遠東宏信有限公司
FAR EAST HORIZON LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock Code: 3360)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2018

The board of directors (the "Board") of Far East Horizon Limited (the "Company") hereby announces the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended June 30, 2018, together with the comparative figures for the six months ended June 30, 2017. This announcement, containing the full text of the 2018 Interim Report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcement of interim results.

By Order of the Board
Far East Horizon Limited
NING Gaoning
Chairman

Hong Kong, August 29, 2018

As at the date of this announcement, the executive directors of the Company are Mr. KONG Fanxing and Mr. WANG Mingzhe, the non-executive directors of the Company are Mr. NING Gaoning (Chairman), Mr. YANG Lin, Mr. KUO Ming-Jian, Mr. LIU Haifeng David and Mr. John LAW, and the independent non-executive directors of the Company are Mr. CAI Cunqiang, Mr. HAN Xiaojing, Mr. LIU Jialin and Mr. YIP Wai Ming.

Corporate Information

Board of Directors

Chairman and Non-Executive Director
Mr. NING Gaoning *(Chairman)*

Executive Director
Mr. KONG Fanxing *(Vice Chairman, Chief Executive Officer)*
Mr. WANG Mingzhe *(Chief Financial Officer)*

Non-Executive Director
Mr. YANG Lin
Dr. CHEN Guogang (Resigned on 20 July 2018)
Mr. KUO Ming-Jian
Mr. LIU Haifeng David
Mr. John LAW

Independent Non-Executive Director
Mr. CAI Cunqiang
Mr. HAN Xiaojing
Mr. LIU Jialin
Mr. YIP Wai Ming

Composition of Committee

Audit and Risk Management Committee
Mr. YIP Wai Ming *(Chairman)*
Mr. HAN Xiaojing
Mr. John LAW

Remuneration and Nomination Committee
Mr. LIU Jialin *(Chairman)*
Mr. HAN Xiaojing
Mr. KUO Ming-Jian

Strategy and Investment Committee
Mr. LIU Haifeng David *(Chairman)*
Mr. KONG Fanxing
Mr. CAI Cunqiang

Company Secretary

Ms. MAK Sze Man

Authorised Representatives

Mr. KONG Fanxing
Ms. MAK Sze Man

Registered Office

Suite 6305, 63/F,
Central Plaza,
18 Harbour Road,
Wanchai, Hong Kong

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

Suite 6305, 63/F,
Central Plaza,
18 Harbour Road,
Wanchai, Hong Kong

Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

Principal Bankers

China Development Bank
Bank of China

Auditors

Ernst & Young

Legal Adviser

Baker & McKenzie

Company's Website

www.fehorizon.com

Stock Code

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited
Stock Code: 3360

Company Profile

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

Over the past two decades, the Group has evolved from a single financial service company into an integrated service provider with a global vision centered on China so as to facilitate national economic and sustainable social development. With the creative integration of industrial services and financial capital and with unique advantages in the organization of resources and value added services, we provide integrated finance, investment, trade, advisory and engineering services in healthcare, education, infrastructure construction, industrial machinery, public consuming, transportation and logistics, urban public utility as well as other fundamental sectors. The Group, headquartered in Hong Kong, has business operations centers in Shanghai and Tianjin, and has offices in major cities throughout China such as Beijing, Shenyang, Ji'nan, Zhengzhou, Wuhan, Chengdu, Chongqing, Changsha, Shenzhen, Xi'an, Harbin, Xiamen, Kunming, Hefei, Nanning and Urumqi, forming a client service network that covers the national market. The Group has been successfully operating its multiple specialized business platforms in China and abroad in financial services, industrial investment, hospital investment and operations, equipment operation services, high-end education, trade brokerage, management consulting, engineering services, etc.

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

Business Overview

	For the six months ended 30 June		For the year ended 31 December		
	2018	2017	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
OPERATING RESULTS					
TOTAL REVENUE	**12,766,739**	8,972,211	18,782,314	13,928,369	11,795,983
Financial services (interest income)	**7,761,121**	4,816,021	10,972,384	8,139,285	6,849,330
Advisory services (fee income)	**3,066,716**	2,872,184	4,661,303	3,820,487	3,850,659
Revenue from industrial operation	**2,027,866**	1,335,449	3,254,433	2,113,804	1,206,807
Tax and surcharges	**(88,964)**	(51,443)	(105,806)	(145,207)	(110,813)
Cost of sales	**(5,277,926)**	(3,508,756)	(8,106,962)	(5,735,538)	(4,771,610)
Borrowing costs	**(3,875,644)**	(2,530,199)	(5,801,693)	(4,131,599)	(3,963,282)
Costs for industrial operation	**(1,402,282)**	(978,557)	(2,305,269)	(1,603,939)	(808,328)
Pre-provision operating profit[1]	**4,928,236**	3,297,269	6,739,557	5,333,732	4,426,148
Profit before tax	**3,215,656**	2,303,904	4,787,188	4,072,470	3,579,725
Profit for the year attributable to holders of ordinary shares of the Company	**2,009,712**	1,619,032	3,229,057	2,882,208	2,503,109
Basic earnings per share (RMB)	**0.52**	0.42	0.84	0.74	0.70
Diluted earnings per share (RMB)	**0.52**	0.42	0.84	0.74	0.70
PROFITABILITY INDICATORS					
Return on average assets[2]	**1.81%**	1.78%	1.73%	1.92%	2.06%
Return on average equity[3]	**15.65%**	13.93%	13.37%	13.00%	13.35%
Net interest margin[4]	**3.65%**	2.96%	3.09%	3.04%	2.62%
Net interest spread[5]	**2.49%**	1.94%	1.96%	1.79%	1.22%
Cost to income ratio[6]	**37.21%**	37.41%	36.64%	35.07%	36.04%

Business Overview

	30 June 2018 RMB'000 (Unaudited)	30 June 2017 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)	31 December 2016 RMB'000 (Audited)	31 December 2015 RMB'000 (Audited)
ASSETS AND LIABILITIES					
Total assets	**272,299,943**	196,985,860	227,454,273	166,560,921	139,312,889
Net interest-earning assets	**232,277,403**	168,795,841	193,977,583	139,798,341	121,970,478
Total liabilities	**234,922,165**	170,564,624	191,046,481	141,714,820	116,351,469
Interest-bearing bank and other borrowings	**182,004,246**	130,499,810	144,899,680	106,937,588	83,428,801
Gearing Ratio	**86.27%**	86.59%	83.99%	85.08%	83.52%
Total equity	**37,377,778**	26,421,236	36,407,792	24,846,101	22,961,420
Equity attributable to holders of ordinary shares of the Company	**26,014,565**	23,514,984	25,340,869	22,959,230	21,391,037
Net assets per share (RMB)	**6.58**	5.95	6.41	5.81	5.41
DURATION MATCHING OF ASSETS AND LIABILITIES					
Financial assets	**248,439,229**	180,058,843	208,240,849	152,479,868	128,291,002
Financial liabilities	**223,787,093**	164,260,138	183,911,170	136,157,626	112,966,022
QUALITY OF INTEREST-EARNING ASSETS					
Non-performing asset ratio[7]	**0.96%**	0.95%	0.91%	0.99%	0.97%
Provision coverage ratio[8]	**237.68%**	216.48%	219.71%	212.13%	201.24%
Write-off of non-performing assets ratio[9]	**9.89%**	5.21%	5.21%	29.82%	27.39%
Overdue interest-earning assets (over 30 days) ratio[10]	**0.80%**	0.84%	0.72%	0.98%	1.08%

Business Overview

Notes:

(1) Pre-Provision Operating Profit = Profit before tax + Provision for assets;

(2) Return on average assets = profit for the year or the period/average balance of assets at the beginning and end of the period, presented on an annualized basis;

(3) Return on average equity = profit for the year or the period attributable to holders of ordinary shares of the Company/average balance of equity attributable to holders of ordinary shares of the Company at the beginning and end of the period, presented on an annualized basis;

(4) Net interest margin = net interest income/average balance of interest-earning assets, presented on an annualized basis;

(5) Net interest spread = average yield of interest-earning assets – average cost rate of interest-bearing liabilities, presented on an annualized basis;

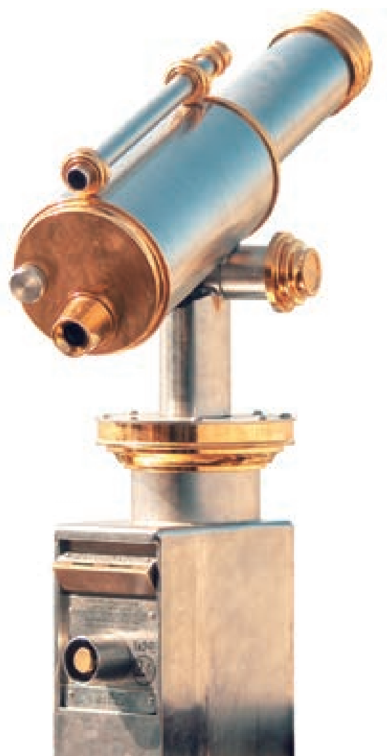
(6) Cost to income ratio = selling and administrative expense/gross profit;

(7) Non-performing asset ratio = net non-performing assets/net interest-earning assets;

(8) Provision coverage ratio = provision for interest-earning assets/net non-performing assets;

(9) Write-off of non-performing assets ratio = interest-earning bad debt written-off/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.



Management Discussion and Analysis

1. Economic Environment

1.1 Macro-economy Environment

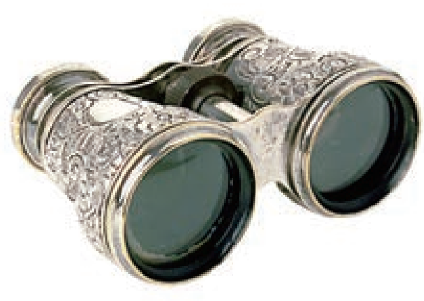
In the first half of 2018, The recovery of global economy was weak in general. In particular, the economic operation of developed economies had been divided. In addition to the relative strong economic growth in the United States, the economic recovery of the Eurozone, the United Kingdom, and Japan was slowed down; the economy of emerging market was generally sluggish. During the half year, the overall Chinese macro-economy remained stable, with gross domestic product (GDP) growing year on year by 6.8%. By quarters, the first quarter recorded a year-on-year increase of 6.8%, with a year-on-year rise of 6.7% in the second quarter, and has remained at 6.7% to 6.9% for 12 consecutive quarters. Looking at the top three demands, the slowdown of growth in fixed asset investment during the first half of the year was due to the slowdown of growth in infrastructure investment, which recorded a year-on-year increase of 6.0%. However, private investments have shown continuous improvement with a year-on-year increase of 8,4%, representing an increase of 1.2 percentage points as compared to the corresponding period of last year. Imports and exports for the previous year have shown significant increase, as the total imports and exports have recorded a year-on-year increase of 15.9%. Yet, with the increasing uncertainty surrounding the international environment, challenges arise for the future of China's imports and exports. The total national retail sales of social consumer goods increased by 9.4% year on year, and has remained generally stable.

For the financial environment, with the existing "stable and neutral" monetary policy and strict regulatory policy of 2017, the growth of overall money supply during the first half of the year continued to decline, with a balance of M2 of RMB177.0 trillion, increasing by 8.0%, which was a historical low. The aggregate financing to the real economy continued to decline, with an increase of RMB9.7 trillion to the aggregate financing to the real economy, represented a decrease by RMB1.7 trillion as compared to the corresponding period of last year. As enterprises are faced with high barriers and high cost to financing, the number of credit bond default have increased significantly.

1.2 Industry Environment

With the transformation and upgrading of the Chinese economy, the industrial restructuring was further deepened. Under the supply-side structural reform, the industry is speeding up its upgrade and transformation. During the first half of the year, the national above-scale industrial added value recorded a year-on-year growth of 6.7% and has remained generally stable, among which, new energy vehicles developed rapidly, and the high-tech industry, equipment industry and strategic emerging industry recorded a year-on-year growth of 11.6%, 9.2% and 8.7% respectively. The service industry continues to solidify its importance in economic growth. During the first half of the year, the growth rate for the production value of the tertiary sector was 7.6%, which was 1.5 percentage points higher than that of the secondary sector. The contribution rate to economic growth was 60.5%.

In respect of various industry sectors served by Far East, the good momentum in the industry environment continued. Modern industries including healthcare and education and livelihood consumer are well positioned to capitalize on new opportunities and maintained an upward development amid the aging population, the "Two-child Policy" and consumption upgrade. With the accelerating urbanization process, the urban supporting infrastructure upgrades and the rapidly growing demand for living services, the urban infrastructure construction, urban municipal services and urban operating sectors have plenty of room for market development. Under the national strategy of speeding up and constructing a manufacturing power, new technologies such as high-end manufacturing and new energy vehicles will be able to seize the opportunities for long-term development.



Management Discussion and Analysis

1.3 The Leasing Industry

During the first half of 2018, the financial leasing industry maintained a good stable development trend. According to the statistics of China Leasing Union, as of the end of June 2018, the total financial leasing companies in China (excluding single-project companies, branches, SPV companies and acquired overseas companies) amounted to approximately 10,611, surpassing the ten-thousand mark. The total capital of the industry exceeded RMB3.3 trillion and the balance of financial leasing contracts amounted to approximately RMB6.4 trillion.

Meanwhile, the leasing industry has bid farewell to its multi-regulations phase. The Ministry of Commerce has assigned the China Banking and Insurance Regulatory Commission to formulate the plans for operation and regulatory responsibilities for financial leasing on 20 April 2018. The future industry regulation will be further intensified. It will promote the long-term, healthy and orderly development of the finance leasing industry.

1.4 Company's Solutions

In response to the new economic situation in China, the Group always adheres to the philosophy of rigorousness and pragmatism, and the concept of the nature, makes the best use of the circumstances, takes the initiative to adjust the strategy, closely focuses on the real economy, keeps focusing on the safety of service, secured basic industries and take the development path of "finance + industry".

In terms of specific strategies, on the one hand, we further expand our presence vertically to adapt to the external environment, in particular the changing industrial pattern. The Company redeploys its business formation to two major directions, namely "serving the industrial upgrading" and "serving the city upgrading", so as to get closer to the market and to customers, and provide professional services. One the other hand, we further expand our presence horizontally according to the diversified service needs of the customers to explore new business models beyond the scope of finance leasing and diversify our operating measures; through differentiated and integrated product mix, we enhance the comprehensive market competitiveness and deepen the benefits of financial business.

Management Discussion and Analysis

In respect of industrial operations, relying on the Company's many years of its accumulation in the industry, we accelerate the advancement of three major industries, namely health care, construction and education, which preliminarily forms a good momentum of synergistic development between finance and industry.

In the first half of 2018, the Group continued to speed up its investment in quality hospitals nationwide with an aggregate investment in or construction of 43 hospitals and over 16,000 hospital beds, ranking the first in China. It has preliminarily formed a national hospital operation network in regions including East China, Southern China, Northern China, Southwest and Northeast China. Meanwhile, by implementing the innovation of the medical model, it formed a model concept that was leading in the industry.

As for the construction of operational leasing, our scale of assets ranked the first in the domestic industry and top 100 in the world. We maintain our leading position in the operation scale of sub-sectors of high-altitude vehicles, turnover materials and pavement equipment. After years of development, we have preliminarily developed an integrated marketing network of "online + offline" across the country.

By adhering to the principle of "people oriented fusion of Chinese and western education and training elites", we integrated the resources of domestic and overseas education industry chains and continued to promote K12 high-end layout. In terms of preschool education, we signed 10 quality kindergartens in six core cities in China, namely Shanghai, Xiamen, Hangzhou, Wuhan, Chongqing, Chengdu, etc. In terms of international school, the operation and management standards of our schools in Chengdu, Qingdao and the UK have been improved. In addition, we opened Hong Wen School with the nine-year integrated curriculum and intend to establish Guangzhou Kangda Vocational Technical College, which bring breakthroughs to the field of compulsory education and vocational education and links up the entire value chain covering kindergarten and tertiary education.

In terms of financing management, under the situation of tight capital and increasing cost in the first half of the year, the Group anticipated early and responded quickly, to secure the necessary capital resources for operation of the Company by investing in domestic and overseas markets, expanding financing channels and diversified financing measures.

Management Discussion and Analysis

2. Analysis of Profit and Loss

2.1 Analysis of Profit and Loss (Overview)

In the first half of 2018, the Group relied on China's real economy and continued to implement its operational philosophy of "integrating finance and industry", which led to an overall healthy and steady growth in its results. The Group realized a profit before tax of RMB3,215,656,000, representing a growth of 39.57% as compared to the corresponding period of the previous year. The profit attributable to holders of ordinary shares of the Company during the period was RMB2,009,712,000, representing a growth of 24.13% as compared to the corresponding period of the previous year. The following table sets forth the comparative figures for the six months ended 30 June 2017.

	For the six months ended 30 June		
	2018	2017	
	RMB'000	RMB'000	Change %
	(Unaudited)	(Unaudited)	
Revenue	**12,766,739**	8,972,211	42.29%
Cost of sales	**(5,277,926)**	(3,508,756)	50.42%
Gross profit	**7,488,813**	5,463,455	37.07%
Other income and gains	**399,740**	200,806	99.07%
Selling and administrative expenses	**(2,786,470)**	(2,043,913)	36.33%
Other expenses	**(93,773)**	(218,488)	-57.08%
Finance costs	**(152,231)**	(92,292)	64.94%
Gains and loss on investment in Joint Ventures/ associates	**72,157**	(12,299)	-686.69%
Pre-Provision Profit	**4,928,236**	3,297,269	49.46%
Provision for assets	**(1,712,580)**	(993,365)	72.40%
Profit before tax	**3,215,656**	2,303,904	39.57%
Income tax expense	**(955,532)**	(684,358)	39.62%
Profit for the year	**2,260,124**	1,619,546	39.55%
Attributable to:			
Holders of ordinary shares of the Company	**2,009,712**	1,619,032	24.13%
Holders of perpetual securities	**253,239**	39,856	535.38%
Non-controlling interests	**(2,827)**	(39,342)	-92.81%

Management Discussion and Analysis

2.2 Revenue

In the first half of 2018, the Group realized revenue of RMB12,766,739,000, representing a growth of 42.29% from RMB8,972,211,000 as compared to the corresponding period of the previous year. It also recorded steady growth of income in financial and advisory segment and industrial operation segment. In the first half of 2018, income (before taxes and surcharges) of the financial and advisory segment was RMB10,827,837,000, accounting for 84.23% of the total income (before taxes and surcharges), and representing a growth of 40.84% as compared to the corresponding period of the previous year. Income derived from advisory services grew by 6.77% mainly due to the upward shift in customer qualifications. These customers have strong operational management capabilities, and the Company continued to optimize and adjust consulting service products to meet the client need. The Group also accelerated its pace in developing integrated industrial operation business with income derived from industrial operations grew by 51.85% as compared to the corresponding period of the previous year.

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

	For the six months ended 30 June				
	2018		2017		
	RMB'000 (Unaudited)	% of total	RMB'000 (Unaudited)	% of total	Change %
Financial and advisory segment	10,827,837	84.23%	7,688,205	85.20%	40.84%
Financial services (interest income)	7,761,121	60.37%	4,816,021	53.37%	61.15%
Advisory services (fee income)	3,066,716	23.86%	2,872,184	31.83%	6.77%
Industrial operation segment	2,027,866	15.77%	1,335,449	14.80%	51.85%
Total	12,855,703	100.00%	9,023,654	100.00%	42.47%
Taxes and surcharges	(88,964)		(51,443)		72.94%
Income (after taxes and surcharges)	12,766,739		8,972,211		42.29%

The Group also categorized income by industry, in order to adapt to the external environment, especially for the continuously changing industry, the Group has re-divided the industry layout, covering 9 industries: healthcare, education, infrastructure construction, industrial machinery (mainly includes segment sectors of the automobile industry, machinery industry, material industry, etc.), packaging (mainly includes segment sectors of the modern agriculture, food and beverage, consuming packaging, green ecology, etc.), transportation (mainly includes segment sectors of transportation facilities operation, transportation services, transportation extension service, etc.), electronic information (mainly includes segment sectors of the information media and electronics manufacturing, etc.), urban public utility (mainly includes segment sectors of the urban transportation, urban environmental protection and urban energy, etc.), and comprehensive development (mainly includes segment sectors of the textile, light industry, chemical industry, etc.).

Management Discussion and Analysis

After re-division, the current business is mainly concentrated in seven major industries: healthcare, education, infrastructure construction, industry and machinery (originally the industrial machinery, now mainly includes segment sectors of the automobile, machinery, material industry, etc.), public consuming (originally the electronic information, now mainly includes segment sectors of the electronic information manufacturing, culture, media, sports and entertainment, packaging, food, textile and light industry, information transportation and services, commercial and retail industries, etc.), transportation and logistics (originally the transportation, now mainly includes segment sectors of the transportation infrastructure, transportation services, transportation extension services, materials and trading, farming, forestry, animal husbandry and fishery, green ecology, etc.), urban public utility (now mainly includes segment sectors of urban infrastructure construction, urban municipal services, urban operation services, etc.). In the first half of 2018, with the promulgation of national macro-control policies and the further promotion of the industrial operation of the Group, all industries have recorded steady growth, with overall income of healthcare, education and construction industries increased by 38.35%, 28.66% and 26.95%, respectively as compared to the corresponding period of last year. With the expansion of the industries covered, income of urban public utility increased by 98.43% as compared to the corresponding period of last year.

The table below sets forth the composition and the change of the Group's income (before taxes and surcharges) by industry in the indicated periods.

	For the six months ended 30 June				
	2018		2017		
	RMB'000 (Unaudited)	% of total	RMB'000 (Unaudited)	% of total	Change %
Healthcare	3,350,747	26.06%	2,421,881	26.84%	38.35%
Education	1,816,408	14.13%	1,411,748	15.64%	28.66%
Infrastructure construction	1,991,260	15.49%	1,568,498	17.38%	26.95%
Industrial machinery	832,711	6.48%	657,472	7.29%	26.65%
Public consuming	796,661	6.20%	728,178	8.07%	9.40%
Transportation and logistics	925,536	7.20%	651,937	7.22%	41.97%
Urban public utility	3,140,299	24.43%	1,582,571	17.54%	98.43%
Others	2,081	0.01%	1,369	0.02%	52.01%
Total	12,855,703	100.00%	9,023,654	100.00%	42.47%

Note: It has been restated according to the re-division to the industries and has adjusted the comparative figures of the corresponding period of the last year.

2.2.1 Financial Services (Interest Income)

The interest income (before taxes and surcharges) from the financial and advisory segment of the Group rose by 61.15% from RMB4,816,021,000 for the first half of 2017 to RMB7,761,121,000 for the first half of 2018, accounting for 60.37% 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 by industry during the indicated periods.

	For the six months ended 30 June					
	2018			2017		
	Average balance of interest-earning assets(1)	Interest income(2)	Average yield(3)	Average balance of interest-earning assets(1)	Interest income(2)	Average yield(3)
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
Healthcare	41,023,019	1,699,893	8.29%	35,553,046	1,254,797	7.06%
Education	35,441,884	1,312,309	7.41%	27,807,986	928,173	6.68%
Infrastructure construction	26,277,579	873,906	6.65%	21,165,466	649,960	6.14%
Industrial machinery	20,806,356	619,958	5.96%	17,089,182	441,056	5.16%
Public consuming	19,246,539	638,895	6.64%	18,854,998	581,211	6.17%
Transportation and logistics	20,284,763	681,205	6.72%	15,152,363	426,355	5.63%
Urban public utility	50,047,353	1,934,955	7.73%	18,674,050	534,469	5.72%
Total	213,127,493	7,761,121	7.28%	154,297,091	4,816,021	6.24%

Notes:

(1) Calculated based on the average balance of interest-earning assets at the beginning and end of the indicated periods.

(2) Interest income of each industry 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, on annualized basis.

(4) Interest-earning assets include net financial leasing receivable, entrusted loans, mortgage loans, long-term receivables, factoring receivables and respective interest accrued but not received.

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 38.13% from RMB154,297,091,000 for the first half of 2017 to RMB213,127,493,000 for the first half of 2018. Besides the continuous progress in the three major segments, namely healthcare, education and infrastructure construction, there were substantial growth in urban public utility for the period, representing an increase of 168.00% as compared to the corresponding period of last year. The increase in the average balance of interest-earning assets reflected the business expansion of the Group and its in-depth exploration into each of the industries, as well as the benefits from the Group's greater efforts in marketing and promotion.

Analysis according to average yield

In the first half of 2018, the average yield of the Group was 7.28%, representing 1.04 percentage point higher than 6.24% in the corresponding period of last year, which was mainly due to the fact that (i) in the first half of 2017, the Group actively adjusted its pricing strategy according to the change in market environment; (ii) in the balance of interest-earning assets in the first half of 2018, approximately 60% of the interest-earning assets were added from the second half of 2017 to the first half of the year, of which approximately 35% for the first half of 2018 and approximately 25% for the second half of 2017, and the pulling effect of the pricing of the additional interest-earning assets on average yield is further reflected in this year; (iii) the Group disposed some low-yield projects through asset-backed securities and other businesses in the second half of 2017 and the first half of 2018; (iv) the Group re-divided the industry layout this year, through in-depth exploration to the industry and integrating the trend of the industrial environment, the Group further explored the business needs of customers in the healthcare, transportation and logistics and urban utilities industries, the average yield of these industries in the first half of the year increased by 1.23%, 1.09% and 2.01% respectively over the same period of last year. At the same time, the Group continuously upheld the business opportunities of high-end customers to maintain the stability of overall asset quality, according to the statistics, customers who contributed revenue of more than RMB100 million accounted for 86.2% of the newly contracted customers in the first half of 2018, up by 15.6 percentage points from 70.6% in the first half of 2017.

The table below sets forth the breakdown of interest income (before tax and surcharge) by region in the indicated periods:

	For the six months ended 30 June			
	2018		2017	
	RMB'000 (Unaudited)	**% of total**	RMB'000 (Unaudited)	% of total
Northeast China	**911,242**	**11.74%**	490,824	10.19%
Northern China	**820,598**	**10.57%**	667,727	13.86%
Eastern China	**1,633,234**	**21.05%**	1,273,037	26.44%
Southern China	**534,439**	**6.89%**	429,981	8.93%
Central China	**1,386,274**	**17.86%**	657,506	13.65%
Northwest China	**557,348**	**7.18%**	337,992	7.02%
Southwest China	**1,917,986**	**24.71%**	958,954	19.91%
Total	**7,761,121**	**100.00%**	4,816,021	100.00%

Management Discussion and Analysis

2.2.2 Advisory Services (Fee Income)

In the first half of 2018, fee income (before taxes and surcharges) from financial and advisory segment grew by 6.77% from RMB2,872,184,000 for the first half of 2017 to RMB3,066,716,000 for the first half of 2018, accounting for 23.86% of the total revenue (before taxes and surcharges) of the Group.

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

	For the six months ended 30 June				
	2018		2017		
	RMB'000 (Unaudited)	% of total	RMB'000 (Unaudited)	% of total	Change %
Healthcare	529,196	17.26%	504,391	17.56%	4.92%
Education	419,316	13.67%	412,276	14.36%	1.71%
Infrastructure construction	383,760	12.52%	381,074	13.27%	0.70%
Industrial machinery	212,753	6.94%	216,416	7.53%	-1.69%
Public consuming	156,732	5.11%	146,864	5.11%	6.72%
Transportation and logistics	159,615	5.20%	163,061	5.68%	-2.11%
Urban public utility	1,205,344	39.30%	1,048,102	36.49%	15.00%
Total	3,066,716	100.00%	2,872,184	100.00%	6.77%

Healthcare, education, infrastructure construction and urban public utility accounted for the greatest contribution to the aggregate growth of the Group's service charge income (before taxes and surcharges). The Group continued to strengthen the access to business opportunities with more quality customers. High-end customers' requirements for the content of advisory services and means of services experienced certain changes, meanwhile, the complexity of some advisory services was increasing, resulting in a stable overall service fee income in the healthcare, education and construction industries; at the same time, the Group actively adapted to the changes in the macro environment and actively organized professional teams to carry out professional services, resulting in a substantial increase in the service fees of the Group's urban public utility business. The Group will gradually enhance its service capabilities, enrich the scope and means of service based on the changes of customers' requirements, and strive to maintain steady and healthy growth of service income of the business.

Management Discussion and Analysis

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

	For the six months ended 30 June			
	2018		2017	
	RMB'000 (Unaudited)	% of total	RMB'000 (Unaudited)	% of total
Northeast China	324,519	10.58%	323,720	11.27%
Northern China	358,616	11.70%	510,589	17.78%
Eastern China	743,960	24.26%	541,657	18.86%
Southern China	160,112	5.22%	212,033	7.38%
Central China	416,544	13.58%	471,572	16.42%
Northwest China	184,207	6.01%	205,880	7.17%
Southwest China	878,758	28.65%	606,733	21.12%
Total	3,066,716	100.00%	2,872,184	100.00%

2.2.3 Revenue from Industrial Operation Segment

Revenue from industrial operation segment of the Group, before taxes and surcharges, increased by 51.85% from RMB1,335,449,000 for the first half of 2017 to RMB2,027,866,000 for the first half of 2018, accounting for 15.77% of the total revenue of the Group (before taxes and surcharges).

