遠東宏信有限公司
FAR EAST HORIZON LIMITED

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

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board of directors (the "Board") of Far East Horizon Limited (the "Company") hereby announces the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2019, together with the comparative figures for the six months ended 30 June 2018. This announcement, containing the full text of the 2019 interim report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in relation to information to accompany preliminary announcement of interim results.

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

Hong Kong, 28 August 2019

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

Non-Executive Directors
Mr. YANG Lin
Mr. LIU Haifeng David
Mr. KUO Ming-Jian
Mr. John LAW

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

Composition of Committees

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

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

Strategy and Investment Committee
Mr. LIU Haifeng David *(Chairman)*
Mr. KONG Fanxing
Mr. 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,
Wanchai, 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

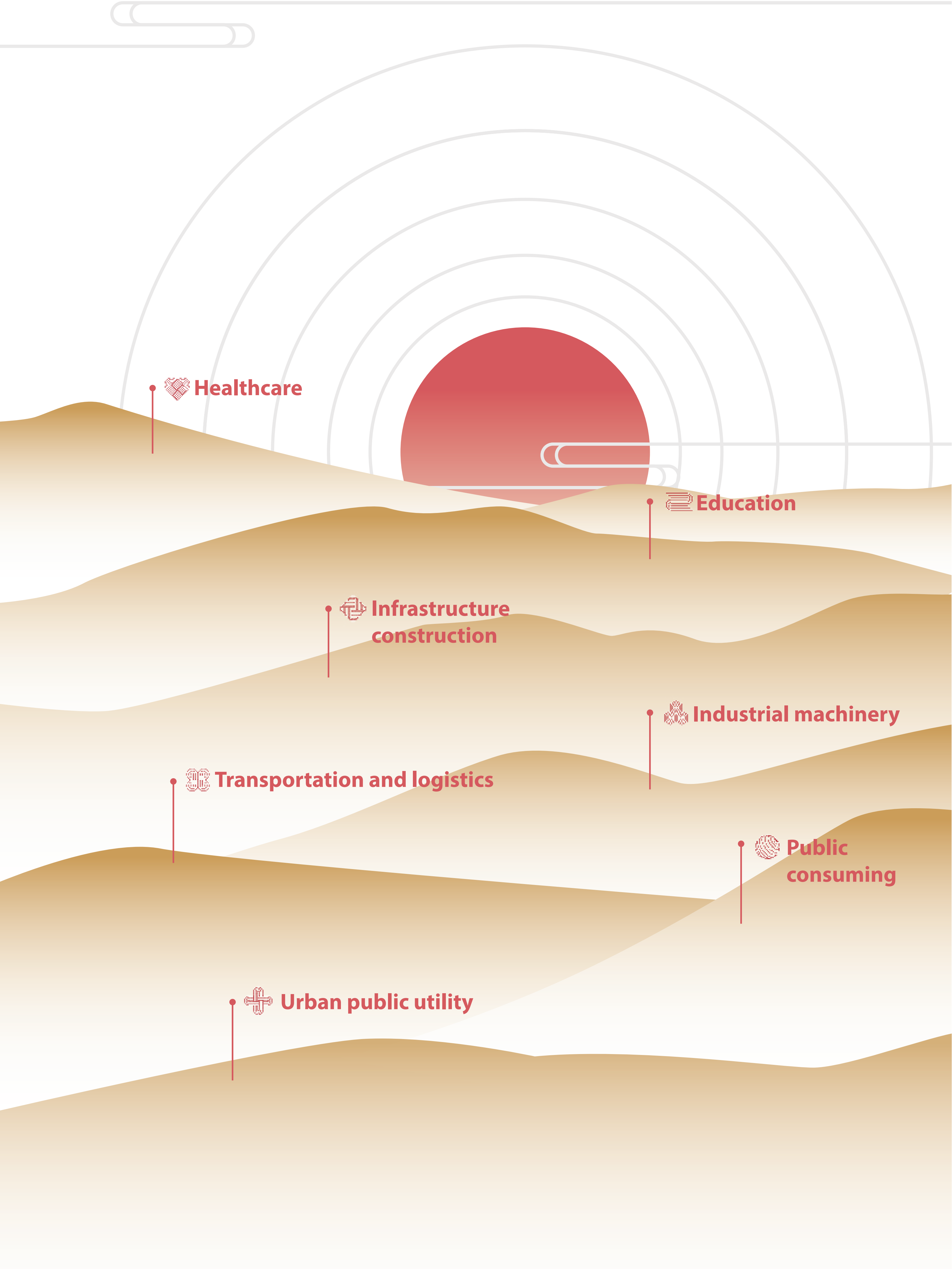
Company Profile

Far East Horizon Limited (the "Company") and its subsidiaries (the "Group") is one of China's leading innovative financial company 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", the Group endeavors 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 operational services. Over the past 10 years or so, 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 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 various fundamental sectors, namely healthcare, education, infrastructure construction, industrial machinery, public consuming, transportation and logistics, and urban public utility.

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, Urumqi, Guangzhou, Taiyuan, Nanchang and Guiyang, forming a client service network that covers the national market. The Group has been successfully operating its multiple specialized business platforms in China and abroad in financial services, industrial investment, hospital investment and operations, equipment operation services, exquisite education, trade brokerage, management consulting, engineering services, etc.

The Company was officially listed on the Main Board of the Stock Exchange on 30 March 2011.

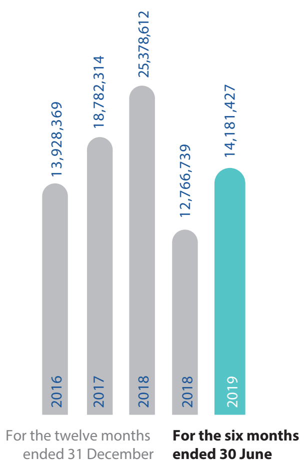

Healthcare
Education
Infrastructure construction
Industrial machinery
Transportation and logistics
Public consuming
Urban public utility

Business Overview

For the six months ended 30 June 2019 Total revenue
RMB'000

14,181,427

▲ 11.08% Year-on-year increase %



Profit for the period attributable to holders of ordinary shares of the Company
RMB'000

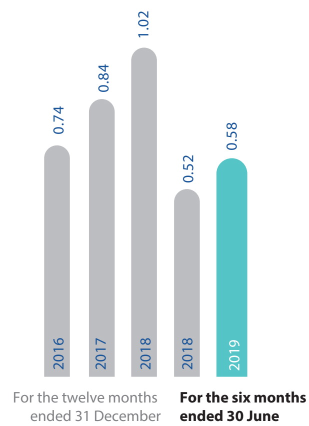
2,233,436

▲ 11.13% Year-on-year increase %

Basic earnings per share
RMB'000

0.58

▲ 11.54% Year-on-year increase %



For the six months ended 30 June 2019

Net interest margin (4)

3.64%

Net interest spread (5)

2.44%

Return on average equity (3)

30 June 2019

15.88%

Gearing ratio

RMB'000

31 Dec 2018	30 June 2019
85.30%	84.50%

Non-performing asset ratio (7)

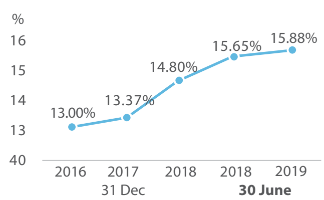
As of 30 June 2019

1.04%

Cost to income ratio (6)

As of 30 June 2019

35.16%



Net assets per share

RMB

31 Dec 2018	30 June 2019
7.01	7.21

Business Overview

	For the six months ended 30 June		For the twelve months ended 31 December		
	2019	2018	2018	2017	2016
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Operating results					
Total revenue	**14,181,427**	12,766,739	25,378,612	18,782,314	13,928,369
Financial services (interest income)	**8,163,767**	7,761,121	16,137,698	10,972,384	8,139,285
Advisory services (fee income)	**3,078,778**	3,066,716	4,889,048	4,661,303	3,820,487
Revenue from industrial operation	**2,970,529**	2,027,866	4,515,625	3,254,433	2,113,804
Tax and surcharges	**(31,647)**	(88,964)	(163,759)	(105,806)	(145,207)
Cost of sales	**(6,162,222)**	(5,277,926)	(11,484,055)	(8,106,962)	(5,735,538)
Borrowing costs	**(4,191,318)**	(3,875,644)	(8,527,275)	(5,801,693)	(4,131,599)
Costs for industrial operation	**(1,970,904)**	(1,402,282)	(2,956,780)	(2,305,269)	(1,603,939)
Pre-provision operation profit[1]	**5,182,898**	4,928,236	9,152,801	6,739,557	5,333,732
Profit before tax	**3,569,893**	3,215,656	6,492,567	4,787,188	4,072,470
Profit for the period/year attributable to holders of ordinary shares of the Company	**2,233,436**	2,009,712	3,927,472	3,229,057	2,882,208
Basic earnings per share (RMB)	**0.58**	0.52	1.02	0.84	0.74
Diluted earnings per share (RMB)	**0.58**	0.52	1.02	0.84	0.74
Profitability indicators					
Return on average assets[2]	**1.93%**	1.81%	1.78%	1.73%	1.92%
Return on average equity[3]	**15.88%**	15.65%	14.80%	13.37%	13.00%
Net interest margin[4]	**3.64%**	3.65%	3.51%	3.09%	3.04%
Net interest spread[5]	**2.44%**	2.49%	2.28%	1.96%	1.79%
Cost to income ratio[6]	**35.16%**	37.21%	35.36%	36.64%	35.07%

Business Overview

	30 June 2019 RMB'000 (Unaudited)	30 June 2018 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)	31 December 2017 RMB'000 (Audited)	31 December 2016 RMB'000 (Audited)
Assets and liabilities					
Total assets	**259,235,096**	272,299,943	265,969,794	227,454,273	166,560,921
Net interest-earning assets	**212,701,062**	232,277,403	223,989,078	193,977,583	139,798,341
Total liabilities	**219,051,277**	234,922,165	226,877,290	191,046,481	141,714,820
Interest-bearing bank and other borrowings	**163,292,253**	182,004,246	172,514,982	144,899,680	106,937,588
Gearing ratio	**84.50%**	86.27%	85.30%	83.99%	85.08%
Total equity	**40,183,819**	37,377,778	39,092,504	36,407,792	24,846,101
Equity attributable to holders of ordinary shares of the Company	**28,543,701**	26,014,565	27,729,743	25,340,869	22,959,230
Net assets per share (RMB)	**7.21**	6.58	7.01	6.41	5.81
Duration matching of assets and liabilities					
Financial assets	**228,882,159**	248,439,229	238,575,428	208,240,849	152,479,868
Financial liabilities	**208,269,856**	223,787,093	216,469,936	183,911,170	136,157,626
Quality of interest-earning assets					
Non-performing asset ratio[7]	**1.04%**	0.96%	0.96%	0.91%	0.99%
Provision coverage ratio[8]	**254.33%**	237.68%	236.73%	219.71%	212.13%
Write-off of non-performing assets ratio[9]	**30.63%**	9.89%	34.41%	5.21%	29.82%
Overdue interest-earning assets (over 30 days) ratio[10]	**1.20%**	0.80%	0.94%	0.72%	0.98%

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

During the first half of 2019, the global economic growth showed a trend of slowing down as the momentum of economic growth in the United States, Europe, and Japan was mild and the growth momentum of emerging economies has slipped. China's macro-economic operation as a whole remained stable, with GDP increasing by 6.3% year-on-year. By quarters, the first quarter saw a year-on-year growth of 6.4%, the second quarter saw a year-on-year growth of 6.2%, and the overall growth continued to slow down. In terms of the top three demands, fixed asset investment was relatively stable, with a year-on-year increase of 5.8%, supported by demand for short-term improvements in infrastructure and people's livelihood. The growth rate of private investment was stable and began to rebound with a year-on-year increase of 5.7%. Due to the uncertainties in the international trade environment, the growth rate of imports and exports slowed down during the first half of the year, with the total volume of import and export increasing by 3.9% year-on-year, a decrease of 4 percentage points over the corresponding period of last year. The total national sales of social consumer goods increased by 8.4% year-on-year, and remained basically stable.

In terms of the financial environment, the People's Bank of China continued with stable monetary policy and strict regulatory policy during the first half of the year, while emphasizing preliminary adjustment and fine-tuning in a timely and appropriate manner. The scale of social financing increased by RMB13.2 trillion, an increase of RMB3.2 trillion over the same period last year. RMB loans to the real economy increased by RMB9.7 trillion, an increase of RMB0.6 trillion. The balance of M2 was RMB192.1 trillion, a year-on-year increase of 8.5%, representing an increase of 0.5 percentage points as compared with the corresponding period of last year.

1.2 Industry Environment

With the transformation of China's economic growth momentum, industry restructuring has been continuously adjusted. The new growth drivers developed rapidly, while the industrial structure has been constantly optimized. During the first half of the year, the national above-scale industrial added value increased by 6.0% year-on-year, and has remained generally stable. Among them, the added value of high-tech manufacturing and strategic emerging industries increased by 9.0% and 7.7% year-on-year respectively. The service industry has grown steadily and its role in stimulating the economy has continued to increase. The added value of the tertiary industry increased by 7.0%, 1.2 percentage points higher than that of the secondary industry. The contribution of the tertiary industry to economic growth was 60.1%.

In respect of various industrial sectors in which the Group operated, the industry environment has demonstrated a diversified trend. Given the general trends of aging population and two-child policy, the counter-cyclical industries represented by healthcare and education have generally maintained a steady growth. With the acceleration of the construction of new urbanization and the improvement of infrastructure, there is good room for market development in the fields of urban service, urban renewal, and urban operation. The cultural tourism industry has grown rapidly under the influence of consumption upgrading, while the business sector dominated by manufacturing generally slowed down.

Management Discussion and Analysis

1.3 The Leasing Industry

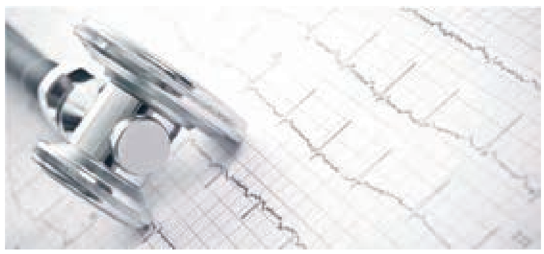
During the first half of 2019, the overall development speed of the financial leasing industry slowed down to reach a low level. According to the statistics of China Leasing Association, the total number of financial leasing companies in China amounted to approximately 12,027, an increase of 2.1% from the end of last year. The total capital of the industry amounted to approximately RMB3.3 trillion, an increase of 0.5% year-on-year. The balance of financing leasing contracts in China totalled approximately RMB6.7 trillion, representing an increase of 0.6% year-on-year.

In terms of industrial regulation, during the first half of 2019, the Shanghai Municipal Financial Regulatory Bureau issued "Certain Opinions on Further Promoting the Well-regulated and Sound Development of Three Types of Institutions in the City, Including Financial Leasing Companies, Commercial Factoring Companies, and Pawnshops, and Strengthening Interim and Ex-post Regulation" (《關於進一步促進本市融資租賃公司、商業保理公司、典當行等三類機構規範健康發展強化事中事後監管的若干意見》), and the Tianjin Municipal Financial Regulatory Bureau issued "Opinions on Strengthening the Supervision and Administration of Financial Leasing Companies" (《關於加強融資租賃公司監督管理工作的意見》). In the future, industry laws and regulations will be further implemented and the regulatory system will be continuously improved, which will be conducive to the sustainable, healthy and orderly development of the financial leasing industry.

1.4 Company's Solutions

Faced with a complex and volatile macro environment as well as the in-depth adjustment of the industrial structure, the Group adhered to the development strategy of "finance + industry", served the real economy, and focused on safe and stable assets, so as to respond to the trends of macro-economy and industrial adjustment.

In terms of the financial business, first, we strengthened the foundation of the industry. Leveraging its in-depth understanding of industry trends, the Group sought market segments with sustained growth potential and stable cash flows based on industrial chains. Second, we optimized the marketing network. The Group increased the density of industrial chain coverage in order to strengthen the management units, team localization, alignment with the market, and regional penetration. Third, we comprehensively upgraded the operating system and strengthened customer risk identification. The Group set up five major operation centers, developed a regional joint defense system, streamlined the sub-sectors of the industrial chain and strengthened fine market management while prudently entering specific industries and focusing on the risk identification of key customers. Fourth, we sustained financial innovation. By integrating financial and industrial resources and keeping close contact with customers' needs, the Group actively expanded industrial funds, asset management companies, financial consultancy, wealth management, and other businesses so as to provide diversified and comprehensive services.



Management Discussion and Analysis

In terms of industrial operations, the Group continued to promote the development of the three major industrial groups of healthcare, infrastructure construction, and education, thereby establishing a management system for the coordinated development of finance and industry.

During the first half of 2019, the Group invested in 60 medical institutions, with over 20,000 beds available for corporate operation, ranking among the top in China. The Group adhered to the established strategy, conformed to the national policy guidance, focused on regions with insufficient medical resources, and built a hospital network with unique Far East characteristics. At the same time, we continued to push forward the implementation of the innovative models, strengthened the vertical integration management with the academic business unit as the core, and improved the medical capacity and operating efficiency of subordinate hospitals. In addition, relying on the "medical" resources and capabilities, the Group continued to explore the pension business.

In terms of the infrastructure construction industry, the Group has actively integrated its internal resources and incorporated Shanghai Horizon Construction Development Co., Ltd. (Horizon Construction Development). The scale of operating equipment continued to increase, ranking first in China in terms of equipment retention in such sub-sectors as high-altitude vehicles, turnover materials, and formworks. In respect of channels, we continued to develop the marketing network and increase the number of business shops, which has now reached 103. The revenue from the engineering business continued to increase. At the same time, the infrastructure group actively explored overseas business opportunities while coordinating domestic and overseas businesses so as to develop comparative advantages.

In terms of education, in line with the concept of "top-quality" education, the Group developed the concept of "school + ground" comprehensively, continuously improved the quality of education, strived to create top-notch brands, established a coordinated development of industry and finance, so as to continuously create comprehensive values.

In terms of fund-raising, during the first half of the year, the Group continuously expanded traditional financing channels, broadened the scope of cooperation and explored innovative financing methods in line with the Company's industrial operation. As for domestic financing, we strived to promote strategic cooperation with key large financial institutions, while digging deep into the resources of small and medium-sized banks, thereby securing powerful access to resources. As for overseas financing, we accurately grasped the issuance window of overseas bonds, and successfully issued an overseas bond.

