of the reporting period. The fair values were determined by using appropriate valuation techniques. Valuation techniques include using recent arm's length market transactions, referring to the current market value of another instrument that is substantially the same and making as much use of available and supportable market data as possible.

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2023 and 2022:

Description	Fair value at 31 December 2023	Valuation technique	Unobservable input	Relationship of unobservable inputs to fair value
Financial investments at fair value through profit or loss	3,924,948	Market comparable model/Adjusted recent transaction price	Discount for lack of marketability ("DLOM")/Volatility	The higher the DLOM, the lower the fair value/The higher the volatility, the higher the fair value
Other non-current liabilities	(1,557,793)	Market comparable model/Adjusted recent transaction price	Discount for lack of marketability ("DLOM")/Volatility	The higher the DLOM, the higher the fair value/The higher the volatility, the lower the fair value

Description	Fair value at 31 December 2022	Valuation technique	Unobservable input	Relationship of unobservable inputs to fair value
Financial investments at fair value through profit or loss	4,031,831	Market comparable model/Adjusted recent transaction price	Discount for lack of marketability ("DLOM")/Volatility	The higher the DLOM, the lower the fair value/The higher the volatility, the higher the fair value
Other non-current liabilities	(1,557,715)	Market comparable model/Adjusted recent transaction price	Discount for lack of marketability ("DLOM")/Volatility	The higher the DLOM, the higher the fair value/The higher the volatility, the lower the fair value

NOTES TO FINANCIAL STATEMENTS

31 December 2023

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

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

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

Assets and liabilities measured at fair value

As at 31 December 2023

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

NOTES TO FINANCIAL STATEMENTS

31 December 2023

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Assets and liabilities measured at fair value (continued)

As at 31 December 2022

	Level 1 Quoted prices in active markets	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Cross-currency interest rate swaps – assets	–	1,777,780	–	1,777,780
Forward currency contracts – assets	–	28,081	–	28,081
Interest rate swaps – assets	–	45,062	–	45,062
Cross-currency interest rate swaps – liabilities	–	(203,786)	–	(203,786)
Forward currency contracts – liabilities	–	(38,865)	–	(38,865)
Interest rate swaps – liabilities	–	(28,915)	–	(28,915)
Financial assets at fair value through profit or loss	490,471	4,835,804	4,031,831	9,358,106
Debt investments at fair value through other comprehensive income	–	1,182,401	–	1,182,401
Other non-current liabilities	–	–	(1,557,715)	(1,557,715)

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

	2023	2022
	RMB'000	RMB'000
Financial assets at fair value through profit or loss		
Carrying amount at 1 January 2023	4,031,831	2,694,057
Changes in fair value recognised in profit or loss	202,309	11,585
Additions	441,529	1,831,743
Disposals	(726,219)	(504,847)
Transfers to Level 1*	(201,210)	–
Exchange differences	4,808	(707)
Carrying amount at 31 December 2023	3,753,048	4,031,831

NOTES TO FINANCIAL STATEMENTS

31 December 2023

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Assets and liabilities measured at fair value (continued)

As at 31 December 2022 (continued)

The movements in fair value measurements within Level 3 during the year are as follows: (continued)

	2023	2022
	RMB'000	RMB'000
Other non-current liabilities		
Carrying amount at 1 January 2023	1,557,715	1,453,931
Changes in fair value recognised in profit or loss	28,384	(316,500)
(Disposals)/Additions	(28,306)	420,284
Carrying amount at 31 December 2023	1,557,793	1,557,715

* The Group transferred certain financial instruments from Level 3 to Level 1 of the fair value hierarchy due to the fact that fair value determination had changed from fair value measurement using significant unobservable inputs to quoted prices in active markets.

Liabilities for which fair values are disclosed

As at 31 December 2023

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

As at 31 December 2022

	Level 1 Quoted prices in active markets	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Bonds issued	–	94,247,778	–	94,247,778
Convertible bonds – host debts	–	3,862,848	–	3,862,848

NOTES TO FINANCIAL STATEMENTS

31 December 2023

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise lease receivables, entrusted loans, trade receivables, trade payables, bank loans, other interest-bearing loans, cash and short term deposits and derivative financial instruments. The main purpose of bank loans and other interest-bearing loans is to finance the Group's operations while other financial assets and liabilities such as lease receivables, entrusted loans, trade receivables and trade payables are directly related to the Group's operating activities.