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

	For the six months ended 30 June				
	2018		2017		
	RMB'000 (Unaudited)	% of total	RMB'000 (Unaudited)	% of total	Change %
Revenue from industrial operation segment	2,027,866	100.00%	1,335,449	100.00%	51.85%
Including:					
Revenue from hospital operation[(1)]	1,004,156	49.52%	590,678	44.23%	70.00%
Revenue from operating lease	614,544	30.30%	443,893	33.24%	38.44%
Revenue from trading	147,124	7.26%	115,786	8.67%	27.07%
Revenue from education institution operation	78,580	3.88%	71,299	5.34%	10.21%

Note:

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

Management Discussion and Analysis

In the first half of 2018, the Group's operating lease business had established a relatively optimized complete preliminary marketing system and the assets scale has joined the front ranks in sub-markets such as engineering equipment and scaffolds. Revenue (before taxes and surcharges) amounted to RMB614,544,000, accounting for 30.30% of the revenue from industrial operation segment for the year and representing an increase of 38.44% as compared to the same period of last year.

The Group committed to the establishment of high-end kindergartens and steadily promoted the layout of high-end K12 education at home and abroad in 2018. At the same time, the Group continued to deepen and improve the curriculum system, operation flow management and corporate culture integration of kindergartens and schools within the Group. As of the first half of 2018, there are 3 newly opened kindergartens and 1 newly built school sites in Shanghai, together with 7 kindergartens and schools that have been operated in the previous years. As of the first half of 2018, the Group the Group operated 10 high-end kindergartens (among which, 3 kindergartens had fulfilled their enrolment quota after optimization of curriculum and operation systems) and 3 schools (among which, 1 had fulfilled its enrolment quota) with nearly 1,314 students, representing an increase of approximately 35.46% as compared to the first half of 2017. Revenue from education institutions amounted to RMB78,580,000 in the first half of 2018, representing an increase of 10.21% as compared to the first half of 2017.

The Group's trade income for the first half of 2018 was RMB147,124,000, representing an increase of 27.07% as compared to the corresponding period of the previous year. Trade income is mainly from the medical, construction-related equipment trade services.

2.3 Cost of sales

Cost of sales of the Group for the first half of 2018 was RMB5,277,926,000, representing an increase of 50.42% from RMB3,508,756,000 in the corresponding period of last year. Among them, the cost of the financial and advisory segment was RMB3,875,644,000, accounting for 73.43% of the total cost and representing an increase of 53.18% from RMB2,530,199,000 in the corresponding period of last year, mainly due to the rapid growth of the financial leasing business of the Group. During the period, the proportion of investment in interest-earning assets through debt financing increased while the additional financing cost in the surrounding financing market rapidly increased. Interest expenditure of the financial and advisory segment recorded a rapid growth due to the increases in financing size and additional financing cost. The cost of the industrial operation segment was RMB1,402,282,000, accounting for 26.57% of the total cost and representing an increase of 43.30% from RMB978,557,000 in the corresponding period of last year. This was mainly due to the fact that the Group's industrial operations in respect of healthcare, education and operating lease were at their preliminary stage and their economies of scale were not sufficient. The rapid business expansion led to the significant growth in cost of sales for industrial operation. The Group will, through group management, gradually enhance operating efficiency of each industrial operation companies, to transform the cost of sales of industrial operation into its revenue in a highly-effective manner.

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

	For the six months ended 30 June				
	2018		2017		
	RMB'000 (Unaudited)	**% of total**	RMB'000 (Unaudited)	% of total	Change %
Cost of the finance and advisory segment	**3,875,644**	**73.43%**	2,530,199	72.11%	53.18%
Cost of the industrial operation segment	**1,402,282**	**26.57%**	978,557	27.89%	43.30%
Cost of sales	**5,277,926**	**100.00%**	3,508,756	100.00%	50.42%

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 of the Group in the indicated period.

	For the six months ended 30 June					
	2018			2017		
	Average balance[(1)] RMB'000 (Unaudited)	Interest expense RMB'000 (Unaudited)	Average cost rate[(2)]	Average balance[(1)] RMB'000 (Unaudited)	Interest expense RMB'000 (Unaudited)	Average cost rate[(2)]
Interest-bearing liabilities	161,876,348	3,875,644	4.79%	117,745,355	2,530,199	4.30%

Notes:

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

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

The cost of sales of financial and advisory segment increased from RMB2,530,199,000 for the first half of 2017 to RMB3,875,644,000 for the first half of 2018. The average cost rate of the Group was 4.79% for the first half of 2018, representing an increase as compared to the first half of 2017. It is mainly due to the fact that:

(i) in the environment of relatively tight market capitalization and rising domestic financing costs in the first half of 2018, the increase of domestic indirect withdrawals resulted in an increase in the average cost rate by 0.19%; (ii) the Group expanded its overseas financing channels and increased the proportion of overseas withdrawals, the average cost rate increased by 0.04% due to the new overseas bank withdrawals; (iii) In the first half of 2018, the issuance of various types of products such as corporate bonds, targeted debt financing instruments and ultra-short financing bonds were completed. However, as the overall bond market yield continued to rise, the average cost rate increased by 0.10%; (iv) in the beginning of 2018, the stock interest-bearing liabilities increased due to the increase in the overall financing costs in the market since 2017, resulting in an increase in the average cost rate by 0.16% from mid-2017.

As the proportion of lower-cost liabilities of the Group in 2016 and before was decreasing gradually over time, the average cost rate for the first half of 2018 has been increased as compared to that in the first half of 2017. With decreasing balance of stock lower-cost liabilities and increasing proportion of the additional liabilities with higher finance cost in the year, the subsequent average cost rate was expected to increase but remained more competitive than the other industry players.

In the second half of 2018, under the guidance of "resources globalization" strategy, the Group will continue to optimize its liability structure and effectively control its finance costs. Our major measures are as follows: (i) deepen the cooperation with the mainstream domestic banks and non-bank institutions; (ii) pay close attention to the international market, strengthen the communication with rating agencies and investors, and extend the cooperation in overseas financial markets; (iii) continue to explore new channels and products, to further optimize and enrich the financing structure.

Management Discussion and Analysis

2.3.2 Cost of the Industrial Operation Segment

The cost of sales of industrial operation segment of the Group is primarily derived from the cost of operating lease, cost of hospital operation and cost of education institution operation etc. The following table sets forth the cost of industrial operating segments of the Group by business type of the period indicated.

	For the six months ended 30 June				
	2018		2017		
	RMB'000	**% of total**	RMB'000	% of total	Change %
	(Unaudited)		(Unaudited)		
Cost of the industrial operation segment	**1,402,282**	**100.00%**	978,557	100.00%	43.30%
Of which:					
Cost of hospital operation[1]	**727,602**	**51.89%**	404,626	41.35%	79.82%
Cost of operating lease	**366,207**	**26.12%**	281,752	28.79%	29.97%
Cost of trading	**140,748**	**10.04%**	109,983	11.24%	27.97%
Cost of education institution operation	**57,198**	**4.08%**	45,953	4.70%	24.47%

Note:

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

Cost of operating lease of the Group increased by 29.97% to RMB366,207,000 in the first half of 2018 from RMB281,752,000 in the first half of 2017 mainly due to the rapid growth of the operating leasing business of the Group, the increase in costs resulting from the opening of more stations and chain operation stores.

In the first half of 2018, having 3 more kindergartens put into operation, in addition, with the approaching completion of preparation of some new kindergartens and schools, the labor costs of Chinese and foreign teachers and the housing leasing and decoration amortization were increased. The operating cost of educational institutions in the first half of 2018 was RMB57,198,000, representing an increase of 24.47% as compared to the first half of 2017.

In the first half of 2018, the Group's cost of trading business was RMB140,748,000, representing an increase of 27.97% as compared to the corresponding period of last year. The cost of trade is mainly for the healthcare, construction-related trade business equipment procurement and related tax costs.

2.4 Gross Profit

The gross profit of the Group for the first half of 2018 increased by RMB2,025,358,000 or 37.07% to RMB7,488,813,000 from RMB5,463,455,000 in the corresponding period of last year. For the first half of 2018 and 2017, the gross profit margin of the Group was 58.66% and 60.89%, respectively.

Management Discussion and Analysis

2.4.1 Gross Profit of the Financial and Advisory Segment

The gross profit margin of the financial and advisory segment of the Group for the first half of 2018 was 64.21%, down from 67.09% in the same period of last year. The gross profit margin of the financial and advisory segment was affected by the change of net interest income and net interest margin. The following table sets forth the interest income, interest expense, net interest income, net interest spread and net interest margin for the periods indicated.

	For the six months ended 30 June		
	2018	2017	
	RMB'000	RMB'000	Change %
	(Unaudited)	(Unaudited)	
Interest income[1]	**7,761,121**	4,816,021	61.15%
Interest expense[2]	**3,875,644**	2,530,199	53.18%
Net Interest income	**3,885,477**	2,285,822	69.98%
Net interest spread[3]	**2.49%**	1.94%	0.55%
Net interest margin[4]	**3.65%**	2.96%	0.69%

Notes:

(1) Interest income is the interest income of the financial services of the Group.

(2) Interest expense is the borrowing cost of the financial and advisory segment of the Group.

(3) Calculated as the difference between the average yield and the average cost. The average yield is calculated by dividing interest income by the average total balance of interest-earning assets, on annualized basis. The average cost rate is calculated by dividing interest expense by the average total balance of the interest-bearing liabilities, on annualized basis.

(4) Calculated by dividing net interest income by the average total balance of interest-earning assets, on annualized basis.

Net interest spread of the Group for the first half of 2018 increased by 0.55 percentage point to 2.49% as compared to 1.94% for the corresponding period of last year. The increase in net interest spread was primarily due to the increase of 104 basis points in the average yield on interest-earning assets of the Group and the increase of 49 basis points in respect of the average cost on interest-bearing liabilities 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. The net interest income of the Group increased by 69.98% to RMB3,885,477,000 for the first half of 2018 from RMB2,285,822,000 for the first half of 2017. The average balance of interest-earning assets of the Group increased by 38.13% year-on-year. Based on the above-mentioned reasons, the net interest margin of the Group increased by 0.69 percentage point to 3.65% as compared to 2.96% for the corresponding period of last year.

Management Discussion and Analysis

2.4.2 Gross Profit of the Industrial Operation Segment

	For the six months ended 30 June				
	2018		2017		
	RMB'000	**Gross profit margin %**	RMB'000	Gross profit margin %	Change %
	(Unaudited)		(Unaudited)		
Gross profit of the industrial operation segment	**625,584**	**100.00%**	356,892	100.00%	75.29%
Of which:					
Gross profit of hospital operation[1]	**276,554**	**44.21%**	186,052	52.13%	48.64%
Gross profit of operating leasing	**248,337**	**39.70%**	162,141	45.43%	53.16%
Gross profit of trading	**6,376**	**1.02%**	5,803	1.63%	9.87%
Gross profit of education institution operation	**21,382**	**3.42%**	25,346	7.10%	-15.64%

Note:

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

The gross profit of the industrial operation segment increased by 75.29% to RMB625,584,000 for the first half of 2018 from RMB356,892,000 for the first half of 2017. Among which, the gross profit of the hospital operation and the operating leasing business were RMB276,554,000 and RMB248,337,000 respectively, accounting for 44.21% and 39.70% of the total gross profit of the industrial operation segment.

The gross profit of operating lease increased by 53.16% from RMB162,141,000 for the first half of 2017 to RMB248,337,000 for the first half of 2018, mainly due to the fact that while increasing the size of operating lease equipment, the Group enhanced reasonable allocation of equipment according to the customer needs in the industry to raise the leasing efficiency of equipment. The gross profit margin for the first half of 2018 was 40.41%, which was higher than the gross profit margin of 36.53% in the first half of 2017.

In the first half of 2018, the gross profit of the education institutions operation was RMB21,382,000, with gross profit margin of 27.21% (the first half of 2017: 35.55%). Currently, besides the three kindergartens and one school have fulfilled their enrolment quota, the remaining seven kindergartens and two schools have not yet fulfilled their enrolment quota. As the significant increase in the number of newly operated kindergartens and schools and the low gross profit margin at the beginning of the operation, the gross profit margin of educational institution operations has declined.

Management Discussion and Analysis

2.5 Other Income and Gains

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

	For the six months ended 30 June		
	2018	2017	
	RMB'000	RMB'000	Change %
	(Unaudited)	(Unaudited)	
Bank interest income	**23,767**	11,302	110.29%
Gains from structured financial products	**8,687**	21,819	-60.19%
Government grants	**9,607**	6,564	46.36%
Income from the holdings of off-balance-sheet assets[1]	**172,015**	112,267	53.22%
Financial equity investment income[2]	**151,020**	26,118	478.22%
Fair value gains from derivative instruments	**19,025**	–	N/A
Gains from the transfer of financial assets[3]	**8,094**	17,769	-54.45%
Other income	**7,525**	4,967	51.50%
Total	**399,740**	200,806	99.07%

Notes:

(1) For the holding of off-balance-sheet assets of the Group, the income of the year was recognized according to the expected yield of such holding. For the changes in respect of the off-balance-sheet assets of the Group, please refer to the discussion and analysis in paragraph 3.3 of this section.

(2) The Group's financial equity investment income was mainly gains on changes and transfer of fair value of financial assets at fair value through profit or loss. In the first half of 2018, the Group mainly benefited from the transfer of equity income of a listed company in Hong Kong.

(3) The Group's gains from transfer of financial assets are the premium of interest-bearing assets gained from issuing asset-backed securities of the Group.

2.6 Selling and Administrative Expenses

Selling and administrative expenses of the Group in the first half of 2018 was RMB2,786,470,000, representing an increase of RMB742,557,000 or 36.33% from RMB2,043,913,000 in the corresponding period of last year. The change in selling and administrative expenses was mainly due to the cost regarding the remuneration and welfare of staff relating to the administrative expenses increased by RMB598,006,000 or 36.97% from last year, which was due to the effectively control of the costs by the Group in light of the increase in the headcount of fulltime staff. The total headcount of full-time staff of the Group increased from 9,595 in the first half of 2017 to 11,645 in the first half of 2018.

Cost to income ratio of the Group in the first half of 2018 was 37.21%, which was basically stable compared with 37.41% in the same period of last year.

Management Discussion and Analysis

2.7 Other Expenses

Other expenses of the Group in the first half of 2018 amounted to RMB93,773,000, representing a decrease of RMB124,715,000 or 57.08% from the corresponding period of last year. Other expenses comprised foreign exchange loss of RMB70,730,000, representing an increase of RMB37,825,000 compared to RMB32,905,000 in the corresponding period of last year.

2.8 Pre-Provision Operating Profit

Pre-provision operation profit of the Group in the first half of 2018 amounted to RMB4,928,236,000, representing an increase of RMB1,630,967,000 or 49.46% from the corresponding period of last year. The increase of 49.46% in pre-provision operating profit was mainly due to the increase of 42.29% in the Group's revenue, the increase of 50.42% in the cost of sales as compared to the corresponding period of last year, leading to the increase of 37.07% in gross profit of the Group during the period as well as the increase of 36.33% in selling and administrative expenses. For the changes in respect of the revenue, cost of sales, gross profit and selling and administrative expenses, please refer to the discussion and analysis in paragraphs 2.2, 2.3, 2.4 and 2.6 of this section. In view of the above, in face of the changes in the external objective environment, the Group adopted a prudent and stable development strategies. The interest expenditures increased significantly due to the complicated and changing external financing market. At the same time, industrial operation was at the early stage of rapid growth and investment period, hence the growths in costs and selling and administrative expenses were rapid, resulting in the decrease in the growth in pre-provision operating profit as compared to the growth in revenue. It is expected that with gradual stabilization of the external market environment in future and the gradual increase in industrial operating business scale and internal operating efficiency, the pre-provision operating profit of the Group will show a stable and growing trend.

2.9 Provision for Assets

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

	For the six months ended 30 June				
	2018		2017		
	RMB'000 (Unaudited)	Proportion %	RMB'000 (Unaudited)	Proportion %	Change %
Provision for interest-earning assets	1,592,206	92.97%	758,483	76.35%	109.92%
Provision for accounts receivable(1)	54,810	3.20%	53,561	5.39%	2.33%
Provision for other receivables(1)	2,753	0.16%	24,895	2.51%	-88.94%
Provision for inventories	612	0.04%	8,023	0.81%	-92.37%
Provision for the holdings of off-balance-sheet assets(2)	9,940	0.58%	–	–	N/A
Provision for fixed assets(3)	52,259	3.05%	148,403	14.94%	-64.79%
Total	1,712,580	100.00%	993,365	100.00%	72.40%

Notes:

(1) Provisions for accounts receivable and other receivables are mainly the expected credit loss of the relevant receivables made by the Group;

(2) Provision for the holdings of off-balance-sheet assets are mainly the expected credit loss of the holdings of off-balance-sheet assets made by the Group;

(3) Provision for fixed assets are mainly the impairment provisions made by the Group for the vessel assets it owns.

Management Discussion and Analysis

2.10 Income Tax Expense

Income tax expense of the Group in the first half of 2018 was RMB955,532,000, which increased by RMB271,174,000 or 39.62% from the corresponding period of last year. The increase was primarily due to an increase in the operating profit of the Group during the relevant period.

Effective income tax rate of the Group in the first half of 2018 was 29.7%, which remained stable as compared to the corresponding period of the previous year. The following table sets forth a breakdown of particulars of the income tax rate:

	For the six months ended 30 June		
	2018	2017	
	(Unaudited)	(Unaudited)	Change%
Domestic statutory tax rate	**25.0%**	25.0%	–
Cross-border business withholding income tax	**1.3%**	1.2%	0.1%
Others	**3.4%**	3.5%	-0.1%
Total	**29.7%**	29.7%	–

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

Based on the above discussion and analysis, profit for the period attributable to holders of ordinary shares of the Company was RMB2,009,712,000, which increased by RMB390,680,000 or 24.13% from the corresponding period of last year.

2.12 Basic Earnings per Share

Basic earnings per share for the period amounted to RMB0.52, representing an increase of RMB0.10 or 23.81% from the corresponding period of last year. Profit for the period attributable to holders of ordinary shares of the Company for the period increased by 24.13% as compared to the corresponding period of last year.

3. Analysis of Financial Position

3.1 Assets (Overview)

As at 30 June 2018, the total assets of the Group increased by RMB44,845,670,000 or 19.72% from the end of last year to RMB272,299,943,000. Loans and accounts receivable increased by RMB37,102,153,000 or 19.37% from the end of last year to RMB228,694,511,000.

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

	30 June 2018		31 December 2017		
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	Change %
Loans and accounts receivable	228,694,511	83.99%	191,592,358	84.23%	19.37%
Cash and cash equivalents	7,004,363	2.57%	2,815,544	1.24%	148.77%
Restricted deposits	5,443,241	2.00%	4,584,670	2.02%	18.73%
Holding of asset-backed securities/ notes	3,352,587	1.23%	2,492,078	1.10%	34.53%
Assets with continuing involvement	3,320,254	1.22%	2,492,078	1.10%	33.23%
Prepayment and other accounts receivable	2,128,526	0.78%	4,327,336	1.90%	-50.81%
Deferred tax assets	3,719,694	1.37%	3,169,406	1.39%	17.36%
Property, plant and equipment	8,384,890	3.08%	6,968,921	3.06%	20.32%
Prepaid land lease payments	1,318,113	0.48%	1,267,742	0.56%	3.97%
Investment in joint ventures/ associates	3,815,953	1.40%	2,274,982	1.00%	67.74%
Available-for-sale financial assets	–	–	1,673,442	0.74%	-100.00%
Financial assets at fair value through profit or loss	2,560,576	0.94%	2,010,267	0.88%	27.37%
Derivative financial instruments	553,201	0.20%	123,057	0.05%	349.55%
Inventories	325,013	0.12%	273,430	0.12%	18.87%
Construction contracts	27,911	0.01%	44,170	0.02%	-36.81%
Goodwill	1,606,598	0.59%	1,283,695	0.56%	25.15%
Other assets	44,512	0.02%	61,097	0.03%	-27.15%
Total assets	272,299,943	100.00%	227,454,273	100.00%	19.72%

Note: Due to the application of the new financial standards, the items originally included in available-for-sale financial assets were reclassified to financial assets at fair value through profit or loss from 1 January 2018.

Management Discussion and Analysis

3.2 Loans and Accounts Receivable

The main components of assets of the Group were loans and accounts receivable, accounting for 83.99% of the total assets of the Group as of 30 June 2018. In the first half of 2018, the Group adjusted development strategies for each industry based on dynamic environment and industry situation to develop relevant markets and strengthened its risk control in a prudent manner to, while safeguarding its assets, implement ongoing and stable expansion of the financial business so as to maintain stable growth in both the number of customers served and the number of new contracts entered into by the Group and keep the net interest-earning assets increase steadily.

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

	30 June 2018		31 December 2017		
	RMB'000 (Unaudited)	**% of total**	RMB'000 (Audited)	% of total	Change %
Interest-earning assets	**232,277,403**		193,977,583		19.74%
Less: interest-earning assets provisions	**(5,295,289)**		(3,869,018)		36.86%
Net interest-earning assets[1]	**226,982,114**	**99.25%**	190,108,565	99.23%	19.40%
Others[2]	**1,712,397**	**0.75%**	1,483,793	0.77%	15.41%
Net loans and accounts receivable	**228,694,511**	**100.00%**	191,592,358	100.00%	19.37%

Notes:

(1) Interest-earning assets include receivable finance lease, entrusted loans, mortgage loans, long term receivables and factoring receivables, as well as their respective interest accrued but not received.

(2) Others include notes receivables and accounts receivables.

3.2.1 Interest-earning Assets

Net interest-earning assets of the Group as of 30 June 2018 were RMB232,277,403,000, representing an increase of 19.74% as compared to RMB193,977,583,000 as of 31 December 2017. The increase was due to a steady increase in both the number of customers served and the number of new contracts entered into by the Group, as a result of the continuous and steady expansion of financial business of the Group on a basis of the Group's effective risk control in the first half of 2018.

Management Discussion and Analysis

3.2.2 Net Interest-earning Assets by Industry

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

	30 June 2018		31 December 2017		
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	Change %
Healthcare	44,571,016	19.19%	37,475,022	19.32%	18.94%
Education	37,123,226	15.98%	33,760,542	17.40%	9.96%
Infrastructure construction	25,786,134	11.10%	26,769,023	13.80%	-3.67%
Industrial machinery	20,485,732	8.82%	21,126,980	10.89%	-3.04%
Public consuming	18,722,246	8.06%	19,770,832	10.19%	-5.30%
Transportation and logistics	19,986,476	8.60%	20,583,050	10.61%	-2.90%
Urban public utilities	65,602,573	28.25%	34,492,134	17.79%	90.20%
Total	232,277,403	100.00%	193,977,583	100.00%	19.74%

Note:

(1) Net interest-earning assets for healthcare, education and urban public utilities as of 30 June 2018 grew the most in amount among the target industries of the Group, namely by RMB7,095,994,000, RMB3,362,684,000 and RMB31,110,439,000, respectively over those as at 31 December 2017. The increase was attributable to (i) the business expansion and in-depth exploration in different industries, expanding the customer base of the above-mentioned industries and increasing the introduction of quality customers to the above-mentioned 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 increase in the Group's contribution to market promotion and publicity.

3.2.3 Net Interest-earning Assets by Region

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

	30 June 2018		31 December 2017	
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total
Northeast China	25,048,815	10.78%	21,979,917	11.33%
Northern China	26,976,813	11.61%	24,171,324	12.46%
Eastern China	54,512,153	23.47%	43,517,438	22.43%
Southern China	17,252,518	7.43%	15,708,505	8.10%
Central China	35,095,831	15.11%	29,886,576	15.41%
Northwest China	15,443,221	6.65%	16,018,931	8.26%
Southwest China	57,948,052	24.95%	42,694,892	22.01%
Total	232,277,403	100.00%	193,977,583	100.00%

Management Discussion and Analysis

3.2.4 Aged Analysis of Net Interest-earning Assets

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

	30 June 2018		31 December 2017		
	RMB'000	**% of total**	RMB'000	% of total	Change %
	(Unaudited)		(Audited)		
Net interest-earning assets					
Within 1 year	**140,857,905**	**60.64%**	123,262,822	63.54%	14.27%
1 to 2 years	**54,758,334**	**23.57%**	42,944,385	22.14%	27.51%
2 to 3 years	**27,834,271**	**11.98%**	19,112,438	9.85%	45.63%
3 years and beyond	**8,826,893**	**3.81%**	8,657,938	4.47%	1.95%
Total	**232,277,403**	**100.00%**	193,977,583	100.00%	19.74%

Net interests-earning assets within one year represent net interest-earning assets the Group received, and are still valid as of the end of the year or the end of the period. As of 30 June 2018, net interest-earning assets within one year as set out in the table above represented 60.64% of net interest-earning assets of the Group, which has slightly decreased as compared to last year.

3.2.5 Maturity Profile of Net Interest-earning Assets

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

	30 June 2018		31 December 2017		
	RMB'000	**% of total**	RMB'000	% of total	Change %
	(Unaudited)		(Audited)		
Maturity date					
Within 1 year	**80,204,800**	**34.53%**	69,453,156	35.80%	15.48%
1 to 2 years	**69,099,840**	**29.75%**	54,164,397	27.92%	27.57%
2 to 3 years	**45,311,909**	**19.51%**	38,116,716	19.65%	18.88%
3 years and beyond	**37,660,854**	**16.21%**	32,243,314	16.63%	16.80%
Total	**232,277,403**	**100.00%**	193,977,583	100.00%	19.74%

Net interest-earning assets due within one year represent net interest-earning assets which the Group will receive within one year of the reporting date indicated. As of 30 June 2018, net interest-earning assets due within one year as set forth in the table above represented 34.53% of the Group's net interest-earning assets as of each of the respective dates, which was flat as compared to the end of last year. This indicated that the maturity of the Group's net financial leasing receivable was widely spread and could provide the Group with consistent and sustainable cash inflows that facilitated the matching of our liabilities.

Management Discussion and Analysis

3.2.6 Asset Quality of Net Interest-earning Assets

3.2.6.1 Five-category Net Interest-earning Assets Classification

The Group implements a five-category classification of interest-earning assets that accurately reveals the asset risk profile and confirms 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 our interest-earning assets portfolio, we apply a series of criteria that are derived from our own internal regulations regarding the management of lease assets. These criteria are designed to assess the likelihood of repayment by the borrower and the collect ability of principal and interest on our interest-earning assets. Our interest-earning assets classification criteria focus on a number of factors, if applicable; and our asset classifications include:

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

Special mention. Even though the debtor has been able to pay his 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 impact of changes in the value of core assets on the debtor's ability to repay; while taking into consideration the impact 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. We take 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.

Management Discussion and Analysis

Asset management measures

In the first half of 2018, the global political and economic environments were complex and changeable. The trade war was accelerating the reshaping of the world economy and political structure. The developments of China's macroeconomic and micro-enterprises were faced with increasing uncertainty. At the same time, China had been actively promoting the implementation of the "One Belt, One Road" blueprint, continuing to expand the financial and industrial sectors, constantly deepening the internal supply-side reform, and intensifying the rectification of financial chaos, and the economic operation was generally stable. The Group continued to promote business innovation and management upgrades, closely monitored the external environment in the process of asset introduction, made asset investment in a reasonable manner, and refined the management of the credit granting procedure. In the asset management phase, the Group strengthened the process supervision and risk mitigation, and improved its ability in risk prevention and mitigation. The overall asset quality during the reporting period was controllable.

Strengthening the asset process monitoring system to enhance the abilities in risk prevention and mitigation

In the first half of 2018, the Group continued to optimize the asset process monitoring system. For asset management localization, we continued to increase the regional coverage of assets, increased the number of personnel in key areas, gave full play to regional synergies, and improved customer coverage and response speed. For internet information monitoring, the Group continued to deepen the monitoring system and contents, set differentiated information monitoring dimensions according to different industries and customer types, strengthened effective information identification, optimized system monitoring tools, and improved work efficiency.

In the first half of 2018, relying on a strict and effective asset process monitoring system, the Group adhered to the guiding ideology of "early identification, early disposal and early mitigation" and implemented dynamic management, responsible personnel and regular reporting for key monitoring customers. For customers with signs of risk, the Group took targeted risk prevention measures in a timely manner, and effectively prevented the downward movement of asset quality through strong collection, pre-litigation preservation, debt restructuring, and increased risk countermeasures.

Optimizing management mechanism on risk disposal to step up efforts to dispose of non-performing assets

In the first half of 2018, the Group continued to optimize the risk management system to improve the fineness of litigation management. The Group optimized the risk mitigation mechanism and process, revised the litigation standardization documents, sorted out the list of dishonest persons subject to enforcement, and strengthened case analysis and risk warning; actively established cooperative relations with various disposal resources in various regions, expanded multi-regional disposal resources of various types; and continued to deepen the development and maintenance of judicial resources, facilitated the distribution of various disposal resources across the country, improved the efficiency of litigation, and consolidated the resource protection system.

In the first half of 2018, the Group continued to improve its ability in non-performing asset disposal and accelerated the disposal of non-performing assets. The Group strengthened the comprehensive asset safety management mechanism, optimized the management decision-making chain, increased human and material input, and strengthened personnel skills training. We also categorized non-performing customers, focused on difficult-to-dispose projects, formulated return targets, increased assessment incentives, continuously innovated ideas and methods, and increased disposal and recovery efforts.

Management Discussion and Analysis

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

	30 June 2018		31 December 2017		31 December 2016		31 December 2015	
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	RMB'000 (Audited)	% of total	RMB'000 (Audited)	% of total
Pass	204,705,133	88.13%	174,404,617	89.91%	124,443,723	89.02%	105,643,641	86.61%
Special mention	25,344,400	10.91%	17,811,994	9.18%	13,965,494	9.99%	15,143,803	12.42%
Substandard	1,620,233	0.70%	1,202,699	0.62%	853,232	0.61%	793,889	0.65%
Doubtful	607,637	0.26%	558,273	0.29%	535,892	0.38%	389,145	0.32%
Loss	–	–	–	–	–	–	–	–
Net interest-earning assets	232,277,403	100.00%	193,977,583	100.00%	139,798,341	100.00%	121,970,478	100.00%
Non-performing assets	2,227,870		1,760,972		1,389,124		1,183,034	
Non-performing asset ratio	0.96%		0.91%		0.99%		0.97%	

The Group has established prudent asset quality control and adhered to a stringent and conservative asset classification policy. As at 30 June 2018, the Group's assets under special mention accounted for 10.91% of its net interest-earning assets, representing an increase by 1.73% from 9.18% at the end of 2017.