2. Analysis of Profit and Loss

2.1 Analysis of Profit and Loss (Overview)

In the first half of 2019, in response to the complicated and constantly changing macro environment and the further deepening of industrial restructuring, the Group adhered to the development strategy and operational philosophy of "finance + industry", which led to an overall healthy and steady growth in its results. The Group realized a profit before tax of RMB3,569,893,000, representing a growth of 11.02% 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 RMB2,233,436,000, representing a growth of 11.13% 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 2018.

	For the six months ended 30 June		
	2019	2018	
	RMB'000	RMB'000	Change %
	(Unaudited)	(Unaudited)	
Revenue	**14,181,427**	12,766,739	11.08%
Cost of sales	**(6,162,222)**	(5,277,926)	16.75%
Gross profit	**8,019,205**	7,488,813	7.08%
Other income/gains	**338,750**	399,740	-15.26%
Selling and administrative expenses	**(2,819,296)**	(2,786,470)	1.18%
Other expenses and losses	**(225,533)**	(93,773)	140.51%
Finance costs	**(221,541)**	(152,231)	45.53%
Gains and loss on investment in joint ventures/associates	**91,313**	72,157	26.55%
Pre-provision operating profit	**5,182,898**	4,928,236	5.17%
Provision for assets	**(1,613,005)**	(1,712,580)	-5.81%
Profit before tax	**3,569,893**	3,215,656	11.02%
Income tax expense	**(1,041,013)**	(955,532)	8.95%
Profit for the period	**2,528,880**	2,260,124	11.89%
Attributable to:			
Holders of ordinary shares of the Company	**2,233,436**	2,009,712	11.13%
Holders of perpetual securities	**259,216**	253,239	2.36%
Non-controlling interests	**36,228**	(2,827)	-1,381.50%

Management Discussion and Analysis

2.2 Revenue

In the first half of 2019, the Group realized revenue of RMB14,181,427,000, representing a growth of 11.08% from RMB12,766,739,000 as compared to the corresponding period of the previous year. It also recorded steady growth of income in the financial and advisory segment and significant continuous growth of income in the industrial operation segment. In the first half of 2019, income (before taxes and surcharges) of the financial and advisory segment was RMB11,242,545,000, accounting for 79.10% of the total income (before taxes and surcharges) and representing a growth of 3.83% as compared to the corresponding period of the previous year. Income derived from advisory services approximated that of the corresponding period of the previous year, mainly due to the upward shift of customer qualifications with stronger operational management capabilities, and the continuous optimization of and adjustment in the Company's consulting service products to meet customers' needs. The Group also accelerated its pace in developing integrated industrial operation business with income derived from industrial operations growing by 46.49% 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				
	2019		2018		
	RMB' 000 (Unaudited)	**% of total**	RMB' 000 (Unaudited)	% of total	Change %
Financial and advisory segment	**11,242,545**	**79.10%**	10,827,837	84.23%	3.83%
Financial services (interest income)	**8,163,767**	**57.44%**	7,761,121	60.37%	5.19%
Advisory services (fee income)	**3,078,778**	**21.66%**	3,066,716	23.86%	0.39%
Industrial operation segment	**2,970,529**	**20.90%**	2,027,866	15.77%	46.49%
Total	**14,213,074**	**100.00%**	12,855,703	100.00%	10.56%
Taxes and surcharges	**(31,647)**		(88,964)		-64.43%
Income (after taxes and surcharges)	**14,181,427**		12,766,739		11.08%

Management Discussion and Analysis

The Group also categorized income by industry. In the first half of 2019, the Group's business is mainly concentrated in seven major industries: healthcare, education, infrastructure construction, industrial machinery, public consuming, transportation and logistics and urban public utility. In the first half of 2019, with the promulgation of national macro-control policies and the further promotion of the industrial operation of the Group, major industries have maintained growth with overall income of infrastructure construction, urban public utility, healthcare and education industries increasing by 14.24%, 12.58%, 9.69% and 7.98%, respectively as compared to the corresponding period of the previous year.

For the six months ended 30 June 2019

Financial and advisory segment

RMB'000

11,242,545

▲ 3.83% Change %

79.10% % of total

2018	10,827,837	84.23%
2019	11,242,545	79.10%

Financial services (interest income)

For the six months ended 30 June

	2018	2019
	7,761,121	8,163,767
% of total	60.37%	57.44%

▲ 5.19% Change %

Advisory services (fee income)

For the six months ended 30 June

	2018	2019
	3,066,716	3,078,778
% of total	23.86%	21.66%

▲ 0.39% Change %

For the six months ended 30 June 2019

Industrial operation segment

RMB'000

2,970,529

▲ 46.49% Change %

20.90% % of total

2018	2,027,866	15.77%
2019	2,970,529	20.90%

For the six months ended 30 June 2019

Total

RMB'000

14,213,074

▲ 10.56% Change %

100.00% % of total

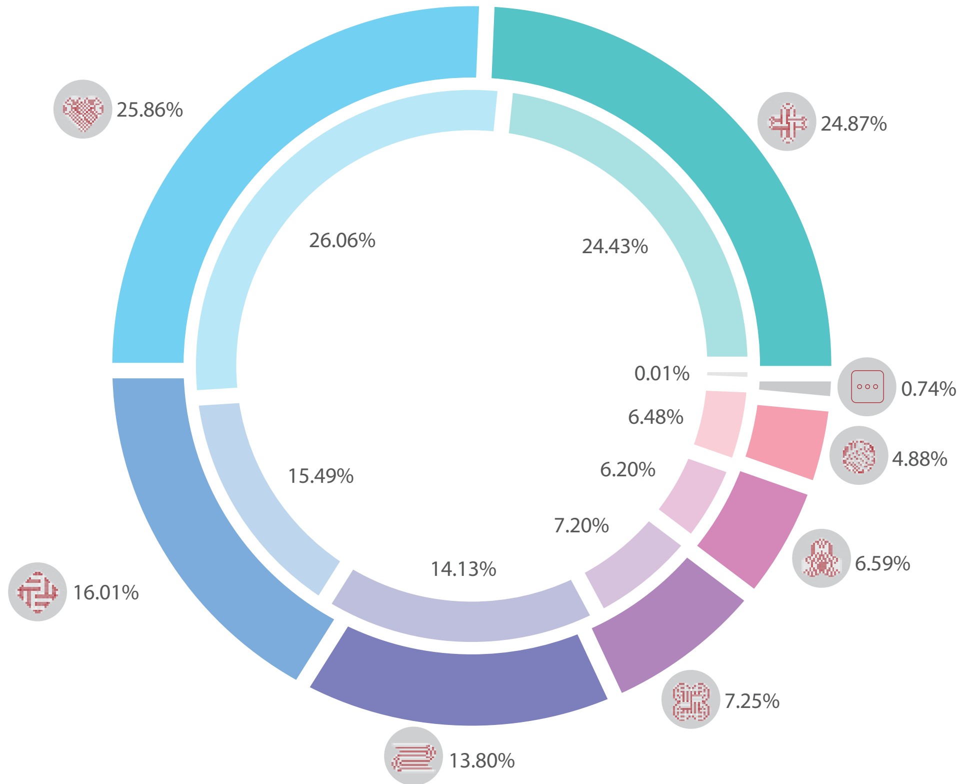
2018	12,855,703	100.00%
2019	14,213,074	100.00%

Management Discussion and Analysis

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				
	2019		2018		
	RMB'000 (Unaudited)	% of total	RMB'000 (Unaudited)	% of total	Change %
Healthcare	3,675,552	25.86%	3,350,747	26.06%	9.69%
Education	1,961,300	13.80%	1,816,408	14.13%	7.98%
Infrastructure construction	2,274,824	16.01%	1,991,260	15.49%	14.24%
Industrial machinery	694,201	4.88%	832,711	6.48%	-16.63%
Public consuming	936,166	6.59%	796,661	6.20%	17.51%
Transportation and logistics	1,030,905	7.25%	925,536	7.20%	11.38%
Urban public utility	3,535,215	24.87%	3,140,299	24.43%	12.58%
Others	104,911	0.74%	2,081	0.01%	4,941.37%
Total	14,213,074	100.00%	12,855,703	100.00%	10.56%

Management Discussion and Analysis



Industry	2019	2018	Change %
Healthcare			▲ 9.69%
Infrastructure construction			▲ 14.24%
Education			▲ 7.98%
Transportation and logistics			▲ 11.38%
Public consuming			▲ 17.51%
Industrial machinery			▲ -16.63%
Urban public utility			▲ 12.58%
Others			▲ 4,941.37%
Total	14,213,074	12,855,703	▲ 10.56%

Management Discussion and Analysis

2.2.1 Financial Services (Interest Income)

The interest income (before taxes and surcharges) from the financial and advisory segment of the Group rose by 5.19% from RMB7,761,121,000 for the first half of 2018 to RMB8,163,767,000 for the first half of 2019, accounting for 57.44% 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					
	2019			2018		
	Average balance of interest-earning assets[1] RMB'000 (Unaudited)	Interest income[2] RMB'000 (Unaudited)	Average yield[3] %	Average balance of interest-earning assets[1] RMB'000 (Unaudited)	Interest income[2] RMB'000 (Unaudited)	Average yield[3] %
Healthcare	39,258,419	1,511,525	7.70%	41,023,019	1,699,893	8.29%
Education	34,403,650	1,280,528	7.44%	35,441,884	1,312,309	7.41%
Infrastructure construction	24,706,985	849,642	6.88%	26,277,579	873,906	6.65%
Industrial machinery	17,106,769	537,313	6.28%	20,806,356	619,958	5.96%
Public consuming	18,332,958	658,179	7.18%	19,246,539	638,895	6.64%
Transportation and logistics	19,655,212	677,459	6.89%	20,284,763	681,205	6.72%
Urban public utility	63,487,957	2,569,242	8.09%	50,047,353	1,934,955	7.73%
Others	1,393,120	79,879	11.47%	–	–	N/A
Total	218,345,070	8,163,767	7.48%	213,127,493	7,761,121	7.28%

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 the average balance of interest-earning assets, on an annualized basis.

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

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 2.45% from RMB213,127,493,000 for the first half of 2018 to RMB218,345,070,000 for the first half of 2019. The Group actively manages the level of gearing ratio to enable the financial services business to maintain stable and coordinated development.

Analysis according to average yield

In the first half of 2019, the average yield of the Group was 7.48%, representing 0.20 percentage point higher than 7.28% in the corresponding period of the previous year, which was due to the fact that (i) the Group disposed of some low-yield projects through asset-backed securities and other businesses between the second half of 2018 and the first half of 2019; (ii) while actively managing the assets scale, the Group actively regulated the layout of the interest-earning assets industry and continued to maintain the business opportunities of high-end customers to maintain stable asset quality and the average yield of the public consuming, urban public utility and industrial machinery industries in the first half of 2019 increased by 0.54%, 0.36% and 0.32% respectively as compared to the corresponding period of the previous year and the average yield of the healthcare industry decreased by 0.59% as compared to the corresponding period of the previous year; (iii) the Group actively adjusted its pricing strategy according to the change in the market environment with approximately 60% of the interest-earning assets newly added from 2018 in the balance of interest-earning assets in the first half of 2019. The pulling effect of the pricing of the additional interest-earning assets on the average yield is enlarged in this year.

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

	For the six months ended 30 June			
	2019		2018	
	RMB'000	**% of total**	RMB'000	% of total
	(Unaudited)		(Unaudited)	
Northeast China	**782,707**	**9.59%**	911,242	11.74%
Northern China	**978,699**	**11.99%**	820,598	10.57%
Eastern China	**2,160,372**	**26.47%**	1,633,234	21.05%
Southern China	**636,148**	**7.79%**	534,439	6.89%
Central China	**1,176,591**	**14.41%**	1,386,274	17.86%
Northwest China	**547,939**	**6.71%**	557,348	7.18%
Southwest China	**1,881,311**	**23.04%**	1,917,986	24.71%
Total	**8,163,767**	**100.00%**	7,761,121	100.00%

Management Discussion and Analysis

2.2.2 Advisory Services (Fee Income)

In the first half of 2019, service fee income (before taxes and surcharges) from the financial and advisory segment of the Group grew by 0.39% from RMB3,066,716,000 for the first half of 2018 to RMB3,078,778,000 for the first half of 2019, accounting for 21.66% of the total revenue (before taxes and surcharges) of the Group.

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

	For the six months ended 30 June				
	2019		2018		
	RMB'000 (Unaudited)	% of total	RMB'000 (Unaudited)	% of total	Change %
Healthcare	726,139	23.59%	529,196	17.26%	37.22%
Education	565,756	18.38%	419,316	13.67%	34.92%
Infrastructure construction	269,214	8.74%	383,760	12.52%	-29.85%
Industrial machinery	156,145	5.07%	212,753	6.94%	-26.61%
Public consuming	162,037	5.26%	156,732	5.11%	3.38%
Transportation and logistics	213,980	6.95%	159,615	5.20%	34.06%
Urban public utility	965,973	31.38%	1,205,344	39.30%	-19.86%
Others	19,534	0.63%	–	–	N/A
Total	3,078,778	100.00%	3,066,716	100.00%	0.39%

Healthcare, education and urban public utility accounted for the greatest contribution to the aggregate growth of the Group's service fee income (before taxes and surcharges). In order to adapt to the changes in the external environment, the Group actively organized professional teams to carry out professional services, continued to upgrade the content of its advisory service products, and increased the variety of advisory service products being provided to customers in targeted industries, thus maintaining growth in service fee income from healthcare, education, public consuming and transportation and logistics segments. At the same time, due to the continuous maturing and stabilization of the environment in certain industries, the Group has adjusted the demand contents of advisory services, resulting in decline in service fee income from infrastructure construction, industrial machinery and urban public utility. The Group will gradually enhance its service capabilities, enrich the scope and means of service based on changes in customers' requirements, and strive to achieve a steady and healthy growth in service income from the business.

Management Discussion and Analysis

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

	For the six months ended 30 June			
	2019		2018	
	RMB'000 (Unaudited)	% of total	RMB'000 (Unaudited)	% of total
Northeast China	213,751	6.94%	324,519	10.58%
Northern China	405,454	13.17%	358,616	11.70%
Eastern China	983,337	31.95%	743,960	24.26%
Southern China	247,685	8.04%	160,112	5.22%
Central China	346,458	11.25%	416,544	13.58%
Northwest China	199,810	6.49%	184,207	6.01%
Southwest China	682,283	22.16%	878,758	28.65%
Total	3,078,778	100.00%	3,066,716	100.00%

2.2.3 Revenue from Industrial Operation Segment

Revenue from the industrial operation segment of the Group, before taxes and surcharges, increased by 46.49% from RMB2,027,866,000 for the first half of 2018 to RMB2,970,529,000 for the first half of 2019, accounting for 20.90% of the total revenue of the Group (before taxes and surcharges).

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

	For the six months ended 30 June				
	2019		2018		
	RMB'000 (Unaudited)	% of total	RMB'000 (Unaudited)	% of total	Change %
Revenue from the industrial operation segment	2,970,529	100.00%	2,027,866	100.00%	46.49%
Including:					
Revenue from hospital operation[(1)]	1,333,183	44.88%	1,004,156	49.52%	32.77%
Revenue from operating lease[(2)]	944,624	31.80%	614,544	30.30%	53.71%
Revenue from education institution operation	109,177	3.68%	78,580	3.88%	38.94%

Notes:

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

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

Management Discussion and Analysis

The Group steadily promoted the layout of high-end K12 education at home and abroad in 2019. By adhering to the principle of "people orientation, fusion of Chinese and western education and training elites", the Group continued to deepen and improve the level of teachers, curriculum system, campus facilities and operation flow management of kindergartens and schools within the Group, so as to cultivate outstanding students with social contribution, scientific innovation and international competitiveness. In the first half of 2019, there were 2 newly opened kindergartens, together with 3 schools and 13 kindergartens that had been operating in previous years. As of the first half of 2019, the Group had operated 15 high-end kindergartens (among which, 3 kindergartens had fulfilled their enrolment quota) and 3 schools (among which, 1 had fulfilled its enrolment quota) with 1,929 students, representing an increase of 46.80% as compared to the first half of 2018. Revenue from education institution operation amounted to RMB109,177,000 in the first half of 2019, representing an increase of 38.94% as compared to the first half of 2018.

2.3 Cost of Sales

Cost of sales of the Group for the first half of 2019 was RMB6,162,222,000, representing an increase of 16.75% from RMB5,277,926,000 in the corresponding period of last year. Of which, the cost of the financial and advisory segment was RMB4,191,318,000, accounting for 68.02% of the total cost and representing an increase of 8.15% from RMB3,875,644,000 in the corresponding period of last year, mainly due to the fact that while the Group was maintaining the proportion of its investment in interest-earning assets through debt financing, the proportion of its existing debts remained large in spite of the decrease in the additional financing cost, which led to a rapid growth in interest expenditure of the financial and advisory segment. The cost of the industrial operation segment was RMB1,970,904,000, accounting for 31.98% of the total cost and representing an increase of 40.55% from RMB1,402,282,000 in the corresponding period of last year. This was mainly due to the rapid expansions of the Group's industrial operations in respect of healthcare, operating lease and education, among which, some of the hospitals and kindergartens under the industrial operations of healthcare and education were still at their preliminary stage and their economies of scale were not sufficient. The operating lease industry achieved large-scale output through its nationwide operating network and operational capabilities, and the rapid expansions of the business scale led to a significant growth in cost of sales for industrial operation. The Group will, through group management, gradually enhance the operating efficiency of each industrial operation company, to transform the cost of sales of industrial operation into the growth of its revenue in a highly-effective manner.