The Group also enters into derivative transactions, including principally cross-currency interest rate swaps, forward currency contracts and interest rate swaps. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk, currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank and other borrowings, lease receivables and other loans. The Group aims to mitigate such risks by reducing future variability in cash flows, while balancing the cost of such risk mitigation measure. For example, the Group enters into cash flow hedges (see Note 23).

The table below demonstrates the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, to the Group's profit before tax.

The sensitivity of the profit before tax is the effect of the assumed changes in interest rates on profit before tax, based on the financial assets and financial liabilities held at the end of the reporting period subject to repricing within the coming year.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

	Increase/(decrease) in profit before tax As at 31 December	
	2023	2022
	RMB'000	RMB'000
Change in basis points		
+100 basis points	(42,814)	(66,264)
-100 basis points	44,389	68,147

The interest rate sensitivities set out in the tables above are for illustration only and are based on simplified scenarios. The figures represent the effect of the pro forma movements in profit before tax based on the projected yield curve scenarios and the Group's current interest rate risk profile. This effect, however, does not incorporate actions that would be taken by management to mitigate the impact of interest rate risk. The projections above also assume that interest rates of financial instruments with different maturities change by the same amount and, therefore, do not reflect the potential impact on profit before tax in the case where some rates change while others remain unchanged.

Currency risk

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

The Group conducts its businesses mainly in RMB, with certain transactions denominated in USD, and, to a lesser extent, other currencies. The Group's exposure to treasury operations mainly arises from its transactions in currencies other than the RMB. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position. For example, the Group enters into cross currency interest rate swaps and forward currency contracts to mitigate the currency risk arising from variable cash flows of some of its foreign currency floating rate loans (see Note 23).

The exchange rate of RMB to the United States Dollar ("USD") is managed under a floating exchange rate system. The Hong Kong Dollar ("HK\$") exchange rate has been pegged to USD, and therefore, the exchange rate of RMB to HK\$ has fluctuated in line with the changes in the exchange rate of RMB to USD.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Currency risk (continued)

The table below is a sensitivity analysis of the change in the exchange rate of the currency to which the Group had significant exposure on its monetary assets and liabilities and its forecast cash flows. The analysis shows the effect of a reasonably possible movement in the currency rate against RMB, with all other variables held constant, on profit before tax. This effect, however, was based on the assumption that the Group's foreign exchange exposures as at the end of each reporting period were kept unchanged and, therefore, the analysis has not incorporated actions that would be taken by the Group to mitigate the adverse impact of this foreign exchange risk.

Group

		Increase/(decrease) in profit before tax	
		As at 31 December	
		2023	2022
Currency	Change in currency rate	RMB'000	RMB'000
USD	+/-1%	25,575/(25,575)	14,137/(14,137)
HK\$	+/-1%	(26,318)/26,318	(31,129)/31,129

Credit risk

Credit risk is the risk of loss arising from a lessee's or counterparty's inability to meet its obligations.

The Group enters into transactions only with recognised and creditworthy third parties. In accordance with the policy of the Group, the Group examines and verifies the credit risk of all customers that the Group has credit transactions with. Besides, the Group monitors and controls the lease receivables regularly to mitigate the risk of significant exposure from bad debts.

Other financial assets of the Group include cash and bank deposits, accounts receivable, notes receivable, derivative financial instruments, entrusted loans and subordinated tranches of asset-backed securities/notes, and debt investments at fair value through profit or loss. The credit risk of these financial assets arises from the counterparty's inability to meet its obligations. The maximum exposure to credit risk is equal to the carrying amounts of these assets.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on the customers' creditworthiness information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

At 31 December 2023

	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL – impaired)	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Contract assets	–	–	–	383,863	383,863
Accounts receivable	–	–	–	5,839,031	5,839,031
Notes receivable*	5,789,288	–	–	–	5,789,288
Interest-earning assets	247,565,635	10,836,055	1,109,062	–	259,510,752
Financial assets included in prepayments, other receivables and other assets	2,566,041	–	–	–	2,566,041
Pledged deposits	3,149,062	–	–	–	3,149,062
Cash and cash equivalents	18,852,540	–	–	–	18,852,540
	277,922,566	10,836,055	1,109,062	6,222,894	296,090,577

* includes notes receivable classified as debt investments at fair value through other comprehensive income.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