The assets under special mention in the urban public utility industry accounted for 28.65% of the total assets under special mention. This was mainly due to the high proportion of interest-earning assets of the urban public utility industry to the Group's interest-earning assets. As the customer base structure had moved up, the size of single projects was large. In the first half of the year, due to policy supervision and market liquidity tightening, individual customers experienced periodical financial pressure, and the Group prudently adjusted more of the assets of the segment to assets under special mention.

The assets under special mention in the public consuming industry accounted for 14.56% of the total assets under special mention. This was mainly due to fluctuations in the external financial and economic environment, declining internal and external demand, rising production and operation costs, intensified competition in the industry, and poor financing channels. Some upstream and downstream customers in the manufacturing industry experienced a decline in operating and financing abilities, and the Group prudently classified more of the assets of the segment as assets under special mention.

The assets under special mention in the transportation and logistics industry accounted for 13.60% of the total assets under special mention. Although the shipping customers accounted for a relatively low market and the market was recovering, the shipping price has increased, and the contradiction between supply and demand has eased. However, as the stock capacity still needed to be digested for a certain period of time, the overall operation of the customer continued to be under pressure. The Group prudently classified more assets of the segment as assets under special mention.

The assets under special mention in the medical industry accounted for 13.11% of the total assets under special mention. This was mainly because, affected by the macro financial environment, the financing situation of some private hospitals and pharmaceutical companies was uncertain and the supervision of the pharmaceutical industry was becoming stricter, the operation and cost control of pharmaceutical companies might be affected. The Group prudently adjusted more of the assets of the segment to assets under special mention.

Management Discussion and Analysis

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

	30 June 2018		31 December 2017		30 June 2017	
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	RMB'000 (Unaudited)	% of total
Healthcare	3,321,691	13.11%	1,636,980	9.19%	2,348,672	15.13%
Education	2,599,599	10.26%	1,630,341	9.15%	1,414,602	9.11%
Infrastructure construction	2,992,228	11.81%	2,534,215	14.23%	1,406,592	9.06%
Industrial machinery	2,030,652	8.01%	2,169,603	12.18%	2,779,323	17.90%
Public consuming	3,690,139	14.56%	3,559,080	19.98%	2,446,709	15.76%
Transportation and logistics	3,447,335	13.60%	2,646,223	14.86%	3,218,016	20.73%
Urban public utilities	7,262,756	28.65%	3,635,552	20.41%	1,910,097	12.31%
Total	25,344,400	100.00%	17,811,994	100.00%	15,524,011	100.00%

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

	30 June 2018	31 December 2017	31 December 2016	31 December 2015
	% of total (Unaudited)	% of total (Audited)	% of total (Audited)	% of total (Audited)
Pass	17.65%	21.73%	6.84%	6.60%
Special attention	57.19%	25.31%	40.15%	43.05%
Substandard	1.18%	4.85%	4.39%	2.18%
Doubtful	1.31%	0.47%	1.21%	1.42%
Loss	–	–	–	–
Recovery	22.67%	47.64%	47.41%	46.75%
Total	100.00%	100.00%	100.00%	100.00%

The Group's non-performing asset ratio increased slightly, but the overall asset quality remained safe and controllable. As at 30 June 2018, the non-performing asset ratio was 0.96%, which increased by 0.05% from 0.91% as compared to the end of last year.

The non-performing asset ratio of the people's livelihood and consumption industry to total non-performing assets was 22.83%, which mainly consisted of the non-performing assets of the original packaging segment and the non-performing assets of individual electronic information segments. The non-performing assets of the packaging segment were mainly attributable to the industry recession, the continuing sluggish of investment in the printing and packaging manufacturing industry, and the transformation and upgrade of consumption, the fact that the deleverage measures caused to some customers tighten capital, significant reduction of operating income and profits, and more economic disputes and litigation. The Group prudently classified more of the assets of the segment into substandard and doubtful assets. The individual customers of the electronic information segment were affected by the industry's transformation and upgrading and deleveraging, resulting in tight capital. The Group prudently classified the assets of the individual customers of the segment into substandard and doubtful assets. The non-performing asset ratio of the industrial and equipment industry to total non-performing assets was 22.55%, mainly distributed in individual customers in the material industry, machinery industry and other sub-segments. Due to the capacity cut, deleverage and environmental remediation, the industry continued to face pressure while most sub-segments maintained low-speed growth and continued to fluctuate. Individual customers experienced declining operations, rising financing costs and excessive debt burden. The Group prudently classified the assets of the individual customers of the segment as substandard and doubtful assets.

Management Discussion and Analysis

The non-performing asset ratio for the transportation and logistics industry to total non-performing assets was 14.68%, which mainly because the single project amount of transportation vessel project was relatively large, customer was affected by the prolonged downturn in shipping market, the operating capacity recovered slowly, and the capital pressure remained unresolved. Besides, the non-performing vessel asset takes a longer disposal period. The Group prudently reclassified the assets of the segment into substandard and doubtful assets.

The non-performing assets of the infrastructure construction industry accounted for 13.22% of the total non-performing assets, which mainly because of the slowdown in economic growth, the decline in the growth rate of fixed asset investment, the rise in the prices of construction raw materials, the tightening of real estate regulation, the pressure on some customers' capital turnover, the difficulty of financing, and the tight liquidity. The Group prudently reclassified the assets with the above problems in this segment into substandard and doubtful assets.

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

	30 June 2018		31 December 2017		30 June 2017	
	RMB'000	**% of total**	RMB'000	% of total	RMB'000	% of total
	(Unaudited)		(Audited)		(Unaudited)	
Healthcare	**157,008**	**7.05%**	41,082	2.33%	44,639	2.79%
Education	**221,597**	**9.95%**	12,012	0.68%	15,413	0.96%
Infrastructure construction	**294,590**	**13.22%**	174,225	9.89%	132,716	8.30%
Industrial machinery	**502,310**	**22.55%**	390,852	22.20%	189,680	11.86%
Public consuming	**508,696**	**22.83%**	560,903	31.85%	374,416	23.40%
Transportation and logistics	**327,090**	**14.68%**	541,233	30.73%	779,580	48.73%
Urban public utilities	**216,579**	**9.72%**	40,665	2.32%	63,475	3.96%
Total	**2,227,870**	**100.00%**	1,760,972	100.00%	1,599,919	100.00%

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

	30 June 2018		31 December 2017		30 June 2017	
	RMB'000	**% of total**	RMB'000	% of total	RMB'000	% of total
	(Unaudited)		(Audited)		(Unaudited)	
Healthcare	**146,358**	**9.03%**	31,282	2.60%	32,152	2.93%
Education	**215,081**	**13.27%**	2,676	0.22%	4,683	0.43%
Infrastructure construction	**49,202**	**3.04%**	95,726	7.96%	68,876	6.27%
Industrial machinery	**357,054**	**22.04%**	243,933	20.28%	83,753	7.63%
Public consuming	**384,355**	**23.72%**	366,828	30.50%	215,677	19.64%
Transportation and logistics	**254,294**	**15.69%**	462,254	38.44%	692,984	63.10%
Urban public utilities	**213,889**	**13.21%**	–	–	–	–
Total	**1,620,233**	**100.00%**	1,202,699	100.00%	1,098,125	100.00%

Management Discussion and Analysis

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

	30 June 2018		31 December 2017		30 June 2017	
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	RMB'000 (Unaudited)	% of total
Healthcare	10,650	1.75%	9,800	1.76%	12,487	2.49%
Education	6,516	1.07%	9,336	1.67%	10,730	2.14%
Infrastructure construction	245,388	40.38%	78,499	14.06%	63,840	12.72%
Industrial machinery	145,256	23.91%	146,919	26.32%	105,927	21.11%
Public consuming	124,341	20.46%	194,075	34.76%	158,739	31.63%
Transportation and logistics	72,796	11.98%	78,979	14.15%	86,596	17.26%
Urban public utilities	2,690	0.45%	40,665	7.28%	63,475	12.65%
Total	607,637	100.00%	558,273	100.00%	501,794	100.00%

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

	30 June 2018		31 December 2017		30 June 2017	
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	RMB'000 (Unaudited)	% of total
Healthcare	–	–	–	–	–	–
Education	–	–	–	–	–	–
Infrastructure construction	–	–	–	–	–	–
Industrial machinery	–	–	–	–	–	–
Public consuming	–	–	–	–	–	–
Transportation and logistics	–	–	–	–	–	–
Urban public utilities	–	–	–	–	–	–
Total	–	–	–	–	–	–

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

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)	31 December 2016 RMB'000 (Audited)
At the beginning of the year	1,760,972	1,389,124	1,183,034
Downgrades[(1)]	1,272,092	1,108,931	989,462
Upgrades	(181,734)	(159,538)	(94,433)
Recoveries	(449,351)	(505,114)	(336,154)
Write-off	(174,109)	(72,431)	(352,785)
At the end of the year	2,227,870	1,760,972	1,389,124
NPA ratio	0.96%	0.91%	0.99%

Note:

(1) Represents downgrades of interest-earning assets classified as normal or special mention at the end of prior year and interest-earning assets newly classified in the period to non-performing categories.

3.2.6.2 Interest-earning Assets Provisions

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

	30 June 2018		31 December 2017		31 December 2016		31 December 2015	
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	RMB'000 (Audited)	% of total	RMB'000 (Audited)	% of total
Interest-earning Assets Provisions:								
Provision for non-performing assets	881,685	16.65%	700,180	18.10%	558,366	18.95%	392,455	16.48%
Provision for pass and special mention assets	4,413,604	83.35%	3,168,838	81.90%	2,388,320	81.05%	1,988,296	83.52%
Total	5,295,289	100.00%	3,869,018	100.00%	2,946,686	100.00%	2,380,751	100.00%
Non-performing assets	2,227,870		1,760,972		1,389,124		1,183,034	
Provision coverage ratio	237.68%		219.71%		212.13%		201.24%	

The Group has applied the new financial instrument accounting standards ("HKFRS 9 – Financial Instruments") since 1 January 2018 and adopted the requirements of the expected loss model for the provision of interest-earning assets in accordance with the new standard. The Group's provision for interest-earning assets increased by RMB190,532,000 from RMB3,869,018,000 as at 31 December 2017 to RMB4,059,550,000 as at 1 January 2018.

The following table sets forth the impact of the changes of financial instruments standard on the provision of interest-earning assets.

	1 January 2018		31 December 2017		
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	Change %
Interest-earning Assets Provisions:					
Provision for non-performing assets	700,180	17.25%	700,180	18.10%	–
Provision for pass and special mention assets	3,359,370	82.75%	3,168,838	81.90%	6.01%
Total	4,059,550	100.00%	3,869,018	100.00%	4.92%
Non-performing assets	1,760,972		1,760,972		–
Provision coverage ratio	230.53%		219.71%		10.82%

Management Discussion and Analysis

3.2.6.3 Write-offs of Interest-earning Assets

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

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)	31 December 2016 RMB'000 (Audited)	31 December 2015 RMB'000 (Audited)
Write-off	**174,109**	72,431	352,785	252,062
Non-performing assets as at the end of last year	**1,760,972**	1,389,124	1,183,034	920,332
Write-off ratio[(1)]	**9.89%**	5.21%	29.82%	27.39%

Note:

(1) The write-off ratio is calculated as the percentage of interest-earning assets write-offs over the net non-performing assets as of the beginning of the relevant year.

In the first half of 2018, according to the requirements of the accounting standards, the Group wrote off bad debts of RMB174,109,000, which were mainly distributed in the public consuming, infrastructure construction, urban public utilities and industrial machinery industries, accounting for RMB58,525,000, RMB54,890,000, RMB36,481,000 and RMB23,159,000, respectively. Despite the Group's effort in collection through judicial means, actionable assets were unable to cover risk exposure of projects at the moment. Although the Group is required to write-off the bad debts of the relevant non-performing assets pursuant to the requirements of the accounting standards, the Group has not terminated the disposal of assets, and continued to collect the payment through disposal of equipment, demand for payment and exerting pressure on guarantors. From 2011 to the first half of 2018, the written-off bad debts amounted to RMB984,699,000 and RMB115,467,000 has been recovered.

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

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

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)	31 December 2016 RMB'000 (Audited)	31 December 2015 RMB'000 (Audited)
Overdue ratio (over 30 days)	**0.80%**	0.72%	0.98%	1.08%

The Group adhered to the prudent strategies of risk control and asset management, the Group's lease overdue ratio (over 30 days) was 0.80% as at 30 June 2018, representing 0.08 percentage point higher than 0.72% as of the end of 2017.

Management Discussion and Analysis

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

	30 June 2018		31 December 2017	
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total
Healthcare	99,349	5.37%	116,861	8.31%
Education	308,218	16.66%	170,344	12.12%
Infrastructure construction	405,366	21.91%	217,528	15.48%
Industrial machinery	285,459	15.43%	433,340	30.83%
Public consuming	470,967	25.45%	247,476	17.61%
Transportation and logistics	206,502	11.16%	179,214	12.75%
Urban public utilities	74,483	4.02%	40,665	2.90%
Total	1,850,344	100.00%	1,405,428	100.00%

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

	30 June 2018		31 December 2017	
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total
Special mention	437,705	23.66%	450,474	32.05%
Substandard	814,296	44.01%	409,143	29.11%
Doubtful	598,343	32.33%	545,811	38.84%
Loss	–	–	–	–
Total	1,850,344	100.00%	1,405,428	100.00%

Management Discussion and Analysis

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

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

	For six months ended 30 June				
	2018		2017		
	RMB million (Unaudited)	**% of total**	RMB million (Unaudited)	% of total	Change %
Healthcare	**1,390**	**13.19%**	1,843	14.87%	-24.58%
Education	**1,419**	**13.47%**	5,109	41.21%	-72.23%
Infrastructure construction	**1,537**	**14.59%**	2,844	22.94%	-45.96%
Industrial machinery	**1,268**	**12.03%**	115	0.93%	1002.61%
Public consuming	**1,032**	**9.79%**	962	7.76%	7.28%
Transportation and logistics	**929**	**8.82%**	668	5.39%	39.07%
Urban public utilities	**2,963**	**28.11%**	856	6.90%	246.14%
Total	**10,538**	**100.00%**	12,397	100.00%	-15.00%

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

	30 June 2018		31 December 2017		
	RMB million (Unaudited)	**% of total**	RMB million (Audited)	% of total	Change %
Healthcare	**8,707**	**19.87%**	9,571	21.36%	-9.03%
Education	**11,481**	**26.20%**	12,406	27.69%	-7.46%
Infrastructure construction	**7,580**	**17.30%**	7,817	17.45%	-3.03%
Industrial machinery	**2,233**	**5.10%**	2,055	4.59%	8.66%
Public consuming	**5,178**	**11.82%**	6,228	13.90%	-16.86%
Transportation and logistics	**2,025**	**4.62%**	1,751	3.91%	15.65%
Urban public utilities	**6,613**	**15.09%**	4,972	11.10%	33.00%
Total	**43,817**	**100.00%**	44,800	100.00%	-2.19%

The Group had accumulated approximately RMB10,538 million in principal amount of interest-earning assets through asset-backed securities/notes in the first half of 2018, representing a decrease of 15.00% as compared to RMB12,397 million in the corresponding period of last year. On 30 June 2018, the balance of the holding of asset-backed securities/notes-related assets items amounted to RMB3,352,587,000, representing an increase of 34.53% as compared to RMB860,509,000 as at 31 December 2017. The balance of the holding of off-balance-sheet assets of the Group as at 30 June 2018 amounted to approximately RMB43,817 million (31 December 2017: approximately RMB44,800 million) of which non-performing assets accounted for no more than 0.17%, assets which are overdue 30 days or more accounted for no more than 0.14%. As an off-balance sheet asset management service provider, the group implemented the same prudent asset management policy as the on-balance sheet asset and strengthened the monitoring process. The off-balance sheet assets were stable in the first half of 2018 with no significant anomalies of asset quality.

Management Discussion and Analysis

Assets with continuing involvement of the Group amounted to RMB3,320,254,000, representing an increase of RMB828,176,000 or 33.23% from the end of last year. Pursuant to specific requirements of accounting standards, for the asset-backed securities/notes business above the Group should continue to recognise 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.

3.4 Other Assets

On 30 June 2018, cash and cash equivalents of the Group amounted to RMB7,004,363,000. 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 RMB5,443,241,000, which mainly comprised restricted bank deposits.

Prepayments and other receivables of the Group amounted to RMB2,128,526,000, comprised mainly of prepayments for suppliers of machinery and equipment and deductible value-added tax etc.

Deferred tax assets of the Group amounted to RMB3,719,694,000, mainly for the deferred income tax provided for the time difference between accounting and taxation.

Property, plant and equipment of the Group amounted to RMB8,384,890,000, comprised mainly of equipment and instruments for operating leasing and plants and medical equipment of subsidiary hospitals.

Prepaid lease payments and other receivables of the Group amounted to RMB1,318,113,000, comprised mainly of the land use rights of the corresponding land of the Group's headquarters office building and its subordinate hospital buildings.

Investments in joint ventures/associates of the Group are mainly the equity investments of the Group in joint ventures/associates such as Guangzhou Kangda, Far Wing Capital, industrial fund provincial asset management companies engaged in entrusted financial leasing and entrusted loan business, and the invested hospitals.

The balance of financial assets at fair value through profit or loss of the Group was RMB2,560,576,000, mainly due to the financial equity investment invested by the Group.

The balance of derivative financial instruments of the Group is RMB553,201,000, mainly for 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 RMB1,606,598,000, which was mainly the goodwill recognized by the Group for the acquisition of medical and educational institutions.

3.5 Liabilities (Overview)

On 30 June 2018, total liabilities of the Group amounted to RMB234,922,165,000, representing an increase of RMB43,875,684,000 or 22.97% as compared to the end of last year. Interest-bearing bank and other borrowings were the main component of the Group's liabilities, accounting for 77.47% of the total, representing an increase as compared to 75.85% of the end of last year.

Management Discussion and Analysis

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

	30 June 2018		31 December 2017		
	RMB'000	% of total	RMB'000	% of total	Change %
	(Unaudited)		(Audited)		
Interest-bearing bank and other borrowings	182,004,246	77.47%	144,899,680	75.85%	25.61%
Other payables, accruals and other liabilities	44,877,261	19.11%	39,266,980	20.55%	14.29%
Liabilities for continuing involvement	3,320,254	1.41%	2,492,078	1.30%	33.23%
Trade and bills payables	2,029,812	0.87%	1,838,961	0.96%	10.38%
Tax Payables	1,252,543	0.53%	1,506,937	0.79%	-16.88%
Derivative financial instruments	196,422	0.08%	260,276	0.14%	-24.53%
Deferred tax liabilities	92,086	0.04%	76,707	0.04%	20.05%
Deferred revenue	1,149,541	0.49%	704,862	0.37%	63.09%
Total Liabilities	234,922,165	100.00%	191,046,481	100.00%	22.97%

3.6 Interest-bearing Bank and Other Borrowings

In the first half of 2018, the monetary policies of the world's major economies withdrew from easing. The Federal Reserve entered the monetary tightening cycle, and had completed two interest rate hikes in the first half of the year; the Eurozone, Japan and UK were out of the easing cycle and adopted a wait-and-see attitude. The progress of withdrawal from easing of different countries are different. On the other hand, domestically, the medium and long-term monetary policy continued the "tight balance strategy" in 2017, financial supervision was strengthened, the financial market as a whole tended to be tight, and the interest rate of money market and the yield of bonds market continued to increase.

Being faced with the complex financial environment at home and overseas, the Group adhered to the established strategy of "resources globalization" and made good progress in both indirect financing and direct financing with an improved liability structure, thus obviously enjoying a finance cost advantage over the peers.

With respect to direct financing, the Group further enriched the bond portfolios by introducing innovative products such as renewable corporate bonds, expanded the quota for Private Placement Notes (PPN) and corporate bonds, and formed the new stage of alternate issue of various products such as corporate bonds, PPN and ultra short financing bills in different markets.

Within the market of indirect financing, the Group achieved cross-platform facility on the basis of the current financing channel as required by its strategic development, and strengthened its co-operation relationship with key bank channels. The Group formed a deep cooperative relationship with banks including the four big banks and certain policy banks. At the same time, the domestic monetary policy in the first half of 2018 continued the "tight balance strategy" in 2017. The company vigorously expanded its overseas market, and the proportion of overseas capital sources has increased.

Management Discussion and Analysis

In the first half of 2018, the issuing cost of asset securitization products was pushed up by the upwards in the domestic bond market as a whole. However, based on the market image and efficient issuance capability, the Group continued to promote asset securitization business in unfavorable market environment, so as to enrich the capital source, optimize the debt structure and improve the management means. In the first half of this year, the Group's accumulated asset securitization business amounted to RMB10.538 billion, and the cost remained to be the lowest in the same period. It was the financial leasing company with the most mature, active and largest scale of stock.

In conclusion, the Group had diverse financing methods with an improved liability structure, thus further reduced our reliability on a single product and a single market, and in turn achieved diversity of financing products, decentralization of financing regions and continuation of maintaining a competitive cost advantage. For future outlook, the Group was confident that with the global financing network as well as resource advantage, the Group can further improve its competitiveness in liability side.

As of 30 June 2018, the total sum of the Group's interest-bearing bank and other borrowings amounted to RMB182,004,246,000, representing an increase of 25.61% as compared with RMB144,899,680,000 as of the end of last year, mainly due to the increase in the interest-bearing liability resulting from supporting the Group's expanding our business operations. The Group's borrowings were mainly denominated in RMB and USD.

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

	30 June 2018		31 December 2017		
	RMB'000	**% of total**	RMB'000	% of total	Change %
	(Unaudited)		(Audited)		
Current	**69,617,530**	**38.25%**	55,994,501	38.64%	24.33%
Non-current	**112,386,716**	**61.75%**	88,905,179	61.36%	26.41%
Total	**182,004,246**	**100.00%**	144,899,680	100.00%	25.61%

As of 30 June 2018, 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 38.25%, which is roughly the same as on 31 December 2017, with a sound financing strategy and reasonable liability structure.

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

	30 June 2018		31 December 2017		
	RMB'000	**% of total**	RMB'000	% of total	Change %
	(Unaudited)		(Audited)		
Secured	**21,832,146**	**12.00%**	17,517,489	12.09%	24.63%
Unsecured	**160,172,100**	**88.00%**	127,382,191	87.91%	25.74%
Total	**182,004,246**	**100.00%**	144,899,680	100.00%	25.61%

Management Discussion and Analysis

The Group carefully managed its funding risk in the first half of 2018. As at 30 June 2018, the proportion of the Group's interest-bearing bank and other borrowings that were unsecured accounted for 88.00% of the Group's total interest-bearing bank and other borrowings, which relatively remained stable as compared with that of the end of last year.

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

	30 June 2018		31 December 2017		
	RMB'000	**% of total**	RMB'000	% of total	Change %
	(Unaudited)		(Audited)		
Bank loans	**103,412,846**	**56.82%**	78,169,331	53.95%	32.29%
Other loans	**78,591,400**	**43.18%**	66,730,349	46.05%	17.77%
Total	**182,004,246**	**100.00%**	144,899,680	100.00%	25.61%

As at 30 June 2018, the proportion of the Group's loans as a percentage to the Group's total bank and other borrowings is roughly the same as on 31 December 2017, as the Group continued to deepen its financing cooperation with banks and other institutions with a sound financing strategy.

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

	30 June 2018		31 December 2017		
	RMB'000	**% of total**	RMB'000	% of total	Change %
	(Unaudited)		(Audited)		
China	**150,261,112**	**82.56%**	126,242,249	87.12%	19.03%
Overseas	**31,743,134**	**17.44%**	18,657,431	12.88%	70.14%
Total	**182,004,246**	**100.00%**	144,899,680	100.00%	25.61%

As at 30 June 2018, the proportion of the Group's borrowings from China and other borrowings as a percentage to the Group's total borrowings was 82.56%, which decreased as compared with that at the end of last year as the Group proactively expanded various financing channels China to satisfy the funding needs.

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

	30 June 2018		31 December 2017		
	RMB'000	**% of total**	RMB'000	% of total	Change %
	(Unaudited)		(Audited)		
RMB	**153,664,754**	**84.43%**	128,702,484	88.82%	19.40%
US$	**23,869,812**	**13.11%**	12,824,868	8.85%	86.12%
Borrowings in other currencies	**4,469,680**	**2.46%**	3,372,328	2.33%	32.54%
Total	**182,004,246**	**100.00%**	144,899,680	100.00%	25.61%

Management Discussion and Analysis

As at 30 June 2018, the Group's activities in RMB accounted for 84.43% of its total interest-bearing bank and other borrowings, representing a decrease from the end of last year as the capital cost of RMB has risen at home, the Group actively expanded its overseas market and withdrew US dollar loans to satisfy the funding needs.

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

	30 June 2018		31 December 2017		
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	Change %
Direct financing	71,738,012	39.42%	65,600,971	45.27%	9.36%
Indirect financing	110,266,234	60.58%	79,298,709	54.73%	39.05%
Total	182,004,246	100.00%	144,899,680	100.00%	25.61%

As at 30 June 2018, Group's direct borrowings accounted for 39.42% of the total, which had decreased as compared to the end of last year on account of the Group's deep participation and good cooperation records in both direct and indirect financing markets, and the balanced financing structure ensured the financial resources needed for the future development of the Company.

3.7 Shareholders' Equity

As at 30 June 2018, the total equity of the Group was RMB37,377,778,000, representing an increase of RMB969,986,000 or 2.66% from the end of last year.

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

	30 June 2018		31 December 2017		
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	Change %
Share capital(1)	10,225,409	27.36%	10,218,442	28.07%	0.07%
Reserve	15,789,156	42.24%	15,122,427	41.54%	4.41%
Equity attributable to ordinary shareholders of the Company(2)	26,014,565	69.60%	25,340,869	69.61%	2.66%
Perpetual securities(3)	9,937,215	26.59%	9,797,723	26.91%	1.42%
Non-controlling interests	1,425,998	3.81%	1,269,200	3.48%	12.35%
Total Equity	37,377,778	100.00%	36,407,792	100.00%	2.66%

Notes:

(1) The Group's share capital increased by RMB6,967,000 in the first half of 2018. It is the exercise price charged for the exercise of share options during the year under the Group's Share Option Scheme and the fair value of the corresponding share options.

(2) The Group's equity attributable to the ordinary shareholders of the Company was RMB25,340,869,000 in the end of 2017. The Group's profit for the year attributable to the ordinary shareholders of the Company was RMB2,009,712,000 in the first half of 2018. The final dividend of HK$0.30 per share for the year ended 31 December 2017 was approved at the annual general meeting on 6 June 2018 and paid on 30 July 2018. As at 30 June 2018, the equity attributable to the ordinary shareholders of the Company was RMB26,014,565,000.

(3) On 14 June 2017, the Group issued US$300,000,000 perpetual securities at an initial distribution rate of 4.35%. The Perpetual Securities have no fixed maturity date and are callable at the Company's option in whole on 14 June 2022 ("First Call Date") or any Distribution Payment Date falling after the First Call Date at their principal amounts together with any accrued, unpaid or deferred distributions. The applicable distribution rate will be reset, on the First Call Date and every three years after the First Call Date, to the sum of the initial spread of 2.62%, the treasury rate and a step-up margin of 5.00% per annum.

On 6 June 2017, the Group issued renewable corporate bonds in the amount of RMB5,000,000,000. The basic term of the renewable corporate bonds will be 3 years. The Group is entitled to exercise its renewable option at the end of the stipulated basic term and at the end of each renewable period, with a coupon rate of 5.50%.

On 4 December 2017, the Group issued US$400,000,000 guaranteed subordinated perpetual capital securities at an initial distribution rate of 5.60%. The Perpetual Securities have no fixed maturity date and are callable at the Company's option in whole on 4 December 2022 ("First Call Date") or any Distribution Payment Date falling after the First Call Date at their principal amounts together with any accrued, unpaid or deferred distributions. The applicable distribution rate will be reset, on the First Call Date and every five years the First Call Date, to the sum of the initial spread and the rate of the US five-year treasury note.

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 maximise shareholder value. In the first half of 2018, no change was made to the objectives, policies or processes for managing capital.

4.1 Gearing Ratio

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

	30 June 2018 **RMB'000** **(Unaudited)**	31 December 2017 RMB'000 (Audited)
Total assets (A)	**272,299,943**	227,454,273
Total liabilities (B)	**234,922,165**	191,046,481
Total equity	**37,377,778**	36,407,792
Gearing ratio (C=B/A)	**86.27%**	83.99%

In the first half of 2018, the Company made full use of capital leverage for our operations to keep the Group's gearing ratio relatively high while at the same time closely managed the Group's gearing ratio to avoid potential liquidity risk. As at 30 June 2018, our gearing ratio was 86.27%.

Management Discussion and Analysis

4.2 Ratio of Assets at Risk to Equity

In accordance with the requirements of the Measures on the Administration of Foreign Investment in the Leasing Industry, the risk assets of International Far Eastern Leasing Co., Ltd., Far East Horizon (Tianjin) Financial Leasing Co., Ltd. and Far Eastern Horizon Financial Leasing Co., Ltd. shall not exceed 10 times of its equity.