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

	For the six months ended 30 June				
	2019		2018		
	RMB'000 (Unaudited)	% of total	RMB'000 (Unaudited)	% of total	Change %
Cost of the finance and advisory segment	**4,191,318**	**68.02%**	3,875,644	73.43%	8.15%
Cost of the industrial operation segment	**1,970,904**	**31.98%**	1,402,282	26.57%	40.55%
Cost of sales	**6,162,222**	**100.00%**	5,277,926	100.00%	16.75%

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

	For the six months ended 30 June					
	2019			2018		
	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	166,475,658	4,191,318	5.04%	161,876,348	3,875,644	4.79%

Notes:

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

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

The cost of sales of the financial and advisory segment increased from RMB3,875,644,000 for the first half of 2018 to RMB4,191,318,000 for the first half of 2019. The average cost rate of the Group increased to 5.04% for the first half of 2019 as compared to that for the first half of 2018, mainly due to:

(i) the decrease in additional cost. In the first half of 2019, the market liquidity was reasonable and sufficient, among which, bank financing cost decreased by 0.45% as compared to that in mid-2018, showing a downward trend as compared to 2018. The cost of debt issuance was lower than that in 2018, and the additional non-bank financing cost was 1.75% lower than that in mid-2018; (ii) the increase in stock cost. The cost of stock bank financing for 2019 increased by 0.06% as compared to mid-2018, which was due to the expiration of low-cost loans introduced in the first half of 2016 and the higher cost of additional bank loans in the second half of 2018; the average cost rate of the non-bank loans in stock interest-bearing liabilities at the beginning of 2019 increased by 0.17% as compared to mid-2018, which was due to the overall rising bond market yield in 2017 and 2018; (iii) the increase in the average cost rate by 0.02% in the first half of 2019, which was due to the small proportion of additional withdrawal scale in the first half of 2019, in spite of the downtrend in additional financing cost in the same period.

The average cost rate for the first half of 2019 decreased as compared to 5.17% for the entire year of 2018. With a further decrease in the balance of stock liabilities with higher costs and the increasing proportion of the balance of additional liabilities with lower financing costs, the subsequent average cost rate was expected to decrease.

In the second half of 2019, under the guidance of the "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) take full advantage of low-cost financing products, and further optimize our financing structure.

Management Discussion and Analysis

2.3.2 Cost of the Industrial Operation Segment

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

	For the six months ended 30 June				
	2019		2018		
	RMB'000	% of total	RMB'000	% of total	Change %
	(Unaudited)		(Unaudited)		
Cost of the industrial operation segment	1,970,904	100.00%	1,402,282	100.00%	40.55%
Of which:					
Cost of hospital operation(1)	992,515	50.36%	727,602	51.89%	36.41%
Cost of operating lease(2)	442,501	22.45%	366,207	26.12%	20.83%
Cost of education institution operation	100,558	5.10%	57,198	4.08%	75.81%

Notes:

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

(2) For details of cost of operating lease, please see the discussion and analysis in paragraph 13.1 of this section.

In the first half of 2019, the Group put 2 more kindergartens into operation, and had 3 additional kindergartens in the second half of 2018, among which 1 school had entered a period of rapid development, operational costs such as the corresponding labor costs of Chinese and foreign teachers and housing leasing and decoration cost amortization experienced a rapid growth. The operating cost of educational institutions in the first half of 2019 was RMB100,558,000, representing an increase of 75.81% as compared to the first half of 2018. The increase exceeding revenue was mainly due to the fact that manpower, leasing and decoration sites for the new operation projects need to be reserved beforehand.

2.4 Gross Profit

The gross profit of the Group for the first half of 2019 increased by RMB530,392,000 or 7.08% to RMB8,019,205,000 from RMB7,488,813,000 in the corresponding period of last year. For the first half of 2019 and the first half of 2018, the gross profit margin of the Group was 56.55% and 58.66%, respectively, among which, the gross profit margin of industrial operation increased by 2.80% to 33.65% for the first half of 2019 from 30.85% for the first half of 2018.

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 2019 was 62.72%, down from 64.21% in the same period of last year. The gross profit margin of the financial and advisory segment was affected by a change in net interest income and the level of net interest margin. The following table sets forth the interest income, interest expense, net interest income, net interest spread and net interest margin of the Group during the periods indicated.

	For the six months ended 30 June		
	2019	2018	
	RMB'000	RMB'000	Change %
	(Unaudited)	(Unaudited)	
Interest income[1]	**8,163,767**	7,761,121	5.19%
Interest expense[2]	**4,191,318**	3,875,644	8.15%
Net Interest income	**3,972,449**	3,885,477	2.24%
Net interest spread[3]	**2.44%**	2.49%	-0.05%
Net interest margin[4]	**3.64%**	3.65%	-0.01%

Notes:

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

(2) Interest expense refers to the borrowing cost of the financial services of the Group.

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

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

Net interest spread of the Group for the first half of 2019 decreased by 0.05 percentage point to 2.44% as compared to 2.49% for the corresponding period of last year. The decrease in net interest spread was primarily due to the increase of 20 basis points in the average yield on interest-earning assets of the Group and the increase of 25 basis points in respect of the average cost rate on interest-bearing liabilities of the Group. For the details of the changes in respect of the average yield on interest-earning assets and the 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 2.24% to RMB3,972,449,000 for the first half of 2019 from RMB3,885,477,000 for the first half of 2018. The average balance of interest-earning assets of the Group increased by 2.45% year-on-year. Based on the above-mentioned reasons, the net interest margin of the Group decreased by 0.01 percentage point to 3.64% as compared to 3.65% 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				
	2019		2018		
	RMB'000	% of total	RMB'000	% of total	Change %
	(Unaudited)		(Unaudited)		
Gross profit of the industrial operation segment	**999,625**	**100.00%**	625,584	100.00%	59.79%
Of which:					
Gross profit of hospital operation[1]	**340,668**	**34.08%**	276,554	44.21%	23.18%
Gross profit of operating lease[2]	**502,123**	**50.23%**	248,337	39.70%	102.19%
Gross profit of education institution operation	**8,619**	**0.86%**	21,382	3.42%	-59.69%

Notes:

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

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

The gross profit of the industrial operation segment increased by 59.79% to RMB999,625,000 for the first half of 2019 from RMB625,584,000 for the first half of 2018. Among which, the gross profit of the hospital operation business and the operating leasing business was RMB340,668,000 and RMB502,123,000 respectively, accounting for 34.08% and 50.23% of the total gross profit of the industrial operation segment.

In the first half of 2019, the gross profit of the education institution operation business was RMB8,619,000, with gross profit margin of approximately 7.89% (in the first half of 2018: 27.21%). Currently, 3 kindergartens and 1 school have fulfilled their enrolment quota. The remaining 12 kindergartens and 2 schools have not fulfilled their enrolment quota. The increases in the number of newly opened kindergartens and schools and their low gross profit margin in the initial stage of operation have led to the decrease in gross profit of the education institution operation business.

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2.5 Other income/gains

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

	For the six months ended 30 June		
	2019	2018	
	RMB' 000	RMB' 000	Change %
	(Unaudited)	(Unaudited)	
Bank interest income	**60,223**	23,767	153.39%
Gains from structured financial products	**45,880**	8,687	428.15%
Government grants	**10,399**	9,607	8.24%
Income from the holdings of off-balance-sheet assets[1]	**155,970**	172,015	-9.33%
Equity investment income[2]	**49,778**	151,020	-67.04%
Net fair value gains from derivative instruments	**–**	19,025	-100.00%
Gains from the transfer of financial assets[3]	**3,728**	8,094	-53.94%
Other income	**12,772**	7,525	69.73%
Total	**338,750**	399,740	-15.26%

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 rate of such holding. For the details of 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 equity investment income was mainly gains on changes and transfer of the fair value of equity investment.

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

Management Discussion and Analysis

2.6 Selling and Administrative Expenses

Selling and administrative expenses of the Group in the first half of 2019 were RMB2,819,296,000, representing an increase of RMB32,826,000 or 1.18% from RMB2,786,470,000 in the corresponding period of the previous year. The cost regarding the remuneration and welfare of staff relating to the administrative expenses decreased by RMB35,018,000 or 1.58% from the corresponding period of the previous year, which was due to the effective control by the Group. The headcount of full-time staff of the Group increased from 11,645 for the first half of 2018 to 14,771 for the first half of 2019.

Cost to income ratio of the Group in the first half of 2019 was 35.16%, which decreased from 37.21% as compared to the corresponding period of the previous year.

2.7 Other Expenses and Losses

Other expenses of the Group in the first half of 2019 amounted to RMB225,533,000, representing an increase of RMB131,760,000 or 140.51% as compared to the corresponding period of the previous year. Other expenses and losses comprised foreign exchange loss of RMB36,727,000, representing a decrease of RMB34,003,000 as compared to RMB70,730,000 in the corresponding period of the previous year.

2.8 Finance costs

Finance costs of the Group in the first half of 2019 amounted to RMB221,541,000, representing an increase of RMB69,310,000 or 45.53% as compared to the corresponding period of the previous year. The finance costs are mainly financing-related costs for the Group's industrial operation segment.

2.9 Pre-provision Operating Profit

Pre-provision operation profit of the Group in the first half of 2019 amounted to RMB5,182,898,000, representing an increase of RMB254,662,000 or 5.17% from the corresponding period of the previous year. The increase of 5.17% in pre-provision operating profit was mainly due to the increase of 11.08% in the Group's revenue, the increase of 16.75% in cost of sales as compared to the corresponding period of the previous year, leading to the increase of 7.08% in gross profit of the Group during the period as well as the decrease of 15.26% in other income and the increase of 140.51% in other expenses and losses. For the details of the changes in respect of the revenue, cost of sales, gross profit, other income/gains and other expenses and losses, please refer to the discussion and analysis in paragraphs 2.2, 2.3, 2.4, 2.5 and 2.7 of this section. In view of the above, facing the objective changes in the external environment, the Group proactively adopted prudent and stable development strategies. A slight narrowing of spreads appeared due to the complicated and changing external financing market. At the same time, industrial operation was at the early stage of rapid expansion 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 the gradual stabilization of the external market environment in the future, the gradual expansion of the industrial operating scale and the improvement in internal operating efficiency, the pre-provision operation profit of the Group will show a steady growing trend.

Management Discussion and Analysis

2.10 Provision for Assets

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

	For the six months ended 30 June				
	2019		2018		
	RMB'000 (Unaudited)	% of total	RMB'000 (Unaudited)	% of total	Change %
Provision for interest-earning assets	1,421,414	88.12%	1,592,206	92.97%	-10.73%
Provision for accounts receivable[1]	62,657	3.88%	54,810	3.20%	14.32%
Provision for other receivables[1]	1,023	0.06%	2,753	0.16%	-62.84%
Provision for fixed assets[2]	68,185	4.23%	52,259	3.05%	30.48%
Provision for the holdings of off-balance-sheet assets[3]	8,000	0.50%	9,940	0.58%	-19.52%
Other provisions	51,726	3.21%	612	0.04%	8,351.96%
Total	1,613,005	100.00%	1,712,580	100.00%	-5.81%

Notes:

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

(2) Provision for fixed assets is mainly the impairment provisions made by the Group for the vessel assets it owns;

(3) Provision for the holdings of off-balance-sheet assets is mainly the expected credit loss of the holdings of off-balance-sheet assets made by the Group.

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2.11 Income Tax Expense

Income tax expense of the Group in the first half of 2019 was RMB1,041,013,000, which increased by RMB85,481,000 or 8.95% from the corresponding period of the previous 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 2019 was 29.2%, which remained basically 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		
	2019	2018	Change %
	(Unaudited)	(Unaudited)	
Domestic statutory tax rate	**25.0%**	25.0%	–
Cross-border business withholding income tax(1)	**1.1%**	1.3%	-0.2%
Others(2)	**3.1%**	3.4%	-0.3%
Total	**29.2%**	29.7%	-0.5%

Notes:

(1) The decrease in cross-border business withholding income tax was due to the decrease of the withholding tax on the inter-group cross-border borrowings business;

(2) The decrease of others was mainly due to the decrease in overseas income tax of the Group.

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

Based on the above discussion and analysis, profit for the period attributable to holders of ordinary shares of the Company was RMB2,233,436,000, which increased by RMB223,724,000 or 11.13% from the corresponding period of the previous year.

2.13 Basic Earnings per Share

Basic earnings per share for the current period amounted to RMB0.58, representing an increase of RMB0.06 or 11.54% from the corresponding period of the previous year.

Management Discussion and Analysis

3. Analysis of Financial Position

3.1 Assets (Overview)

As at 30 June 2019, the total assets of the Group decreased by RMB6,734,698,000 or 2.53% from the end of the previous year to RMB259,235,096,000. Loans and accounts receivable decreased by RMB11,220,303,000 or 5.09% from the end of the previous year to RMB209,413,968,000.

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

	30 June 2019		31 December 2018		
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	Change %
Loans and accounts receivable	209,413,968	80.78%	220,634,271	82.95%	-5.09%
Cash and cash equivalents	4,507,551	1.74%	5,269,392	1.98%	-14.46%
Restricted deposits	5,566,813	2.14%	5,280,123	1.99%	5.43%
Holding of asset-backed securities/notes	3,073,878	1.19%	2,390,434	0.90%	28.59%
Assets with continuing involvement	2,723,569	1.05%	2,327,322	0.88%	17.03%
Prepayment and other accounts receivable	2,102,057	0.81%	2,614,220	0.98%	-19.59%
Deferred tax assets	4,202,131	1.62%	4,031,727	1.52%	4.23%
Property, plant and equipment	10,775,702	4.15%	9,984,765	3.75%	7.92%
Prepaid land lease payments	–	–	1,546,827	0.58%	-100.00%
Investment in joint ventures/associates	6,235,774	2.41%	5,964,563	2.24%	4.55%
Financial assets at fair value through profit or loss	4,480,102	1.73%	2,669,404	1.00%	67.83%
Derivative financial instruments	1,054,435	0.41%	1,042,779	0.39%	1.12%
Inventories	400,831	0.15%	448,328	0.17%	-10.59%
Contract assets	24,163	0.01%	27,168	0.01%	-11.06%
Goodwill	1,944,753	0.75%	1,716,527	0.65%	13.30%
Right-of-use assets	2,689,956	1.04%	–	–	N/A
Other assets	39,413	0.02%	21,944	0.01%	79.61%
Total assets	259,235,096	100.00%	265,969,794	100.00%	-2.53%

Note: Due to the application of new lease standards, items originally included in prepaid land lease payments were reclassified to right-of-use assets from 1 January 2019.

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 80.78% of the total assets of the Group as of 30 June 2019. In the first half of 2019, the Group actively enhanced the gearing ratio management and put more effort in disposing interest-earning assets through asset-backed securities business. While developing relevant markets, the Group strengthened its risk control in a prudent manner and adjusted the development strategies for each industry based on dynamic environment and industry situation. It enhanced risk identification for sub-segments and qualifications of customers, and controlled the layout of financial business while safeguarding its assets, which led to a slight decrease in the net interest-earning assets of the Group. The Group will continue to maintain quality customers and explore their needs for financial services.

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

	30 June 2019		31 December 2018		
	RMB'000	**% of total**	RMB'000	% of total	Change %
	(Unaudited)		(Audited)		
Interest-earning assets	**212,701,062**		223,989,078		-5.04%
Less: interest-earning assets provisions	**(5,608,895)**		(5,093,732)		10.11%
Net interest-earning assets[1]	**207,092,167**	**98.89%**	218,895,346	99.21%	-5.39%
Others[2]	**2,321,801**	**1.11%**	1,738,925	0.79%	33.52%
Net loans and accounts receivable	**209,413,968**	**100.00%**	220,634,271	100.00%	-5.09%

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 2019 were RMB212,701,062,000, representing a decrease of 5.04% as compared with RMB223,989,078,000 as of 31 December 2018, which was due to the reason that the Group controlled the overall layout of financial business on the basis of further enhanced risk control, strengthened the management of gearing ratio and disposed of interest-earning assets through asset-backed securities business in the first half of 2019.

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 2019		31 December 2018		
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total	Change %
Healthcare	39,268,845	18.46%	39,247,992	17.52%	0.05%
Education	34,426,279	16.19%	34,381,021	15.35%	0.13%
Infrastructure construction	23,213,967	10.91%	26,200,002	11.70%	-11.40%
Industrial machinery	15,502,883	7.29%	18,710,654	8.35%	-17.14%
Public consuming	16,924,454	7.96%	19,741,461	8.81%	-14.27%
Transportation and logistics	19,833,791	9.32%	19,476,633	8.70%	1.83%
Urban public utilities[(2)]	62,240,437	29.26%	64,735,477	28.90%	-3.85%
Others	1,290,406	0.61%	1,495,838	0.67%	-13.73%
Total	212,701,062	100.00%	223,989,078	100.00%	-5.04%

Notes:

(1) Net interest-earning assets for healthcare, education and transportation and logistics among the target industries of the Group as of 30 June 2019 remained stable, while the interest-earning assets for infrastructure construction, industrial machinery, public consuming and urban public utilities decreased over those as at 31 December 2018. This was attributable to (i) the Group's active strengthening of gearing ratio management, further enhancement of risk control and strict control over the qualification requirements for new customers; (ii) the Group's adaptation to the changes in the macro economy and the trend of the industrial environment and adjustments to the layout of key industries; and (iii) the Group's continuous maintenance of quality industries and customers and exploration of their needs for financial service.

(2) As at 30 June 2019, the net interest-earning assets for urban public utilities were RMB62,240,437,000, which were further split according to the sub-segments, of which the net interest-earning assets for (i) urban operations and municipal services were RMB40,894,639,000, and (ii) urban infrastructure construction were RMB21,345,798,000.

Management Discussion and Analysis

3.2.3 Net Interest-earning Assets by Region

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

	30 June 2019		31 December 2018	
	RMB'000	% of total	RMB'000	% of total
	(Unaudited)		(Audited)	
Northeast China	20,273,798	9.53%	23,562,797	10.52%
Northern China	27,328,417	12.85%	29,549,576	13.19%
Eastern China	55,575,743	26.12%	54,382,605	24.28%
Southern China	16,179,110	7.61%	17,063,791	7.62%
Central China	29,283,742	13.77%	30,590,085	13.66%
Northwest China	14,538,172	6.84%	15,608,856	6.97%
Southwest China	49,522,080	23.28%	53,231,368	23.76%
Total	212,701,062	100.00%	223,989,078	100.00%

3.2.4 Aging Analysis of Net Interest-earning Assets

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

	30 June 2019		31 December 2018		
	RMB'000	% of total	RMB'000	% of total	Change %
	(Unaudited)		(Audited)		
Net interest-earning assets					
Within 1 year	73,322,130	34.47%	110,897,727	49.51%	-33.88%
1 to 2 years	90,477,452	42.54%	77,792,874	34.73%	16.31%
2 to 3 years	31,728,918	14.92%	23,483,843	10.48%	35.11%
3 years and beyond	17,172,562	8.07%	11,814,634	5.28%	45.35%
Total	212,701,062	100.00%	223,989,078	100.00%	-5.04%

Net interest-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 2019, net interest-earning assets within one year as set out in the table above represented 34.47% of net interest-earning assets of the Group, a decrease as compared with the end of the previous year.