At 31 December 2022

	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL – impaired)	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Contract assets	–	–	–	304,295	304,295
Accounts receivable	–	–	–	5,244,709	5,244,709
Notes receivable*	3,233,317	–	–	–	3,233,317
Interest-earning assets	244,958,038	13,513,317	1,371,253	–	259,842,608
Financial assets included in prepayments, other receivables and other assets	2,149,599	–	–	–	2,149,599
Pledged deposits	3,227,451	–	–	–	3,227,451
Cash and cash equivalents	15,903,843	–	–	–	15,903,843
	269,472,248	13,513,317	1,371,253	5,549,004	289,905,822

Note:

The financial assets falling in stage 1 are mainly credit rated as Pass, except for an amount of interest-earning assets of RMB2,073,970,000 (2022: RMB2,726,056,000) which are credit rated as Special Mention. All of the financial assets falling in stage 2 and stage 3 are credit rated as Special Mention and Non-performing, respectively.

Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. The customer bases of the Group's financial assets are widely dispersed in different sectors and industries.

Liquidity risk

Liquidity risk is the risk that funds will not be available to meet the liabilities as they fall due. This may arise from mismatches in amounts or duration with regard to the maturity of financial assets and liabilities.

The Group manages its liquidity risk through daily execution of the following objectives: maintaining the stability of the leasing business, projecting cash flows and evaluating the level of current assets and liquidity of the Group, and maintaining an efficient internal fund transfer mechanism.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The tables below summarise the maturity profile of the Group's financial assets and liabilities based on the contractual undiscounted cash flows:

	As at 31 December 2023						
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Undated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
FINANCIAL ASSETS:							
Loans and accounts receivables	3,224,339	55,941,889	131,674,042	107,960,262	1,611,461	-	300,411,993
Financial assets included in prepayments, other receivables and other assets	34,508	661,831	1,567,806	301,806	90	-	2,566,041
Restricted deposits	-	1,494,140	94,922	1,560,000	-	-	3,149,062
Derivative financial instruments	-	501,870	709,438	922,674	-	-	2,133,982
Financial assets at fair value through profit or loss	-	1,603,345	132,509	3,638,968	679,701	2,787,072	8,841,595
Debt investment at fair value through other comprehensive income	-	141,204	231,024	-	-	-	372,228
Cash and cash equivalents	18,401,625	450,915	-	-	-	-	18,852,540
Total financial assets	21,660,472	60,795,194	134,409,741	114,383,710	2,291,252	2,787,072	336,327,441
FINANCIAL LIABILITIES:							
Trade and bills payables	123,148	4,591,467	4,526,371	268,903	-	-	9,509,889
Financial liabilities included in other payables and accruals	560,246	4,853,598	3,196,946	8,457,498	50,084	-	17,118,372
Convertible bonds – host debts	-	-	-	3,806,952	-	-	3,806,952
Lease liabilities	-	40,049	291,956	814,667	98,836	-	1,245,508
Interest-bearing bank and other borrowings	200,802	45,274,512	91,524,073	125,206,420	2,524,789	-	264,730,596
Derivative financial instruments	-	-	5,928	209,553	-	-	215,481
Other non-current liabilities	-	-	-	-	1,557,793	-	1,557,793
Total financial liabilities	884,196	54,759,626	99,545,274	138,763,993	4,231,502	-	298,184,591
Net liquidity gap	20,776,276	6,035,568	34,864,467	(24,380,283)	(1,940,250)	2,787,072	38,142,850

NOTES TO FINANCIAL STATEMENTS

31 December 2023

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The tables below summarise the maturity profile of the Group's financial assets and liabilities based on the contractual undiscounted cash flows: (continued)

	As at 31 December 2022						
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Undated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
FINANCIAL ASSETS:							
Loans and accounts receivables	2,576,526	48,759,773	118,440,247	129,191,422	984,819	–	299,952,787
Financial assets included in prepayments, other receivables and other assets	28,684	124,801	886,669	1,109,355	90	–	2,149,599
Restricted deposits	–	2,183,448	1,044,003	–	–	–	3,227,451
Derivative financial instruments	–	135,798	142,316	1,575,188	–	–	1,853,302
Financial assets at fair value through profit or loss	–	391,828	1,041,640	4,487,412	738,326	2,698,900	9,358,106
Debt investment at fair value through other comprehensive income	–	276,537	898,032	7,832	–	–	1,182,401
Cash and cash equivalents	15,266,905	636,938	–	–	–	–	15,903,843
Total financial assets	17,872,115	52,509,123	122,452,907	136,371,209	1,723,235	2,698,900	333,627,489
FINANCIAL LIABILITIES:							
Trade and bills payables	133,853	4,170,771	9,670,586	–	–	–	13,975,210
Financial liabilities included in other payables and accruals	566,024	5,637,624	3,126,762	7,138,361	83,264	–	16,552,035
Convertible bonds – host debts	–	–	–	3,717,829	–	–	3,717,829
Lease liabilities	–	30,694	113,263	314,810	47,615	–	506,382
Interest-bearing bank and other borrowings	663,040	44,768,998	85,052,963	129,750,586	2,126,939	–	262,362,526
Derivative financial instruments	–	23,922	4,171	243,472	–	–	271,565
Other non-current liabilities	–	–	–	1,608,276	1,557,715	–	3,165,991
Total financial liabilities	1,362,917	54,632,009	97,967,745	142,773,334	3,815,533	–	300,551,538
Net liquidity gap	16,509,198	(2,122,886)	24,485,162	(6,402,125)	(2,092,298)	2,698,900	33,075,951