As at 30 June 2018, the ratios of risk assets to equity of International Far Eastern Leasing Co., Ltd., Far East Horizon (Tianjin) Financial Leasing Co., Ltd. and Far Eastern Horizon Financial Leasing Co., Ltd. were 7.58, 6.29 and 6.28 respectively, which was in compliance with the ratio of risk assets to equity requirements of the measures. The Group will ensure that the domestic finance leasing operations entity will continue to meet the above regulatory requirements through allocation of internal resource.

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

International Far Eastern Leasing Co., Ltd.

	30 June 2018	31 December 2017
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Total assets	**217,025,433**	182,319,225
Less: Cash	**7,386,748**	3,942,843
Total assets at risk	**209,638,685**	178,376,382
Equity	**27,663,328**	27,001,905
Ratio of assets at risk to equity	**7.58**	6.61

Far Eastern Horizon (Tianjin) Financial Leasing Co., Ltd.

	30 June 2018	31 December 2017
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Total assets	**78,504,366**	67,342,994
Less: Cash	**2,750,726**	2,462,191
Total assets at risk	**75,753,640**	64,880,803
Equity	**12,042,726**	9,965,599
Ratio of assets at risk to equity	**6.29**	6.51

Far Eastern Horizon Financial Leasing Co., Ltd.

	30 June 2018	31 December 2017
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Total assets	**15,879,898**	9,954,784
Less: Cash	**245,971**	44,900
Total assets at risk	**15,633,927**	9,909,884
Equity	**2,490,518**	1,327,584
Ratio of assets at risk to equity	**6.28**	7.46

5. Capital Expenditures

The Group's capital expenditure was RMB2,497,647,000 in the first half of 2018, which was mainly used as the expenditures for additions of property, plant and equipment, and external equity investments.

6. Risk Management

6.1 Credit Risk

Credit risk refers to the risk that the Group may suffer losses due to customer default. In the first half of 2018, the global political and economic environment has become more uncertain. The trade war is accelerating the reshaping of the world economy and political structure. Externally, China is affected by the trade war, and the uncertainty of economic development had increased. However, China had been actively promoting the implementation of the "One Belt, One Road" blueprint, continuing to expand the financial and industrial sectors, constantly deepening the internal supply-side reform, and intensifying the rectification of financial chaos, thereby the economic operation was generally stable. However, as compared to 2017, the financial and industrial deleverage and strong supervision measures were more certain, liquidity was tightened, and rigid payments in various areas have been continuously broken. As a result, some enterprises have been facing greater challenges in liquidity.

In the first half of 2018, the Company examined the internal and external situation and made operational adjustments in respect of "serving industrial upgrading and serving city upgrading" for the capital-type business. At the same time, in response to the dynamic changes of the industry and customers, the Company timely adjusted the its risk control strategy and evaluation scale to ensure that asset security was under control.

1) Serving Industrial Upgrading

1. Optimization of Asset Distribution

We continued to focus on counter-cyclical industries, such as the basic medical health industry and education industry. We also increased funding by focusing on the "Made in China 2025" strategy, intelligent industrial upgrading, and green industries.

2. Re-homing of Industry

Based on the adjusted organization, we reorganized the industry ownership, re-homed the industry, and optimized and adjusted the corresponding industry credit policy to ensure that the industry's risk was under control.

3. Upgrade of Operational System

On the basis of serving key customers such as large and medium-sized customers in the industry such as state-owned holdings, listed companies and private leading companies, we upgraded the credit system of small enterprise customer groups to ensure the risk control under the entire industry chain operation services of industrial customers.

4. Control of High Risk

We carried out key monitoring and investigation of corporate customers with poor industry prosperity, high leverage and high proportion of non-standard financing, paid attention to the possible adverse consequences of high stock pledge rate of listed companies and took effective measures to hedge.

Management Discussion and Analysis

2) Serving City Upgrading

1. Prudent and Rational Prioritization

We prioritized the construction of major urban infrastructures that were related to the state economy and the people's livelihood, continued to expand the business related to urban services and urban operations, and continuously consolidated the customer base of our business;

2. Key Projects First

We gave priority to the development of major projects that were related to the state economy and people's livelihood and served the national strategy, such as actively participating in the "One Belt and One Road" related projects, participating in the development strategy of serving the Yangtze River Economic Belt, and the coordinated development strategy of Beijing-Tianjin-Hebei, serving strategies of "Northeast Revitalization", "Rise of the Central Region" and "Development of Western China". Moreover, priority was given to supporting urban services and urban operations projects with high city tiers, high project importance, and abundant cash flow.

3. Implementation of Different Strategies in Response to Different Provinces and Cities

In response to regional economic differentiation and uneven urban and rural conditions, we increased our support for regions with economic strength and mature financial instruments, and avoided urban upgrading construction projects beyond their own capabilities, so that the implementation of different strategies in response to different provinces and cities were achieved.

4. Ensuring Compliance

We paid close attention to the national and regional policy and legal requirements for the upgrading of relevant cities. We conducted business without touching the policy red line and strictly abided by the legal bottom line. Our business was legally compliant.

3) Improvement of Operational Quality

In the case of increasing external risk events, the Company continued to improve the management of operational quality and avoided the possible losses caused to the Company by "man-made misfortunes", including but not limited to strengthening the operational rules and standard requirements for the duties of each position of the process; strengthening the supervision and inspection of all major links and positions, and application of results; enhancing cross-departmental exchanges and reviews of major high-risk cases as preventive measures; and strengthening the management responsibility of cadres, so that "everything had no place to hide".

During the reporting period, through the above measures, the Group actively guarded against credit risks and the asset quality was effectively controlled. For details of asset quality during the reporting period, please refer to Management Analysis and Discussion 3.2.6 "Asset Quality of Net Interest-earning Assets".

Management Discussion and Analysis

6.2 Interest Rate Risk

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

A principal part of the Group's management of interest rate risk is to monitor the sensitivity of projected net interest income under varying interest rate scenarios (simulation modelling). The Group aims to continuously monitor the impact of prospective interest rate movements which could reduce future net interest income, while balancing the cost of measures to mitigate such risk. As of 30 June 2018, the Group's interest rate risk exposure was approximately RMB49.0 billion, out of which RMB12.4 billion was monetary fund (approximately RMB38.4 billion as at 31 December 2017, out of which RMB7.4 billion was monetary fund).

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

	Increase/(decrease) in profit before tax of the Group	
	30 June 2018	31 December 2017
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Change in basis points		
+ 100 basis points	**116,986**	105,105
- 100 basis points	**(116,986)**	(105,105)

6.3 Currency Risk

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

The Group conducts its businesses mainly in RMB, with certain transactions denominated in US$, and to a lesser extent, other currencies. The Group's treasury operations exposure mainly arises from its transactions in currencies other than RMB. In order to control currency fluctuation risk, the Group adopted prudent currency risk management which hedges risk exposures one by one under comprehensive risk exposure management. The Group proactively hedged against foreign exchange exposure based on the currency and terms through using the operation of financial instruments such as foreign exchange forwards and currency swaps. According to relevant statistics, as of 30 June 2018, the Group's actual exposure to foreign exchange risk (excluding perpetual securities) approximately amounted to US$3,643 million, hedges against foreign exchange exposure amounted to US$3,449 million with the hedge ratio (percentage of the aforesaid two items) of 94.67%. The Group's actual exposure to foreign exchange risk is limited. As of 30 June 2018, the Group's foreign exchange risk exposure (including perpetual securities) was approximately US$4,343 million and the hedge ratio was approximately 79.42%, which has increased as compared with 74.18% of 31 December 2017.

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.

	RMB Change in currency rate	Increase/(decrease) in equity interest excluding perpetual securities of the Group 30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Effect on the profit before tax	+1%	**12,837**	(298)
Direct effect of perpetual securities on the equity in the event of future redemption	+1%	**46,316**	45,739
		59,153	45,441

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

6.4 Liquidity Risk

Liquidity risk is the risk that funds will not be available to meet 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 monitoring with the following objectives: maintaining the stability of the leasing business, projecting cash flows and evaluating the level of current assets, and maintaining an efficient internal fund transfer mechanism to ensure liquidity of the Group.

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

	On demand RMB'000	Within 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
			As of 30 June 2018 (Unaudited)			
Total financial assets	**8,060,606**	**31,713,340**	**71,868,006**	**171,693,965**	**146,216**	**283,482,133**
Total financial liabilities	**427,829**	**28,749,735**	**62,859,549**	**146,626,254**	**810,640**	**239,474,007**
Net liquidity gap	**7,632,777**	**2,963,605**	**9,008,457**	**25,067,711**	**(664,424)**	**44,008,126**
			As of 31 December 2017 (Audited)			
Total financial assets	3,837,915	30,270,350	58,567,391	141,205,699	550,590	234,431,945
Total financial liabilities	427,121	23,912,531	49,007,773	119,484,505	1,035,610	193,867,540
Net liquidity gap	3,410,794	6,357,819	9,559,618	21,721,194	(485,020)	40,564,405

6.5 Operational Risk

As Far East Horizon expanded constantly in the industries including medical, construction and education, the control of operational risks of the industry became more important. The Company adhered to the strategy of comprehensive risk management, and struck to the risk management conception of "overall process, all-dimension, multi-angle, non-interrupted". We continuously improved the risk management in the investment period, construction period and operation period and strengthened the headquarters' professional guidance and management for hierarchy of each subsidiary, ensuring that the operational process risks were controlled.

7. Charge on Group Assets

The Group had lease receivables and entrusted loans of RMB20,554,047,000, long-term receivables of RMB1,664,986,000, cash of RMB596,982,000, property, plant and equipment of RMB1,432,248,000 and prepaid lease payments of RMB876,818,000 pledged to the bank as of 30 June 2018 in order to secure or pay the bank borrowings, and cash of RMB265,282,000 was pledged for bank acceptances, letter of credit and etc.

8. Material Investments, Acquisitions and Disposals

In the first half of 2018, the Group further explored the layout of hospitals by implementing innovative models including successful conversion through previous debt investment projects and full-capital acquisitions. Currently, the actual number of contracted holding or participating hospitals and clinics which were put into operation had reached 43, of which the new hospital projects for the year include the six clinics (totaling 11 clinics), namely Sihui Bandung, Renshou Yunzhang, Zhecheng Chinese medicine, Shuyang Center, Shuyang Huji, and Hangzhou Dental. The hospitals involving the new settlement and being included in the scope of consolidation during the first half of the year include the 4 ones, namely Xianning Matang, Qinghai KangLe, Xinxiang League, and Renshou Yunchang. They had initially formed national hospitals operation network covering East China, South China, North China, Southwest China and Northeast China. Through the vertical and horizontal linkage, the Group will explore the operating pattern of the administration offices, improve the operational efficiency of the subject units, and constantly improve the content of the business to establish a hospital group under the operation of ''One system, One network, One hospital".

In the first half of 2018, the Group opened 3 new kindergartens in Shanghai and Chengdu, and 1 newly built Shanghai school. Together with 7 kindergartens and 2 schools that operated in previous years, the Group currently operates 10 kindergartens and 3 schools. It has taken an important solid step towards the completion of the quality K12 private education system in Shanghai and other places. The Group will continue to promote the layout of the education industry, enhance the service content, improve the quality of teaching, and continue to work hard for the private education system with high reputation, strong service capability and the most distinctive characteristics.

9. Human Resources

As of 30 June 2018, the Group had 11,645 full-time employees, an increase of 2,050 full-time employees as compared to 9,595 in the corresponding period of 2017.

The Group believes it has a high quality work force with specialized industry expertise. As at 30 June 2018, approximately 58.2% of the Group's employees had bachelor's degrees and above, and approximately 19.75% had master's degrees and 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, stable and healthy development, the board of the Company considered and passed the programme of setting up the equity incentive plans (including the share option scheme (the "**2014 Share Option Scheme**") and restricted share award scheme (the "**2014 Restricted Share Award Scheme**")) in 2014. Please refer to the 2017 Annual Report for details of the schemes.

9.1.1 Share Option Scheme

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

Grantee	Date of grant	Vesting period *(Note 1)*	Exercise period *(Note 2)*	Exercise price per share HK$ *(Note 3-6)*	Number of share options: Outstanding as at 1 January 2018	Granted	Exercised *(Note 7)*	Lapsed	Cancelled	Outstanding as at 30 June 2018
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

Management Discussion and Analysis

Grantee	Date of grant	Vesting period (Note 1)	Exercise period (Note 2)	Exercise price per share HK$ (Note 3-6)	Outstanding as at 1 January 2018	Number of share options Granted	Exercised (Note 7)	Lapsed	Cancelled	Outstanding as at 30 June 2018
Mr. WANG Mingzhe, CFO and executive director	11 July 2014	11 July 2016 – 11 July 2018	11 July 2016 – 11 July 2024	5.86	460,936	–	–	–	–	460,936
Mr. WANG Mingzhe, CFO and executive director	3 July 2015	3 July 2017 – 3 July 2019	3 July 2017 – 3 July 2025	7.17	594,212	–	–	–	–	594,212
Mr. WANG Mingzhe, CFO and executive director	15 June 2016	15 June 2018 – 15 June 2020	15 June 2018 – 15 June 2026	5.714	1,053,568	–	–	–	–	1,053,568
Mr. WANG Mingzhe, CFO and executive director	20 June 2017	20 June 2019 – 20 June 2021	20 June 2019 – 20 June 2027	6.82	1,037,106	–	–	–	–	1,037,106
SUBTOTAL FOR DIRECTORS					12,904,495	–	–	–	–	12,904,495
Employees	11 July 2014	11 July 2016 – 11 July 2018	11 July 2016 – 11 July 2024	5.86	8,436,556	–	373,830	–	39,509	8,023,217
Employees	3 July 2015	3 July 2017 – 3 July 2019	3 July 2017 – 3 July 2025	7.17	13,935,336	–	386,130	–	158,642	13,390,564
Employees	15 June 2016	15 June 2018 – 15 June 2020	15 June 2018 – 15 June 2026	5.714	27,777,985	–	303,306	–	207,422	27,267,257
Employees	20 June 2017	20 June 2019 – 20 June 2021	20 June 2019 – 20 June 2027	6.82	28,396,949	–	–	–	227,176	28,169,773
TOTAL					91,451,321	–	1,063,266	–	632,749	89,755,306

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

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

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

Management Discussion and Analysis

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

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

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

Note 7: The weighted average closing price of shares immediately before the dates on which the options were exercised by directors and employees is HK$8.12.

9.1.2 Restricted Share Award Scheme

During the reporting period, the Company did not grant any Shares under the 2014 Restricted Share Award Scheme, and as at 30 June 2018, the Company granted an aggregate of 147,640,133 Shares under its award schemes. The 2014 Restricted Share Award Scheme does not constitute a share option scheme or an arrangement analogous to a share option scheme for the purpose of Chapter 17 of the Listing Rules.

9.2 Employee benefits

In accordance with applicable PRC regulations, the Group has made contributions to social security insurance funds including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for our employees. The Group also provides supplemental commercial medical insurance, property insurance and safety insurance in addition to those required under the PRC regulations. As of 30 June 2018, the Group complied with all statutory social insurance and housing fund obligations applicable to the Group under the PRC laws in all material aspects.

10. Circumstances Including Contractual Obligations, Contingent Liabilities and Capital Commitments

10.1 Contingent Liabilities

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

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Legal proceedings:		
Claimed amounts	14,847	1,199

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:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Contracted, but not provided for:		
Capital expenditure for acquisition of property and equipment	359,802	620,444
Capital expenditure for equity investment(1)	216,236	517,578
Irrevocable credit Commitments(2)	13,180,124	8,036,296

Notes:

(1) Capital expenditure for equity investment mainly represents investment in equity joint ventures with hospitals.

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

11. Future Outlook

Looking forward, the global political and economic conditions are mixed and volatile with a great deal of uncertainty. Domestically, the economy of China has proceeded into a critical stage of transforming from high speed to high quality. With the fading in the bonus impacts from globalization, industrialization and other traditional growth dynamics, the tertiary sector, comprising mainly service industries, will be the core of future economic growth. Meanwhile, driven by the "stable and neutral" monetary policy and strict regulation, the upward momentum of macro-leverage will slow down obviously, the prevention and control of financial risks will start to bear fruit, and the economy will gradually transform into a stage of "stabilizing leveraging" from "deleveraging".

In the context of this environment, the Group will adhere to the development strategy of "finance + industry", and closely focus on serving the real economy. Through the integration of financial resources and industrial resources, an interactive and complementary trend is formed, and the advantages of combining and integrating are maximized to form a unique value discovery and value-adding approach.

In respect of financial business, the Group will promote the operation strategy of "expanding our presence vertically and horizontally" with full force. As for the vertical expansion, we will continue to deepen the directions of "serving the industrial upgrading" and "serving the city upgrading", to ensure operational safety by providing professional services with closer ties with customers. As for the horizontal expansion, we will diversify financial products and expand comprehensive service capabilities through the strategy of offering comprehensive and quasi-investment banking services, to differentiate ourselves with competitive advantages.

In the direction of industrial operations, the Group will accelerate the progress of the investment in hospitals and their operation, equipment operation services, high-end education and other integrated operation layout on the basis of industrial experience accumulated over the past years, in order to develop an organic and collaborative management system, achieve the interoperability between finance and industry and enhance value creation.

12. Hospital Operation Segment Report

12.1 Analysis of Hospital Operation Sector Profit Statement

	For six months ended 30 June		
	First half of 2018 RMB'000 (Unaudited)	First half of 2017 RMB'000 (Unaudited)	Change %
Total Revenue	**1,119.69**	678.11	65.12%
Revenue from hospital operation	**992.09**	590.68	67.96%
Other relevant revenue from hospital operation	**12.07**	2.09	477.51%
Sub-total of revenue from hospital operation(1)	**1,004.16**	592.77	69.40%
Other external revenue(2)	**82.23**	73.34	12.12%
Revenue within the Group	**33.30**	12.00	177.50%
Total Cost	**(821.76)**	(482.20)	70.42%
Cost from hospital operation(3)	**(727.60)**	(404.63)	79.82%
Other cost	**(94.16)**	(77.57)	21.39%
Gross profit	**297.93**	195.91	52.07%
Gross profit from hospital operation(4)	**276.56**	188.14	47.00%
Others	**21.37**	7.77	175.03%
Labor cost(5)	**(95.50)**	(53.73)	77.74%
Other administrative and selling expenses(5)	**(89.51)**	(62.46)	43.31%
Provision for assets	**(16.51)**	(11.03)	49.68%
Other profit	**12.28**	7.62	61.15%
Profit before interest and tax	**108.69**	76.31	42.43%
Financial cost	**(9.05)**	(6.35)	42.52%
Profit before tax	**99.64**	69.96	42.42%
Income tax expense	**(28.49)**	(14.71)	93.68%
Profit for the year	**71.15**	55.25	28.78%

Management Discussion and Analysis

Notes:

(1) In the first half of 2018, the Group continued to accelerate the investment rate for the hospitals and further developed its hospital territory. The number of contracted holding or shareholding hospitals and clinics that have actually been put into operation has reached 43. New hospital projects for the period included six clinics, namely, Sihui Wanlong, Renshou Yunchang, Zhecheng Chinese Medicine, Shuyang Centre, Shuyang Huji and Hangzhou Dental, a total of eleven. The number of beds available in the 43 medical institutions has exceeded 16,000 (the first half of 2017: 10,000). According to the operation needs of various hospitals, the actual number of beds available at the end of the period exceeded 10,000 (the first half of 2017: approximately 5,600). In terms of operation capacity, in the first half of 2018, the hospital operation revenue of the 43 medical institutions (including the hospitals/clinics in which the Group has shareholdings and the hospitals that the Group has entered into contracts but not yet delivered) amounted to approximately RMB1.7 billion in total (the operating revenue of the first half of 2017 from the 26 hospitals: over RMB900 million). With the gradual standardization of service models, hospitals in stock have gradually increased their local influence, and their revenue has shown a steady growth. The newly acquired hospitals/clinics still have large room for discipline management and business integration. The Group will continue to plan for future operation with the principle of "one network, one system and one hospital" and incorporate the above hospitals in to a unified operation and management model, focusing on the development of disciplines, increasing the core competitiveness and achieving income growth.

(2) Other external revenue mainly comprises of the Group's income of medical-related equipment trade service and income of medical institution management and consulting services, which are recognized in stages according to the completion progress of business.

(3) The costs of hospital operation shown in the Group's consolidated financial statements for the first half of 2018 increased from approximately RMB404 million in the first half of 2017 to RMB728 million. As at 30 June 2018, the number of completed and delivered hospitals was 28 (30 June 2017: 19), showing a growth in volume and size. The completion and delivery of the new hospitals in the initial stage of operation concentrated at the end of the previous year and the current period. Thus, the overall operating cost growth rate was more obvious than the income growth rate. At present, the Group has formed a prototype of some disciplines, and will focus on the full cost accounting of the department, gradually clarify the standardized cost of the department, and adopt a more objective and scientific cost management model to intensify efficiency, control costs, and improve economic output.

(4) The gross profit margin of the Group's operating operations in the first half of 2018 was approximately 28%, which was mainly due to the fact that the operating efficiency of the newly settled hospitals has not yet fully realized and therefore declined slightly from 32% in the first half of 2017. As the Group more effectively grasps and controls the cost of sections, it provides a good foundation for the growth of gross profit margin.

(5) As the number of hospitals settled in the first half of 2018 increased from 19 in the same period of last year to 28, combined with the introduction of senior management talents in the upper level and local hospitals, the strengthening of market promotion, and the optimization and adjustment to the structure of the Group's top information system, labor and other sales management expenses have increased significantly.

(6) This analysis of hospital operation sector profit statement has not taken into account the impact of shareholder's borrowing.

Management Discussion and Analysis

12.2 Analysis of the Hospital Operation Sector's Asset

	31 December 2018		31 December 2017		
	RMB' million (Unaudited)	% of total	RMB' million (Audited)	% of total	% Change
Monetary fund	69.66	1.21%	145.71	3.05%	-52.19%
Amount of the Group's cash pool	565.51	9.83%	442.06	9.24%	27.93%
Bill receivables	413.05	7.18%	251.20	5.25%	64.43%
Prepayments[(1)]	304.29	5.29%	518.02	10.83%	-41.26%
Other receivables	102.81	1.79%	90.83	1.90%	13.19%
Financial assets at fair value through profit or loss of the period	80.00	1.39%	80.00	1.67%	–
Entrusted loans	110.21	1.92%	105.49	2.21%	4.47%
Inventories	116.93	2.03%	105.80	2.21%	10.52%
Fixed asset and Intangible assets[(2)]	2,317.11	40.28%	1,679.28	35.11%	37.98%
Goodwill[(3)]	1,402.05	24.38%	1,088.00	22.75%	28.86%
Investments in joint ventures/ associates[(4)]	243.18	4.23%	245.29	5.13%	-0.86%
Deferred income tax asse	24.00	0.42%	21.99	0.46%	9.14%
Other assets	3.09	0.05%	9.36	0.19%	-66.99%
Total assets	5,751.89	100.00%	4,783.03	100.00%	20.26%

Notes:

(1) Prepayments mainly comprised of prepayments for drugs and consumables and transitional purchase fee for equipments;

(2) Fixed asset and Intangible assets mainly comprised of medical equipment, buildings and prepaid land lease payments of each hospital;

(3) Mainly the goodwill generated from the acquisition of medical institutions;

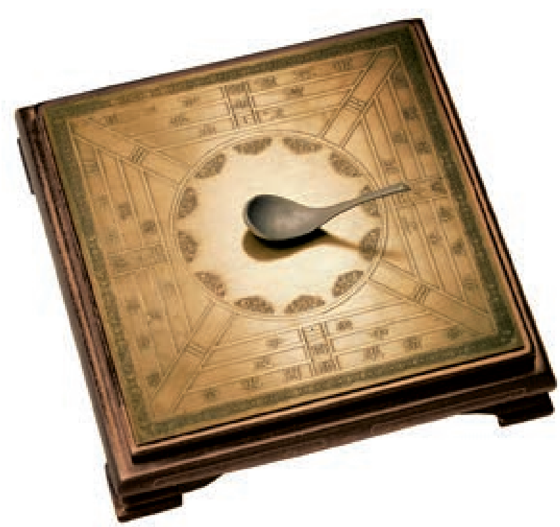
(4) Investments in joint ventures/associates mainly comprised of Weihai Haida Hospital, Kunming Broadhealthcare Group, Fengyang Gulou Hospital, Wuhang Matang etc.

Disclosure of Interest

Directors' and Chief Executives' Interests and/or Short Positions in the Shares, Underlying Shares and Debentures of the Company or any of its Associated Corporations

As at 30 June 2018, 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 shareholder	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	25,266,684 (L)(2)	0.63%
		Interest in a controlled corporation	267,173,000 (L)(3)	6.75%
WANG Mingzhe	The Company	Beneficial owner	8,350,556 (L)(4)	0.21%
LIU Haifeng David	The Company	Interest in a controlled corporation	199,667,000 (L)(5)	5.05%
LIU Jialin	The Company	Beneficial owner	125,000 (L)	0.00%
		Interest of spouse	125,000 (L)	0.00%



Notes:

(1) The letter "L" denotes the person's long position in the shares of the Company.

(2) The interest includes 9,758,673 underlying shares in respect of the share options granted pursuant to the Company's 2014 Share Option Scheme and 14,638,011 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, awarded shares granted and interest in a controlled corporation (see note (3) below), to the best of the directors' knowledge, information and belief, having made all reasonable enquires, Mr. Kong Fanxing was interested in 870,000 ordinary shares of the Company as at 30 June 2018. Please refer to the Company's 2017 Annual Report for the details of both schemes and the announcements of the Company dated 11 July 2014, 3 July 2015, 15 June 2016 and 20 June 2017 respectively for the details of the grants of share options.

Disclosure of Interest

(3) The interest is held directly by Will of Heaven HK Limited and Swallow Gird HK Limited. Will of Heaven HK Limited and Swallow Gird HK Limited are 100% controlled by Aim Future Limited, which is in turn controlled as to 70% by Mr. Kong Fanxing. Under the SFO, Mr. Kong Fanxing is deemed to be interested in the ordinary shares of the Company that Aim Future Limited has interest.

(4) The interest includes 3,145,822 underlying shares in respect of the share options granted pursuant to the Company's 2014 Share Option Scheme and 4,818,734 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 was interested in 386,000 ordinary shares of the Company as at 30 June 2018. Please refer to the Company's 2017 Annual Report for the details of both schemes and the announcements of the Company dated 11 July 2014, 3 July 2015, 15 June 2016 and 20 June 2017 respectively for the details of the grants of share options.

(5) The interests includes (1) 1,067,000 ordinary shares of the Company held directly by New Trace Limited which is 100% controlled by Mr. Liu Haifeng David; (2) 80,000,000 ordinary shares of the Company held directly by Capital Rise Limited; and (3) 118,600,000 underlying shares held directly through Capital Lead Limited in respect of the right under a call option (exercisable between 24 June 2018 and 31 October 2018) and the right of first refusal (exercisable between 1 July 2018 and 30 June 2019). 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 Liu Haifeng David.

Save as disclosed above, as at 30 June 2018, none of the directors or the chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he/she is taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register kept by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Disclosure of Interest

Substantial Shareholders' Interests in the Shares

Based on the information available to the directors of the Company, as at 30 June 2018 (including such information as was available on the website of the Stock Exchange) or so far as they are aware of, as at 30 June 2018, 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 Group[2]	Interest in a controlled corporation	919,914,440 (L)	23.27%
Greatpart Limited[2]	Beneficial owner	919,914,440 (L)	23.27%
Prime Capital Management (Cayman) Limited	Investment manager	205,911,000 (L)	5.20%
JPMorgan Chase & Co.	Beneficial owner	4,829,785 (L)	0.12%
		637,000 (S)	0.01%
	Investment manager	68,000 (L)	0.00%
	Approved lending agent	390,429,651 (P)	9.87%
Cathay Life Insurance Co., Ltd.	Beneficial owner	296,316,000 (L)	7.49%
China Minsheng Investment Corp., Ltd.[3]	Interest in a controlled corporation	249,001,391 (L)	6.29%
		118,600,000 (S)	3.00%
KONG Fanxing	Beneficial owner	25,266,684 (L)	0.63%
	Interest in a controlled corporation	267,173,000 (L)[4]	6.75%
Aim Future Limited	Interest in a controlled corporation	267,173,000 (L)[4]	6.75%
UBS Group AG[5]	Person having a security interest in shares	9,476,000 (L)	0.23%
	Interest in a controlled corporation	189,414,493 (L)	4.79%
		7,868,000 (S)	0.19%
LIU Haifeng David	Interest in a controlled corporation	199,667,000 (L)[6]	5.05%
Capital Bridge Limited[6]	Interest in a controlled corporation	198,600,000 (L)	5.02%
DCP Capital Partners L.P.[6]	Interest in a controlled corporation	198,600,000 (L)	5.02%
DCP General Partner, Ltd[6]	Interest in a controlled corporation	198,600,000 (L)	5.02%
DCP, Ltd.[6]	Interest in a controlled corporation	198,600,000 (L)	5.02%
Julian Juul WOLHARDT[6]	Interest in a controlled corporation	198,600,000 (L)	5.02%

Disclosure of Interest

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 held as an approved lending agent.

(2) Sinochem Group is the beneficial owner of 100% of the issued share capital of Greatpart Limited and is deemed to be interested in the number of ordinary shares of the Company held by Greatpart Limited.

(3) Please refer to Form 2 – Corporate Substantial Shareholder Notice dated 2 July 2018 for further details of the shareholding structure.

(4) Please refer to Note (3) of the section headed "Directors' and Chief Executives' Interests and/or Short Positions in the Shares, Underlying Shares and Debentures of the Company or any of its Associated Corporations" for further details of the shareholding structure.

(5) Please refer to Form 2 – Corporate Substantial Shareholder Notice dated 16 May 2018 for further details of the shareholding structure.

(6) 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.