Management Discussion and Analysis

3.2.5 Maturity Profile of Net Interest-earning Assets

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

	30 June 2019		31 December 2018		
	RMB'000	% of total	RMB'000	% of total	Change %
	(Unaudited)		(Audited)		
Maturity date					
Within 1 year	92,525,212	43.50%	89,254,282	39.85%	3.66%
1 to 2 years	65,297,498	30.70%	66,225,298	29.56%	-1.40%
2 to 3 years	36,377,929	17.10%	41,455,583	18.51%	-12.25%
3 years and beyond	18,500,423	8.70%	27,053,915	12.08%	-31.62%
Total	212,701,062	100.00%	223,989,078	100.00%	-5.04%

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 2019, net interest-earning assets due within one year as set forth in the table above represented 43.50% of the Group's net interest-earning assets as of each of the respective dates, which slightly increased as compared to the end of the previous year. This indicated that the maturity of the Group's net interest-earning assets was widely spread and could provide the Group with consistent and sustainable cash inflows to facilitate 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 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 is 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 collectibility 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 its payments in a timely manner, there are still factors that could adversely affect its ability to pay, which are related to changes in the economic, policy and industrial environment, the structure of the debtor's property rights and the debtor's management mechanisms, organizational framework and management personnel adjustments, operating capabilities, material investments and credit size and conditions, as well as the 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. The Group takes into account other factors, for example, if payments have been overdue for over six months, the interest-earning assets for this contract shall be classified as doubtful or lower.

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

Management Discussion and Analysis

Asset management measures

The Group continued to carry out operation innovation and management upgrade, closely monitored the external environment in the process of assets introduction, made asset investment in a reasonable manner and continuously improved and adjusted investment ideas. For assets management, the Group conducted comprehensive and multi-angle overall asset security management, strengthened process supervision and further expanded customer coverage. It enhanced risk mitigation ability, built the litigation support and protection system that serves the operation across the Group, implemented the function of regional assets centralized management and continued to improve monitoring and mitigation ability, which secured and controlled the quality of assets during the reporting period.

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

In the first half of 2019, the Group continued to strengthen the asset process monitoring system. For daily management, we conducted regular bill receivables management in a more systematized and standardized manner, carried out complete internal investigation periodically, comprehensively examined the assets operation system and made continuous improvement. For information monitoring for internet risk, the Group intensified the information monitoring and investigation for internet risk, set differentiated risky information monitoring plans on different industries, regions and customer groups and effectively identified risky information and optimized mechanism for risky information transmission and feedback. For customer coverage, we put more efforts in extending the coverage of investigation and return visits to customers, carried out specific investigation on key customer groups and areas by taking full advantages of internet monitoring so as to identify, dispose of and mitigate risks at an early stage. For regional management, the Group strengthened regional unified management, focused on solutions for common issues, and standardized the content, operation and assessment dimensions of regional management.

In the first half of 2019, the Group implemented dynamic on-line and off-line management for key monitoring customers through all-dimension layout. 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 2019, the Group continued to optimize the risk management mechanism and process system to enhance the effectiveness of mitigation decisions; put the customer management closed loop into practice and released risk reminder letter for abnormal issues dynamically; continued to consolidate the legal resources protection system, actively expanded cooperation in regional disposal resources and explored the upgrade of judicial resources; facilitated the distribution of resources across China, built the litigation support and protection system that serves the operation across the Group; put more efforts in disposing of non-performing assets, and accelerated the finalization of the disposal plans for non-performing assets, so as to improve the efficiency of cases and decrease the costs for disposal.

In the first half of 2019, the Group continued to improve its capability in non-performing asset disposal, optimize work mechanism and personnel allocation and conduct sharing and summing-up in respect of disposal progress; categorized customer groups and matched them with suitable disposal resources; strengthened result-oriented performance assessment, set clear disposal and recovery targets, increased assessment incentives; expanded traditional and innovative methods and ideas for disposal, introduced stronger disposal measures 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 2019		31 December 2018		31 December 2017		31 December 2016	
	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total
	(Unaudited)		(Audited)		(Audited)		(Audited)	
Pass	185,504,836	87.21%	195,099,412	87.10%	174,404,617	89.91%	124,443,723	89.02%
Special mention	24,990,885	11.75%	26,737,919	11.94%	17,811,994	9.18%	13,965,494	9.99%
Substandard	1,531,099	0.72%	1,328,649	0.59%	1,202,699	0.62%	853,232	0.61%
Doubtful	674,242	0.32%	823,098	0.37%	558,273	0.29%	535,892	0.38%
Loss	–	–	–	–	–	–	–	–
Net interest-earning assets	212,701,062	100.00%	223,989,078	100.00%	193,977,583	100.00%	139,798,341	100.00%
Non-performing assets	2,205,341		2,151,747		1,760,972		1,389,124	
Non-performing asset ratio	1.04%		0.96%		0.91%		0.99%	

The Group has established prudent asset quality control and adhered to a stringent and conservative asset classification policy. As at 30 June 2019, the Group's assets under special mention accounted for 11.75% of its net interest-earning assets, representing a decrease by 0.19% from 11.94% at the end of 2018.

The assets under special mention in the urban public utility industry accounted for 29.17% of the total assets under special mention. This was mainly due to the reason that some customers experienced periodical financial pressure as a result of slightly tight policy supervision and market liquidity. The Group prudently adjusted more of the assets of the segment to assets under special mention.

The assets under special mention in the healthcare industry accounted for 22.14% of the total assets under special mention. This was mainly due to the reason that the cost control and production progress of some private hospitals and pharmaceutical companies were affected by financial environment, administrative policies on medical insurance, regulatory policies on pharmaceutical quality and market conduct as well as regional serious production accidents. As a result, their financing situation was uncertain and they all recorded period-on-period decrease in profit, which led to surging pressure on financing and repayment that might affect their operation and cost control. The Group prudently adjusted more of the assets of the segment to assets under special mention.

The assets under special mention in the education industry accounted for 18.29% of the total assets under special mention. This was mainly due to the reason that the customers of new sub-segments such as tourism and high-tech parks experienced increase in debts and periodical tight liquidity situation under the effect of macro economic environment and national policies. In addition, the scale of investment for these segments was larger and turnaround time for returns was longer, which brought uncertainties to normal payment of the Group's rent. The Group prudently adjusted more of the assets of the segment to assets under special mention.

The assets under special mention in the transportation and logistics industry accounted for 9.27% of the total assets under special mention. This was mainly due to fluctuations in macro economy, structural adjustment on policies, intensified industry competition, and blocked financing channels. Some customers in low-end manufacturing industries, strong cycling industries and industries with overcapacity experienced a decline in operation. The Group prudently classified more of the assets of the segment to assets under special mention.

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

	30 June 2019		31 December 2018		31 December 2017	
	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total
	(Unaudited)		(Audited)		(Audited)	
Healthcare	5,532,668	22.14%	4,861,609	18.18%	1,636,980	9.19%
Education	4,569,957	18.29%	4,170,725	15.60%	1,630,341	9.15%
Infrastructure construction	2,308,858	9.24%	2,951,400	11.04%	2,534,215	14.23%
Industrial machinery	1,246,373	4.99%	1,591,941	5.96%	2,169,603	12.18%
Public consuming	1,724,669	6.90%	3,123,529	11.68%	3,559,080	19.98%
Transportation and logistics	2,317,369	9.27%	2,823,627	10.56%	2,646,223	14.86%
Urban public utilities	7,290,991	29.17%	7,215,088	26.98%	3,635,552	20.41%
Total	24,990,885	100.00%	26,737,919	100.00%	17,811,994	100.00%

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

	30 June 2019	30 June 2018	31 December 2018	31 December 2017	31 December 2016
	% of total	% of total	% of total	% of total	% of total
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Pass	27.81%	17.65%	24.82%	21.73%	6.84%
Special mention	52.91%	57.19%	29.68%	25.31%	40.15%
Substandard	1.92%	1.18%	0.63%	4.85%	4.39%
Doubtful	0.69%	1.31%	1.30%	0.47%	1.21%
Loss	0.25%	–	0.10%	–	–
Recovery	16.42%	22.67%	43.47%	47.64%	47.41%
Total	100.00%	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 2019, the non-performing asset ratio was 1.04%, which increased by 0.08% from 0.96% as compared to the end of last year.

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The non-performing asset ratio for the industrial machinery industry to total non-performing assets was 20.72%, which was mainly due to the reason that the automobile industry was in the downward circle and some automobile enterprises recorded significant period-on-period decreases in sales; some customers in chemical industry experienced difficulties in operation as affected by continuous tightening of environmental policies; share prices stayed low in a long period and the real economy was weak, which led to concerns about the stability of equity pledge financing and difficulties in sourcing new financing by some listed enterprises. The Group prudently reclassified the assets of the segment into substandard and doubtful assets.

The non-performing assets of the education industry accounted for 20.10% of the total non-performing assets, mainly concentrated in projects of the tourism segment as the size of non-performing assets expanded due to the relatively large scale of single investment in tourism projects. As affected by macro economic environment and national policies, individual tourism enterprises had limited external financing channels and poor debt repayment capability. Meanwhile, these enterprises experienced tight liquidity and operating difficulties as a result of insufficient output and long period of investment recovery of newly constructed projects. The Group prudently reclassified assets under this segment into substandard and doubtful assets.

The non-performing assets of the infrastructure construction industry accounted for 17.92% of the total non-performing assets, mainly due to the increased costs and decreased sales capability of customers in the infrastructure construction industry as a result of gradually enhanced tightening of local policies on real estate and purchase and sale restriction policies introduced by local governments. In addition, relevant customers had a lower repayment ability and tight capital flow at the financing end due to the slower rate of growth in fixed asset investments. The Group prudently reclassified more of the assets in the segment into substandard and doubtful assets.

The non-performing asset ratio for the transportation and logistics industry to total non-performing assets was 13.92%, which was mainly distributed in the sub-segments such as transportation services, farming, forestry, animal husbandry and fishery and commercial and retail industries. Since the single amount of transportation vessel project was relatively large, and affected by the prolonged downturn in shipping market, the operating capacity of enterprises recovered slowly, and the non-performing vessel asset takes a longer disposal period. Affected by factors such as regulatory policies and off-season sales, tension appeared in the operating cash flow of individual enterprises in the farming, forestry, animal husbandry and fishery industry. Individual enterprises in commercial and retail industries suffered decline in operation, broken financing chain and tight operating cash flow under the effect of factors including financial deleveraging and fluctuation of commodity prices. The Group prudently reclassified more of the assets of the segment into substandard and doubtful assets.

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

	30 June 2019		31 December 2018		31 December 2017	
	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total
	(Unaudited)		(Audited)		(Audited)	
Healthcare	148,169	6.72%	173,067	8.05%	41,082	2.33%
Education	443,258	20.10%	399,858	18.58%	12,012	0.68%
Infrastructure construction	395,204	17.92%	426,516	19.82%	174,225	9.89%
Industrial machinery	456,899	20.72%	347,359	16.14%	390,852	22.20%
Public consuming	274,954	12.47%	159,542	7.42%	560,903	31.85%
Transportation and logistics	306,888	13.92%	452,360	21.02%	541,233	30.73%
Urban public utilities	179,969	8.15%	193,045	8.97%	40,665	2.32%
Total	2,205,341	100.00%	2,151,747	100.00%	1,760,972	100.00%

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

	30 June 2019		31 December 2018		31 December 2017	
	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total
	(Unaudited)		(Audited)		(Audited)	
Healthcare	76,958	5.03%	85,001	6.40%	31,282	2.60%
Education	443,258	28.95%	238,630	17.96%	2,676	0.22%
Infrastructure construction	278,686	18.20%	162,229	12.21%	95,726	7.96%
Industrial machinery	352,887	23.05%	347,359	26.14%	243,933	20.28%
Public consuming	249,001	16.26%	132,667	9.99%	366,828	30.50%
Transportation and logistics	130,309	8.51%	362,763	27.30%	462,254	38.44%
Urban public utilities	–	–	–	–	–	–
Total	1,531,099	100.00%	1,328,649	100.00%	1,202,699	100.00%

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

	30 June 2019		31 December 2018		31 December 2017	
	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total
	(Unaudited)		(Audited)		(Audited)	
Healthcare	71,211	10.56%	88,066	10.70%	9,800	1.76%
Education	–	–	161,228	19.59%	9,336	1.67%
Infrastructure construction	116,518	17.28%	264,287	32.10%	78,499	14.06%
Industrial machinery	104,012	15.43%	–	0.00%	146,919	26.32%
Public consuming	25,953	3.85%	26,875	3.27%	194,075	34.76%
Transportation and logistics	176,579	26.19%	89,597	10.89%	78,979	14.15%
Urban public utilities	179,969	26.69%	193,045	23.45%	40,665	7.28%
Total	674,242	100.00%	823,098	100.00%	558,273	100.00%

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

	30 June 2019		31 December 2018		31 December 2017	
	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total
	(Unaudited)		(Audited)		(Audited)	
Healthcare	–	–	–	–	–	–
Education	–	–	–	–	–	–
Infrastructure construction	–	–	–	–	–	–
Industrial machinery	–	–	–	–	–	–
Public consuming	–	–	–	–	–	–
Transportation and logistics	–	–	–	–	–	–
Urban public utilities	–	–	–	–	–	–
Total	–	–	–	–	–	–

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

	30 June 2019 RMB' 000 (Unaudited)	31 December 2018 RMB' 000 (Audited)	31 December 2017 RMB' 000 (Audited)
At the beginning of the year	2,151,747	1,760,972	1,389,124
Downgrades[(1)]	1,177,624	1,819,122	1,108,931
Upgrades	(90,630)	(190,602)	(159,538)
Recoveries	(374,306)	(631,871)	(505,114)
Write-off	(659,094)	(605,874)	(72,431)
At the end of the year	2,205,341	2,151,747	1,760,972
NPA ratio	1.04%	0.96%	0.91%

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 2019		31 December 2018		31 December 2017		31 December 2016	
	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	693,684	12.37%	759,991	14.92%	700,180	18.10%	558,366	18.95%
Provision for pass and special mention assets	4,915,211	87.63%	4,333,741	85.08%	3,168,838	81.90%	2,388,320	81.05%
Total	5,608,895	100.00%	5,093,732	100.00%	3,869,018	100.00%	2,946,686	100.00%
Non-performing assets	2,205,341		2,151,747		1,760,972		1,389,124	
Provision coverage ratio	254.33%		236.73%		219.71%		212.13%	

The Group prudently estimated the expected credited losses of interest-earning assets and the provision coverage ratio increased by 17.60% from 236.73% as at 31 December 2018 to 254.33% as at 30 June 2019.

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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 2019 RMB' 000 (Unaudited)	31 December 2018 RMB' 000 (Audited)	31 December 2017 RMB' 000 (Audited)	31 December 2016 RMB' 000 (Audited)
Write-off	**659,094**	605,874	72,431	352,785
Non-performing assets as at the end of last year	**2,151,747**	1,760,972	1,389,124	1,183,034
Write-off ratio[1]	**30.63%**	34.41%	5.21%	29.82%

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 2019, according to the requirements of the accounting standards, the Group wrote off bad debts of RMB659,094,000, which were mainly distributed in the infrastructure construction, industrial machinery and education industries, accounting for RMB279,670,000, RMB136,144,000 and RMB103,652,000, 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, but continued to collect the payment through disposal of equipment, demand for payment and exerting pressure on guarantors. From 2011 to the first half of 2019, the written-off bad debts amounted to RMB2,075,558,000 and RMB206,483,000 has been recovered.

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

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

	30 June 2019 RMB' 000 (Unaudited)	31 December 2018 RMB' 000 (Audited)	31 December 2017 RMB' 000 (Audited)	31 December 2016 RMB' 000 (Audited)
Overdue ratio (over 30 days)	**1.20%**	0.94%	0.72%	0.98%

The Group adhered to the prudent strategies of risk control and asset management. The Group's lease overdue ratio (over 30 days) was 1.20% as at 30 June 2019, representing 0.26% higher than 0.94% as at the end of 2018.

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

	30 June 2019		31 December 2018	
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total
Healthcare	500,366	19.68%	342,830	16.23%
Education	554,595	21.82%	460,828	21.81%
Infrastructure construction	428,736	16.87%	484,865	22.95%
Industrial machinery	207,972	8.18%	67,596	3.20%
Public consuming	159,736	6.28%	63,364	3.00%
Transportation and logistics	129,872	5.11%	442,638	20.95%
Urban public utilities	560,782	22.06%	250,435	11.86%
Total	2,542,059	100.00%	2,112,556	100.00%

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

	30 June 2019		31 December 2018	
	RMB'000 (Unaudited)	% of total	RMB'000 (Audited)	% of total
Special mention	1,614,282	63.50%	755,885	35.78%
Substandard	447,856	17.62%	541,945	25.65%
Doubtful	479,921	18.88%	814,726	38.57%
Loss	–	–	–	–
Total	2,542,059	100.00%	2,112,556	100.00%

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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 the six months ended 30 June				
	2019		2018		
	RMB million (Unaudited)	% of total	RMB million (Unaudited)	% of total	Change %
Healthcare	1,497	10.05%	1,390	13.19%	7.70%
Education	1,262	8.47%	1,419	13.47%	-11.06%
Infrastructure construction	1,871	12.56%	1,537	14.59%	21.73%
Industrial machinery	2,515	16.88%	1,268	12.03%	98.34%
Public consuming	2,494	16.74%	1,032	9.79%	141.67%
Transportation and logistics	911	6.10%	929	8.82%	-1.94%
Urban public utilities	4,352	29.20%	2,963	28.11%	46.88%
Total	14,902	100.00%	10,538	100.00%	41.41%

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 2019		31 December 2018		
	RMB million (Unaudited)	% of total	RMB million (Audited)	% of total	Change %
Healthcare	7,282	17.21%	7,710	19.92%	-5.55%
Education	9,214	21.77%	10,244	26.46%	-10.05%
Infrastructure construction	6,520	15.41%	6,432	16.61%	1.37%
Industrial machinery	3,494	8.26%	2,104	5.44%	66.06%
Public consuming	4,889	11.55%	4,269	11.03%	14.52%
Transportation and logistics	2,248	5.31%	1,859	4.80%	20.93%
Urban public utilities	8,672	20.49%	6,094	15.74%	42.30%
Total	42,319	100.00%	38,712	100.00%	9.32%

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The Group disposed of an aggregate of the principal amount of approximately RMB14,902 million of interest-earning assets through asset-backed securities/notes in the first half of 2019, representing an increase of 41.41% as compared to RMB10,538 million in the corresponding period of last year. As at 30 June 2019, the balance of the holding of asset-backed securities/notes-related assets items amounted to RMB3,073,878,000, representing an increase of RMB683,444,000 or 28.59% as compared to 31 December 2018. 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 2019 with no significant anomalies of asset quality.