NOTES TO FINANCIAL STATEMENTS

31 December 2023

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payments to shareholders, return capital to shareholders, raise new debt or issue new shares. No changes were made to the objectives, policies or processes for managing capital during the year.

The Group monitors capital using a gearing ratio, which is defined by management as net debt divided by total equity plus net debt. Net debt includes bank and other borrowings. The gearing ratios as at the reporting dates were as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000 (Restated)
Bank and other borrowings (Note 32)	255,636,145	251,327,480
Total equity	57,569,600	52,441,422
Total equity and net debt	313,205,745	303,768,902
Gearing ratio	82%	83%

NOTES TO FINANCIAL STATEMENTS

31 December 2023

49. OTHER NON-CURRENT LIABILITIES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Continuing involvement in transferred assets	275,485	890,572
Payables to non-controlling interests of consolidated structured entities	1,557,793	1,557,715
Put option granted to non-controlling shareholders (Note (i))	–	1,608,276
Others	670	1,147
Total	1,833,948	4,057,710

Note (i): Pursuant to the Share Purchase Agreement signed by and among the investors of Horizon Construction Development Limited (“HCD”), one subsidiary of the Group on 16 April 2021, shares shall be redeemed by HCD upon the occurrence of certain contingent events which cannot be controlled by HCD including a public offering of HCD on the Stock Exchange or another recognized international securities exchange not being completed within 36 months. The price of investors’ shares to be redeemed shall be an amount that would give holders a fixed rate of 8% per annum for its investment in HCD plus all accrued but unpaid dividends.

Presentation and classification:

The option granted to non-controlling shareholders gives rise to financial liabilities, which are measured at present value of the redemption amount. These investors subscribed for an aggregate of 6,651 shares of HCD at a total consideration of USD204,910,000, initially equivalent to RMB1,326,185,000, with certain conditional terms. Upon the completion of a public offering of HCD on the Hong Kong Stock Exchange on 25 May 2023, the option was terminated thus being derecognised.

50. TRANSFERS OF FINANCIAL ASSETS AND INTERESTS IN THE UNCONSOLIDATED STRUCTURED ENTITIES

The Group enters into securitisation transactions in the normal course of business whereby it transfers loans and accounts receivables to special purpose entities. These special purpose entities are structured entities established with the narrow and well-defined objectives to provide investors opportunities to invest in those loans and accounts receivables and they generally finance the purchase of the loans and accounts receivables by issuing asset-backed securities to investors. The Group assessed and determined that those structured entities need not be consolidated as the Group has no control over them.

The Group may hold some subordinated tranches of those asset-backed securities/notes and accordingly may retain portions of the risks and rewards of the transferred loans and accounts receivables. The Group would determine whether or not to derecognise the transferred loans and accounts receivables mainly by evaluating the extent to which it retains the risks and rewards of the transferred assets.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

50. TRANSFERS OF FINANCIAL ASSETS AND INTERESTS IN THE UNCONSOLIDATED STRUCTURED ENTITIES (continued)

During the year ended 31 December 2023 and the year ended 31 December 2022, the Group did not transfer loans and accounts receivable to third parties, consequently, no such assets were qualified for full derecognition. The Group did not provide liquidity support to these unconsolidated structured entities, and thus there was no exposure to losses.