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

Corporate Governance

Corporate Governance Code

The Company has applied the principles and code provisions as set out in the Corporate Governance Code (the "CG Code") as contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Company has complied with the code provisions of the CG Code throughout the period from 1 January 2018 to 30 June 2018, except for Code Provision E.1.2 as explained below.

Code Provision E.1.2 of the CG Code stipulates that, among others, the chairman of the Board shall attend the annual general meeting of the listed issuers and arrange for the chairmen of the audit, remuneration and nomination committees (as appropriate) or in the absence of the chairman of such committees, another member of the committee to be available to answer questions at the annual general meeting.

At the annual general meeting of the Company held on 6 June 2018 (the "2018 AGM"), Mr. Ning Gaoning (Chairman of the Board), Mr. Yip Wai Ming (Chairman of the Audit and Risk Management Committee), Mr. Liu Haifeng David (Chairman of the Strategy and Investment Committee) and Mr. Liu Jialin (Chairman of the Remuneration and Nomination Committee) were unable to be present due to other important business engagements. In order to ensure smooth holding of the 2018 AGM, Mr. Kong Fanxing (Vice Chairman and Chief Executive Officer) chaired the 2018 AGM and Mr. Wang Mingzhe (executive director and the Chief Financial Officer) hosted the 2018 AGM and answered questions where necessary.

Corporate Governance

Model Code For Securities Transactions

The Company has devised its own code of conduct regarding directors' dealings in the Company's securities (the "Code of Conduct") on terms no less exacting than the required standard set out in Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry had been made to all the directors and the directors have confirmed that they had complied with the Code of Conduct throughout the six months ended 30 June 2018.

The Company has also established written guidelines no less exacting than the required standard set out in the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished inside information of the Company.

No incident of non-compliance with the Employees Written Guidelines by the employees was noted by the Company.

Independent Non-Executive Directors

Throughout the period from 1 January 2018 to 30 June 2018, the board of directors had at all times been in compliance with Rule 3.10(1) of the Listing Rules, which requires a company to maintain at least three independent non-executive directors in the board of directors; with Rule 3.10(2) of the Listing Rules, which requires one of those independent non-executive directors to be specialized in accounting or relevant financial management; and with Rule 3.10A of the Listing Rules, which requires independent non-executive directors representing at least one-third of the board of directors.

Audit and Risk Management Committee

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

The Audit and Risk Management Committee has reviewed, with the management and the external auditors, the condensed consolidated financial statements for the six months ended 30 June 2018 of the Group, including the accounting principles and practices adopted by the Group.

Other Information

Implementation of Distribution of 2017 Final Dividends

According to the method of distribution of dividends, which was considered and passed at the 2018 AGM on 6 June 2018, the Group has paid a dividend of HK$0.30 per share to shareholders whose names appeared on the register of members of the Company on 18 July 2018, thereby resulting in a total dividend payment amount of HK$1,185,878,140.20.

Interim Dividends

The Board does not recommend the payment of an interim dividend in respect of the period ended 30 June 2018.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any shares of the Company for the six months ended 30 June 2018.

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
Ning Gaoning	Concurrently holds the position as the secretary of party committee and the chairman of the board of directors of China National Chemical Corporation with effect from June 2018
Chen Guogang	No longer holds the position as a non-executive director of the Company with effect from 20 July 2018
Kuo Ming-Jian	No longer holds the position as a senior advisor of Blackstone Private Equity with effect from 1 March 2018

Report on Review of Interim Condensed Consolidated Financial Statements

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

安永會計師事務所
香港中環添美道1號
中信大廈22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)

INTRODUCTION

We have reviewed the accompanying interim condensed consolidated financial statements set out on pages 68 to 141, which comprise the interim condensed consolidated statement of financial position of Far East Horizon Limited (the "Company") and its subsidiaries (the "Group") as at 30 June 2018 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The directors are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Ernst & Young
Certified Public Accountants

Hong Kong
29 August 2018

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2018

	Notes	For the six months ended 30 June 2018 2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
REVENUE	*5*	**12,766,739**	8,972,211
Cost of sales		**(5,277,926)**	(3,508,756)
Gross profit		**7,488,813**	5,463,455
Other income and gains	*5*	**399,740**	200,806
Selling and distribution costs		**(1,397,245)**	(960,771)
Administrative expenses		**(3,101,805)**	(2,076,507)
Other expenses		**(93,773)**	(218,488)
Finance cost		**(152,231)**	(92,292)
Share of net losses of:			
Associates		**(30,034)**	(10,781)
Share of net profits/(losses) of:			
Joint ventures		**102,191**	(1,518)
PROFIT BEFORE TAX	*6*	**3,215,656**	2,303,904
Income tax expense	*7*	**(955,532)**	(684,358)
PROFIT FOR THE PERIOD		**2,260,124**	1,619,546
Attributable to:			
Ordinary shareholders of the Company		**2,009,712**	1,619,032
Holders of perpetual securities	*23*	**253,239**	39,856
Non-controlling interests		**(2,827)**	(39,342)
		2,260,124	1,619,546
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*	**RMB**	RMB
Basic and diluted			
– For profit for the period		**0.52**	0.42

Details of the dividends payable and proposed for the period are disclosed in Note 8 to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement Of Comprehensive Income

For the six months ended 30 June 2018

	For the six months ended 30 June 2018	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
PROFIT FOR THE PERIOD	**2,260,124**	1,619,546
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax:		
Available-for-sale investments:		
Changes in fair value	**–**	(13,573)
Reclassification adjustments for gains included in the consolidated statement of profit or loss		
– gains on disposal	**–**	(26,118)
	–	(39,691)
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the period	**433,479**	(404,649)
Reclassification to the consolidated statement of profit or loss	**(491,773)**	109,774
Income tax effect	**11,455**	48,557
	(46,839)	(246,318)
Exchange differences on translation of foreign operations	**(4,706)**	7,712
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**(51,545)**	(278,297)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**(51,545)**	(278,297)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**2,208,579**	1,341,249
Attributable to:		
Ordinary shareholders of the Company	**1,958,167**	1,340,735
Holders of perpetual securities	**253,239**	39,856
Non-controlling interests	**(2,827)**	(39,342)
	2,208,579	1,341,249

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2018

	Notes	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	8,384,890	6,968,921
Prepaid land lease payments	*11*	1,318,113	1,267,742
Goodwill		1,606,598	1,283,695
Other assets		3,364,766	2,553,175
Investments in joint ventures	*14*	1,846,896	1,508,405
Investments in associates	*15*	1,969,057	766,577
Available-for-sale investments		–	260,556
Financial assets at fair value through profit or loss		2,349,159	2,010,267
Derivative financial instruments	*13*	508,898	583
Loans and accounts receivables	*12*	146,217,332	122,614,916
Prepayments, deposits and other receivables		3,475,381	2,674,688
Deferred tax assets	*20*	3,719,694	3,169,406
Restricted deposits	*17*	239,090	176,353
Total non-current assets		174,999,874	145,255,284
CURRENT ASSETS			
Inventories		325,013	273,430
Construction contracts	*16*	27,911	44,170
Derivative financial instruments	*13*	44,303	122,474
Loans and accounts receivables	*12*	82,477,179	68,977,442
Prepayments, deposits and other receivables		2,005,732	4,144,726
Restricted deposits	*17*	5,204,151	4,408,317
Cash and cash equivalents	*17*	7,004,363	2,815,544
Available-for-sale investments		–	1,412,886
Financial assets at fair value through profit or loss		211,417	–
Total current assets		97,300,069	82,198,989
CURRENT LIABILITIES			
Trade and bills payables	*18*	2,029,812	1,838,961
Other payables and accruals		16,006,775	12,556,035
Derivative financial instruments	*13*	1,962	88,090
Interest-bearing bank and other borrowings	*19*	69,617,530	55,994,501
Taxes payable		1,252,543	1,506,937
Total current liabilities		88,908,622	71,984,524
NET CURRENT LIABILITIES		8,391,447	10,214,465

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2018

	Notes	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**183,391,321**	155,469,749
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*19*	**112,386,716**	88,905,179
Derivative financial instruments	*13*	**194,460**	172,186
Deferred tax liabilities	*20*	**92,086**	76,707
Other payables and accruals		**28,870,486**	26,053,094
Deferred revenue		**1,149,541**	704,862
Other liabilities		**3,320,254**	3,149,929
Total non-current liabilities		**146,013,543**	119,061,957
Net assets		**37,377,778**	36,407,792
EQUITY			
Equity attributable to ordinary shareholders of the parent			
Share capital	*21*	**10,225,409**	10,218,442
Other reserves	*22*	**15,789,156**	15,122,427
		26,014,565	25,340,869
Holders of perpetual securities	*23*	**9,937,215**	9,797,723
Non-controlling interests		**1,425,998**	1,269,200
Total equity		**37,377,778**	36,407,792

Kong Fanxing
Director

Wang Mingzhe
Director

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

	Attributable to ordinary shareholders of the parent												
	Share capital RMB'000 *(Note 21)*	Capital reserve RMB'000 *(Note 22)*	Shares held for share award scheme RMB'000	Share-based compensation reserve RMB'000 *(Note 22)*	Special reserve RMB'000 *(Note 22)*	Reserve fund RMB'000 *(Note 22)*	Hedging reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Perpetual securities RMB'000 *(Note 23)*	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2017 (Audited)	10,218,442	2,105,322	(659,384)	329,672	1,082	121,913	16,843	633,498	12,573,481	25,340,869	9,797,723	1,269,200	36,407,792
Effect of adoption of new accounting standards *(Note 2.2)*	-	-	-	-	-	-	-	-	(163,425)	(163,425)	-	-	(163,425)
At 1 January 2018 (restated)	10,218,442	2,105,322	(659,384)	329,672	1,082	121,913	16,843	633,498	12,410,056	25,177,444	9,797,723	1,269,200	36,244,367
Profit for the period	-	-	-	-	-	-	-	-	2,009,712	2,009,712	253,239	(2,827)	2,260,124
Other comprehensive income	-	-	-	-	-	-	(46,839)	-	-	(46,839)	-	-	(46,839)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(4,706)	-	(4,706)	-	-	(4,706)
Total comprehensive income	-	-	-	-	-	-	(46,839)	(4,706)	2,009,712	1,958,167	253,239	(2,827)	2,208,579
Final 2017 dividend declared (net of dividends received from shares held for share award scheme) *(Note 8)*	-	-	-	-	-	-	-	-	(972,002)	(972,002)	-	-	(972,002)
Distribution paid to holders of perpetual securities	-	-	-	-	-	-	-	-	-	-	(113,747)	-	(113,747)
Shares vested under restricted share award scheme	-	-	197,098	(163,099)	-	-	-	-	(33,999)	-	-	-	-
Purchase of shares under share award scheme	-	-	(300,575)	-	-	-	-	-	-	(300,575)	-	-	(300,575)
Transfer of share option reserve upon exercise of share options	6,967	-	-	(1,489)	-	-	-	-	-	5,478	-	-	5,478
Recognition of equity-settled share-based payments	-	-	-	146,053	-	-	-	-	-	146,053	-	-	146,053
Capital injection by non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	60,688	60,688
Disposal of subsidiaries *(Note 24)*	-	-	-	-	-	-	-	-	-	-	-	(587)	(587)
Dividends declared to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(20,070)	(20,070)
Liquidation of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(4,582)	(4,582)
Acquisition of subsidiaries *(Note 3)*	-	-	-	-	-	-	-	-	-	-	-	124,176	124,176
At 30 June 2018 (Unaudited)	10,225,409	2,105,322*	(762,861)*	311,137*	1,082*	121,913*	(29,996)*	628,792*	13,413,767*	26,014,565	9,937,215	1,425,998	37,377,778

* These reserve accounts comprise the consolidated reserves of RMB15,789,156,000 (31 December 2017: RMB15,122,427,000) in the consolidated statement of financial position.

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

	Attributable to ordinary shareholders of the parent													
	Share capital RMB'000 *(Note 21)*	Capital reserve RMB'000 *(Note 22)*	Shares held for share award scheme RMB'000	Share-based compensation reserve RMB'000 *(Note 22)*	Special reserve RMB'000 *(Note 22)*	Reserve fund RMB'000 *(Note 22)*	Hedging reserve RMB'000	Available-for-sale investment revaluation reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Perpetual securities RMB'000 *(Note 23)*	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017 (Audited)	10,213,017	2,114,102	(852,459)	218,130	656	121,913	149,987	83,860	616,783	10,293,241	22,959,230	1,231,881	654,990	24,846,101
Profit for the period	–	–	–	–	–	–	–	–	–	1,619,032	1,619,032	39,856	(39,342)	1,619,546
Other comprehensive income	–	–	–	–	–	–	(246,318)	(39,691)	7,712	–	(278,297)	–	–	(278,297)
Total comprehensive income	–	–	–	–	–	–	(246,318)	(39,691)	7,712	1,619,032	1,340,735	39,856	(39,342)	1,341,249
Final 2016 dividend declared (net of dividends received from shares held for share award scheme) *(Note 8)*	–	–	–	–	–	–	–	–	–	(762,997)	(762,997)	–	–	(762,997)
Distribution paid to holders of perpetual securities	–	–	–	–	–	–	–	–	–	–	–	(37,847)	–	(37,847)
Shares vested under restricted share award scheme	–	–	102,270	(73,982)	–	–	–	–	–	(28,288)	–	–	–	–
Transfer of share option reserve upon exercise of share options	671	–	–	(136)	–	–	–	–	–	–	535	–	–	535
Recognition of equity-settled share-based payments	–	–	–	118,804	–	–	–	–	–	–	118,804	–	–	118,804
Capital injection by non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	59,031	59,031
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(1,886)	(1,886)
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	(5,740)	(5,740)
Purchase of non-controlling interests	–	(7,424)	–	–	–	–	–	–	–	–	(7,424)	–	(7,277)	(14,701)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	209,828	209,828
Issue of perpetual capital securities	–	–	–	–	–	–	–	–	–	–	–	2,032,719	–	2,032,719
Redemption of senior perpetual securities	–	–	–	–	–	–	–	–	–	(133,899)	(133,899)	(1,229,961)	–	(1,363,860)
At 30 June 2017 (Unaudited)	10,213,688	2,106,678	(750,189)	262,816	656	121,913	(96,331)	44,169	624,495	10,987,089	23,514,984	2,036,648	869,604	26,421,236

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

	Notes	For the six months ended 30 June 2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**3,215,656**	2,303,904
Adjustments for:			
Finance costs		**4,027,875**	2,622,491
Interest income	*5*	**(23,767)**	(11,302)
Share of net losses of associates		**30,034**	10,781
Share of net (profits)/losses of joint ventures		**(102,191)**	1,518
Derivative financial instruments – transactions not qualifying as hedges:			
Unrealised fair value losses, net		**–**	24,988
Realised fair value (profits)/losses, net		**(6,285)**	109,930
Gains on structured financial products	*5*	**(8,687)**	(21,819)
Gains on disposal of available-for-sale investments	*5*	**–**	(26,118)
(Profits)/losses on disposal of property, plant and equipment, net		**(3,123)**	13,693
Losses/(gains) on disposal of subsidiaries	*6*	**4,930**	(2,106)
Depreciation		**349,258**	230,678
Provision for impairment of loans and accounts receivables	*6*	**1,647,016**	812,044
Provision for impairment of inventories	*6*	**612**	8,023
Provision for impairment of other receivables	*6*	**12,693**	24,895
Provision for impairment of property, plant and equipment	*6*	**52,259**	148,403
Amortisation of intangible assets and other assets		**23,497**	21,084
Equity-settled share-based payment expenses	*6*	**146,053**	118,804
Foreign exchange loss, net		**70,730**	32,905
Transaction cost incurred in purchasing financial assets at fair value through profit or loss		**125**	–
Interest income from subordinated tranches of asset-backed securities/notes		**(124,716)**	(102,912)
Gains on disposal of financial assets at fair value through profit or loss	*5*	**(150,016)**	–
		9,161,953	6,319,884
Increase in inventories		**(29,077)**	(78,434)
Decrease/(increase) in construction contracts		**16,258**	(8,944)
Increase in loans and accounts receivables		**(39,199,710)**	(29,668,482)
Decrease in prepayments, deposits and other receivables		**1,373,623**	1,820,848
Increase in restricted cash related to asset-backed securitisations and collective fund trusts		**(343,339)**	(608,401)
Decrease/(increase) in other assets		**14,309**	(803,356)
Increase/(decrease) in trade and bills payables		**117,974**	(630,394)
Increase in other payables and accrued liabilities		**4,479,928**	5,594,340
Increase in other liabilities		**443,551**	917,544
Net cash flows used in operating activities before tax and interest		**(23,964,530)**	(17,145,395)
Interest paid		**(3,427,878)**	(2,566,486)
Interest received		**23,767**	11,302
Income tax paid		**(1,753,763)**	(1,496,579)
Net cash flows used in operating activities		**(29,122,404)**	(21,197,158)

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

	Notes	For the six months ended 30 June 2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Gain on structured financial products	5	8,687	21,819
Realised gains from derivative instruments – not designated as hedges		–	19,324
Proceeds from disposal of property, plant and equipment		115,669	117,590
Purchase of items of property, plant and equipment, intangible assets and other long term assets		(1,338,174)	(880,680)
Acquisition of subsidiaries		35,393	(185,339)
Proceeds from disposal of subsidiaries		(219,181)	(888)
Purchase of shareholding for joint ventures		(15,162)	(132,995)
Purchase of shareholding for associates		(1,144,311)	(130,000)
Dividend received from joint ventures		53,909	1,761
Dividend received from associates		10,803	815
Proceeds from disposal of financial assets at fair value through profit or loss		1,870,173	–
Proceeds from disposal of partial interests in a joint venture		343,061	–
Disposal of available-for-sale investments		–	59,516
Liquidation of a subsidiary		(4,582)	–
Transaction cost incurred in purchasing financial assets at fair value through profit or loss		(125)	–
Purchase of financial assets at fair value through profit or loss		(1,604,483)	(422,872)
Net cash flows used in investing activities		(1,888,323)	(1,531,949)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received from exercise of share options		5,478	535
Capital injection from non-controlling shareholders		60,688	59,031
Purchase of non-controlling shareholders		–	(10,225)
Cash received from borrowings		95,373,143	78,210,159
Repayments of borrowings		(59,269,459)	(55,101,345)
Dividends paid		–	(762,997)
(Increase)/decrease in pledged deposits		(515,233)	25,925
Distribution paid to holders of perpetual securities	23	(113,747)	(37,847)
Issue of perpetual capital securities		–	2,032,719
Dividends paid to non-controlling shareholders		(8,272)	(5,740)
Redemption of perpetual securities		–	(1,363,860)
Realised (losses)/profits from derivative financial instruments in hedges for borrowings		(49,769)	467,765
Purchase of shares under share award scheme		(300,575)	–
Net cash flows from financing activities		35,182,254	23,514,120
NET INCREASE IN CASH AND CASH EQUIVALENTS		4,171,527	785,013
Cash and cash equivalents at beginning of the period		2,815,544	2,051,307
Effect of exchange rate changes on cash and cash equivalents		17,292	(46,245)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	17	7,004,363	2,790,075

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

1. Corporate Information

Far East Horizon Limited (the "Company") is a limited liability company which was incorporated in Hong Kong on 15 May 2008. Pursuant to the special resolutions dated 15 October 2008 and 29 November 2010 respectively, the Company changed its name from Fully Ascent Limited to Far Eastern Hong Xin Co., Limited, and then Far East Horizon Limited. The registered office address of the Company is Room 6305, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

The Company's shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 30 March 2011.

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

2. Basis of Preparation and Accounting Policies

2.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2018 are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting".

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's audited financial statements for the year ended 31 December 2017.

The interim condensed consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand ("RMB'000") except when otherwise indicated.

2.2 Significant accounting policies

Adoption of new standards and amendments

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are the same as those used in the Group's financial statements for the year ended 31 December 2017, except in relation to the following new standards and amendments which are adopted by the Group for the first time for the current period's financial statements:

HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	*Amendments to HKFRS 1 and HKAS 28*

2. Basis of Preparation and Accounting Policies (continued)

2.2 Significant accounting policies (continued)

Adoption of new standards and amendments (continued)

The Group has applied, for the first time, HKFRS 9 Financial Instruments, under which, the classification and measurement, impairment requirements are applied retrospectively by adjusting the opening balance sheet at the date of initial application. As permitted by HKFRS 9, the Group has not restated comparatives. As required by HKAS 34, the nature and effect of these changes are disclosed below.

Except for HKFRS 9, the adoption of the above other standards, amendments and interpretations does not have any significant impact on the operating results, financial position and comprehensive income of the Group.

The Group has not early adopted any other standards, amendments or interpretations that have been issued but are not yet effective.

HKFRS 9 *Financial Instruments*

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting.

(a) Classification and Measurement

In HKFRS 9, financial assets are classified into three categories: amortised cost, fair value through other comprehensive income and fair value through profit or loss based on the entity's business model for managing the financial assets and their contractual cash flow characteristics. In addition, investments in equity instruments are required to be measured at fair value through profit or loss, unless an option is irrevocably exercised at inception to present changes in fair value in other comprehensive income in which case the accumulated fair value changes in other comprehensive income will not be recycled to profit or loss in the future. The Group does not apply the option for equity investments, so they are measured at fair value through profit or loss upon adoption of HKFRS 9.

Business model

The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable, the financial assets are classified as part of "other" business model. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

2. Basis of Preparation and Accounting Policies (continued)

2.2 Significant accounting policies (continued)

Adoption of new standards and amendments (continued)

HKFRS 9 *Financial Instruments (continued)*

(a) Classification and Measurement (continued)

Characteristics of the contractual cash flows

The assessment of the characteristics of the contractual cash flows aims to identify whether the contractual cash flows are solely payments of principal and interest on the principal amount outstanding. Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement.

Classification of the Group's financial assets

The Group classifies the financial assets according to the business model for managing the financial assets and characteristics of the contractual cash flows. The categories of the financial assets can be as follows:

- Amortised cost
- Fair value through profit or loss
- Fair value through other comprehensive income

(b) Impairment

HKFRS 9 requires that the measurement of impairment of a financial asset be changed from "incurred loss model" to "expected credit loss model" ("ECL model") and this way of measurement applies to financial assets measured at amortised cost, measured at fair value with changes taken to other comprehensive income, and credit commitments and financial guarantee contracts.

Measurement of ECL

The ECL is a weighted average of credit losses on financial instruments weighted at the risk of default. Credit loss is the difference between all receivable contractual cash flows according to the contract and all cash flows expected to be received by the Group discounted to present value at the original effective interest rate, i.e. the present value of all cash shortfalls.

2. Basis of Preparation and Accounting Policies (continued)

2.2 Significant accounting policies (continued)

Adoption of new standards and amendments (continued)

HKFRS 9 ***Financial Instruments (continued)***

(b) Impairment (continued)

Measurement of ECL (continued)

According to the changes of credit risk of financial instruments since the initial recognition, the Group calculates the ECL by three stages:

- Stage I: The financial instruments without significant increases in credit risk after initial recognition are included in Stage I to calculate their impairment allowance at an amount equivalent to the ECL of the financial instrument for the next 12 months;

- Stage II: Financial instruments that have had a significant increase in credit risk since initial recognition but have no objective evidence of impairment are included in Stage II, with their impairment allowance measured at an amount equivalent to the ECL over the lifetime of the financial instruments;

- Stage III: Financial assets with objective evidence of impairment at the balance sheet date are included in Stage III, with their impairment allowance measured at the amount equivalent to the ECL for the lifetime of the financial instruments.

After the impairment allowance has been previously measured at the amount equivalent to the ECL over the lifetime of the financial instruments, if the financial instrument no longer belongs to the situation of there being a significant increase in credit risk since initial recognition, the Group will measure the impairment allowance of the financial instruments on the balance sheet date of the current period according to the ECL in the next 12 months.

The Group shall measure ECL of a financial instrument in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

- The time value of money; and

- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

When measuring ECL, an entity need not necessarily identify every possible scenario. However, the Group shall consider the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low.

2. Basis of Preparation and Accounting Policies (continued)

2.2 Significant accounting policies (continued)

Adoption of new standards and amendments (continued)

HKFRS 9 *Financial Instruments (continued)*

(b) Impairment (continued)

The Group conducted an assessment of ECL according to forward-looking information and used appropriate models and 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 debtors and the corresponding losses).

The Group adopts judgement, assumptions and estimation techniques in order to measure ECL according to HKFRS 9 such as:

- Criteria for judging significant increases in credit risk
- Definition of credit-impaired financial asset
- Parameters for measuring ECL
- Forward-looking information
- Modification of contractual cash flows

Criteria for judging significant increases in credit risk

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each balance sheet date. While determining whether the credit risk has significantly increased since initial recognition or not, the Group takes into account the reasonable and substantiated information that is accessible without exerting unnecessary cost or effort, including qualitative and quantitative analysis based on the historical data of the Group, external credit risk rating, and forward-looking information. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments on the balance sheet date with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments.

The Group continuously monitors all instruments subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months' expected credit loss or lifetime expected credit loss, the Group assesses whether there has been a significant increase in credit risk since initial recognition. The Group considers an exposure to have significantly increased in credit risk when at the reporting date, the increase in remaining lifetime probability of default is considered significant, comparing with the one at initial recognition. The Group also considers other factors for triggering a significant increase in credit risk for an instrument, such as moving a debtor/facility to the watch list, the number of days past due, or significant adverse change in the debtor's operations or financial status, etc.

When estimating ECLs on a collective basis for a group of similar instruments, the Group applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

2. Basis of Preparation and Accounting Policies (continued)

2.2 Significant accounting policies (continued)

Adoption of new standards and amendments (continued)

HKFRS 9 ***Financial Instruments (continued)***

(b) Impairment (continued)

Definition of credit-impaired financial asset

The standard adopted by the Group to determine whether a credit impairment occurs under HKFRS 9 is consistent with the internal credit risk management objectives of the relevant financial instrument, taking into account quantitative and qualitative criteria. When the Group assesses whether the credit impairment of debtor occurred, the following factors are mainly considered:

- Significant financial difficulty of the issuer or the debtor;
- Debtors are in breach of contract, such as defaulting on interest or becoming overdue on interest or principal payments overdue;
- The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider;
- It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;
- The disappearance of an active market for that financial asset because of financial difficulties;
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses;
- The debtor leaves any of the principal, advances, interest or investments in corporate bonds of the Group overdue for more than 90 days.

The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single event.

Parameters of ECL measurement

According to whether there is a significant increase in credit risk and whether there is an impairment of assets, the Group measures the impairment loss for different assets with ECL of 12 months or the entire lifetime respectively. The key measuring parameters of ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD). Based on the internal credit rating system used in risk management and the requirements of HKFRS 9, the Group takes into account the quantitative analysis of historical statistics (such as ratings of counterparties, manners of guarantees and types of collaterals, repayments, etc.) and forward-looking information in order to establish the model of PD, LGD and EAD.

2. Basis of Preparation and Accounting Policies (continued)

2.2 Significant accounting policies (continued)

Adoption of new standards and amendments (continued)

HKFRS 9 *Financial Instruments (continued)*

(b) Impairment (continued)

Relative definitions are listed as follows:

- PD refers to the possibility that the debtor will not be able to fulfil its obligations of repayment over the next 12 months or throughout the entire remaining lifetime. The Group's PD is adjusted based on the results of the internal rating, taking into account the forward-looking information and deducting the prudential adjustment to reflect the debtor's point-in-time (PIT) PD under the current macroeconomic environment;

- LGD refers to the Group's expectation of the extent of the loss resulting from the default exposure. Depending on the type of counterparty, the method and priority of the recourse, and the type of collaterals, the LGD varies. The LGD is the percentage of loss of risk exposure at the time of default, calculated over the next 12 months or over the entire remaining lifetime;

- EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

Forward-looking information

The assessment of a significant increase in credit risk and the calculation of ECL both involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECL of various business sectors.

The impact of these economic indicators on the PD and the LGD varies according to different business sectors. The Group applied internal experts' judgement in this process, according to the result of the judgement, the Group predicts these economic indicators on a regular basis and determines the impact of these economic indicators on the PD and the LGD by conducting quantitative and qualitative analysis.

In addition to providing a baseline economic scenario, the Group combines specific sector rating analysis with internal experts' judgement to determine the weight of other possible scenarios, which the Group will properly consider in determination of ECL.

2. Basis of Preparation and Accounting Policies (continued)

2.2 Significant accounting policies (continued)

Adoption of new standards and amendments (continued)

HKFRS 9 *Financial Instruments (continued)*

(c) Hedge accounting

The new hedge accounting model aims to provide a better link among an entity's risk management strategy, the rationale for hedging and the impact of hedging on the financial statements. Greater flexibility has been introduced to the types of transactions eligible for hedge accounting. To remove the risk of any conflict between existing macro hedge accounting practice and the new general hedge accounting requirements, HKFRS 9 includes an accounting policy choice to remain with HKAS 39 hedge accounting. The Group chose to adopt the new hedge accounting requirements in HKFRS 9 from 1 January 2018.