Assets with continuing involvement of the Group amounted to RMB2,723,569,000, representing an increase of RMB396,247,000 or 17.03% as compared to 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 recognize assets and liabilities with continuing involvement in relation to such activities due to risk associated with subordinate and enhanced credit facilities held by the Group.

3.4 Other Assets

On 30 June 2019, cash and cash equivalents of the Group amounted to RMB4,507,551,000. 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 RMB5,566,813,000, which mainly comprised restricted bank deposits.

Prepayments and other receivables of the Group amounted to RMB2,102,057,000, comprised mainly of prepayments for suppliers of machinery and equipment and deductible value-added tax etc.

Deferred tax assets of the Group amounted to RMB4,202,131,000, mainly for the deferred income tax provided for the time difference between accounting and taxation.

Property, plant and equipment of the Group amounted to RMB10,775,702,000, comprised mainly of equipment and instruments for operating leasing and plants and medical equipment of subsidiary hospitals, as well as the Group's main office building.

Investments in joint ventures/associates of the Group amounted to RMB6,235,774,000, comprised mainly of the equity investments of the Group in joint ventures/associates such as Guangzhou Kangda, Far Wing Capital, industrial fund engaged in entrusted financial leasing and entrusted loan business, provincial asset management companies and the invested hospitals.

The balance of financial assets at fair value through profit or loss of the Group was RMB4,480,102,000, mainly due to the financial equity investment and monetary wealth management products investment invested by the Group, among which the balance of monetary wealth management products was RMB1,908,710,000 as at 30 June 2019.

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The balance of derivative financial instruments of the Group is RMB1,054,435,000, which was mainly the financial instruments such as exchange rate forwards and currency swaps of the Group. These instruments are mainly used to hedge the foreign exchange exposure of the Group.

The balance of the Group's goodwill amounted to RMB1,944,753,000, which was mainly the goodwill recognized by the Group for the acquisition of medical and other institutions.

The Group's right-of-use assets amounted to RMB2,689,956,000, which was mainly the land use rights of the corresponding lands of the Group's main office building and its subsidiary hospitals' buildings and the assets recognized in accordance with the new lease criteria in effect this year for the use rights of the premises leased by subsidiary hospitals and educational institutions.

3.5 Liabilities (Overview)

On 30 June 2019, total liabilities of the Group amounted to RMB219,051,277,000, representing a decrease of RMB7,826,013,000 or 3.45% 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 74.55% of the total, which has decreased as compared to 76.04% at the end of last year.

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

	30 June 2019		31 December 2018		
	RMB'000 (Unaudited)	**% of total**	RMB'000 (Audited)	% of total	Change %
Interest-bearing bank and other borrowings	**163,292,253**	**74.55%**	172,514,982	76.04%	-5.35%
Other payables, accruals and other liabilities	**44,398,222**	**20.27%**	45,238,879	19.94%	-1.86%
Liabilities for continuing involvement	**2,723,569**	**1.24%**	2,327,322	1.03%	17.03%
Trade and bills payables	**4,742,179**	**2.16%**	3,431,914	1.51%	38.18%
Tax Payables	**1,170,226**	**0.53%**	2,025,471	0.89%	-42.22%
Derivative financial instruments	**249,181**	**0.11%**	207,854	0.09%	19.88%
Deferred tax liabilities	**163,196**	**0.07%**	149,472	0.07%	9.18%
Deferred revenue	**1,194,028**	**0.55%**	981,396	0.43%	21.67%
Lease liabilities	**1,118,423**	**0.52%**	–	–	N/A
Total Liabilities	**219,051,277**	**100.00%**	226,877,290	100.00%	-3.45%

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3.6 Interest-bearing Bank and Other Borrowings

In the first half of 2019, the global economy was under greater downward pressure, and all central banks including the Federal Reserve successively released signals of accommodative monetary policies with a moderate slowdown of the US economy and continuous weak economy of the Euro zone, marking the commencement of interest rate cutting cycle of the global central banks. In respect of the domestic monetary policies, the central bank adhered to a prudent monetary policy and maintained the overall market liquidity at a reasonable level, but there is little room for further easing. Going forward, the monetary policy will focus on smoothing out the transmission mechanisms by way of "unification of interest rates" instead of direct interest rate cuts.

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

With respect to direct financing market, the Group has formed the mature stage of alternate issue of various products such as corporate bonds, medium-term notes, PPN and ultra-short financing bills in different markets, and has large amount of stand-by facilities available for immediate issuance based on its situation.

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 six big banks and three policy banks. At the same time, under easy monetary policies and stringent credit environment, the Company diversified the cooperation model based on the industrial business by leveraging its strategic advantages in "finance + industry".

In the first half of 2019, based on established market image and efficient issuance capability, the Group continued to promote asset securitization business, so as to enrich its capital source, optimize its debt structure and improve its management means. In the first half of this year, the Group's accumulated asset securitization business amounted to RMB14.902 billion, and the cost remained to be the lowest in the same period. It was the most mature and active financial leasing company with the largest scale of outstanding asset securitization products in China.

In conclusion, the Group had diverse financing methods with an improved liability structure, and further reduced its reliability on a single product and a single market, thus achieving diversification of financing products, decentralization of financing markets and continuation of maintaining a competitive cost advantage. In the future, the Group is confident that with the favorable operation momentum and profound financial market cooperation foundation, the Group can further improve its competitiveness on liability side.

As at 30 June 2019, the total sum of the Group's interest-bearing bank and other borrowings amounted to RMB163,292,253,000, representing a decrease of 5.35% as compared with RMB172,514,982,000 as at the end of last year. The Group's borrowings were mainly denominated in RMB and USD.

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

	30 June 2019		31 December 2018		
	RMB'000	% of total	RMB'000	% of total	Change %
	(Unaudited)		(Audited)		
Current	69,033,747	42.28%	66,635,537	38.63%	3.60%
Non-current	94,258,506	57.72%	105,879,445	61.37%	-10.98%
Total	163,292,253	100.00%	172,514,982	100.00%	-5.35%

As at 30 June 2019, 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 42.28%, which slightly increased as compared to 31 December 2018, with a sound financing strategy and reasonable liability structure as a whole.

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

	30 June 2019		31 December 2018		
	RMB'000	% of total	RMB'000	% of total	Change %
	(Unaudited)		(Audited)		
Secured	13,861,203	8.49%	34,729,949	20.13%	-60.09%
Unsecured	149,431,050	91.51%	137,785,033	79.87%	8.45%
Total	163,292,253	100.00%	172,514,982	100.00%	-5.35%

The Group carefully managed its funding risk in the first half of 2019. As at 30 June 2019, the proportion of the Group's interest-bearing bank and other borrowings that were unsecured accounted for 91.51% of the Group's total interest-bearing bank and other borrowings, which increased as compared with that of the end of last year, which was because the Group continued to optimize its financing conditions, demonstrating the Group's strengthening financial financing capabilities.

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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 2019		31 December 2018		
	RMB'000	% of total	RMB'000	% of total	Change %
	(Unaudited)		(Audited)		
Bank loans	79,556,828	48.72%	89,008,807	51.59%	-10.62%
Other loans	83,735,425	51.28%	83,506,175	48.41%	0.27%
Total	163,292,253	100.00%	172,514,982	100.00%	-5.35%

As at 30 June 2019, the proportion of the Group's bank loans as a percentage to the Group's total bank and other borrowings slightly decreased as compared with 31 December 2018 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 2019		31 December 2018		
	RMB'000	% of total	RMB'000	% of total	Change %
	(Unaudited)		(Audited)		
China	136,290,864	83.46%	147,754,189	85.65%	-7.76%
Overseas	27,001,389	16.54%	24,760,793	14.35%	9.05%
Total	163,292,253	100.00%	172,514,982	100.00%	-5.35%

As at 30 June 2019, the proportion of the Group's borrowings from China and other borrowings as a percentage to the Group's total borrowings was 83.46%, which decreased as compared with that at the end of last year as the Group proactively expanded various financing channels overseas 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 2019		31 December 2018		
	RMB'000	% of total	RMB'000	% of total	Change %
	(Unaudited)		(Audited)		
RMB	128,648,229	78.78%	143,131,905	82.97%	-10.12%
USD	29,847,602	18.28%	22,121,904	12.82%	34.92%
Borrowings in other currencies	4,796,422	2.94%	7,261,173	4.21%	-33.94%
Total	163,292,253	100.00%	172,514,982	100.00%	-5.35%

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As at 30 June 2019, the Group's activities in RMB accounted for 78.78% of its total interest-bearing bank and other borrowings, representing a decrease from the end of last year as 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 2019		31 December 2018		
	RMB' 000	% of total	RMB' 000	% of total	Change %
	(Unaudited)		(Audited)		
Direct financing	72,902,014	44.65%	74,394,158	43.12%	-2.01%
Indirect financing	90,390,239	55.35%	98,120,824	56.88%	-7.88%
Total	163,292,253	100.00%	172,514,982	100.00%	-5.35%

As at 30 June 2019, the Group's direct financing accounted for 44.65% of the total, which slightly increased as compared to the first half of the 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 2019, the total equity of the Group was RMB40,183,819,000, representing an increase of RMB1,091,315,000 or 2.79% from the end of last year.

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

	30 June 2019		31 December 2018		
	RMB' 000	% of total	RMB' 000	% of total	Change %
	(Unaudited)		(Audited)		
Share capital(1)	10,263,825	25.54%	10,235,373	26.18%	0.28%
Reserve	18,279,876	45.49%	17,494,370	44.75%	4.49%
Equity attributable to ordinary shareholders of the Company(2)	28,543,701	71.03%	27,729,743	70.93%	2.94%
Perpetual securities(3)	9,926,664	24.71%	9,789,593	25.04%	1.40%
Non-controlling interests	1,713,454	4.26%	1,573,168	4.03%	8.92%
Total equity	40,183,819	100.00%	39,092,504	100.00%	2.79%

Notes:

(1) The Group's share capital increased by RMB28,452,000 in the first half of 2019. 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 RMB27,729,743,000 in the end of 2018. The Group's profit for the period attributable to the ordinary shareholders of the Company was RMB2,233,436,000 in the first half of 2019. The final dividend of HK$0.30 per share for the year ended 31 December 2018 was approved at the annual general meeting on 5 June 2019 and paid on 31 July 2019. As at 30 June 2019, the equity attributable to the ordinary shareholders of the Company was RMB28,543,701,000.

(3) On 14 June 2017, the Group issued US$300,000,000 perpetual capital securities at an initial distribution rate of 4.35%. The Perpetual Securities have no fixed maturity date and are callable at the Group'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 July 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 perpetual capital securities at an initial distribution rate of 5.60%. The Perpetual Securities have no fixed maturity date and are callable at the Group'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 after 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 maximize shareholder value. In the first half of 2019, no change was made to the objectives, policies or processes for managing capital.

4.1 Gearing Ratio

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

	30 June 2019 **RMB'000** **(Unaudited)**	31 December 2018 RMB'000 (Audited)
Total assets (A)	**259,235,096**	265,969,794
Total liabilities (B)	**219,051,277**	226,877,290
Total equity	**40,183,819**	39,092,504
Gearing ratio (C=B/A)	**84.50%**	85.30%

In the first half of 2019, the Group made full use of capital leverage for our operations to keep the Group's gearing ratio relatively high while at the same time closely managed the Group's gearing ratio to avoid potential liquidity risk. As at 30 June 2019, the Group's gearing ratio was 84.50%.

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4.2 Ratio of Assets at Risk to Equity

In accordance with the requirements of the Administration Measures of Supervision on Financial Leasing Enterprises, the risk assets of each of the Group's domestic leasing operations entities, namely 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 2019, 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 6.60, 4.27 and 3.31 respectively, which were in compliance with the ratio of risk assets to equity requirements of the measures. The Group will ensure that all domestic finance leasing operations entities will continue to meet the above regulatory requirements through allocation of internal resource.

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

International Far Eastern Leasing Co., Ltd.

	30 June 2019	31 December 2018
	RMB' 000	RMB' 000
	(Unaudited)	(Audited)
Total assets	**202,524,267**	207,464,792
Less: Cash	**6,681,604**	6,031,761
Total assets at risk	**195,842,663**	201,433,031
Equity	**29,672,023**	28,730,205
Ratio of assets at risk to equity	**6.60**	7.01

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

	30 June 2019	31 December 2018
	RMB' 000	RMB' 000
	(Unaudited)	(Audited)
Total assets	**63,908,543**	71,498,068
Less: Cash	**2,086,913**	2,420,545
Total assets at risk	**61,821,630**	69,077,523
Equity	**14,486,574**	13,162,029
Ratio of assets at risk to equity	**4.27**	5.25

Far Eastern Horizon Financial Leasing Co., Ltd.

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Total assets	13,139,911	13,684,663
Less: Cash	92,669	228,171
Total assets at risk	13,047,242	13,456,492
Equity	3,939,228	2,909,121
Ratio of assets at risk to equity	3.31	4.63

5. Capital Expenditures

The Group's capital expenditure was RMB1,993,924,000 in the first half of 2019, 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

During the first half of 2019, the Group continued to adhere to the risk diversification strategy, continuously optimized credit evaluation, insisted on consolidating responsibilities at all levels, engaged in closed-loop interaction with all parties, and enhanced mechanism of identification and immediate response to the risks arising from changing environment, thus ensured the security of assets was under control.

1. Commitment to Risk Diversification

The Company continued to adhere to the strategy of risk diversification and ensured the diversification of industries, customers and regions in terms of aspects including target setting, process monitoring and system, and program design, thereby continuously reducing concentration risks that may arise from single large exposure.

1) Industry Diversification

We encouraged investments in less cyclical industries such as public healthcare, education and urban municipal services, and urban operation services, in addition to advantageous technological enterprises in the conversion of kinetic energy from old ones to new ones, and focused on enterprises benefiting from the national and regional development strategies.

We have raised the standard threshold for encouraging industries, and continuously and dynamically updated the list of industries in the doldrums according to external industry information and internal industry asset quality, while strictly controlling the import of "non-green" industries.

Management Discussion and Analysis

2) *Customer Diversification*

We have further lowered the credit limit for a single type of customers and encouraged all business departments to continuously increase industry penetration and customer coverage.

We have realized the whole industrial value chain operation for large-medium and medium-small-sized companies and implemented differentiated credit management for customers of different natures to ensure a reasonable and balanced allocation of assets between state-owned holding companies, listed companies, private leading companies and medium-small-sized enterprises.

We have implemented penetration management of group customer quotas to ensure that the quotas of a single group customer and its subsidiaries are under unified control.

3) *Regional Diversification*

For municipal services, such as public transportation, gas and water services, we have ensured that regional credit is not excessively concentrated on the basis of customer diversification.

2. *Continuous Optimization of Credit Evaluation*

We have continuously optimized the process management and evaluation methods of credit evaluation to ensure that we identify the root causes of risks and thereby reduce risk probability and exposure.

1) *Customer Admission*

We have further defined the target customer base and introduced familiar industries and customers with high positions in the industry.

At the same time, we have implemented a customer blacklist and greylist mechanism. Based on the external default information and internal asset classification changes, we dynamically adjusted the customer classification and timely updated it to the import-end. We have strictly prohibited to import blacklisted customers, and handled credit granting to greylisted customers prudently.

2) *Due Diligence*

We have improved the hierarchical and graded management of the qualifications of all parties involved, matched the qualifications of personnel with project quotas and risks, and handled different projects by personnel with different qualifications.

We have also improved the templates and requirements for customer due diligence across different industries, further standardized various aspects including the objectives of due diligence, on-site photographing, data collection requirements, real-time control of interview scripts, cross-validation of on-site operation and financial information, so as to minimize the degree of customer information asymmetry.

Management Discussion and Analysis

3) *Credit Evaluation*

We have enriched the main information of the assessment from the three dimensions of regional review, customer credit and industry assessment in order to improve the accuracy of the assessment.

Regional Review

Benefiting from the localization of marketing and quality control personnel, we paid attention to assess conditions including whether the customer is involved in local risk events and whether there is abnormal risk information, so as to have insight to the credit policy of the local financial institutions for the customer, and timely synchronize relevant information to subsequent segments.

Customer Credit

We have always taken the customer's first source of repayment, namely, operating cash flow, as the primary consideration in evaluating repayment ability, and at the same time, we also implemented the secondary source of repayment.

We have differentiated the evaluation requirements of state-owned holdings, listed companies and private enterprises, restored their operation essence and solvency and then designed transaction conditions and risk mitigation measures that conform to their characteristics.

The Company's group customer penetration assessment, group capability assessment and subordinate enterprise assessment are carried out simultaneously, taking into account the differences in terms of industry characteristics and operating capabilities while maintaining the quota under unified control.

We have continuously improved and optimized the credit rating model, optimized the corporate image, introduced big data information, and reduced operational risks caused by human factors.

Industry Assessment

We have taken into consideration conditions including the customer's industry position, industry cycle, industry market scale and profit status, in addition to the survival status and bargaining power of upstream and downstream enterprises of the customer, the competition status of the customer's industry, and whether the customer's business indicators and financial indicators are in line with the industry norms, so as to provide reference for customer evaluation.

We have intensified our scrutiny of customers in industries with high risks or in the doldrums.

4) *Procedure Optimization*

We have continuously optimized credit channels and credit processes for urban customers, large, medium and small enterprises, and improved the quality and efficiency of reviews.

We have tightened the project authorization standards, optimized the evaluation mechanism for major projects, involved more professionals to participate in the examination and approval, and thereby improved the decision-making quality of credit approval.