The Group also transferred loans and accounts receivables to unconsolidated structured entities, where the Group held some subordinated tranches, and hence, it retained continuing involvement in the transferred assets (i.e. loans and accounts receivables amounting to RMB1,648,945,000 as at 31 December 2023 (31 December 2022: RMB5,759,564,000)). As a result, as at 31 December 2023, the balance of subordinated tranches of asset-backed securities/notes held by the Group amounted to RMB369,172,000 (31 December 2022: RMB890,572,000). In addition, the balances of continuing involvement in transferred assets and associated liabilities both amounted to RMB369,172,000 (31 December 2022: both RMB890,572,000), which approximate the maximum exposure to losses from its involvement in such securitisation arrangements and the unconsolidated structured entities.

During the year ended 31 December 2023, as a result of the securitisation transactions, the Group did not recognise any gains or losses (2022: gains of RMB1,486,000) from transfers of loans and accounts receivables.

51. EVENTS AFTER THE REPORTING PERIOD

As disclosed in Note 11, the Company announced a special dividend to the shareholders of the Company in the form of a distribution of 159,819,828 shares of HCD (Special Dividend) on 6 December 2023. The share certificates for the shares of HCD were despatched to the qualifying shareholders on 16 January 2024.

The conversion price of the 300 million 2.5 percent Bonds was adjusted from HK\$6.59 per share to HK\$6.48 per share and the conversion price of the 250 million Zero Coupon Bonds was adjusted from HK\$8.50 per share to HK\$8.35 per share with effect from 22 January 2024 as a result of the declaration of the Special Dividend.

52. COMPARATIVE AMOUNTS

As further explained in Note 2.2 to the financial statements, due to the adoption of the new and revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made, and certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

53. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	31 December 2023	31 December 2022
	RMB'000	RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	8,301	2,333
Right-of-use assets	15,270	17,864
Investments in subsidiaries	85,082,679	72,870,935
Loans and accounts receivables	9,343,765	11,499,929
Derivative financial instruments	827,877	1,568,461
Total non-current assets	95,277,892	85,959,522
CURRENT ASSETS		
Loans and accounts receivables	1,672,751	2,034,823
Prepayments, other receivables and other assets	7,407,389	17,595,043
Dividend receivable from subsidiaries	228,500	13,226
Derivative financial instruments	1,171,244	250,033
Restricted deposits	546,493	492,441
Cash and cash equivalents	1,777,977	1,014,491
Total current assets	12,804,354	21,400,057
CURRENT LIABILITIES		
Other payables and accruals	4,483,901	2,072,686
Lease liabilities	12,255	10,226
Income tax payable	31,760	31,787
Interest-bearing bank and other borrowings	20,542,349	16,968,900
Total current liabilities	25,070,265	19,083,599
NET CURRENT (LIABILITIES)/ASSETS	(12,265,911)	2,316,458
TOTAL ASSETS LESS CURRENT LIABILITIES	83,011,981	88,275,980

NOTES TO FINANCIAL STATEMENTS

31 December 2023

53. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Information about the statement of financial position of the Company at the end of the reporting period is as follows:
(continued)

	31 December 2023	31 December 2022
	RMB'000	RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES	83,011,981	88,275,980
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	32,824,129	42,876,307
Derivative financial instruments	150,811	208,254
Lease liabilities	6,406	11,144
Total non-current liabilities	32,981,346	43,095,705
Net assets	50,030,635	45,180,275
EQUITY		
Share capital	13,066,293	13,052,344
Reserves (Note 38)	36,964,342	32,127,931
Total equity	50,030,635	45,180,275