(d) The impacts of transition to HKFRS 9

Considering the impact of HKFRS 9 on the consolidated financial statements, the Group will record an adjustment to the equity at 1 January 2018, but will not restate comparative periods. The impact of the Group's adoption of HKFRS 9 is disclosed as follows:

(i) Transition disclosures of the balances in financial statements from HKAS 39 to HKFRS 9

		HKAS 39 measurement			Remeasurement		HKFRS 9	
	Note	Category	Amount RMB'000	Reclassification	ECL	Other	Amount RMB'000	Category
Financial assets								
Loans and accounts receivables	*a*	L&R	191,592,358	–	(190,532)	–	191,401,826	AC
Financial assets included in prepayments, deposits and other receivables	*a*	L&R	5,441,511	–	(1,133)	–	5,440,378	AC
Restricted deposits		L&R	4,584,670	–	–	–	4,584,670	AC
Available-for-sale investments	*b*	AFS	1,673,442	(1,673,442)	–	–	–	N/A
Financial assets at fair value through profit or loss	*b*	FVPL	2,010,267	1,673,442	–	–	3,683,709	FVPL
Derivative financial instruments		FVPL	583	–	–	–	583	FVPL
Derivative financial instruments	*c*		122,474	–	–	–	122,474	
Cash and cash equivalents		L&R	2,815,544	–	–	–	2,815,544	AC
			208,240,849	–	(191,665)	–	208,049,184	
Non-financial assets		N/A	19,213,424	–	54,475	–	19,267,899	N/A
Including: Deferred tax assets	*a*	N/A	3,169,406	–	54,475	–	3,223,881	N/A
Total assets			227,454,273	–	(137,190)	–	227,317,083	

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

2. Basis of Preparation and Accounting Policies (continued)

2.2 Significant accounting policies (continued)

Adoption of new standards and amendments (continued)

HKFRS 9 *Financial Instruments (continued)*

(d) *The impacts of transition to HKFRS 9 (continued)*

(i) Transition disclosures of the balances in financial statements from HKAS 39 to HKFRS 9 (continued)

		HKAS 39 measurement			Remeasurement		HKFRS 9	
	Note	Category	Amount RMB'000	Reclassification	ECL	Other	Amount RMB'000	Category
Financial Liabilities:								
Trade and bills payables		AC	1,838,961	–	–	–	1,838,961	AC
Financial liabilities included in other payables and accruals		AC	36,254,402	–	–	–	36,254,402	AC
Derivative financial instruments		FVPL	15,511	–	–	–	15,511	FVPL
Derivative financial instruments	*c*		244,765	–	–	–	244,765	
Interest-bearing bank and other borrowings		AC	144,899,680	–	–	–	144,899,680	AC
Financial liabilities included in other liabilities		FVPL	657,851	–	–	–	657,851	FVPL
			183,911,170	–	–	–	183,911,170	
Non-financial liabilities		N/A	7,135,311	–	26,235	–	7,161,546	N/A
Include: non-financial liabilities included in other liabilities	*a*	N/A	2,492,078	–	26,235	–	2,518,313	N/A
Total liabilities			191,046,481	–	26,235	–	191,072,716	

Note: L&R Loans and receivables
AFS Available for sale
AC Amortised cost
FVPL Fair value through profit or loss
ECL Expected credit loss

2. Basis of Preparation and Accounting Policies (continued)

2.2 Significant accounting policies (continued)

Adoption of new standards and amendments (continued)

HKFRS 9 *Financial Instruments (continued)*

(d) The impacts of transition to HKFRS 9 (continued)

(ii) The impact of transition from HKAS 39 to HKFRS 9 on equity is, as follows:

		HKAS 39 measurement		Remeasurement		HKFRS 9
	Note	Amount	Reclassification	ECL	Other	Amount
		RMB'000				RMB'000
Equity						
Share capital		10,218,442	–	–	–	10,218,442
Other reserves		15,122,427	–	(163,425)	–	14,959,002
Include: retained profits	*(i)*	12,573,481	–	(163,425)	–	12,410,056
		25,340,869	–	(163,425)	–	25,177,444
Holders of perpetual securities		9,797,723	–	–	–	9,797,723
Non-controlling interests		1,269,200	–	–	–	1,269,200
Total equity		36,407,792	–	(163,425)	–	36,244,367

Note (i):

	Retained profits
	RMB'000
Retained profits	
Closing balance under HKAS 39 at 31 December 2017	12,573,481
Recognition of HKFRS 9 ECLs	(217,900)
Deferred tax in relation to the above	54,475
Opening balance under HKFRS 9 at 1 January 2018	12,410,056
Total change in retained profits as a result of adopting of HKFRS 9	(163,425)

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

2. Basis of Preparation and Accounting Policies (continued)

2.2 Significant accounting policies (continued)

Adoption of new standards and amendments (continued)

HKFRS 9 *Financial Instruments (continued)*

(d) The impacts of transition to HKFRS 9 (continued)

(iii) The impact of transition to HKFRS 9 on provision allowances is, as follows:

The following table reconciles the aggregate opening loan loss provision allowances under HKAS 39 and HKAS 37 at 31 December 2017 to the ECL allowances under HKFRS 9 at 1 January 2018:

Measurement Category **Financial assets at amortised cost**	Loss provision under HKAS 39 at 31 December 2017 RMB'000	Remeasurement RMB'000	**ECLs under HKFRS 9 at 1 January 2018** **RMB'000**
Loans and accounts receivables	4,105,236	190,532	**4,295,768**
Financial assets included in prepayments, deposits and other receivables	34,071	1,133	**35,204**
Total	4,139,307	191,665	**4,330,972**

Measurement Category **Credit commitments**	Loss provision under HKAS 37 at 31 December 2017 RMB'000	Remeasurement RMB'000	**ECLs under HKFRS 9 at 1 January 2018** **RMB'000**
Provisions (credit commitments)	–	26,235	**26,235**
Total	–	26,235	**26,235**

2. Basis of Preparation and Accounting Policies (continued)

2.2 Significant accounting policies (continued)

Adoption of new standards and amendments (continued)

HKFRS 9 *Financial Instruments (continued)*

(d) The impacts of transition to HKFRS 9 (continued)

(iii) The impact of transition to HKFRS 9 on provision allowances is, as follows (continued):

The pre-tax net asset impact of additional impairment allowances on adoption of HKFRS 9 is RMB217,900,000; RMB191,665,000 in respect of financial assets at amortised cost and RMB26,235,000 related to credit commitments. Total expected credit loss allowance at 1 January 2018 is RMB4,330,972,000 in respect of financial assets at amortised cost and RMB26,235,000 related to credit commitments.

(a) HKFRS 9 expected credit losses have decreased net assets by RMB163,425,000 principally comprising of RMB190,532,000 reduction in the carrying value of assets classified as"loans and accounts receivables ", RMB1,133,000 reduction in the carrying value of assets classified as" financial assets included in prepayments, deposits and other receivables ", RMB26,235,000 increase in "Provisions" under "Other liabilities" relating to expected credit losses on credit commitments and RMB54,475,000 increase in "deferred tax assets".

(b) RMB103,555,000 of available-for-sale non-traded equity investment and RMB1,569,887,000 of available-for-sale unlisted debt investment have been reclassified as "Financial assets at fair value through profit or loss" in accordance with HKFRS 9.

(c) The derivative financial instruments are hedging instruments designated in cash flow hedges.

Use of estimates and judgements

The implementation of HKFRS 9 resulted in a change to the assessment of the critical accounting estimates and judgements related to impairment of financial instruments. Except for this, the nature and assumptions related to the Group's accounting estimates are consistent with those adopted in the Group's financial statements for the year ended 31 December 2017.

Impairment of financial instruments

The measurement of impairment losses under HKFRS 9 across debt instruments recorded at amortised cost or at FVOCI, lease receivables, credit commitments and financial guarantee contracts that are not accounted for at FVTPL 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.

2. Basis of Preparation and Accounting Policies (continued)

2.2 Significant accounting policies (continued)

Use of estimates and judgements (continued)

Impairment of financial instruments (continued)

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 PDs to the individual grades

(ii) The Group's criteria for assessing if 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, EADs and LGDs

The Group will regularly review the expected credit loss model in the context of actual loss experience and adjust when necessary.

Issued but not yet effective HKFRS

Further information about HKFRS issued but not yet effective for the six months ended 30 June 2018 that may significantly affect the consolidated financial statements of the Group in the future is as follows:

HKFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt HKFRS 16 on 1 January 2019 and is currently assessing the impact of HKFRS 16 upon adoption, and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As disclosed in note 27(b) to the financial statements, at 30 June 2018, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately RMB939,347,000. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short-term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

3. Business Combinations

In January 2018, the Group acquired 60% of the voting shares of Qinghai Kangle Hospital Company Limited ("Qinghai Kangle Hospital"), 51% of the voting shares of Xinxiang League Hospital Company Limited ("Xinxiang League Hospital "), and 51% of the voting shares of Xianning Matang Hospital Company Limited ("Xianning Matang Hospital").

In March 2018, the Group acquired 63.5% of the voting shares of Renshou Yunchang Hospital Company Limited ("Renshou Yunchang Hospital") and 100% of the voting shares of Chengdu Gaoxinyuan Company Limited ("Chengdu Gaoxinyuan").

All these acquisitions have been accounted for using the acquisition method.The consolidated financial statements include the results of these acquired subsidiaries since their respective acquisition dates.

Acquisition of Qinghai Kangle Hospital

The fair values of the identifiable assets and liabilities of Qinghai Kangle Hospital as at the date of acquisition were:

	Fair value recognised on acquisition (Unaudited) RMB'000
Assets	
Property, plant and equipment	40,482
Prepaid land lease payments	8,464
Cash	61,289
Trade receivables	1,733
Prepayments, deposits and other receivables	106,020
Inventories	3,360
Other assets	2,659
	224,007
Liabilities	
Trade payables	(23,628)
Other payables and accruals	(184,576)
Deferred tax liabilities	(3,914)
Other liabilities	(126)
	(212,244)
Total identifiable net assets at fair value	11,763
Non-controlling interests	(4,705)
Goodwill arising on acquisition	93,942
Purchase consideration transferred	101,000
Including: Consideration paid as additional capital injection to the subsidiary upon acquisition	61,000
Consideration to be paid as additional capital injection to the subsidiary	40,000
Analysis of cash flows on acquisition:	
Net cash acquired with the subsidiary (included in cash flows from investing activities)	61,289
Net inflow of cash and cash equivalents (included in cash flows from investing activities)	61,289
Transaction costs of the acquisition (included in cash flows from operating activities)	(911)
	60,378

Since the acquisition, Qinghai Kangle Hospital has contributed RMB39,468,000 to the Group's revenue and a net loss of RMB62,000 to the consolidated profit for the six-month period ended 30 June 2018.

3. Business Combinations (continued)

Acquisition of Xinxiang League Hospital

The fair values of the identifiable assets and liabilities of Xinxiang League Hospital as at the date of acquisition were:

	Fair value recognised on acquisition (Unaudited) RMB'000
Assets	
Property, plant and equipment	65,484
Prepaid land lease payments	1,945
Cash	13,654
Trade receivables	8,543
Prepayments, deposits and other receivables	94,592
Inventories	5,273
Other assets	118
	189,609
Liabilities	
Trade payables	(27,567)
Other payables and accruals	(10,580)
Taxes payable	(11,100)
Other liabilities	(13,890)
	(63,137)
Total identifiable net assets at fair value	126,472
Non-controlling interests	(61,971)
Goodwill arising on acquisition	74,584
Purchase consideration transferred	139,085
Including: Consideration paid upon acquisition	54,643
Consideration paid as additional capital injection to the subsidiary after acquisition	36,429
Consideration to be paid as additional capital Injection to the subsidiary	48,013
Analysis of cash flows on acquisition:	
Net cash acquired with the subsidiary (included in cash flows from investing activities)	13,654
Cash paid	(54,643)
Net outflow of cash and cash equivalents (included in cash flows from investing activities)	(40,989)
	(40,989)

Since the acquisition, Xinxiang League Hospital has contributed RMB38,891,000 to the Group's revenue and a net profit of RMB3,245,000 to the consolidated profit for the six-month period ended 30 June 2018.

3. Business Combinations (continued)

Acquisition of Xianning Matang Hospital

The fair values of the identifiable assets and liabilities of Xianning Matang Hospital as at the date of acquisition were:

	Fair value recognised on acquisition (Unaudited) RMB'000
Assets	
Property, plant and equipment	50,152
Prepaid land lease payments	4,656
Cash	6,004
Trade receivables	2,148
Prepayments, deposits and other receivables	69,737
Inventories	10,626
Other assets	2,161
	145,484
Liabilities	
Trade payables	(4,355)
Other payables and accruals	(68,090)
Interest-bearing bank and other borrowings	(65,500)
Taxes payable	(790)
	(138,735)
Total identifiable net assets at fair value	6,749
Non-controlling interests	(3,307)
Goodwill arising on acquisition	80,558
Purchase consideration transferred	84,000
Including: Consideration paid as additional capital injection to the subsidiary upon acquisition	29,000
Consideration to be paid as additional capital injection to the subsidiary	55,000
Analysis of cash flows on acquisition:	
Net cash acquired with the subsidiary (included in cash flows from investing activities)	6,004
Net inflow of cash and cash equivalents (included in cash flows from investing activities)	6,004
Transaction costs of the acquisition (included in cash flows from operating activities)	(590)
	5,414

Since the acquisition, Xianning Matang Hospital has contributed RMB36,151,000 to the Group's revenue and a net loss of RMB395,000 to the consolidated profit for the six-month period ended 30 June 2018.

3. Business Combinations (continued)

Acquisition of Renshou Yunchang Hospital

The fair values of the identifiable assets and liabilities of Renshou Yunchang Hospital as at the date of acquisition were:

	Fair value recognised on acquisition (Unaudited) RMB'000
Assets	
Property, plant and equipment	115,062
Prepaid land lease payments	35,994
Cash	10,706
Trade receivables	15,473
Prepayments, deposits and other receivables	130,574
Inventories	3,790
Other assets	897
	312,496
Liabilities	
Trade payables	(18,597)
Other payables and accruals	(48,399)
Interest-bearing bank and other borrowings	(97,000)
Taxes payable	(27)
	(164,023)
Total identifiable net assets at fair value	148,473
Non-controlling interests	(54,193)
Goodwill arising on acquisition	64,970
Purchase consideration transferred	159,250
Including: Consideration paid as additional capital injection to the subsidiary upon acquisition	46,800
Consideration paid as additional capital injection to the subsidiary after acquisition	97,067
Consideration to be paid as additional capital injection to the subsidiary	15,383
Analysis of cash flows on acquisition:	
Net cash acquired with the subsidiary (included in cash flows from investing activities)	10,706
Net inflow of cash and cash equivalents (included in cash flows from investing activities)	10,706
Transaction costs of the acquisition (included in cash flows from operating activities)	(400)
	10,306

Since the acquisition, Renshou Yunchang Hospital has contributed RMB17,600,000 to the Group's revenue and a net loss of RMB2,594,000 to the consolidated profit for the six-month period ended 30 June 2018.

3. Business Combinations (continued)

Acquisition of Chengdu Gaoxinyuan

The fair values of the identifiable assets and liabilities of Chengdu Gaoxinyuan as at the date of acquisition were:

	Fair value recognised on acquisition (Unaudited) RMB'000
Assets	
Property, plant and equipment	257
Cash	183
Trade receivables	508
Prepayments, deposits and other receivables	1,095
	2,043
Liabilities	
Trade payables	(168)
Other payables and accruals	(1,724)
	(1,892)
Total identifiable net assets at fair value	151
Goodwill arising on acquisition	8,849
Purchase consideration transferred	9,000
Including: Consideration paid upon acquisition	1,800
Consideration to be paid after acquisition	7,200
Analysis of cash flows on acquisition:	
Net cash acquired with the subsidiary (included in cash flows from investing activities)	183
Cash paid	(1,800)
Net outflow of cash and cash equivalents (included in cash flows from investing activities)	(1,617)
Transaction costs of the acquisition (included in cash flows from operating activities)	(101)
	(1,718)

Since the acquisition, Chengdu Gaoxinyuan has contributed RMB1,372,000 to the Group's revenue and a net loss of RMB102,000 to the consolidated profit for the six-month period ended 30 June 2018.

3. Business Combinations (continued)

If the acquisition had taken place at the beginning of the period, revenue of the Group would have been RMB12,798,856,000 and the net profit of the Group for the period would have been RMB2,203,895,000.

The goodwill recognised is primarily attributed to the expected synergies and other benefits from combining their assets and activities with those of the Group. The goodwill is not deductible for income tax purposes.

Transaction costs of RMB3,562,000 have been expensed and are included in administrative expenses in the statement of profit or loss.

The assessments of the fair values of the identifiable assets and liabilities of Qinghai Kangle Hospital, Xinxiang League Hospital, Xianning Matang Hospital, Renshou Yunchang Hospital and Chengdu Gaoxinyuan are still ongoing and the information of the fair values of the identifiable assets and liabilities is provisional. The finalised information will be disclosed in the consolidated financial statements of the Group for the year ending 31 December 2018.

The Group acquired Zhengzhou Renji Hospital Company Limited, Shenzhen Xinzhonghai Healthcare Investment Company Limited, Siyang Xiehe Hospital Company Limited, Daishan Guanghua Orthopedic Hospital Company Limited and Jinhua Rehabilitation Hospital Company Limited during the six months ended 30 June 2017.

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 internal organisational structure, management's requirement and internal reporting system:

- The financial, lease and advisory business comprises primarily (a) direct finance leasing; (b) sale-leaseback; (c) factoring; (d) entrusted loans; (e) operating leases and (f) advisory services.

- The industrial operation and management business comprises primarily (a) import and export trade and domestic trade of medical equipment, as well as the provision of trade agency services primarily within the machinery industry; (b) ship brokerage services; (c) medical engineering; (d) equipment operation; (e) hospital and healthcare management and (f) 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.

4. Operating Segment Information (continued)

As at and for the six months ended 30 June 2018 (Unaudited)	Financial, lease and advisory RMB'000	Industrial operation and management RMB'000	Adjustments and eliminations RMB'000	Total RMB'000
Segment revenue:				
Sales to external customers	11,455,875	1,310,864	–	12,766,739
Intersegment sales	34,399	196	(34,595)	–
Cost of sales	(4,357,521)	(961,662)	41,257	(5,277,926)
Other income and gains	355,033	51,369	(6,662)	399,740
Selling and distribution costs and administrative expenses	(4,109,691)	(389,359)	–	(4,499,050)
Other expenses	(87,151)	(6,622)	–	(93,773)
Finance costs	(88,765)	(63,466)	–	(152,231)
Share of net (losses)/profits of associates	(30,206)	172	–	(30,034)
Share of net (losses)/profits of joint ventures	(554)	102,745	–	102,191
Profit before tax	3,171,419	44,237	–	3,215,656
Income tax expense	(902,581)	(52,951)	–	(955,532)
Profit/(loss) after tax	2,268,838	(8,714)	–	2,260,124
Segment assets	270,721,903	12,550,424	(10,972,383)	272,299,944
Other segment information:				
Impairment losses recognised in the statement of profit or loss	1,674,438	38,142	–	1,712,580
Depreciation and amortisation	217,787	154,969	–	372,756
Capital expenditure	2,152,277	345,370	–	2,497,647

4. Operating Segment Information (continued)

As at and for the six months ended 30 June 2017 (Unaudited)	Financial, lease and advisory RMB'000	Industrial operation and management RMB'000	Adjustments and eliminations RMB'000	Total RMB'000
Segment revenue:				
Sales to external customers	8,142,049	830,162	–	8,972,211
Intersegment sales	9,198	2,017	(11,215)	–
Cost of sales	(2,886,242)	(633,439)	10,925	(3,508,756)
Other income and gains	193,211	10,001	(2,406)	200,806
Selling and distribution costs and administrative expenses	(2,759,451)	(280,523)	2,696	(3,037,278)
Other expenses	(158,107)	(60,381)	–	(218,488)
Finance costs	(63,211)	(29,081)	–	(92,292)
Share of net losses of associates	(10,781)	–	–	(10,781)
Share of net (losses)/profits of joint ventures	(7,910)	6,392	–	(1,518)
Profit/(loss) before tax	2,458,756	(154,852)	–	2,303,904
Income tax expense	(689,331)	4,973	–	(684,358)
Profit/(loss) after tax	1,769,425	(149,879)	–	1,619,546
As at 31 December 2017 (Audited)				
Segment assets	225,688,570	12,247,722	(10,482,019)	227,454,273
For the six months ended 30 June 2017 (Unaudited)				
Other segment information:				
Impairment losses recognised in the statement of profit or loss	939,578	53,787	–	993,365
Depreciation and amortisation	148,443	103,319	–	251,762
Capital expenditure	732,837	1,019,049	–	1,751,886

4. Operating Segment Information (continued)

Geographical information

(a) Revenue from external customers

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Mainland China	**12,753,558**	8,906,843
Hong Kong	**11,346**	60,827
Other countries or regions	**1,835**	4,541
	12,766,739	8,972,211

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

(b) Non-current assets

	30 June 2018	31 December 2017
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Mainland China	**17,432,551**	13,541,913
Hong Kong	**1,057,770**	806,602
	18,490,321	14,348,515

The non-current asset information above is based on the locations of assets and excludes financial instruments and deferred tax assets.

Information about a major customer

There was no single customer who contributed over 10% of the total revenue to the Group during the period.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

5. Revenue, Other Income and Gains

Revenue represents the net invoiced value of goods sold, net of value-added tax, after allowances for returns and trade discounts; an appropriate proportion of contract revenue of construction contracts, and the value of services rendered and gross leasing income received, net of value-added tax or business tax, during the period.

An analysis of revenue, other income and gains is as follows:

		For the six months ended 30 June	
		2018	2017
		(Unaudited)	(Unaudited)
	Note	**RMB'000**	RMB'000
Revenue			
Finance lease and loan interest income		**7,669,631**	4,673,275
Service fee income		**3,066,716**	2,872,184
Factoring income		**91,490**	142,746
Sale of goods		**147,124**	115,786
Chartering and brokerage income		**83,983**	62,364
Construction contract revenue		**71,506**	36,522
Operating lease income		**614,544**	443,893
Healthcare service income		**992,089**	590,678
Education service income		**78,580**	71,299
Other income		**40,040**	14,907
Tax and surcharges		**(88,964)**	(51,443)
		12,766,739	8,972,211
Other income and gains			
Bank interest income		**23,767**	11,302
Gain on structured financial products		**8,687**	21,819
Gains on disposal of available-for-sale investments		**–**	26,118
Gain on disposal of property, plant and equipment		**5,157**	1,526
Government grants	*5a*	**9,607**	6,564
Gain on transfers of loans and receivables		**8,094**	17,769
Gains on disposal of subsidiaries		**–**	2,106
Interest income from subordinated tranches of asset-backed securities/notes		**172,015**	112,267
Realised gains from derivative instruments – transactions not qualifying as hedges		**6,285**	–
Realised gains from derivative instruments – not designated as hedges		**12,740**	–
Gains on disposal of financial assets at fair value through profit or loss		**150,016**	–
Others		**3,372**	1,335
		399,740	200,806

5. Revenue, Other Income and Gains

5a. Government Grants

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Government special subsidy	**9,607**	6,564
	9,607	6,564

6. Profit Before Tax

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

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cost of borrowings included in cost of sales	**3,875,644**	2,530,199
Cost of inventories sold	**140,748**	109,983
Cost of construction contracts	**31,442**	29,306
Cost of operating leases	**366,207**	281,752
Cost of chartering	**52,804**	95,773
Cost of healthcare service	**727,505**	404,626
Cost of education service	**57,198**	45,953
Cost of others	**26,378**	11,164
Depreciation	**66,603**	21,387
Amortisation of intangible assets and other assets:		
Current year expenditure	**21,693**	19,580
Less: Government grants released*	**(689)**	(689)
	21,004	18,891
Rental expenses		
Current year expenditure	**105,057**	83,553
Less: Government grants released*	**(665)**	–
	104,392	83,553
Auditors' remuneration – other services	**3,300**	4,650
Employee benefit expense (including directors' remuneration)		
– Wages and salaries		
– Current year expenditure	**1,931,241**	1,358,693
– Less: Government grants released*	**(18,600)**	(18,600)
	1,912,641	1,340,093
– Equity-settled share-based payment expenses	**146,053**	118,804
– Pension scheme contributions	**49,850**	46,610
– Other employee benefits	**106,913**	111,944
	302,816	277,358

6. Profit Before Tax (continued)

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

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Impairment of loans and accounts receivables *(Note 12)*	**1,647,016**	812,044
Impairment of other receivables	**12,693**	24,895
Impairment of inventories	**612**	8,023
Impairment of property, plant and equipment	**52,259**	148,403
Entertainment fee	**47,568**	36,515
Business travelling expenses	**93,762**	97,158
Consultancy fees	**63,287**	43,998
Office expenses	**26,644**	21,831
Advertising and promotion expenses	**14,653**	8,603
Transportation expenses	**8,975**	5,543
Communication expenses	**11,559**	10,758
Other miscellaneous expenses:		
Current year expenditure	**100,528**	68,238
Less: Government grants released*	**(1,311)**	(3,580)
	99,217	64,658
Litigation expense	**10,049**	8,917
Losses on disposal of property, plant and equipment	**2,034**	15,219
Donation	**30**	646
Bank commission expense	**10,317**	23,257
Realised losses from derivative financial instruments		
– transactions not qualifying as hedges	**–**	109,930
Fair value losses from derivative financial instruments		
– transactions not qualifying as hedges	**–**	24,988
Foreign exchange (gains)/losses, net	**(517,626)**	109,774
Cash flow hedges (transfer from equity to foreign exchange):		
Others	**588,356**	(76,869)
Losses on transfers of loans and receivables	**1,237**	9,594
Finance costs	**152,231**	92,292
Other expenditure	**4,495**	1,949
Losses on disposal of subsidiaries *(Note 24)*	**4,930**	–

* 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.

7. Income Tax

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current – Hong Kong		
Charge for the period	**44,276**	32,641
Current – Mainland China		
Charge for the period	**1,385,047**	1,216,296
Deferred tax *(Note 20)*	**(473,791)**	(564,579)
Total tax charge for the period	**955,532**	684,358

Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2017: 16.5%) on the estimated assessable profits arising in Hong Kong for the period.

Corporate Income Tax ("CIT")

The income tax provision of the Group in respect of its operations in Mainland China has been calculated at the tax rate of 25% (six months ended 30 June 2017: 25%) on the estimated assessable profits for the period, based on existing legislation, interpretations and practices in respect thereof.

The State Administration of Taxation has announced that enterprises of encouraged industries in the Western Region of PRC are allowed to enjoy a preferential tax rate of 15% from 1 January 2011 to 31 December 2020. Deyang The Fifth Hospital Co., Ltd, Chongqing Yudong Hospital Co., Ltd and Nayong Xinli Hospital Co., Ltd have been recognised to fulfil the aforesaid preferential taxation policy and thus have enjoyed a preferential tax rate of 15% since 2016.

On 18 November 2012, Domin Medical Engineering was recognised as a high-technology enterprise by the Shanghai Science and Technology Commission. Since then, Domin Medical Engineering has enjoyed a preferential tax rate of 15%.

On 30 October 2015, Shanghai Horizon Equipment & Engineering Co., Ltd. was recognised as a high-technology enterprise by the Shanghai Science and Technology Commission. Since then, Shanghai Horizon Equipment & Engineering Co., Ltd. has enjoyed a preferential tax rate of 15%.

7. Income Tax (continued)

Corporate Income Tax ("CIT") (continued)

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

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Profit before tax	**3,215,656**	2,303,904
Tax at the statutory income tax rates	**788,660**	607,452
Effect of lower tax rate enacted by local authority	**(7,836)**	(2,737)
Expenses not deductible for tax	**63,512**	11,701
Income not subject to tax	**(20,159)**	(22,004)
Adjustment on current income tax in respect of prior years	**(1,189)**	51
Unrecognised tax losses	**91,732**	67,267
Effect of recognition of deductible temporary differences that were not recognised in prior years	**–**	(4,859)
Effect of withholding tax on interest on intra-group balances	**40,812**	27,487
Income tax expense reported in the interim condensed consolidated statement of profit or loss	**955,532**	684,358

The share of taxes attributable to associates and joint ventures amounting to approximately negative RMB10,011,000 (six months ended 30 June 2017: negative RMB3,594,000) and RMB34,069,000 (six months ended 30 June 2017: RMB506,000) is included in "Share of net losses of associates" and "Share of net profits of joint ventures" on the face of the interim condensed consolidated statement of profit or loss.

8. Dividends

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Dividends	**972,002**	762,997

Pursuant to a resolution passed at the general meeting on 6 June 2018, the Company declared a final dividend of HK$0.3 per share in respect of the year ended 31 December 2017 to its shareholders whose names appear on the register of members of the Company on 18 July 2018. Based on the total number of outstanding ordinary shares of 3,842,966,681 (excluding the 109,702,872 shares held for the share award scheme), cash dividends declared of approximately HK$1,152,890,000 (equivalent to RMB972,002,000) were recognised in the financial statements.

The board of directors does not recommend the payment of an interim dividend to shareholders in respect of the period for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

9. Earnings Per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of basic earnings per share for the six months ended 30 June 2018 is based on the consolidated net profit for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the period.

The calculation of the diluted earnings per share amounts is based on the consolidated net profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group has one category of dilutive potential ordinary shares: share options, and the number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

The calculation of basic and diluted earnings per share is based on:

Earnings

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	**2,009,712**	1,619,032

Shares

	Number of shares	
	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares outstanding during the period, used in the basic earnings per share calculation	**3,833,413,323**	3,812,012,389
Effect of dilution – weighted average number of ordinary shares:		
Share options	**2,026,096**	616,695
Weighted average number of ordinary shares in issue during the period, used in the diluted earnings per share calculation	**3,835,439,419**	3,812,629,084

During the six months ended 30 June 2018, the unvested share options under the Share Option Scheme and the unvested restricted shares under the Restricted Share Award Scheme have no dilutive effect on earnings per share. The Group had no other potentially dilutive ordinary shares in issue. There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of approval of these financial statements.

10. Property, Plant and Equipment

During the six months ended 30 June 2018, the Group acquired items of property, plant and equipment at a total cost of RMB2,059,689,000 (six months ended 30 June 2017: RMB951,402,000), including those through acquisition of subsidiaries.