Management Discussion and Analysis

3. Continuous Consolidation of Responsibilities at All Levels

In accordance with the management policy of "all-dimension, overall process, multi-angle and non-interrupted", we have consolidated the responsibilities of all aspects of credit management, including strengthening the overall risk coordination responsibilities of quality control managers while streamlining and optimizing the list of responsibilities of all aspects of credit. Credit management is further extended to the frontline to move closer to customers. We have further clarified risk responsibilities at all levels so as to ensure that all key segments of credit management are in place to perform their duties.

4. Strengthening Closed-Loop Interactions

On the basis of daily risk indicator monitoring, supervision and inspection, we have established close interactions within the two mechanisms of business and personnel management, so as to achieve the concept of "responsibility and accountability" and the organic unification of personnel and business.

In response to the challenges arising from the Sino-US trade war, we have timely conducted risk investigation on export-oriented enterprise customers so as to ensure that the existing risks are under control and incremental measures are in place.

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 2019, the Group's interest rate risk exposure was approximately RMB29.4 billion, out of which approximately RMB10.1 billion was monetary fund (approximately RMB48.4 billion as at 31 December 2018, out of which approximately RMB10.5 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 (such as the benchmark interest rate of the People's Bank of China) on profit before tax, based on the financial assets and financial liabilities held at the end of each reporting period subject to re-pricing within the coming year.

	Increase/(decrease) in profit before tax of the Group	
	As of 30 June 2019	As of 31 December 2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Change in basis points		
+ 100 basis points	**80,081**	127,471
- 100 basis points	**(80,081)**	(127,471)

Management Discussion and Analysis

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 2019, the Group's actual exposure to foreign exchange risk (excluding perpetual securities) approximately amounted to US$4,460 million, hedges against foreign exchange exposure amounted to US$4,283 million with the hedge ratio (percentage of the aforesaid two items) of 96.03% (approximately 106.50% as of 31 December 2018). The Group's actual exposure to foreign exchange risk is limited. As at 30 June 2019, the Group's foreign exchange risk exposure (including perpetual securities) was approximately US$5,160 million and the hedge ratio was approximately 83.00% (approximately 89.88% as of 31 December 2018).

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

		Increase/(decrease) in equity interest excluding perpetual securities of the Group	
	Change in RMB currency rate	**As of 30 June 2019 RMB'000 (Unaudited)**	As of 31 December 2018 RMB'000 (Audited)
Effect on the profit before tax	+1%	**12,166**	(16,908)
Direct effect of perpetual securities on the equity in the event of future redemption	+1%	**48,123**	48,042
		60,289	31,134

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.

Management Discussion and Analysis

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

	On demand	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			As of 30 June 2019 (Unaudited)			
Total financial assets	6,792,602	37,012,312	74,683,254	134,817,089	712,702	254,017,959
Total financial liabilities	461,044	36,240,803	52,937,748	127,434,378	2,253,617	219,327,590
Net liquidity gap	6,331,558	771,509	21,745,506	7,382,711	(1,540,915)	34,690,369
			As of 31 December 2018 (Audited)			
Total financial assets	7,443,083	34,692,202	74,351,394	154,177,677	732,875	271,397,231
Total financial liabilities	486,299	33,684,216	53,205,283	140,051,653	938,158	228,365,609
Net liquidity gap	6,956,784	1,007,986	21,146,111	14,126,024	(205,283)	43,031,622

6.5 Operational Risk

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

7. Charge on Group Assets

The Group had lease receivables and entrusted loans of RMB12,984,433,000, long-term receivables of RMB2,986,537,000, cash of RMB440,994,000, property, plant and equipment of RMB1,381,251,000 and prepaid land lease payments of RMB900,540,000 pledged to the bank as of 30 June 2019 in order to secure or pay the bank borrowings, cash of RMB468,873,000 was pledged for bank acceptances, letter of credit and etc and cash of RMB14,919,000 was pledged for collective fund trusts.

Management Discussion and Analysis

8. Material Investments, Acquisitions and Disposals

In the first half of 2019, the Group further explored the layout of hospitals by implementing innovative models including full-capital acquisitions. Currently, the actual number of contracted holding or participating hospitals and clinics which were put into operation had reached 51, of which 6 new hospital projects were added during the year including Zhenhai Second Hospital, Daling River (大凌河), three clinics under Hangzhou Dental and Yiliang Boya. 3 hospitals were completed and delivered in the first half of 2019, namely Chengdu Jinsha, Zhenhai Second Hospital and Zhecheng Chinese medicine; 4 hospitals were being included in the scope in which the Group holds equity interests, namely Yiliang Boya and the three clinics under Hangzhou Dental. 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 2019, the Group newly acquired 1 kindergarten in Changsha. Together with 13 kindergartens that operated in previous years and 1 kindergarten and 3 schools newly opened in this year, the Group currently operates 15 kindergartens and 3 schools. Due to the tightening of education industry policies, the Group recently has no plan to acquire or open new schools and kindergartens, and will make extension on original sites, improve the quality of education and fineness of operation management, adhere to the idea of exquisite schools, and continue to work hard for the private and boutique education system with high reputation brand, strong service capability and the most distinctive characteristics.

9. Human Resources

As of 30 June 2019, the Group had 14,771 full-time employees, an increase of 3,126 full-time employees as compared to 11,645 in the corresponding period of 2018.

The Group believes that it has a high quality work force with specialized industry expertise. As at 30 June 2019, approximately 59.10% of the Group's employees had bachelor's degrees or above, and approximately 20.03% had master's degrees or above.

9.1 Incentive Schemes

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

With a view of promoting the Group to establish and complete the medium-long term stimulation and restriction system for fully arousing the enthusiasm of the management, attracting and retaining the excellent management talents, and effectively integrating the interests of shareholders, the Company and the management to guarantee the long, stable and healthy development, the board of the Company considered and passed the programme of setting up the equity incentive plans.

Management Discussion and Analysis

The Company adopted a share option scheme (the "2014 Share Option Scheme") on 7 July 2014. Since the total share options under the 2014 Share Option Scheme had been fully granted, on 5 June 2019, the Company adopted a new share option scheme (the "2019 Share Option Scheme") to incentivize and reward the selected participants thereunder. The Company also adopted a restricted share award scheme (the "2014 Restricted Share Award Scheme") on 11 June 2014 and made certain amendments to such scheme on 2 June 2016 and 20 March 2019. For details of the 2014 Share Option Scheme, please refer to the 2018 Annual Report of the Company, and for details of the 2019 Share Option Scheme, please refer to the circular of the Company dated 6 May 2019. For details of the 2014 Restricted Share Award Scheme, please refer to the 2018 Annual Report of the Company and the announcement of the Company dated 20 March 2019.

9.1.1 2014 Share Option Scheme

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

Grantee	Date of grant	Vesting period *(Note 1)*	Exercise period *(Note 2)*	Exercise price per share HK$ *(Note 3-7)*	Outstanding as at 1 January 2019	Number of share options: Granted	Exercised *(Note 8)*	Lapsed	Cancelled	Outstanding as at 30 June 2019
KONG Fanxing, CEO and executive Director	11 July 2014	11 July 2016 – 11 July 2018	11 July 2016 – 11 July 2024	5.86	1,316,960	–	–	–	–	1,316,960
KONG Fanxing, CEO and executive Director	3 July 2015	3 July 2017 – 3 July 2019	3 July 2017 – 3 July 2025	7.17	1,856,913	–	–	–	–	1,856,913
KONG Fanxing, CEO and executive Director	15 June 2016	15 June 2018 – 15 June 2020	15 June 2018 – 15 June 2026	5.714	3,292,400	–	–	–	–	3,292,400
KONG Fanxing, CEO and executive Director	20 June 2017	20 June 2019 – 20 June 2021	20 June 2019 – 20 June 2027	6.82	3,292,400	–	–	–	–	3,292,400
KONG Fanxing, CEO and executive Director	18 July 2018	18 July 2020 – 18 July 2022	18 July 2020 – 18 July 2028	7.36	3,410,926	–	–	–	–	3,410,926
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

Management Discussion and Analysis

Grantee	Date of grant	Vesting period (Note 1)	Exercise period (Note 2)	Exercise price per share HK$ (Note 3-7)	Outstanding as at 1 January 2019	Number of share options				Outstanding as at 30 June 2019
						Granted	Exercised (Note 8)	Lapsed	Cancelled	
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
Mr. WANG Mingzhe, CFO and executive Director	18 July 2018	18 July 2020 – 18 July 2022	18 July 2020 – 18 July 2028	7.36	1,074,442	–	–	–	–	1,074,442
SUBTOTAL FOR DIRECTORS					17,389,863	–	–	–	–	17,389,863
Employees	11 July 2014	11 July 2016 – 11 July 2018	11 July 2016 – 11 July 2024	5.86	7,503,457	–	989,209	–	–	6,514,248
Employees	3 July 2015	3 July 2017 – 3 July 2019	3 July 2017 – 3 July 2025	7.17	12,960,077	–	1,042,911	–	72,058	11,845,108
Employees	15 June 2016	15 June 2018 – 15 June 2020	15 June 2018 – 15 June 2026	5.714	26,362,128	–	1,740,679	–	745,897	23,875,552
Employees	20 June 2017	20 June 2019 – 20 June 2021	20 June 2019 – 20 June 2027	6.82	27,837,241	–	424,968	–	770,198	26,642,075
Employees	18 July 2018	18 July 2020 – 18 July 2022	18 July 2020 – 18 July 2028	7.36	29,460,171	–	–	–	310,396	29,149,775
TOTAL					121,512,937	–	4,197,767	–	1,898,549	115,416,621

Management Discussion and Analysis

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

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

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

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

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

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

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

Note 8: The weighted average closing price of shares immediately before the dates on which the options were exercised by directors and employees is HK$8.3077.

9.1.2 2019 Share Option Scheme

No share options were granted under the 2019 Share Option Scheme during the reporting period. On 19 July 2019, the Company has resolved to offer to grant share options to certain qualified participants under the 2019 Share Option Scheme to subscribe for a total of 31,633,581 Shares in the capital of the Company, subject to the acceptance of such offer by the grantees. For details of such grant, please refer to the announcement of the Company dated 19 July 2019.

9.1.3 2014 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 2019, the Company had granted an aggregate of 198,804,029 Shares thereunder. 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 2019, 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 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Legal proceedings:		
Claimed amounts	**2,787**	2,654

Management Discussion and Analysis

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 2019	31 December 2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Contracted, but not provided for:		
Capital expenditure for acquisition of property and equipment	**246,762**	158,361
Capital expenditure for equity investment[1]	**166,419**	204,049
Irrevocable credit commitments[2]	**9,494,346**	9,706,751

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 uncertainties of the international economic conditions have increased and China's overall economy remains steady with a trend of decline. However, with the accelerated conversion of kinetic energy from old ones to new ones, new ones continues to develop, and the high-tech industry and service industry are expected to maintain an upward development trend. It is expected that the central bank will continue its prudent monetary policy in the second half of the year, implement countercyclical adjustments in a timely and appropriate manner, and strengthen the coordination of macroeconomic policies.

In the context of this environment, the Group will uphold the development strategy of "finance + industry", closely focus on serving the real economy, and closely provide competitive and comprehensive services that closely adhere to the needs of customers. Through the business model constantly upgraded and practical connotation continuously enriched, the finance and industry will form a higher level of synergy, innovation and value creation.

In respect of financial business, the Group maintained business innovation and implemented of comprehensive and quasi-investment banking service strategy through the transformation of operational dynamics. The Group also optimized the classifications of product service and operation system to further enhance competitiveness based on the differentiated customer needs.

In respect of industrial operations, relying on industrial accumulation over years, the Group accelerated the construction of characteristic hospital groups, built the competitive barriers for equipment operation and created innovative school operation mode, so as to further enhance the industrial operation capabilities, and continue to explore new industrial fields, continuously enrich the business connotation, 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 2019 RMB' million (Unaudited)	First half of 2018 RMB' million (Unaudited)	Change %
Total Revenue	**1,413.08**	1,119.69	26.20%
Revenue from hospital operation	**1,290.52**	992.09	30.08%
Other relevant revenue from hospital operation	**42.66**	12.07	253.44%
Sub-total of revenue from hospital operation(1)	**1,333.18**	1,004.16	32.77%
Other external revenue(2)	**73.19**	82.23	-10.99%
Revenue within the Group	**6.71**	33.30	-79.85%
Total Cost	**(1,083.61)**	(821.76)	31.86%
Cost from hospital operation(3)	**(992.52)**	(727.60)	36.41%
Other cost	**(91.09)**	(94.16)	-3.26%
Gross profit	**329.47**	297.93	10.59%
Gross profit from hospital operation(4)	**340.66**	276.56	23.18%
Others	**(11.19)**	21.37	-152.36%
Labor cost(5)	**(118.42)**	(95.50)	24.00%
Other administrative and selling expenses(5)	**(93.60)**	(89.51)	4.57%
Provision for assets	**(22.27)**	(16.51)	34.89%
Other profit	**44.41**	12.28	261.64%
Profit before tax	**139.59**	108.69	28.43%
Income tax expense	**(40.26)**	(30.75)	30.93%
Profit for the period	**99.33**	77.94	27.44%

Management Discussion and Analysis

Notes:

(1) In the first half of 2019, the Group continued to accelerate the investment rate for the hospitals and further developed its hospital territory, with a total of 60 invested medical institutions and more than 20,000 (the first half of 2018: approximately 17,000) available beds under institutions operated by the Company. The number of contracted holding or shareholding hospitals and clinics that have actually been put into operation has reached 51. During the period, new hospital projects of the Group were totaled to be 6, namely Zhenhai Second Hospital (鎮海二院), Daling River (大凌河), three clinics under Hangzhou Dental and Yiliang Boya (宜良博亞). The number of beds available in the 51 medical institutions has exceeded 18,800 (the first half of 2018: approximately 16,000). According to the operation needs of various hospitals, the actual number of beds available at the end of the period exceeded 11,500 (the first half of 2018: approximately 10,000). In terms of operation capacity, in the first half of 2019, the hospital operation revenue of the 51 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 RMB2.1 billion in total (the operating revenue of the first half of 2018 from the 43 hospitals: approximately RMB1.7 billion). 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 from medical-related equipment trade services and income from 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 of the first half of 2019 increased from approximately RMB728 million of the first half of 2018 to RMB993 million. On 30 June 2019, the number of completed and delivered controlling hospitals was 28 (30 June 2018: 24), showing a growth in volume and size compared to the corresponding period of the previous year. The completion and delivery of the new hospitals in the initial stage of operation concentrated during the 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 six disciplines for women & children, medical diagnosis, kidney disease, orthopedics, rehabilitation and old-age care. Through the horizontal and integrated disciplines management of such disciplines, the Group leveraged on its platform advantages to facilitate the hospital positioning accurately through the disciplines research. The Group also has formulated the disciplinary development plans, imported internal and external high-quality expert resources, and introduced advanced equipment and technology. In addition, the Group has implemented experts helping each other, personnel orientation training and other measures to promote the continuous improvement of hospital comprehensive diagnosis and treatment capabilities, and provide high-quality medical services with advanced concepts and first-class technology to patients, so as to promote the increase in hospital income. Meanwhile, the Group 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 2019 was approximately 26%, 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 28% in the first half of 2018. 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 completed and delivered hospitals in the first half of 2019 increased from 24 of the corresponding period of the previous year to 28, the Group continued to strengthen the construction of medical teams, improve the professional quality of medical staff, and enhance the integrated management level; 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 shareholders' borrowing.

Management Discussion and Analysis

12.2 Analysis of the Hospital Operation Sector's Asset

	30 June 2019		31 December 2018		
	RMB' million (Unaudited)	% of total	RMB' million (Audited)	% of total	Change %
Monetary fund	89.91	1.30%	289.26	4.49%	-68.92%
Amount of the Group's cash pool	538.14	7.81%	425.43	6.60%	26.49%
Bill receivables	488.52	7.09%	398.65	6.19%	22.54%
Prepayments(1)	246.46	3.58%	267.55	4.15%	-7.88%
Other receivables	166.33	2.41%	139.55	2.17%	19.19%
Entrusted loans	110.10	1.60%	110.11	1.71%	-0.01%
Inventories	127.29	1.85%	133.22	2.07%	-4.45%
Fixed asset and Intangible assets(2)	2,832.15	41.08%	2,644.04	41.05%	7.11%
Goodwill(3)	1,820.15	26.41%	1,663.35	25.82%	9.43%
Investments in joint ventures/ associates(4)	297.60	4.32%	332.63	5.16%	-10.53%
Deferred income tax assets	29.83	0.43%	35.27	0.55%	-15.42%
Right-of-use assets(5)	139.56	2.02%	–	–	N/A
Other assets	6.92	0.10%	2.50	0.04%	176.80%
Total assets	6,892.96	100.00%	6,441.56	100.00%	7.01%

Notes:

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

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

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

(4) Investments in joint ventures/associates mainly comprised of the investments in Kunming Broad Healthcare Group, Fengyang Gulou Hospital, nine clinics under Hangzhou Dental etc;

(5) Right-of-use assets mainly represent leased sites for hospitals.

13. Operating Lease Segment Report

13.1 Analysis of Profit and Loss for Operating Lease Segment

	Six months ended 30 June		
	First half of 2019 RMB million (Unaudited)	First half of 2018 RMB million (Unaudited)	Change %
Total Revenue	1,153.56	730.56	57.90%
Revenue from operating lease[1]	944.62	614.54	53.71%
Revenue from construction services[2]	156.10	47.16	231.00%
Revenue from trading business	45.90	65.94	-30.39%
Other revenue	6.94	2.92	137.67%
Total Cost	(547.16)	(458.15)	19.43%
Cost of operating leases[1]	(442.50)	(366.21)	20.83%
Cost of construction services[2]	(53.46)	(25.69)	108.10%
Cost of trading business	(51.20)	(66.25)	-22.72%
Other cost	–	–	–
Gross Profit	606.40	272.41	122.61%
Gross profit of operating lease[1]	502.12	248.33	102.20%
Gross profit of construction services[2]	102.64	21.47	378.06%
Gross profit of trading business	(5.30)	(0.31)	1,609.68%
Other gross profit	6.94	2.92	137.67%
Administrative and selling expenses	(163.44)	(115.00)	42.12%
Provision for assets	(59.81)	(42.82)	39.68%
Other profit	8.27	3.26	153.68%
Profit before interest and tax	391.42	117.85	232.13%
Finance costs	(116.53)	(88.93)	31.04%
Profit before tax	274.89	28.92	850.52%
Income tax expense	(51.84)	(12.06)	329.85%
Profit for the period	223.05	16.86	1,222.95%

Management Discussion and Analysis

Notes:

(1) Horizon Construction Development is a comprehensive equipment service provider established by the Group in the construction sector in China, which is mainly engaged in the lease of equipment and engineering construction in the fields of industrial equipment, turnover materials, pavement equipment and electric power equipment. Relying on its nationwide operating network and compound operation capabilities as well as the advantages such as a full range of equipment with remarkable scale, complete specifications, and a large number of fleets, it is able to fully exert its outstanding expertise in equipment operation, its maintenance and professional service to meet the customers' needs for one-stop service and improved operational efficiency and create value for them. By now, it has served more than 20,000 customers, involving such large projects as the construction of the Terminals at Beijing Daxing Airport, construction and installation of Shanghai National Convention and Exhibition Center, decoration of the Bird's Nest in Beijing, construction of Shenyang Metro, and construction of Hangzhou East Railway Station, etc..