Kong Fanxing
Director

Wang Mingzhe
Director

NOTES TO FINANCIAL STATEMENTS

31 December 2023

53. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Equity component of convertible bonds	Capital reserve	Shares held for the share award scheme	Share-based compensation reserve ¹	Special reserve	Reserve fund	Hedging reserve	Exchange fluctuation reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022	233,750	1,566,318	(731,556)	346,167	46,173	121,913	(41,971)	837,099	26,270,893	28,648,786
Profit for the year	-	-	-	-	-	-	-	-	5,895,684	5,895,684
Other comprehensive income for the year:										
Cash flow hedges, net of tax	-	-	-	-	-	-	(460,770)	-	-	(460,770)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(195,373)	-	(195,373)
Total comprehensive income	-	-	-	-	-	-	(460,770)	(195,373)	5,895,684	5,239,541
Final 2021 dividend declared (net of dividends received from shares held for the share award scheme)	-	-	-	-	-	-	-	-	(1,505,444)	(1,505,444)
Shares vested under the restricted share award scheme	-	-	203,092	(185,243)	-	-	-	-	(17,849)	-
Purchase of shares under restricted share award scheme	-	-	(253,524)	-	-	-	-	-	-	(253,524)
Transfer of share option reserve upon exercise of share options	-	-	-	(1,950)	-	-	-	-	-	(1,950)
Recognition of equity-settled share-based payments	-	-	-	246,367	-	-	-	-	-	246,367
Special reserve – safety fund appropriation	-	-	-	-	30,093	-	-	-	(37,175)	(7,082)
Disposal of subsidiaries	-	54,291	-	-	-	-	-	-	-	54,291
Purchase of non-controlling interests	-	54,537	-	-	-	-	-	-	-	54,537
Share of other reserves of investments accounted for using the equity method	-	(26,375)	-	-	-	-	-	-	-	(26,375)
Redemption of perpetual securities	-	(182,090)	-	-	-	-	-	-	-	(182,090)
Put option granted to non-controlling shareholders	-	(139,126)	-	-	-	-	-	-	-	(139,126)
At 31 December 2022	233,750	1,327,555	(781,988)	405,341	76,266	121,913	(502,741)	641,726	30,606,109	32,127,931

NOTES TO FINANCIAL STATEMENTS

31 December 2023

53. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note: (continued)

A summary of the Company's reserves is as follows: (continued)

	Equity component of convertible bonds	Capital reserve	Shares held for the share award scheme	Share-based compensation reserve [#]	Special reserve	Reserve fund	Hedging reserve	Exchange fluctuation reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	233,750	1,327,555	(781,988)	405,341	76,266	121,913	(502,741)	641,726	30,606,109	32,127,931
Profit for the year	-	-	-	-	-	-	-	-	6,192,837	6,192,837
Other comprehensive income for the year:										
Cash flow hedges, net of tax	-	-	-	-	-	-	216,575	-	-	216,575
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(80,561)	-	(80,561)
Total comprehensive income	-	-	-	-	-	-	216,575	(80,561)	6,192,837	6,328,851
Final 2022 dividend declared (net of dividends received from shares held for the share award scheme)	-	-	-	-	-	-	-	-	(1,871,222)	(1,871,222)
Special dividend	-	-	-	-	-	-	-	-	(664,850)	(664,850)
Shares vested under the restricted share award scheme	-	-	252,994	(204,575)	-	-	-	-	(48,419)	-
Purchase of shares under restricted share award scheme	-	-	(47,514)	-	-	-	-	-	-	(47,514)
Transfer of share option reserve upon exercise of share options	-	-	-	(2,808)	-	-	-	-	-	(2,808)
Recognition of equity-settled share-based payments	-	-	-	233,148	-	-	-	-	-	233,148
Special reserve – safety fund appropriation	-	-	-	-	15,494	-	-	-	(21,603)	(6,109)
Capital injection by non-controlling shareholders	-	284,981	-	-	-	-	-	-	-	284,981
Disposal of subsidiaries	-	(10,277)	-	-	-	-	-	-	-	(10,277)
Purchase of non-controlling interests	-	35,120	-	-	-	-	-	-	-	35,120
Redemption of perpetual securities	-	(10,647)	-	-	-	-	-	-	-	(10,647)
Redemption of convertible bonds	(5,318)	(1,213)	-	-	-	-	-	-	-	(6,531)
Re-purchase of shares	-	-	-	-	-	-	-	-	(12,920)	(12,920)
Termination of put option granted to non-controlling shareholders	-	587,189	-	-	-	-	-	-	-	587,189
At 31 December 2023	228,432	2,212,708	(576,508)	431,106	91,760	121,913	(286,166)	561,165	34,179,932	36,964,342

The reserve of the Company represents the recognition of the equity-settled share-based payments of the Share Options which are yet to be exercised and the Restricted Shares which are yet to be vested. The amount will be transferred to share capital or shares held for the share award scheme when the related Share Options are exercised or Restricted Shares are vested.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

53. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

The Company elects to account for the investments in subsidiaries using the equity method in its separate financial statements, sharing of net profits of the investments in subsidiaries amounted to RMB7,351,025,000 (2022: RMB7,606,913,000), details are disclosed in Note 2.4 Material Accounting Policies.

54. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 13 March 2024.



遠東宏信有限公司
FAR EAST HORIZON LIMITED

Add: Unit 6608, 66/F, International Commerce Centre,
1 Austin Road West, Kowloon, Hong Kong
Tel: 852-2588 8688 Fax: 852-2511 8660