Property, plant and equipment with a net book value of RMB112,546,000 were disposed of by the Group during the six months ended 30 June 2018 (six months ended 30 June 2017: RMB131,283,000), resulting in a net gain on disposal of RMB3,123,000 (six months ended 30 June 2017: a net loss of RMB13,693,000).

As at 30 June 2018, the Group has not obtained the property ownership certificates for nine buildings (31 December 2017: seven) with a net book value of RMB1,266,722,000 (31 December 2017: RMB536,251,000).

The Group was in the process of applying for the property ownership certificates for the above building as at 30 June 2018.

As at 30 June 2018, property, plant and equipment with a net carrying amount of RMB1,432,248,000 (31 December 2017: RMB1,342,199,000) were pledged to secure general banking facilities granted to the Group (see note 19(c)).

11. Prepaid Land Lease Payments

As at 30 June 2018, the Group has obtained the land use right certificates for the parcels of land with an aggregate net book value of RMB1,316,188,000 and the Group has not obtained the land ownership certificate for one parcel (31 December 2017: nil) of land with a net book value of RMB1,925,000 (31 December 2017: nil). The Group was in the process of applying for the land ownership certificate for the above parcel of land as at 30 June 2018.

As at 30 June 2018, the Group's leasehold land of approximately RMB876,818,000 (31 December 2017: RMB882,248,000) was pledged to secure general banking facilities granted to the Group (see note 19(c)).

12. Loans and Accounts Receivables

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Loans and accounts receivables due within 1 year	**82,477,179**	68,977,442
Loans and accounts receivables due after 1 year	**146,217,332**	122,614,916
	228,694,511	191,592,358

12. Loans and Accounts Receivables (continued)

12a. Loans and accounts receivables by nature

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Lease receivables *(Note 12b)**	242,633,744	195,347,057
Less: Unearned finance income	(29,285,886)	(22,271,711)
Net lease receivables *(Note 12b/12c)***	213,347,858	173,075,346
Interest receivables *(Note 12c)**	1,702,376	1,189,896
Factoring receivable *(Note 12c/12g)***	2,702,125	2,914,198
Entrusted loans *(Note 12c/12h)*/***	12,168,274	15,089,836
Long-term receivables *(Note 12c/12i)***	2,300,401	1,624,066
Secured loans *(Note 12c)***	56,369	84,241
Subtotal of Interesting-bearing assets	232,277,403	193,977,583
Less: Provision for lease receivables *(Note 12d)***	(4,992,191)	(3,539,797)
Provision for factoring receivable *(Note 12d)***	(90,820)	(97,218)
Provision for entrusted loans *(Note 12d)***	(209,238)	(222,817)
Provision for long-term receivables *(Note 12d)***	–	–
Provision for secured loans *(Note 12d)***	(3,040)	(9,186)
Provision for interesting-bearing assets	(5,295,289)	(3,869,018)
Notes receivable	235,736	111,749
Accounts receivable *(Note 12e)**	1,753,296	1,608,262
Provision for accounts receivable *(Note 12f)*	(276,635)	(236,218)
Total of loans and accounts receivables	228,694,511	191,592,358

* These balances included balances with related parties which are disclosed in note 12j.

** These balances are included in the interest-bearing assets disclosed in note 12c and note 12d.

12. Loans and Accounts Receivables (continued)

12b (1). An aging analysis of lease receivables, determined based on the age of the receivables since the effective date of the relevant lease contracts, as at the end of the reporting period is as follows:

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Lease receivables:		
Within 1 year	155,200,581	131,365,517
1 to 2 years	55,692,355	37,347,975
2 to 3 years	22,449,168	17,542,648
3 to 5 years	9,291,640	9,090,917
Total	242,633,744	195,347,057

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Net lease receivables:		
Within 1 year	133,579,071	114,348,790
1 to 2 years	50,378,180	34,098,933
2 to 3 years	20,752,211	16,147,468
3 to 5 years	8,638,396	8,480,155
Total	213,347,858	173,075,346

12b (2). The table below illustrates the gross and net amounts of lease receivables the Group expects to receive in the following five or more than five consecutive accounting years:

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Lease receivables:		
Due within 1 year	84,782,118	70,860,654
Due in 1 to 2 years	72,326,655	54,756,878
Due in 2 to 3 years	46,585,940	37,917,162
Due in 3 to 5 years	38,525,165	31,314,497
Due after 5 years	413,866	497,866
Total	242,633,744	195,347,057

12. Loans and Accounts Receivables (continued)

12b (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: (continued)

	30 June 2018	31 December 2017
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Net lease receivables:		
Due within 1 year	**71,410,469**	60,576,573
Due in 1 to 2 years	**63,600,676**	48,257,912
Due in 2 to 3 years	**42,025,456**	34,428,098
Due in 3 to 5 years	**35,932,409**	29,374,433
Due after 5 years	**378,848**	438,330
Total	**213,347,858**	173,075,346

There was no unguaranteed residual value in connection with finance lease arrangements or contingent lease arrangements of the Group that need to be recorded as at the end of the reporting period.

As at 30 June 2018, the Group's lease receivables pledged or charged as security for the Group's bank and other borrowings amounted to RMB20,554,047,000 (31 December 2017: RMB13,990,886,000) (see note 19(a)).

12c. Analysis of interest-bearing assets by assessments

	Stage I (12-month ECL)	**Stage II (Lifetime ECL)**	**Stage III (Lifetime ECL – impaired)**	**Total**
As at 30 June 2018				
Total interest-bearing assets	**216,907,497**	**13,142,036**	**2,227,870**	**232,277,403**
Allowance for impairment losses	**(3,653,391)**	**(760,213)**	**(881,685)**	**(5,295,289)**
Interest-bearing assets, net	**213,254,106**	**12,381,823**	**1,346,185**	**226,982,114**

	31 December 2017
	(Audited)
	RMB'000
Interest-bearing assets:	
Individually assessed *(Note (i))*	1,760,972
Collectively assessed	192,216,611
Total	193,977,583
Allowance for impairment losses	
Individually assessed (Note (i))	700,180
Collectively assessed	3,168,838
Total	3,869,018

Note (i) Individually assessed interest-bearing assets include those classified as substandard, doubtful and loss by the Group.

12. Loans and Accounts Receivables (continued)

12d. Change in provision for interest-bearing assets

The Group has applied the general approach to providing for expected credited losses ("ECL") 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-bearing assets.

The Group has conducted an assessment of ECL 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 ECL according to the requirements of accounting standards such as criteria for judging significant increases in credit risk, definition of credit-impaired financial asset, parameters for measuring ECL and forward-looking information.

	Six month period ended 30 June 2018			
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL – impaired)	Total
At beginning of the period	–	–	–	3,869,018
Impact of adopting HKFRS 9	2,880,655	478,715	700,180	4,059,550
Impairment losses for the period	966,249	257,625	368,332	1,592,206
Disposal	(189,230)	–	–	(189,230)
Conversion to Stage I	125,615	(125,615)	–	–
Conversion to Stage II	(131,358)	159,370	(28,012)	–
Conversion to Stage III	–	(11,410)	11,410	–
Write-off	–	–	(174,109)	(174,109)
Recoveries of interest-bearing assets previously written off	–	–	3,452	3,452
Exchange differences	1,460	1,528	432	3,420
At end of the period	3,653,391	760,213	881,685	5,295,289

	Individually assessed 31 December 2017 (Audited) RMB'000	Collectively assessed 31 December 2017 (Audited) RMB'000	Total 31 December 2017 (Audited) RMB'000
At beginning of the year	558,366	2,388,320	2,946,686
Charge for the year	195,569	1,345,845	1,541,414
Recoveries of interest-bearing assets previously written off	20,113	–	20,113
Disposal	–	(556,073)	(556,073)
Write-off	(72,431)	–	(72,431)
Exchange differences	(1,437)	(9,254)	(10,691)
At end of the year	700,180	3,168,838	3,869,018

12. Loans and Accounts Receivables (continued)

12e. An aging analysis of accounts receivable as at the end of the reporting period is as follows:

Accounts receivable are non-interest-bearing and are generally on 60-day terms, while the credit terms for major customers can be extended to 180 days.

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Within 1 year	1,700,508	1,283,606
More than 1 year	52,788	324,656
Total	1,753,296	1,608,262

12f. Change in provision for accounts receivable

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
At beginning of period/year	236,218	82,385
Charge for the period/year	54,810	193,023
Acquisition of a subsidiary	1,528	2,993
Write-off	(15,945)	(41,719)
Exchange differences	24	(464)
At end of period/year	276,635	236,218

12. Loans and Accounts Receivables (continued)

12g. An aging analysis of factoring receivables as at the end of the reporting period is as follows:

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Within 1 year	1,170,426	1,253,283
More than 1 year	1,531,699	1,660,915
	2,702,125	2,914,198

12h (1). An aging analysis of entrusted loans, determined based on the age of the receivables since the effective dates of the relevant loan contracts, as at the end of the reporting period, is as follows:

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Entrusted loans:		
Within 1 year	2,518,892	4,983,273
1 to 2 years	2,870,932	7,434,203
2 to 3 years	6,706,439	2,631,696
3 to 5 years	72,011	40,664
Total	12,168,274	15,089,836

12h (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:

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Entrusted loans:		
Due within 1 year	5,362,561	5,663,725
Due in 1 to 2 years	3,714,251	4,722,929
Due in 2 to 3 years	2,404,315	3,013,227
Due in 3 to 5 years	687,147	1,665,642
Due after 5 years	–	24,313
Total	12,168,274	15,089,836

12. Loans and Accounts Receivables (continued)

12i. Long term receivables

As at 30 June 2018, the carrying value of long term receivables pledged or charged as security for the Group's borrowings amounted to RMB1,664,986,000 (31 December 2017: RMB1,224,437,000) (Note 19(a)).

12j. Balances with related parties

		30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Joint ventures:			
– Guangzhou Kangda Industrial Technology Co., Ltd.			
Entrusted loan	*(i)*	**60,000**	21,533
Long-term receivables	*(ii)*	**75,000**	75,000
Interest receivables		**15,028**	12,747
– Weihai Haida Hospital Co., Ltd.			
Long-term receivables	*(ii)*	**30,000**	30,000
Lease receivables		**–**	10,000
Interest receivables		**853**	883
– Kunming Broadhealthcare Investment Co., Ltd.			
Entrusted loan	*(i)*	**50,000**	50,000
Interest receivables		**86**	95
– Fengyang Gulou Hospital Co., Ltd.			
Accounts receivables		**15,230**	15,630
		246,197	215,888

(i) Balances of entrusted loans interest-bearing at annual interest rates ranging from 6.175% to 13% (31 December 2017: 6.245%).

(ii) Balances of long-term receivables interest-bearing at annual interest rates ranging from 5.655% to 6.05% (31 December 2017: from 5.655% to 6.05%).

13. Derivative Financial Instruments

	30 June 2018 (Unaudited) RMB'000		31 December 2017 (Audited) RMB'000	
	Assets	**Liabilities**	Assets	Liabilities
Cross-currency interest rate swap contracts	**540,355**	**(13,734)**	122,474	(112,844)
Forward currency contracts	**11,546**	**(177,287)**	–	(131,921)
Interest rate swaps	**1,300**	**(5,401)**	583	(15,511)
Total	**553,201**	**(196,422)**	123,057	(260,276)

	30 June 2018 (Unaudited) RMB'000		31 December 2017 (Audited) RMB'000	
	Assets	**Liabilities**	Assets	Liabilities
Portion classified as non-current				
Cross-currency interest rate swap contracts	**508,515**	**(11,772)**	–	(53,079)
Forward currency contracts	**–**	**(177,287)**	–	(104,100)
Interest rate swaps	**383**	**(5,401)**	583	(15,007)
	508,898	**(194,460)**	583	(172,186)
Current portion	**44,303**	**(1,962)**	122,474	(88,090)
Total	**553,201**	**(196,422)**	123,057	(260,276)

Cross-currency interest rate swap contracts and forward currency contracts – cash flow hedges

During the six months ended 30 June 2018, the Group designated 35 (six months ended 30 June 2017: 21) cross-currency interest rate swap contracts and 12 (six months ended 30 June 2017: 20) forward currency contracts as hedges in respect of future repayments of borrowings which will be settled in United States dollars, Singapore dollars, Australian dollars or Hong Kong dollars, and some of them bear interest at floating interest rates.

13. Derivative Financial Instruments (continued)

Cross-currency interest rate swap contracts and forward currency contracts – cash flow hedges (continued)

The terms of the cross-currency interest rate swap contracts and forward currency contracts substantially match the terms of the borrowing contracts. The cash flow hedges relating to expected future payments or receivables were assessed to be highly effective and a net loss of RMB46,839,000 (six months ended 30 June 2017: RMB246,318,000) was included in the hedging reserve as follows:

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Total fair value gains/(losses) included in the hedging reserve	**433,479**	(404,649)
Deferred tax impact on fair value (gains)/losses	**(81,174)**	66,671
Reclassified from other comprehensive income and (credited)/ recognised in the statement of profit or loss	**(491,773)**	109,774
Deferred tax on reclassifications to profit or loss	**92,629**	(18,114)
Net losses included in the hedging reserve	**(46,839)**	(246,318)

Cross-currency interest rate swaps with a total net fair value of RMB526,621,000 (31 December 2017: RMB9,630,000) and with a total notional amount of RMB20,447,614,000 (31 December 2017: RMB10,148,163,000) as of 30 June 2018 were designated as hedging instruments in cash flow hedges of cash flow interest rate risks and currency risks arising from floating rate loans (with remaining maturity from 3 months to 3 years) denominated in United States dollars and other foreign currencies. Forward currency contracts with a total negative net fair value of RMB165,741,000 (31 December 2017: a total negative net fair value of RMB131,921,000) and with a total notional amount of RMB2,371,451,000 (31 December 2017: RMB2,923,036,000) as of 30 June 2018 were designated as hedging instruments in cash flow hedges of currency risks arising from loans (with remaining maturity from 3 months to 5 years) denominated in United States dollars and other foreign currencies.

Interest rate swap contracts – fair value hedges

At 30 June 2018, the Group had 6 (31 December 2017: 7)interest rate swap agreements in place with a total notional amount of RMB5,000,000,000 (31 December 2017: RMB5,400,000,000) whereby it receives interest at fixed rates of 4.05% to 4.85% (31 December 2017: 4.05% to 4.85%) per annum and pays interest at variable rates equal to the benchmark interest rate of Renminbi loans of the People's Bank of China on the notional amount. The swaps are used to hedge the exposure to changes in the fair value of the 4.05% to 4.85%(31 December 2017: 4.05% to 4.85%) long-term borrowings. The critical terms of the interest rate swaps substantially match those of the borrowings. These hedges were assessed to be highly effective.

As of 30 June 2018, the fair value of the aforementioned RMB-denominated interest rate swaps designated as the hedging instrument amounted to a total negative net fair value of RMB4,101,000 (31 December 2017: a total negative net fair value of RMB14,928,000) and the aforementioned RMB-denominated interest rate swaps have a remaining maturity from 3 months to 2 years.

13. Derivative Financial Instruments (continued)

Interest rate swap contracts – fair value hedges (continued)

For fair value hedges, gains and losses are disclosed separately as follows:

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Unaudited) RMB'000
Total fair value losses on the hedging instruments	(4,101)	(14,928)
Total fair value gains on the hedged item attributable to the hedged risk	4,101	14,928

14. Investments in Joint Ventures

	30 June 2018 RMB'000	31 December 2017 RMB'000
Share of net assets	1,725,291	1,386,800
Excess of consideration over share of net assets acquired	121,605	121,605
	1,846,896	1,508,405

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

Name	Particulars of issued shares held	Place of registration and business	Percentage of Ownership interest	Percentage of Profit sharing	Principal activities
Shanghai Dongling Investment, LLP (上海東翎投資合夥企業(有限合夥))	RMB55,717,310	PRC/ Mainland China	49.2	49.2	Investment holding
Weihai Haida Hospital Co., Ltd. (威海海大醫院有限公司)	Registered capital of RMB5,000,000	PRC/ Mainland China	50	50	Medical service
Weihai Haida Nursing Hospital Co., Ltd. (威海海大護理院有限公司)	Registered capital of RMB1,000,000	PRC/ Mainland China	50	50	Medical service
Kunming Broadhealthcare Investment Co., Ltd. (昆明博健醫療投資有限公司)	Registered capital of RMB14,333,328	PRC/ Mainland China	33.3837	33.3837	Healthcare investment and management

14. 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 Ownership interest	Percentage of Profit sharing	Principal activities
Guangzhou Kangda Industrial Technology Co., Ltd. ("Kangda") 廣州康大工業科技產業有限公司	Registered capital of HK$200,000,000	PRC/ Mainland China	60*	60	Development and construction
Skycity (Shanghai) Business Co., Ltd. (天空之城(上海)實業有限公司)	Registered capital of RMB6,818,000	PRC/ Mainland China	46.01	46.01	Sale of electronic products
Kunming Boyue Maternal and Infant Care Co., Ltd. (昆明博悅母嬰護理有限責任公司)	Registered capital of RMB5,555,600	PRC/ Mainland China	21.69	21.69	Medical service
Grand Flight Holdings Co., Ltd. (遠翼控股有限公司)	Authorised capital of US$50,000	British Virgin Islands	70*	70	Investment holding
Grand Flight Hooyoung Investment Management Co., Ltd. (遠翼宏揚投資管理有限公司)	Authorised capital of US$50,000	Cayman Islands	70*	70	Investment holding
Grand Flight Hooyoung Investment L.P. (遠翼宏揚投資有限合夥)	US$76,321,241.36	Cayman Islands	55*	55	Investment holding
Teamway Shipping Limited (匯聯船務有限公司)	HK$10,000	Hong Kong	50	50	Shipping service
Gold Chance Shipping Limited (金遠船務有限公司)	HK$10,000	Hong Kong	50	50	Shipping service
Fengyang Gulou Hospital Co., Ltd. (鳳陽縣鼓樓醫院有限公司)	Registered capital of RMB100,000,000	PRC/ Mainland China	35	35	Medical service
Suzhou Gaoxin Rehabilitation Hospital Co., Ltd. (蘇州高新康復醫院有限公司)	Registered capital of RMB50,000,000	PRC/ Mainland China	61*	61	Medical service

14. 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 Ownership interest	Percentage of Profit sharing	Principal activities
Wuhanmatang Hospital Co., Ltd. (武漢麻塘中醫醫院有限公司)	Registered capital of RMB2,000,000	PRC/ Mainland China	24.99	24.99	Medical service
Tianjin Yuanyi Kaiyuan Asset Management Centre (Limited Partnership). (天津遠翼開元資產管理中心(有限合夥))	Registered capital of RMB1,505,420,000	PRC/ Mainland China	39.856*	39.856	Investment holding
Grand Flight Investment Management Co., Ltd. (遠翼投資管理有限公司)	Registered capital of RMB50,000,000	PRC/ Mainland China	90*	90	Investment holding

* The decisions about the relevant activities that most significantly affect the returns of these investees would be subject to the consent of other parties (e.g. other shareholders or directors), and hence, the ownership interests and power held by the Group in those investees do not currently grant the Group the unilateral ability to direct the relevant activities in these investees.

The Group's loans and accounts receivable balances due from the joint ventures are disclosed in note 12j to the financial statements.

Kangda, which is considered a material joint venture of the Group, is mainly engaged in the development and construction business in Mainland China and is accounted for using the equity method.

14. 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 fair value of the net assets in the financial statements.

	30 June 2018 RMB'000	31 December 2017 RMB'000
Cash and cash equivalents	159,993	145,483
Other current assets	2,153,961	2,005,139
Current assets	2,313,954	2,150,622
Non-current assets	9,777	3,795
Trade and other payables	(201,323)	(219,642)
Current liabilities	(201,323)	(219,642)
Non-current liabilities	(560,000)	(365,000)
Net assets	1,562,408	1,569,775

Reconciliation to the Group's interest in the joint venture:

Proportion of the Group's ownership	60%	60%
Carrying amount of the investment	937,445	941,865

	For the six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Administrative expenses	(3,918)	(4,079)
Other expenses	(3,449)	1,236
Loss and total comprehensive income for the period	(7,367)	(2,843)

14. Investments in Joint Ventures (continued)

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

	For the six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Share of the joint ventures' profit for the period	**106,611**	188

	30 June 2018	31 December 2017
	RMB'000	RMB'000
Aggregate carrying amount of the Group's investments in the joint ventures	**909,451**	566,540

15. Investments In Associates

	30 June 2018	31 December 2017
	RMB'000	RMB'000
Share of net assets	**1,969,057**	766,577

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

	For the six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Share of the associates' losses for the period	**(30,034)**	(10,781)

	30 June 2018	31 December 2017
	RMB'000	RMB'000
Aggregate carrying amount of the Group's investments in the associates	**1,969,057**	766,577

The above balances include a total of RMB683,061,000 (31 December 2017: RMB642,475,000) investments held by the Group as an investor in sub-ordinated tranches of several collective fund trusts, whose total funds amounted to RMB4,089,000,000 (31 December 2017: RMB3,301,000,000), and the Group had significant influence in these trusts. These trusts conduct entrusted finance lease and entrusted loan businesses.

16. Construction Contracts

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Gross amount due from contract customers	27,911	44,170
Contract costs incurred plus recognised profits to date	254,006	276,534
Less: Progress billings	(226,095)	(232,364)
	27,911	44,170

17. Cash and Cash Equivalents and Restricted Deposits

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Cash and bank balances	12,401,619	7,334,216
Time deposits	45,985	65,998
	12,447,604	7,400,214
Less:		
Pledged deposits	877,183	361,950
Restricted bank deposits related to asset-backed securitisations	4,425,694	4,150,820
Restricted bank deposits related to collective fund trusts	140,364	71,900
Cash and cash equivalents	7,004,363	2,815,544

At 30 June 2018, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to RMB10,977,636,000 (31 December 2017: RMB7,029,788,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

As at 30 June 2018, cash of RMB596,982,000 (31 December 2017: RMB211,948,000) was pledged for bank and other borrowings (see note 19(b)).

As at 30 June 2018, cash of RMB265,282,000 (31 December 2017: RMB135,083,000) was pledged for bank acceptances and letters of credit and others.

As at 30 June 2018, cash of RMB14,919,000 (31 December 2017: RMB14,919,000) was pledged for collective fund trusts.

As at 30 June 2018, cash of RMB401,336,000 (31 December 2017: RMB596,867,000) was deposited with Sinochem Finance Co., Ltd., a subsidiary of the ultimate holding company of a shareholder with significant influence.

18. Trade And Bills Payables

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Current:		
Bills payable	855,595	814,544
Trade payables	1,174,217	1,024,417
	2,029,812	1,838,961
Non-current:		
Trade payables	–	–
	2,029,812	1,838,961

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

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Within 1 year	1,792,306	1,570,880
1 to 2 years	151,024	194,373
2 to 3 years	46,012	37,668
3 years and beyond	40,470	36,040
	2,029,812	1,838,961

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

19. Interest-Bearing Bank and Other Borrowings

	30 June 2018 (Unaudited)			31 December 2017 (Audited)		
	Effective annual interest rate (%)	Maturity	RMB'000	Effective annual interest rate (%)	Maturity	RMB'000
Current:						
Current portion of long term bank loans – secured	3.37~6.41	2018~2019	10,322,744	3.19~5.94	2018	8,649,832
Bank loans – secured	5.22~6.10	2018~2019	750,526	5.66	2018	24,000
Bank loans – unsecured	2.33~5.87	2018~2019	19,442,955	1.90~5.66	2018	16,409,873
Current portion of long term bank loans – unsecured	3.33~6.71	2018~2019	20,479,371	3.19~5.13	2018	18,774,211
Loans from subsidiaries of the ultimate holding company of a shareholder with significant influence – unsecured	4.75	2019	350,000	–	–	–
Other loans – secured	7.00	2018	2,000,000	5.08~7.00	2018	703,531
Other loans – unsecured	5.60~6.71	2018~2019	329,801	4.75~10.26	2018	312,878
Bonds – unsecured*	3.00~5.00	2018~2019	15,942,133	3.80~4.88	2018	11,120,176
			69,617,530			55,994,501
Non-current:						
Bank loans – secured	2.30~6.41	2019~2029	8,758,876	2.30~5.15	2019~2026	8,140,126
Bank loans – unsecured	2.08~8.20	2019~2026	42,308,374	2.30~8.20	2019~2021	26,171,289
Loans from subsidiaries of the ultimate holding company of a shareholder with significant influence – unsecured	5.60	2021	1,000,000	–	–	–
Other loans – unsecured	4.00~10.26	2019~2021	4,523,587	4.00~10.26	2019~2021	112,969
Bonds – unsecured*	3.15~6.40	2019~2023	55,795,879	3.00~6.13	2019~2022	54,480,795
			112,386,716			88,905,179
			182,004,246			144,899,680

* includes the effect of fair value gains/losses on the hedged item attributable to the hedged risk in the fair value hedge as further !detailed in note 13 to the financial statements.

19. Interest-Bearing Bank and Other Borrowings (continued)

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	50,995,596	43,857,916
In the second year	24,169,132	19,589,388
In the third to fifth years, inclusive	26,280,834	14,449,636
Beyond five years	617,284	272,391
	102,062,846	78,169,331
Loans from subsidiaries of the ultimate holding company of a shareholder repayable:		
Within one year or on demand	350,000	–
In the second year	–	–
In the third to fifth years, inclusive	1,000,000	–
Beyond five years	–	–
	1,350,000	–
Other borrowings repayable:		
Within one year	18,271,934	12,136,585
In the second year	26,645,118	22,489,716
In the third to fifth years, inclusive	33,674,348	32,104,048
Beyond five years	–	–
	78,591,400	66,730,349
	182,004,246	144,899,680

(a) As at 30 June 2018, the Group's bank and other borrowings secured by the pledge of or the transfer of certain of the Group's lease receivables and long term receivables amounted to RMB17,870,934,000 (31 December 2017: RMB13,794,562,000) and RMB1,299,243,000 (31 December 2017: RMB855,284,000), respectively.

(b) As at 30 June 2018, the Group's bank and other borrowings pledged by cash amounted to RMB1,700,000,000 (31 December 2017: RMB2,130,684,000).

(c) As at 30 June 2018, the Group's bank and other borrowings pledged by the Group's leasehold land, and property, plant and equipment amounted to RMB961,969,000 (31 December 2017: RMB736,959,000). The Group had not provided any guarantees for other entities (31 December 2017: Nil).

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

20. Deferred Tax

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

Deferred tax assets

	Government special subsidy RMB'000	Cash flow hedge RMB'000	Share based payments RMB'000	Allowances for impairment losses RMB'000	Salary and welfare payable RMB'000	Losses available for offsetting against future taxable profits RMB'000	Fee income received in advance RMB'000	Others RMB'000	Total RMB'000
Gross deferred tax assets at 1 January 2018 (Audited)	467,860	1,744	127,090	1,157,620	862,550	156,855	466,727	9,830	3,250,276
Effect of adoption of HKFRS 9	–	–	–	54,475	–	–	–	–	54,475
(Charged)/credited to the statement of profit or loss during the period	50,074	–	36,513	336,847	225,372	4,664	(158,479)	(3,736)	491,255
Credited to reserve	–	7,093	–	–	–	–	–	–	7,093
Disposal of subsidiaries	–	–	–	–	(441)	–	–	(993)	(1,434)
Exchange differences	–	–	–	445	–	91	–	–	536
Gross deferred tax assets at 30 June 2018 (Unaudited)	517,934	8,837	163,603	1,549,387	1,087,481	161,610	308,248	5,101	3,802,201

	Government special subsidy RMB'000	Cash flow hedge RMB'000	Share-based payments RMB'000	Allowances for impairment losses RMB'000	Salary and welfare payable RMB'000	Losses available for offsetting against future taxable profits RMB'000	Fee income received in advance RMB'000	Others RMB'000	Total RMB'000
Gross deferred tax assets at 1 January 2017 (Audited)	307,914	517	63,521	843,642	652,098	51,269	–	8,282	1,927,243
Credited to the statement of profit or loss during the year	159,946	–	63,569	319,533	210,452	103,753	466,727	1,548	1,325,528
Credited to reserve	–	1,227	–	–	–	–	–	–	1,227
Exchange differences	–	–	–	(5,555)	–	1,833	–	–	(3,722)
Gross deferred tax assets at 31 December 2017 (Audited)	467,860	1,744	127,090	1,157,620	862,550	156,855	466,727	9,830	3,250,276

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

20. Deferred Tax (continued)

Deferred tax liabilities

	Asset revaluation RMB'000	Cash flow hedge RMB'000	Fair value adjustments arising from financial assets at fair value through profit or loss RMB'000	Withholding income tax RMB'000	Others RMB'000	Total RMB'000
Gross deferred tax liabilities at 1 January 2018 (Audited)	34,953	4,362	29,626	9,385	79,251	157,577
(Credited)/charged to the statement of profit or loss during the period	(1,133)	–	11,635	–	6,962	17,464
Arising from acquisition of subsidiaries	3,914	–	–	–	–	3,914
Credited to reserve	–	(4,362)	–	–	–	(4,362)
Gross deferred tax liabilities at 30 June 2018 (Unaudited)	37,734	–	41,261	9,385	86,213	174,593

	Asset revaluation RMB'000	Cash flow hedge RMB'000	Fair value adjustments arising from financial assets at fair value through profit or loss RMB'000	Withholding income tax RMB'000	Others RMB'000	Total RMB'000
Gross deferred tax liabilities at 1 January 2017 (Audited)	20,629	29,944	10,702	9,385	20,069	90,729
(Credited)/charged to the statement of profit or loss during the year	(1,910)	–	18,924	–	59,182	76,196
Arising from acquisition of subsidiaries	16,234	–	–	–	–	16,234
Credited to reserve	–	(25,582)	–	–	–	(25,582)
Gross deferred tax liabilities at 31 December 2017 (Audited)	34,953	4,362	29,626	9,385	79,251	157,577

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

20. Deferred Tax (continued)

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

	30 June 2018	31 December 2017
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**3,719,694**	3,169,406
Net deferred tax liabilities recognised in the consolidated statement of financial position	**92,086**	76,707

As at 30 June 2018, the Group had tax losses arising in Hong Kong of RMB395,974,000 (31 December 2017: of RMB475,092,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose and tax losses arising in Mainland China of RMB377,795,000 (31 December 2017: RMB299,932,000) that will expire in one to five years for offsetting against future taxable profits, for which the Group has recognised deferred tax assets in respect of the tax losses. Aside from this, as at 30 June 2018, the Group did not recognise deferred tax assets arising in Mainland China and Hong Kong in respect of unutilised tax losses and deductible temporary differences of RMB298,108,000 (31 December 2017:RMB146,129,000) and RMB426,603,000 (31 December 2017: RMB100,924,000), respectively, due to uncertainty in their recoverability.