As at 30 June 2019, Horizon Construction Development owned more than 12,000 pieces of equipment and over 800,000 tons of turnover materials, with the total original value of its operating assets ranking No.1 in China. Specifically, its industrial equipment consists of scissor-type and boom-type aerial work platforms, which are used in construction, installation and subsequent maintenance of industrial buildings, municipal venues, commercial sites, petrochemical and metallurgical structures, with a stock of more than 11,000. The turnover materials consist of temporary steel structures for construction purpose such as socket type scaffolding, steel support, Larsen pile and structural steel, which are widely used in facade construction and foundation pit support in subways, overpasses, tunnels, municipal pipelines and ditches, housing construction, water channels, ports, factory buildings, high-speed rail and other construction fields. The pavement equipment consists of paving machines, road rollers and milling machines, which are used in the construction and maintenance of asphalt concrete pavements such as high-grade roads, airport runways, test-drive tracks and municipal roads. The electric power equipment consists of generators and load boxes, which are mainly used in temporary power supply for engineering construction, large-scale exhibitions, advertising campaigns, marine engineering, urban construction, field engineering, and mining.

As at 30 June 2019, Horizon Construction Development had more than 100 business outlets, covering East China, South China, North China, Southwest China and Northeast China, and providing high quality and convenient services for its corporate customers. In addition, it offers tailored design and research services for its customers, with many of its independently-developed products holding a leading position in China. By now, it has obtained 137 authorized patents, 13 invention patents and 7 software copyrights. In recent years, it received numerous honorable awards such as the Top Ten Chinese Leasing Companies, the most influential enterprise in China's aerial work platform leasing industry, and the Pioneer in the International Aerial Work Platform Industry, which made it a leading company in the field of equipment leasing in China.

In the first half of 2019, the operating lease income of Horizon Construction Development amounted to RMB945 million, representing an increase of 53.71% over the same period of the previous year. Its gross profit amounted to RMB502 million, representing an increase of 102.20% over the same period of the previous year, with a gross profit margin of 53%, representing an increase of 13% over the same period of last year, while the net profit amounted to RMB223 million, representing an increase of 1,222.95% over the same period of the previous year, which was mainly due to: (i) being adapted well to the changes in the national macro environment and increased its investment in infrastructure construction, which enjoyed strong demand, resulting in an overall increase of nearly 10 percentage points in the leasing rate and unit price; (ii) its asset scale continued to expand, with the total operating assets increasing by over 30%, which strongly supported the expansion of its business scale; (iii) achieving economic advantages and enhanced profitability leveraging its nationwide operating network and constantly enhanced management expertise.

(2) In the first half of 2019, the revenue from construction services of Horizon Construction Development amounted to RMB156 million, representing an increase of 231.00% over the same period of the previous year. The stock of orders of the Group has been increasing, with the number of projects increasing significantly. Horizon Construction Development has set up its own mechanical construction team with self-purchased machinery and construction equipment, which helped reduce the construction cost significantly.

Management Discussion and Analysis

13.2 Asset Analysis for Operating Lease Segment

	30 June 2019		31 December 2018		
	RMB million (Unaudited)	Percentage %	RMB million (Audited)	Percentage %	Change %
Monetary fund	93.52	1.21%	106.44	1.55%	-12.14%
Amount of the Group's cash pool	276.75	3.58%	248.07	3.62%	11.56%
Trade and bill receivables	1,397.56	18.09%	1,226.25	17.89%	13.97%
Prepayments	338.30	4.38%	80.99	1.18%	317.71%
Other receivables	323.24	4.18%	244.17	3.56%	32.38%
Inventories	178.32	2.31%	234.15	3.42%	-23.84%
Entrusted loans	53.64	0.69%	52.93	0.77%	1.34%
Fixed asset	4,717.87	61.07%	4,319.61	63.01%	9.22%
Prepaid land lease payments	–	–	206.79	3.02%	-100.00%
Right-of-use assets	204.44	2.65%	–	–	N/A
Deferred income tax assets	132.71	1.72%	126.54	1.85%	4.88%
Other assets	9.54	0.12%	9.01	0.13%	5.88%
Total assets	7,725.89	100.00%	6,854.95	100.00%	12.71%

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 2019, 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	33,794,000(L)(2)	0.85%
		Interest in a controlled corporation	267,173,000(L)(3)	6.74%
WANG Mingzhe	The Company	Beneficial owner	11,036,661(L)(4)	0.27%
LIU Haifeng David	The Company	Interest in a controlled corporation	316,442,100(L)(5)	7.99%
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 13,169,599 underlying shares in respect of the share options granted pursuant to the Company's 2014 Share Option Scheme and 19,754,401 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 enquiries, Mr. Kong Fanxing is interested in 870,000 ordinary shares of the Company as at 30 June 2019. Please refer to the Company's 2018 Annual Report for the details of both schemes and the announcements of the Company dated 11 July 2014, 3 July 2015, 15 June 2016, 20 June 2017 and 18 July 2018 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 4,220,264 underlying shares in respect of the share options granted pursuant to the Company's 2014 Share Option Scheme and 6,430,397 underlying shares in respect of the awarded shares granted pursuant to the Company's 2014 Restricted Share Award Scheme. In addition to the share interest in respect of the share options and awarded shares granted, to the best of the directors' knowledge, information and belief, having made all reasonable enquiries, Mr. Wang Mingzhe is interested in 386,000 ordinary shares of the Company as at 30 June 2019. Please refer to the Company's 2018 Annual Report for the details of both schemes and the announcements of the Company dated 11 July 2014, 3 July 2015, 15 June 2016, 20 June 2017 and 18 July 2018 respectively for the details of the grants of share options.

(5) The interest includes (1) 1,067,000 ordinary shares of the Company held directly by New Trace Limited which is 100% controlled by Mr. Liu Haifeng David; (2) 314,775,100 ordinary shares of the Company held directly by Capital Rise Limited; and (3) 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). Capital Bridge Limited holds the entire share capital of Capital Rise Limited and Capital Lead Limited respectively. Capital Bridge Limited is 100% controlled by DCP Capital Partners L.P., which is 100% controlled by DCP General Partner, Ltd, which in turn is 100% controlled by DCP Partners Limited. DCP Partners Limited is 100% controlled by DCP, Ltd., which is 50% controlled by Mr. Julian Juul Wolhardt and 50% controlled by Mr. Liu Haifeng David.

Save as disclosed above, as at 30 June 2019, 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 2019 (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 2019, 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)	23.23%
Greatpart Limited[2]	Beneficial owner	919,914,440(L)	23.23%
JPMorgan Chase & Co.	Interest in a controlled corporation	14,113,206(L)	0.35%
		4,349,068(S)	0.10%
	Investment manager	5,092,000(L)	0.12%
	Approved lending agent	376,159,459(P)	9.50%
Cathay Life Insurance Co., Ltd.	Beneficial owner	355,307,000(L)	8.97%
KONG Fanxing	Beneficial owner	33,794,000(L)[3]	0.85%
	Interest in a controlled corporation	267,173,000(L)[4]	6.74%
Aim Future Limited	Interest in a controlled corporation	267,173,000(L)[4]	6.74%
UBS Group AG[5]	Person having a security interest in shares	16,517,000(L)	0.41%
	Interest in a controlled corporation	260,189,480(L)	6.57%
LIU Haifeng David	Interest in a controlled corporation	316,442,100(L)[6]	7.99%
Capital Rise Limited[6]	Beneficial owner	314,775,100(L)	7.95%
Capital Bridge Limited[6]	Interest in a controlled corporation	315,375,100(L)	7.96%
DCP Capital Partners L.P.[6]	Interest in a controlled corporation	315,375,100(L)	7.96%
DCP General Partner, Ltd[6]	Interest in a controlled corporation	315,375,100(L)	7.96%
DCP, Ltd.[6]	Interest in a controlled corporation	315,375,100(L)	7.96%
Julian Juul WOLHARDT[6]	Interest in a controlled corporation	315,375,100(L)	7.96%

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 by 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 Shares of the Company held by Greatpart Limited.

(3) Please refer to Note (2) of the section headed "Directors' and Chief Executives' Interests and/or Short Positions in the Shares, Underlying Shares and Debentures of the Company or any of its Associated Corporations" for further details of the shareholding structure.

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

(5) Please refer to Form 2 – Corporate Substantial Shareholder Notice dated 24 May 2019 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 2019 to 30 June 2019, 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 chairmen 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 5 June 2019 (the "2019 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 2019 AGM, Mr. Kong Fanxing (Vice Chairman and Chief Executive Officer) chaired the 2019 AGM and Mr. Wang Mingzhe (executive director and the Chief Financial Officer) hosted the 2019 AGM and answered questions where necessary.

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 2019.

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 for the six months ended 30 June 2019.

Corporate Governance

Independent Non-Executive Directors

During the period from 1 January 2019 to 30 June 2019, the board of directors had been in compliance with Rule 3.10(1) of the Listing Rules, which requires a company to maintain at least three independent non-executive directors in the board of directors; with Rule 3.10(2) of the Listing Rules, which requires one of those independent non-executive directors to be specialized in accounting or relevant financial management; and with Rule 3.10A of the Listing Rules, which requires independent non-executive directors representing at least one-third of the board of directors.

Audit and Risk Management Committee

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

The Audit and Risk Management Committee has reviewed, with the management and the external auditors, the condensed consolidated financial statements for the six months ended 30 June 2019 of the Group, including the accounting principles and practices adopted by the Group.

Other Information

Implementation of Distribution of 2018 Final Dividend

According to the proposal in relation to dividend distribution, which was considered and passed at the AGM on 5 June 2019, the Group has paid a dividend of HK$0.30 per share to shareholders whose names appear on the register of members of the Company on 19 July 2019, thereby resulting in a total dividend payment amount of HK$1,187,707,768.20.

Interim Dividends

The Board does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2019.

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 2019.

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
John LAW	Appointed as the independent non-executive director of the board of directors of IntelliCentrics Global Holdings Ltd. with effect from 14 March 2019

Independent Review Report

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 82 to 165, which comprises the condensed consolidated statement of financial position of Far East Horizon Limited (the "Company") and its subsidiaries (the "Group") as at 30 June 2019 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 Interim Financial Reporting ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Ernst & Young
Certified Public Accountants

Hong Kong
28 August 2019

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2019

	Notes	For the six months ended 30 June 2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
REVENUE	5	14,181,427	12,766,739
Cost of sales		(6,162,222)	(5,277,926)
Gross profit		8,019,205	7,488,813
Other income and gains	5	335,021	241,630
Selling and distribution costs		(1,320,048)	(1,397,245)
Administrative expenses		(1,619,956)	(1,442,096)
Impairment losses on financial and contract assets		(1,492,297)	(1,659,709)
(Losses)/gains on disposal of financial assets		(164,200)	156,873
Other expenses		(57,604)	(92,536)
Finance costs		(221,541)	(152,231)
Share of net profits/(losses) of:			
Associates		112,572	(30,034)
Share of net (losses)/profits of:			
Joint ventures		(21,259)	102,191
PROFIT BEFORE TAX	6	3,569,893	3,215,656
Income tax expense	7	(1,041,013)	(955,532)
PROFIT FOR THE PERIOD		2,528,880	2,260,124
Attributable to:			
Ordinary shareholders of the Company		2,233,436	2,009,712
Holders of perpetual securities	21	259,216	253,239
Non-controlling interests		36,228	(2,827)
		2,528,880	2,260,124
EARNINGS PER SHARE ATTRIBUTABLE TO			
ORDINARY EQUITY HOLDERS OF THE PARENT	9	RMB	RMB
Basic and diluted			
– For profit for the period		0.58	0.52

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

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2019

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
PROFIT FOR THE PERIOD	**2,528,880**	2,260,124
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods, net of tax:		
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the period	**72,136**	433,479
Reclassification adjustment for losses included in the consolidated statement of profit or loss	**(57,045)**	(491,773)
Income tax effect	**(5,283)**	11,455
	9,808	(46,839)
Exchange differences on translation of foreign operations	**(171)**	(4,706)
Net other comprehensive income that will be reclassified to profit or loss in subsequent periods	**9,637**	(51,545)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**9,637**	(51,545)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**2,538,517**	2,208,579
Attributable to:		
Ordinary shareholders of the Company	**2,243,073**	1,958,167
Holders of perpetual securities	**259,216**	253,239
Non-controlling interests	**36,228**	(2,827)
	2,538,517	2,208,579

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2019

	Notes	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	10,775,702	9,984,765
Right-of-use assets		2,689,956	–
Prepaid land lease payments		–	1,546,827
Goodwill		1,944,753	1,716,527
Other intangible assets		39,413	21,944
Investments in joint ventures	*13*	1,769,510	1,899,013
Investments in associates	*14*	4,466,264	4,065,550
Financial assets at fair value through profit or loss		2,313,275	2,222,429
Derivative financial instruments	*12*	956,287	934,739
Loans and accounts receivables	*11*	117,250,466	132,844,117
Prepayments, other receivables and other assets		5,795,053	4,716,664
Deferred tax assets	*18*	4,202,131	4,031,727
Restricted deposits	*15*	–	15,061
Total non-current assets		152,202,810	163,999,363
CURRENT ASSETS			
Inventories		400,831	448,328
Derivative financial instruments	*12*	98,148	108,040
Loans and accounts receivables	*11*	92,163,502	87,790,154
Contract assets		24,163	27,168
Prepayments, other receivables and other assets		2,104,451	2,615,312
Restricted deposits	*15*	5,566,813	5,265,062
Cash and cash equivalents	*15*	4,507,551	5,269,392
Financial assets at fair value through profit or loss		2,166,827	446,975
Total current assets		107,032,286	101,970,431
CURRENT LIABILITIES			
Trade and bills payables	*16*	4,742,179	3,431,914
Other payables and accruals		16,611,220	15,886,540
Derivative financial instruments	*12*	217,191	190,386
Interest-bearing bank and other borrowings	*17*	69,033,747	66,635,537
Lease liabilities		177,451	–
Income tax payable		1,170,226	2,025,471
Total current liabilities		91,952,014	88,169,848
NET CURRENT LIABILITIES		15,080,272	13,800,583

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2019

	Notes	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		167,283,082	177,799,946
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*17*	94,258,506	105,879,445
Lease liabilities		940,972	–
Derivative financial instruments	*12*	31,990	17,468
Deferred tax liabilities	*18*	163,196	149,472
Other payables and accruals		27,787,002	29,352,339
Deferred income		1,194,028	981,396
Other liabilities		2,723,569	2,327,322
Total non-current liabilities		127,099,263	138,707,442
Net assets		40,183,819	39,092,504
EQUITY			
Equity attributable to ordinary shareholders of the parent			
Share capital	*19*	10,263,825	10,235,373
Reserves	*20*	18,279,876	17,494,370
		28,543,701	27,729,743
Holders of perpetual securities	*21*	9,926,664	9,789,593
Non-controlling interests		1,713,454	1,573,168
Total equity		40,183,819	39,092,504

Kong Fanxing
Director

Wang Mingzhe
Director

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	Attributable to ordinary shareholders of the parent												
	Share capital RMB'000 *(Note 19)*	Capital reserve RMB'000 *(Note 20)*	Shares held for share award scheme RMB'000	Share-based compensation reserve RMB'000 *(Note 20)*	Special reserve RMB'000 *(Note 20)*	Reserve fund RMB'000 *(Note 20)*	Hedging reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Perpetual securities RMB'000 *(Note 21)*	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2018 (Audited)	10,235,373	2,104,975	(673,079)	404,663	2,426	121,913	(392,491)	621,310	15,304,653	27,729,743	9,789,593	1,573,168	39,092,504
Profit for the period	-	-	-	-	-	-	-	-	2,233,436	2,233,436	259,216	36,228	2,528,880
Other comprehensive income	-	-	-	-	-	-	9,808	-	-	9,808	-	-	9,808
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(171)	-	(171)	-	-	(171)
Total comprehensive income	-	-	-	-	-	-	9,808	(171)	2,233,436	2,243,073	259,216	36,228	2,538,517
Final 2018 dividend declared (net of dividends received from shares held for share award scheme) *(Note 8)*	-	-	-	-	-	-	-	-	(1,001,447)	(1,001,447)	-	-	(1,001,447)
Distribution paid to holders of perpetual securities	-	-	-	-	-	-	-	-	-	-	(122,145)	-	(122,145)
Shares vested under restricted share award scheme	-	-	209,645	(147,676)	-	-	-	-	(61,969)	-	-	-	-
Purchase of shares under share award scheme	-	-	(580,397)	-	-	-	-	-	-	(580,397)	-	-	(580,397)
Transfer of share option reserve upon exercise of share options	28,452	-	-	(5,864)	-	-	-	-	-	22,588	-	-	22,588
Recognition of equity-settled share-based payments	-	-	-	159,237	-	-	-	-	-	159,237	-	-	159,237
Capital injection by non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	32,244	32,244
Purchase of non-controlling interests	-	(29,096)	-	-	-	-	-	-	-	(29,096)	-	(33,994)	(63,090)
Dividends declared to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(9,315)	(9,315)
Acquisition of subsidiaries *(Note 3)*	-	-	-	-	-	-	-	-	-	-	-	115,123	115,123
At 30 June 2019 (Unaudited)	10,263,825	2,075,879*	(1,043,831)*	410,360*	2,426*	121,913*	(382,683)*	621,139*	16,474,673*	28,543,701	9,926,664	1,713,454	40,183,819

* These reserve accounts comprise the consolidated reserves of RMB18,279,876,000 (31 December 2018: RMB17,494,370,000) in the consolidated statement of financial position.