Pursuant to the resolution of the Company, part of the profits of the PRC subsidiaries generated from 2012 onwards will be retained by the PRC subsidiaries for use in future operations or investments. In the opinion of the directors, it is probable that the temporary differences relating to the profits that are not expected to be distributed will not reverse in the foreseeable future. As at 30 June 2018, the aggregate amount of unrecognised deferred tax liabilities (i.e. withholding taxes relating to such temporary differences) was approximately RMB618,166,000 (31 December 2017: RMB508,911,000).

21. Share Capital

	Number of shares	Amounts HK$
Issued and fully paid ordinary shares:		
At 31 December 2017 (HK$0.01 each) (Audited)	3,951,606,287	13,012,431,000
At 30 June 2018 (Unaudited) *(Note (i))*	**3,952,669,553**	**13,020,973,000**

Note:

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

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

21. Share Capital (continued)

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

	Number of shares in issue	Share capital	Equivalent share capital
		HK$'000	RMB'000
At 1 January 2018 and 31 December 2017	3,951,606,287	13,012,431	10,218,442
Share options exercised *(Note (ii))*	1,063,266	8,542	6,967
As at 30 June 2018 (Unaudited)	**3,952,669,553**	**13,020,973**	**10,225,409**

Note:

(ii) The subscription rights attaching to 373,830, 386,130 and 303,306 share options were exercised at the subscription prices of HK$5.86, HK$7.17 and HK$5.714 per share, respectively, resulting in the issue of 1,063,266 shares for a total cash consideration, before expenses, of HK$6,692,000. An amount of HK$1,850,000 was transferred from the share option reserve to share capital upon the exercise of the share options.

22. Reserves

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

The Group's capital reserve represents the excess of the carrying amounts of capital and capital reserve of the subsidiaries acquired pursuant to the Reorganisation as defined in the Prospectus, over the nominal value of the Company's shares issued as consideration plus the amount of borrowings capitalised in excess of the nominal value of the shares issued.

Pursuant to the relevant PRC rules and regulations, those PRC subsidiaries which are domestic enterprises in the PRC are required to transfer no less than 10% of their profits after taxation, as determined under the PRC Company Law, to the statutory reserve fund until the balance reaches 50% of the registered capital. The transfer to this statutory reserve fund must be made before the distribution of dividends to shareholders.

Special reserve mainly represents funds set aside for the purpose of certain safety production activities. Pursuant to certain regulations issued by the State Administration of Work Safety of the PRC and other relevant regulatory bodies, the subsidiary Shanghai Horizon Construction Engineering Equipment Co., Ltd. has set aside funds mainly for construction service activities at prescribed rates. These funds can be used for maintenance and/or improvements of safety of these activities, and are not available for distribution to shareholders.

Share-based compensation reserve of the Group comprises the recognition of the equity-settled share-based payment under the share options and the restricted share awards which are yet to be exercised. The amount will either be transferred to the share capital account when the related share options or awards are exercised, or be transferred to retained profits should the related options or share awards expire or be forfeited.

23. Perpetual securities

On 14 June 2017, the Company issued US$300,000,000 perpetual capital securities (the "Perpetual Securities") at an initial distribution rate of 4.35% under the US$4,000,000,000 medium term note and perpetual securities programme updated on 1 June 2017 by the Company. The Perpetual Securities are unsecured.

Distributions of the Perpetual Securities may be paid semi-annually in arrears on 14 June and 14 December of each year (the "Distribution Payment Date") and may be deferred at the discretion of the Company unless a compulsory distribution payment event (including distributions to ordinary shareholders of the Company) has occurred. Following a deferral, arrears of distributions are cumulative.

The Perpetual Capital Securites have no fixed maturity date and are callable at the Company's option in whole on 14 June 2022 (the "First Call Date") or on any Distribution Payment Date falling after the First Call Date at their principal amounts together with any distribution accrued to the date fixed for redemption (including any arrears of distribution and any additional distribution amounts). The applicable distribution rate will be reset, (i) in respect of the period from, and including, the Issue Date to, but excluding, 14 June 2022 (the "First Call Date"), 4.35% per annum (the "Initial Distribution Rate"); and (ii) in respect of the period (A) from, and including, the First Call Date to, but excluding, the immediately following reset date (the "Reset Date") and (B) from, and including, each Reset Date falling after the First Call Date to, but excluding, the immediately following Reset Date, the relevant reset distribution rate shall be the specified US treasury rate as at each relevant Reset Date plus the initial spread 2.62% plus 5.00% per annum.

On 6 July 2017, International Far Eastern Leasing Co., Ltd. ("Far Eastern Leasing"), a wholly-owned subsidiary of the Company, completed the issuance of renewable corporate bonds (the "Renewable Bonds") in an amount of RMB5 billion in the PRC. The basic term of the Renewable Bonds 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 5.5% per annum.

Distributions of the Renewable Bonds 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 4 December 2017, King Talent Management Limited ("King Talent"), a wholly-owned subsidiary of the Company, issued US$400,000,000 guaranteed subordinated perpetual capital securities (the "Guaranteed Perpetual Securities") at an initial distribution rate of 5.60% per annum. The Company has guaranteed on a subordinated basis all sums falling due under the terms of the Guaranteed Perpetual Securities.

The Company may, at its sole discretion, elect to defer (in whole or in part) a Distribution which is otherwise scheduled to be paid by King Talent on a Distribution Payment Date (i.e. 4 June and 4 December of each year, starting from June 4, 2018) to the next Distribution Payment Date prior to the relevant Distribution Payment Date, unless a compulsory distribution payment event (including distributions to ordinary shareholders of the Company) has occurred.

The Guaranteed Perpetual Securities have no fixed maturity date, which may be redeemed at the option of King Talent in whole, but not in part, on the First Reset Date or on any Distribution Payment Date thereafter at their principal amount together with all outstanding arrears of distribution and any Additional Distribution Amounts (if any) and any Distribution accrued to the date fixed for redemption. The distribution rate will be reset for the period (A) from and including the Issue date to, but excluding 4 December 2022 (the "First Reset Date"), the initial distribution rate; (B) for each reset distribution period from and including the First Reset Date to, but excluding 4 December 2037, the relevant reset distribution rate; and (C) for each reset distribution period from and including 4 December 2037 to, but excluding the redemption date of the securities, if any, the relevant reset distribution rate plus 5.00 percent per annum. The relevant reset distribution rate shall be the specified US treasury rate as at each relevant Reset Date plus the initial spread of 3.521%.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

23. Perpetual securities (continued)

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

The direct transaction costs attributable to the Perpetual Capital Securities, the Renewable Bonds and the Guaranteed Perpetual Securities amounted to RMB5,451,000, RMB14,892,000 and RMB16,309,000, respectively.

For the six months ended 30 June 2018, the profits attributable to holders of the Perpetual Capital Securities, the Renewable Bonds and the Guaranteed Perpetual Securities (collectively "Perpetual Securities") based on the applicable distribution rates, were RMB43,413,000 (six months ended 30 June 2017: RMB3,929,000), RMB138,264,000 (six months ended 30 June 2017: Nil) and RMB71,562,000 (six months ended 30 June 2017: Nil), respectively, and the distribution made by the Group to the holders of Perpetual Securities was RMB113,747,000 (six months ended 30 June 2017: RMB37,847,000).

24. Disposal of Subsidiaries

In January 2018, upon the amendments to the partnership agreement, the Group lost its control in Tianjin Yuanyi Kaiyuan Asset Management Centre (Limited Partnership) and Grand Flight Investment Management Co., Ltd. since under the amended partnership agreement the Group was not granted the unilateral ability to direct the relevant activities in these investees anymore, which triggered the disposal of the subsidiaries.

Disposal of Tianjin Yuanyi Kaiyuan Asset Management Centre (Limited Partnership)

	Note	**30 June 2018 (Unaudited) RMB'000**
Net assets disposed of:		
Cash and cash equivalents		**203,764**
Financial assets at fair value through profit or loss		**1,059,265**
Trade and bills payables		**(2,000)**
Other liabilities		**(652,847)**
Non-controlling interests		**950**
		609,132
Fair value of the retained interests in subsidiaries disposed of		**(604,202)**
Loss on disposal of a subsidiary	*6*	**(4,930)**
		–
Satisfied by:		
Cash		**–**
Analysis of cash flows on disposal:		
Cash consideration		**–**
Cash and cash equivalents disposed of		**203,764**
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary		**(203,764)**

24. Disposal of Subsidiaries (continued)

Disposal of Grand Flight Investment Management Co., Ltd.

	30 June 2018 (Unaudited) RMB'000
Net assets disposed of:	
Property, plant and equipment	1,371
Cash and cash equivalents	15,417
Loans and accounts receivables	2,597
Prepayments, deposits and other receivables	1,771
Deferred tax assets	1,434
Other payables and accruals	(7,221)
Non-controlling interests	(1,537)
	13,832
Fair value of the retained interests in subsidiaries disposed of	(13,832)
	–
Satisfied by:	
Cash	–
Analysis of cash flows on disposal:	
Cash consideration	–
Cash and cash equivalents disposed of	15,417
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	(15,417)

25. Contingent Liabilities

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

	30 June 2018 RMB'000	31 December 2017 RMB'000
Claimed amounts	14,847	1,199

26. Pledge of Assets

Details of the Group's bank loans which are secured by the assets of the Group are included in notes 10, 11, 12, 17 and 19 to the financial statements.

27. Operating Lease Arrangements

(a) As lessor

The Group leases its equipment, tools and moulds under operating lease arrangements. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 30 June 2018, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Within one year	646,081	640,521
In the second to fifth years, inclusive	276,892	274,548
	922,973	915,069

(b) As lessee

The Group leases certain properties as its office premises under operating lease arrangements. Leases for properties are negotiated for terms substantially ranging from one to more than five years.

At 30 June 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Within one year	140,979	135,549
In the second to fifth years, inclusive	445,072	365,913
More than five years	353,296	426,857
	939,347	928,319

28. Commitments

(a) In addition to the operating lease commitments detailed in note 27(b) above, the Group had the following capital commitments at the end of the reporting period:

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Contracted, but not provided for:		
Capital expenditure for acquisition of property, plant and equipment	359,802	620,444
Purchase of shareholding	216,236	517,578
	576,038	1,138,022

28. Commitments (Continued)

(b) Credit commitments

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

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Irrevocable credit commitments	**13,180,124**	8,036,296

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

29. 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 a shareholder with significant influence
Sinochem Hong Kong (Group) Company Limited ("Sinochem Hong Kong")
Sinochem Finance Co., Ltd.
China Jin Mao Group Co., Ltd.
Beijing Chemsunny Property Co., Ltd.
Jin Mao (Shanghai) Property Management Service Co., Ltd.
Sinochem Jinmao Property Management (Beijing) Co., Ltd.
Sinochem Corporation
Sinochem International (Overseas) Pte. Ltd.
Sinochem International Tendering Co., Ltd. ("Sinochem Tendering")

Joint ventures
Weihai Haida Hospital Co., Ltd.
Guangzhou Kangda Industrial Technology Co., Ltd.
Kunming Broadhealthcare Investment Co., Ltd.
Fengyang Gulou Hospital Co., Ltd.
Teamway Shipping Limited
Gold Chance Shipping Limited
Grand Flight Investment Management Co., Ltd.
Tian Jin Grand Flight Hooyoung Asset Management Co., Ltd.

Associates
Hua Bao – Far Eastern Leasing portfolio investment collective fund trust
CITIC – Far Eastern Leasing portfolio investment collective fund trust
XMITIC – Far Eastern Leasing portfolio investment collective fund trust

29. Related Party Transactions (continued)

a. **In addition to the balances in notes 12 and 17 to the financial statements, at the end of the reporting period, the Group had the following balances with its related parties:**

(i) ***Deposits and other receivables***

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Due from related parties		
China Jin Mao Group Co., Ltd.	21,363	21,363
Beijing Chemsunny Property Co., Ltd.	2,493	2,493
Jin Mao (Shanghai) Property Management Service Co., Ltd.	6	6
Sinochem Jinmao Property Management (Beijing) Co., Ltd.	175	175
Gold Chance Shipping Limited	35,996	35,547
Teamway Shipping Limited	35,996	35,547
Weihai Haida Hospital Co., Ltd.	322	–
Fengyang Gulou Hospital Co., Ltd.	120	–
Kunming Broadhealthcare Investment Co., Ltd.	210	210
	96,681	95,341

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

(ii) ***Other payables and accruals***

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Due to related parties		
Sinochem Finance Co., Ltd.	–	1,915
Gold Chance Shipping Limited	66	765
Teamway Shipping Limited	662	–
Fengyang Gulou Hospital Co., Ltd.	3,520	–
Grand Flight Investment Management Co., Ltd.	19,551	–
Tian Jin Grand Flight Hooyoung Asset Management Co., Ltd.	1,960	–
Hua Bao – Far Eastern Leasing portfolio investment collective fund trust	10,738	9,058
CITIC – Far Eastern Leasing portfolio investment collective fund trust	54,239	62,842
XMITIC – Far Eastern Leasing portfolio investment collective fund trust	43,262	–
	133,998	74,580

Except for the amounts due to Grand Flight Investment Management Co., Ltd. and Tian Jin Grand Flight Hooyoung Asset Management Co., Ltd. which bear interest at an interest rate of 1.485%, amounts due to related parties were unsecured and non-interest-bearing.

29. Related Party Transactions (continued)

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

(i) Interest income from cash at banks

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Sinochem Finance Co., Ltd.	**2,104**	2,043

The interest was charged at rates ranging from 0.35% to 1.15% per annum.

(ii) Service fee income

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Weihai Haida Hospital Co., Ltd.	**–**	157
Kunming Broadhealthcare Investment Co., Ltd.	**118**	–
	118	157

These services were provided based on prices mutually agreed between the parties.

(iii) Interest expenses on borrowings

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Sinochem Finance Co., Ltd.	**29,795**	9,381

The interest expenses were charged at rates ranging from 4.75% to 5.60% per annum.

29. Related Party Transactions (continued)

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

(iv) Interest expenses

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Grand Flight Investment Management Co., Ltd.	**90**	–
Tian Jin Grand Flight Hooyoung Asset Management Co., Ltd.	**14**	–
	104	–

(v) Rental expenses

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
China Jin Mao Group Co., Ltd.	**27,854**	25,292
Beijing Chemsunny Property Co., Ltd.	**6,120**	3,910
Sinochem Jinmao Property Management (Beijing) Co., Ltd.	**422**	281
Jin Mao (Shanghai) Property Management Services Co., Ltd.	**3,276**	676
	37,672	30,159

These transactions of rental expenses were based on prices mutually agreed between the parties.

(vi) Commission fee expense

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Sinochem Finance Co., Ltd.	**3,314**	1,237

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

29. Related Party Transactions (continued)

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

(vii) Interest income

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Weihai Haida Hospital Co., Ltd.	**805**	606
Guangzhou Kangda Industrial Technology Co., Ltd.	**4,292**	12,678
Kunming Broadhealthcare Investment Co., Ltd.	**1,463**	1,481
	6,560	14,765

(viii) Sales of goods

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Fengyang Gulou Hospital Co., Ltd.	**–**	113

(ix) Construction contract income

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Weihai Haida Hospital Co., Ltd.	**5,138**	–

(x) Non-cancellable operating leases

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases as follows:

	30 June 2018	31 December 2017
	(Unaudited)	(Audited)
	RMB'000	RMB'000
China Jin Mao Group Co., Ltd.	**–**	32,044
Beijing Chemsunny Property Co., Ltd.	**22,853**	27,423
	22,853	59,467

29. Related Party Transactions (continued)

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

(xi) Finance leases with CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd. ("CSR Sifang"), CRRC Qingdao Sifang Co., Ltd. ("CRRC Sifang") and Sinochem Tendering

On 10 June 2015, the Group entered into (i) the Lease Contract with CSR Sifang and (ii) the Supplementary Agreement with CSR Sifang and Sinochem Tendering. Pursuant to the Supplementary Agreement, upon the completion of the performance by CSR Sifang of all its duties under the Lease Contract, including but not limited to the payment of the total amount of rental and all other taxes, interest and damages incurred (if any), Sinochem Tendering shall repurchase the equipment in an amount of RMB11,738,000 and the Group will transfer the title of the equipment to Sinochem Tendering after the payment of the repurchase price by Sinochem Tendering. The repurchase price was determined based on the residual value of the leased asset as at the repurchase date.

On 15 January 2016, the Group entered into (i) the new lease contract with CRRC Sifang and (ii) the new supplementary agreement with CRRC Sifang and Sinochem Tendering. Pursuant to the new supplementary agreement, upon the completion of the performance by CRRC Sifang of all its duties under the Lease Contract, including but not limited to the payment of the total amount of rental and all other taxes, interest and damages incurred (if any), Sinochem Tendering shall repurchase the equipment in an amount of RMB19,584,000 and the Group will transfer the title of the equipment to Sinochem Tendering after the payment of the repurchase price by Sinochem Tendering. The repurchase price was determined based on the residual value of the leasing asset as at the repurchase date.

In the opinion of the directors, the transactions listed above between the Group and the aforementioned related parties were conducted in the ordinary and usual course of business and on terms and conditions similar to those entered into with unrelated parties.

c. Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Employee benefits	**52,645**	46,147

30. Financial Instruments by Category

	As of 30 June 2018 (Unaudited)	As of 31 December 2017 (Audited)
Financial assets as per the statement of financial position		
Debt instruments at amortised cost:		
Loans and accounts receivables	228,694,511	191,592,358
Financial assets included in prepayments, deposits and other receivables	4,183,337	5,441,511
Restricted deposits	5,443,241	4,584,670
Cash and cash equivalents	7,004,363	2,815,544
Financial assets at fair value through profit or loss:		
Derivative financial instruments designated as fair value hedges	1,300	583
Financial assets at fair value through profit or loss	2,560,576	2,010,267
Available-for-sale investments	–	1,673,442
Hedging instruments designated in cash flow hedges:		
Derivative financial instruments designated as cash flow hedges	551,901	122,474
Total	248,439,229	208,240,849
Financial liabilities as per the statement of financial position		
Financial liabilities at amortised costs:		
Trade and bills payables	2,029,812	1,838,961
Financial liabilities included in other payables and accruals	39,556,613	36,254,402
Interest-bearing bank and other borrowings	182,004,246	144,899,680
Financial liabilities at fair value through profit or loss:		
Derivative financial instruments designated as fair value hedges	5,401	15,511
Other liabilities	–	657,851
Hedging instruments designated in cash flow hedges:		
Derivative financial instruments designated as cash flow hedges	191,021	244,765
Total	223,787,093	183,911,170

31. Fair Value Hierarchy

Financial instruments not measured at fair value

Financial assets and liabilities not presented at their fair value on the statement of financial position mainly represent cash and cash equivalents, restricted deposits, loans and accounts receivables, financial assets included in deposits and other receivables, 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, current portion of financial assets included in deposits and other receivables, trade and bills payables, short-term borrowings and current portion of financial liabilities included in other payables and accruals

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

Loans and accounts receivables, interest-bearing bank and other borrowing except for bonds issued and short-term borrowings and restricted deposits

Substantially all of the loans and accounts receivables, restricted deposits and interest-bearing bank and other borrowings except for bonds issued are on floating rate terms, bearing interest at prevailing market interest rates and their carrying values approximates to their fair values.

Bonds issued

The fair values of the bonds issued are calculated based on a discounted cash flow model using a current yield curve appropriate for the remaining term to maturity.

The table below summarises the carrying amounts and fair values of bonds issued which are included in interest-bearing bank and other borrowings not presented at fair value on the statement of financial position.

	Carrying amounts		**Fair values**	
	30 June 2018 RMB'000	31 December 2017 RMB'000	**30 June 2018 RMB'000**	31 December 2017 RMB'000
Financial liabilities				
Bonds issued	**71,738,012**	65,600,971	**72,612,214**	65,146,283

31. Fair Value Hierarchy (continued)

Financial instruments not measured at fair value (continued)

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

The fair values of the non-current portion of financial assets included in prepayments, deposits and other receivables and the fair value of 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 fair values of those financial assets and liabilities is not significant.

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 use of available and supportable market data as much as possible.

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)

31. Fair Value Hierarchy (continued)

Assets and Liabilities measured at fair value:

As at 30 June 2018

	Level 1 Quoted prices in active markets RMB'000	Level 2 Significant observable inputs RMB'000	Level 3 Significant unobservable inputs RMB'000	Total RMB'000
Cross-currency interest rate swaps – assets	–	540,355	–	540,355
Cross-currency interest rate swaps – liabilities	–	(13,734)	–	(13,734)
Forward currency contracts – assets	–	11,546	–	11,546
Forward currency contracts – liabilities	–	(177,287)	–	(177,287)
Interest rate swaps – assets	–	1,300	–	1,300
Interest rate swaps – liabilities	–	(5,401)	–	(5,401)
Financial assets at fair value through profit or loss	–	2,560,576	–	2,560,576

As at 31 December 2017

	Level 1 Quoted prices in active markets RMB'000	Level 2 Significant observable inputs RMB'000	Level 3 Significant unobservable inputs RMB'000	Total RMB'000
Available-for-sale investments-financial assets	–	1,569,887	–	1,569,887
Cross-currency interest rate swaps – assets	–	122,474	–	122,474
Interest rate swaps – assets	–	583	–	583
Cross-currency interest rate swaps – liabilities	–	(112,844)	–	(112,844)
Forward currency contracts – liabilities	–	(131,921)	–	(131,921)
Interest rate swaps – liabilities	–	(15,511)	–	(15,511)
Financial assets at fair value through profit or loss	445,183	1,441,084	–	1,886,267
Other liabilities	–	(657,851)	–	(657,851)

During the six months ended 30 June 2018, there were no transfer at fair value measurements between Level 1 and Level 2 and no transfer into or out of Level 3 (six months ended 30 June 2017: Nil).

31. Fair Value Hierarchy (continued)

Liabilities for which fair values are disclosed:

As at 30 June 2018

	Level 1 Quoted prices in active markets RMB'000	Level 2 Significant observable inputs RMB'000	Level 3 Significant unobservable inputs RMB'000	Total RMB'000
Bonds issued	–	72,612,214	–	72,612,214

As at 31 December 2017

	Level 1 Quoted prices in active markets RMB'000	Level 2 Significant observable inputs RMB'000	Level 3 Significant unobservable inputs RMB'000	Total RMB'000
Bonds issued	–	65,146,283	–	65,146,283

32. Events after the Reporting Period

In July 2018, the board of directors (the "Board") announced that, the Company has resolved to offer to grant share options (the "Options") to certain qualified participants (the "Grantees") under the share option scheme (the "Share Option Scheme") of the Company adopted on 7 July 2014 to subscribe for a total of 34,109,264 ordinary shares in the capital of the Company under the Share Option Scheme, subject to the acceptance of such offer by the Grantees. Subject to the rules of the Share Option Scheme, the Options granted will vest to the Grantees at the second, third and fourth anniversaries of the date of grant at an average amount. The validity period of the Options is within 10 years from the date of grant.

In July 2018, the Board resolved to grant 51,163,896 restricted shares (the "Restricted Shares") to certain qualified participants (the "Selected Grantees") under the award scheme (the "Award Scheme") of the Company adopted on 11 June 2014. Under the Award Scheme, some restricted shares (the "Restricted Shares") will be held on trust for the Grantees until such Restricted Shares are vested with the relevant Selected Grantees in accordance with the rules of the Award Scheme.

33. Approval of the Interim Condensed Consolidated Financial Statements

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 29 August 2018.

Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the past few financial years, as extracted from the published audited financial information and financial statements is set out below.

	For the six months ended 30 June		For the year ended 31 December		
	2018	2017	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Revenue	**12,766,739**	8,972,211	18,782,314	13,928,369	11,795,983
Cost of Sales	**(5,277,926)**	(3,508,756)	(8,106,962)	(5,735,538)	(4,771,610)
Gross profit	**7,488,813**	5,463,455	10,675,352	8,192,831	7,024,373
Other income and gains	**399,740**	200,806	637,738	477,443	510,032
Selling and distribution costs	**(2,786,470)**	(2,043,913)	(3,911,745)	(2,872,888)	(2,531,237)
Other expenses	**(93,773)**	(218,488)	(422,743)	(306,790)	(454,489)
Finance costs	**(152,231)**	(92,292)	(225,372)	(157,755)	(122,221)
Profit or loss on investment in joint ventures	**102,191**	(1,518)	(23)	591	(310)
Profit or loss on investment in associates	**(30,034)**	(10,781)	(13,650)	300	–
Pre-Provision Operating Profit	**4,928,236**	3,297,269	6,739,557	5,333,732	4,426,148
Assets Provisions	**(1,712,580)**	(993,365)	(1,952,369)	(1,261,262)	(846,423)
Profit before tax	**3,215,656**	2,303,904	4,787,188	4,072,470	3,579,725
Income tax expense	**(955,532)**	(684,358)	(1,377,623)	(1,130,683)	(999,734)
Profits for the year	**2,260,124**	1,619,546	3,409,565	2,941,787	2,579,991
Attributable to:					
Holders of ordinary shares	**2,009,712**	1,619,032	3,229,057	2,882,208	2,503,109
Holders of perpetual securities	**253,239**	39,856	231,264	78,284	73,080
Non-controlling interests	**(2,827)**	(39,342)	(50,756)	(18,705)	3,802

Financial Summary

The following table sets forth the results of the Group converted into US$ at the respective average exchange rate as at the end of each period(1) as of the dates indicated.

	For the six months ended 30 June		For the year ended 31 December		
	2018	(Audited)	2017	2016	2015
	US$'000	US$'000	US$'000	US$'000	US$'000
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Revenue	**1,941,591**	1,308,723	2,788,514	2,074,125	1,870,508
Cost of Sales	**(802,678)**	(511,801)	(1,203,599)	(854,100)	(756,642)
Gross profit	**1,138,913**	796,922	1,584,915	1,220,025	1,113,866
Other income and gains	**60,793**	29,290	94,682	71,098	80,877
Selling and distribution costs	**(423,771)**	(298,133)	(580,757)	(427,813)	(401,382)
Other expenses	**(14,261)**	(31,870)	(62,762)	(45,685)	(72,069)
Finance costs	**(23,152)**	(13,462)	(33,460)	(23,492)	(19,381)
Profit or loss on investment in joint ventures	**15,541**	(221)	(3)	88	(49)
Profit or loss on investment in associates	**(4,568)**	(1,573)	(2,027)	45	–
Pre-Provision Operating Profit	**749,495**	480,953	1,000,588	794,266	701,862
Assets Provisions	**(260,453)**	(144,896)	(289,858)	(187,819)	(134,219)
Profit before tax	**489,042**	336,057	710,730	606,447	567,643
Income tax expense	**(145,319)**	(99,823)	(204,529)	(168,374)	(158,530)
Profits for the year	**343,723**	236,234	506,201	438,073	409,113
Attributable to:					
Holders of ordinary shares	**305,641**	236,159	479,402	429,200	396,922
Holders of perpetual securities	**38,513**	5,814	34,335	11,658	11,588
Non-controlling interests	**(431)**	(5,739)	(7,536)	(2,785)	603

Financial Summary

	For the six months ended 30 June		For the year ended 31 December		
	2018	2017	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Total assets	**272,299,943**	196,985,860	227,454,273	166,560,921	139,312,889
Total liabilities	**(234,922,165)**	(170,564,624)	(191,046,481)	(141,714,820)	(116,351,469)
Perpetual securities	**(9,937,215)**	(2,036,648)	(9,797,723)	(1,231,881)	(1,227,203)
Non-controlling interests	**(1,425,998)**	(869,604)	(1,269,200)	(654,990)	(343,180)
	26,014,565	23,514,984	25,340,869	22,959,230	21,391,037

The following table sets forth the assets, liabilities and non-controlling interests of the Group converted into US$ at the respective average rate as at the end of each period(1) as of the dates indicated.

	For the six months ended 30 June		For the year ended 31 December		
	2018	2017	2017	2016	2015
	US$'000	US$'000	US$'000	US$'000	US$'000
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Total assets	**41,154,058**	29,077,979	34,809,812	24,010,512	21,453,876
Total liabilities	**(35,504,967)**	(25,177,820)	(29,237,930)	(20,428,834)	(17,917,868)
Perpetual securities	**(1,501,861)**	(300,639)	(1,499,453)	(177,581)	(188,987)
Non-controlling interests	**(215,518)**	(128,366)	(194,239)	(94,420)	(52,849)
	3,931,712	3,471,154	3,878,190	3,309,677	3,294,172

Note:

(1) Exchange rate

	Exchange rate as at the end of the period	Average exchange rate
30 June 2015	**6.1136**	**6.1163**
31 December 2015	6.4936	6.3063
30 June 2016	6.6312	6.5624
31 December 2016	6.9370	6.7153
30 June 2017	6.7744	6.8557
31 December 2017	6.5342	6.7356
30 June 2018	6.6166	6.5754