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	Attributable to ordinary shareholders of the parent												
	Share capital RMB'000 *(Note 19)*	Capital reserve RMB'000 *(Note 20)*	Shares held for share award scheme RMB'000	Share-based compensation reserve RMB'000 *(Note 20)*	Special reserve RMB'000 *(Note 20)*	Reserve fund RMB'000 *(Note 20)*	Hedging reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Perpetual securities RMB'000 *(Note 21)*	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	–	–	–	–	–	–	–	–	(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	–	–	–	–	–	–	–	–	–	–	–	(587)	(587)
Dividends declared to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	(20,070)	(20,070)
Liquidation of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(4,582)	(4,582)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	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

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Notes	For the six months ended 30 June 2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		3,569,893	3,215,656
Adjustments for:			
Finance costs and bank charges		4,412,859	4,027,875
Bank interest income	*5*	(60,223)	(23,767)
Share of net (profits)/losses of associates		(112,572)	30,034
Share of net losses/(profits) of joint ventures		21,259	(102,191)
Derivative financial instruments – transactions not qualifying as hedges:			
Realised fair value profits, net		–	(6,285)
Gains on structured financial products	*5*	(45,880)	(8,687)
Profits on disposal of property, plant and equipment, net		(1,779)	(3,123)
Losses on disposal of subsidiaries	*6*	–	4,930
Gains on disposal of a joint venture	*5*	(36,364)	–
Depreciation of property, plant and equipment		469,294	349,258
Depreciation of right-of-use assets/recognition of prepaid land lease payments		98,367	–
Provision for impairment of loans and accounts receivables	*6*	1,484,071	1,647,016
Provision for impairment of inventories	*6*	52,523	612
Provision for impairment of prepayments, other receivables and other assets	*6*	9,023	12,693
Provision for impairment of property, plant and equipment	*6*	68,185	52,259
Impairment of credit commitments	*6*	(797)	–
Amortisation of intangible assets and other assets		12,164	23,497
Equity-settled share-based payment expenses	*6*	159,237	146,053
Foreign exchange loss, net		36,727	70,730
Interest expense on lease liabilities		25,752	–
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		(155,970)	(124,716)
Realized gains on derecognition of financial assets at fair value through profit or loss	*6*	(1,074)	(150,016)
Fair value gains from financial assets at fair value through profit or loss	*5*	(5,629)	–
Dividends from financial assets at fair value through profit or loss	*5*	(1,756)	–
		9,997,310	9,161,953
Decrease/(increase) in inventories		34,263	(29,077)
Decrease in contract assets		3,005	16,258
Decrease/(increase) in loans and accounts receivables		9,721,992	(39,199,710)
Decrease in prepayments, other receivables and other assets		20,275	1,387,932
Increase in restricted cash related to asset-backed securitisations and collective fund trusts		(206,920)	(343,339)
Increase in trade and bills payables		1,237,077	117,974
(Decrease)/increase in other payables and accrued liabilities		(1,820,406)	4,479,928
Increase in other liabilities		212,633	443,551
Net cash flows provided by/(used in) operating activities before tax and interest		19,199,229	(23,964,530)
Interest paid		(4,540,809)	(3,427,878)
Interest received		60,223	23,767
Income tax paid		(2,070,825)	(1,753,763)
Net cash flows provided by/(used in) operating activities		12,647,818	(29,122,404)

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Notes	For the six months ended 30 June 2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Gain on structured financial products	*5*	45,880	8,687
Proceeds from disposal of property, plant and equipment		46,494	115,669
Purchase of items of property, plant and equipment, intangible assets and other long term assets		(1,261,045)	(1,338,174)
Acquisition of subsidiaries		(98,156)	35,393
Proceeds from disposal of subsidiaries		–	(219,181)
Proceeds from disposal of associates		327,399	–
Purchase of shareholding for joint ventures		–	(15,162)
Purchase of shareholding for associates		(634,723)	(1,144,311)
Dividend received from joint ventures		6,053	53,909
Dividend received from associates		19,182	10,803
Proceeds from disposal of financial assets at fair value through profit or loss		316,297	1,870,173
Proceeds from disposal of interests in joint ventures		138,591	343,061
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		(2,116,126)	(1,604,483)
Net cash flows used in investing activities		(3,210,154)	(1,888,323)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received from exercise of share options		22,588	5,478
Capital injection from non-controlling shareholders		32,244	60,688
Purchase of non-controlling shareholders		(63,090)	–
Cash received from borrowings		31,887,574	95,373,143
Repayments of borrowings		(41,291,448)	(59,269,459)
Principal portion of lease payments/finance lease rental payments		(90,340)	–
Increase in pledged deposits		(79,771)	(515,233)
Distribution paid to holders of perpetual securities	*21*	(122,145)	(113,747)
Dividends paid to non-controlling shareholders		–	(8,272)
Realised fair value gains from derivative financial instruments in hedges for borrowings		83,013	–
Realised losses from derivative financial instruments in hedges for borrowings		–	(49,769)
Purchase of shares under share award scheme		(580,397)	(300,575)
Net cash flows (used in)/provided by financing activities		(10,201,772)	35,182,254
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(764,108)	4,171,527
Cash and cash equivalents at beginning of the period		5,269,392	2,815,544
Effect of exchange rate changes on cash and cash equivalents		2,267	17,292
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	*15*	4,507,551	7,004,363

Notes to Interim Condensed Consolidated Financial Information

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 through 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 information for the six months ended 30 June 2019 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018.

The financial information relating to the year ended 31 December 2018 that is included in the interim condensed consolidated statement of financial position as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance. The Company's auditors have reported on the financial statements for the year ended 31 December 2018. The auditor's report was unqualified; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

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

2. Basis of Preparation and Accounting Policies (continued)

2.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") effective as of 1 January 2019.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 *Leases*, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the new and revised HKFRSs are described below:

Adoption of HKFRS 16

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged under HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

2. Basis of Preparation and Accounting Policies (continued)

2.2 Changes in accounting policies and disclosures (continued)

Adoption of HKFRS 16 (continued)

New definition of a lease (continued)

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of buildings, vehicles and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., plants); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in lease liabilities.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. This includes the lease assets recognised previously under finance leases of RMB8,721,000 that were reclassified from property, plant and equipment.

2. Basis of Preparation and Accounting Policies (continued)

2.2 Changes in accounting policies and disclosures (continued)

Adoption of HKFRS 16 (continued)

As a lessee – Leases previously classified as operating leases (continued)

Impacts on transition (continued)

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application

- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase/(decrease) RMB'000 (Unaudited)
Assets	
Increase in right-of-use assets	2,388,548
Decrease in property, plant and equipment	(8,721)
Decrease in prepaid land lease payments	(1,546,827)
Increase in total assets	833,000
Liabilities	
Increase in lease liabilities	844,821
Decrease in interest-bearing bank and other borrowings	(11,821)
Increase in total liabilities	833,000

2. Basis of Preparation and Accounting Policies (continued)

2.2 Changes in accounting policies and disclosures (continued)

Adoption of HKFRS 16 (continued)

As a lessee – Leases previously classified as operating leases (continued)

Impacts on transition (continued)

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as of 31 December 2018 are as follows:

	RMB'000 (Unaudited)
Operating lease commitments as at 31 December 2018	1,040,081
Weighted average incremental borrowing rate as at 1 January 2019	4.9%
Discounted operating lease commitments at 1 January 2019	839,749
Less:	
Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019 and commitments relating to leases of low-value assets	(6,749)
Add：	
Payables relating to leases previously classified as finance leases included in interest-bearing bank and other borrowings	11,821
Lease liabilities as at 1 January 2019	844,821

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

2. Basis of Preparation and Accounting Policies (continued)

2.2 Changes in accounting policies and disclosures (continued)

Adoption of HKFRS 16 (continued)

Summary of new accounting policies (continued)

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew.

The Group included the renewal period as part of the lease term for leases of buildings due to the significance of these assets to its operations. These leases have a short non-cancellable period and there will be a significant negative effect on operation if a replacement is not readily available.

2. Basis of Preparation and Accounting Policies (continued)

2.2 Changes in accounting policies and disclosures (continued)

Adoption of HKFRS 16 (continued)

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movements during the period are as follows:

	Right-of-use assets		Lease liabilities
	Property, plant and equipment	Prepaid land lease payments	
	RMB' 000	RMB' 000	RMB' 000
As at 1 January 2019	841,721	1,546,827	844,821
Additions	343,996	55,779	338,190
Depreciation charge	(80,411)	(17,956)	–
Interest expense	–	–	25,752
Payments	–	–	(90,340)
As at 30 June 2019	1,105,306	1,584,650	1,118,423

The Group recognised rental expense from short-term leases of RMB3,560,000 and leases of low-value assets of RMB119,000 for the six months ended 30 June 2019.

3. Business Combinations

In January 2019, the Group acquired 100% of the voting shares of Hongwen Montessori Academy Changsha Campus ("Changsha Qingganlan").

In February 2019, the Group acquired 100% of the voting shares of Chengdu Jinsha Hospital ("Chengdu Jinsha Hospital").

In March 2019, the Group acquired 36.6173% of the voting shares of Guangzhou Jinpeng Yuankang Precise Circuit Co, Ltd ("Guangzhou Jinpeng"),100% of the voting shares of Ningbo Qixu New Energy Technology Company Limited ("Ningbo Qixu") and 100% of the voting shares of Taizhou Dehong New Energy Technology Company Limited ("Taizhou Dehong").

3. Business Combinations (continued)

In May 2019, the Group acquired 70% of the voting shares of Ningbo Zhenhai Second Hospital ("Zhenhai Second Hospital").

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 Changsha Qingganlan

The fair values of the identifiable assets and liabilities of Changsha Qingganlan as at the date of acquisition were:

	Fair value recognised on acquisition (Unaudited) RMB'000
Assets	
Property, plant and equipment	4,563
Cash	245
Prepayments, other receivables and other assets	486
	5,294
Liabilities	
Trade payables	(585)
Deferred tax liabilities	(38)
	(623)
Total identifiable net assets at fair value	4,671
Non-controlling interests	–
Goodwill arising on acquisition	6,309
Purchase consideration transferred	10,980
Including: Consideration paid upon acquisition	2,750
Consideration paid after acquisition	7,700
Consideration to be paid after acquisition	530
Analysis of cash flows on acquisition:	
Net cash acquired with the subsidiary (included in cash flows from investing activities)	245
Cash paid	(10,450)
Net outflow of cash and cash equivalents (included in cash flows from investing activities)	(10,205)
Transaction costs of the acquisition (included in cash flows from operating activities)	(70)
	(10,275)

Since the acquisition, Changsha Qingganlan has contributed RMB1,273,000 to the Group's revenue and a net loss of RMB686,000 to the consolidated profit for the six-month period ended 30 June 2019.

3. Business Combinations (continued)

Acquisition of Chengdu Jinsha Hospital and Zhenhai Second Hospital

The fair values of the identifiable assets and liabilities of Chengdu Jinsha Hospital and Zhenhai Second Hospital as at the date of acquisition were:

	Fair value recognised on acquisition (Unaudited) RMB'000
Assets	
Property, plant and equipment	82,073
Cash	45,968
Accounts receivable	6,634
Prepayments, other receivables and other assets	58,825
Inventories	3,730
Other intangible assets	1,563
Right-of-use assets	7,795
Deferred tax assets	158
	206,746
Liabilities	
Trade payables	(15,528)
Other payables and accruals	(11,995)
Taxes payable	(180)
Deferred tax liabilities	(13,436)
	(41,139)
Total identifiable net assets at fair value	165,607
Non-controlling interests	(32,908)
Goodwill arising on acquisition	156,801
Purchase consideration transferred	289,500
Including: Consideration paid upon acquisition	79,200
Consideration paid after acquisition	67,500
Consideration paid as additional capital injection to the subsidiary upon acquisition	21,500
Consideration to be paid after acquisition	72,300
Consideration to be paid as additional capital injection to the subsidiary	49,000
Analysis of cash flows on acquisition:	
Net cash acquired with the subsidiary (included in cash flows from investing activities)	45,968
Cash paid	(146,700)
Net outflow of cash and cash equivalents (included in cash flows from investing activities)	(100,732)
Transaction costs of the acquisition (included in cash flows from operating activities)	(1,360)
	(102,092)

3. Business Combinations (continued)

Acquisition of Chengdu Jinsha Hospital and Zhenhai Second Hospital (continued)

Since the acquisition, Chengdu Jinsha Hospital and Zhenhai Second Hospital have contributed RMB33,701,000 to the Group's revenue and a net profit of RMB4,619,000 to the consolidated profit for the six-month period ended 30 June 2019.

Acquisition of Guangzhou Jinpeng, Ningbo Qixu and Taizhou Dehong

The fair values of the identifiable assets and liabilities of Guangzhou Jinpeng, Ningbo Qixu and Taizhou Dehong as at the date of acquisition were:

	Fair value recognised on acquisition (Unaudited) RMB'000
Assets	
Property, plant and equipment	104,065
Cash	16,760
Accounts receivable	90,885
Prepayments, other receivables and other assets	30,222
Inventories	35,542
Other intangible assets	711
Deferred tax assets	796
	278,981
Liabilities	
Trade payables	(57,567)
Other payables and accruals	(32,768)
Interest-bearing bank and other borrowings	(54,292)
Taxes payable	(663)
	(145,290)
Total identifiable net assets at fair value	133,691
Non-controlling interests	(82,215)
Goodwill arising on acquisition	65,116
Purchase consideration transferred	116,592
Including: Loans and accounts receivables as a consideration paid upon acquisition	112,613
Consideration paid upon acquisition	3,979
Analysis of cash flows on acquisition:	
Net cash acquired with the subsidiary (included in cash flows from investing activities)	16,760
Cash paid	(3,979)
Net inflow of cash and cash equivalents (included in cash flows from investing activities)	12,781
Transaction costs of the acquisition (included in cash flows from operating activities)	(340)
	12,441

3. Business Combinations (continued)

Acquisition of Guangzhou Jinpeng, Ningbo Qixu and Taizhou Dehong (continued)

Since the acquisition, Guangzhou Jinpeng, Ningbo Qixu and Taizhou Dehong have contributed RMB108,488,000 to the Group's revenue and a net profit of RMB10,353,000 to the consolidated profit for the six-month period ended 30 June 2019.

If the acquisition had taken place at the beginning of the period, revenue of the Group would have been RMB14,333,893,000 and the net profit of the Group for the period would have been RMB2,240,002,000.

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 RMB1,770,000 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 Chengdu Jinsha Hospital and Zhenhai Second Hospital 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 2019.

The Group acquired Qinghai Kangle Hospital Company Limited, Xinxiang League Hospital Company Limited, Xianning Matang Hospital Company Limited, Renshou Yunchang Hospital Company Limited and Chengdu Gaoxinyuan Company Limited during the six months ended 30 June 2018.

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.

4. Operating Segment Information (continued)

Intersegment transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

As at and for the six months ended 30 June 2019 (Unaudited)	Financial, lease and advisory RMB'000	Industrial operation and management RMB'000	Adjustments and eliminations RMB'000	Total RMB'000
Segment revenue: *(Note 5)*				
Sales to external customers	12,370,320	1,811,107	–	14,181,427
Intersegment sales	79,183	546	(79,729)	–
Cost of sales	(4,745,574)	(1,416,727)	79	(6,162,222)
Other income and gains	273,510	64,596	(3,085)	335,021
Selling and distribution costs and administrative expenses	(2,559,225)	(382,002)	1,223	(2,940,004)
Other expenses	(43,015)	(14,589)	–	(57,604)
Finance costs	(186,668)	(116,385)	81,512	(221,541)
Impairment losses on financial and contract assets	(1,471,254)	(21,043)	–	(1,492,297)
(Losses)/profits on disposal of financial assets	(165,274)	1,074	–	(164,200)
Share of net profits of associates	102,913	9,659	–	112,572
Share of net profits/(losses) of joint ventures	3,242	(24,501)	–	(21,259)
Profit/(loss) before tax	3,658,158	(88,265)	–	3,569,893
Income tax expense	(1,022,683)	(18,330)	–	(1,041,013)
Profit/(loss) after tax	2,635,475	(106,595)	–	2,528,880
Segment assets	251,142,907	15,175,745	(7,083,556)	259,235,096
Other segment information:				
Impairment losses recognised in the statement of profit or loss	1,485,872	127,133	–	1,613,005
Depreciation and amortisation	321,503	258,322	–	579,825
Capital expenditure	1,256,866	737,058	–	1,993,924

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	222,749	25,543	(6,662)	241,630
Selling and distribution costs and administrative expenses	(2,432,852)	(406,489)	–	(2,839,341)
Other expenses	(85,914)	(6,622)	–	(92,536)
Finance costs	(88,765)	(63,466)	–	(152,231)
Impairment losses on financial and contract assets	(1,676,839)	17,130	–	(1,659,709)
Gains on disposal of financial assets	131,047	25,826	–	156,873
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
As at 31 December 2018 (Audited)				
Segment assets	258,620,098	13,518,790	(6,169,094)	265,969,794
For the six months ended 30 June 2018 (Unaudited)				
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)

Geographical information

(a) Revenue from external customers

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Mainland China	**14,062,299**	12,753,558
Hong Kong	**106,564**	11,346
Other countries or regions	**12,564**	1,835
	14,181,427	12,766,739

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

(b) Non-current assets

	30 June	31 December
	2019	2018
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Mainland China	**22,969,646**	20,044,646
Hong Kong	**1,462,439**	1,539,512
	24,432,085	21,584,158

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.

5. Revenue, Other Income and Gains

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

	Note	For the six months ended 30 June 2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Revenue			
Revenue from contracts with customers	*(i)*	5,104,683	4,480,038
Revenue from other sources			
Operating lease income		944,624	614,544
Finance lease, factoring and loan interest income		8,163,767	7,761,121
Tax and surcharges		(31,647)	(88,964)
		14,181,427	12,766,739

Revenue from contracts with customers

(i) Disaggregated revenue information

For the six months ended 30 June 2019

Segments	Financial, lease and advisory RMB'000	Industrial operation and management RMB'000	Total RMB'000
Type of goods or services			
Sale of goods	48,038	177,897	225,935
Construction services	156,096	4,178	160,274
Service fee income	3,078,778	–	3,078,778
Healthcare service income	–	1,291,523	1,291,523
Education service income	–	109,177	109,177
Chartering and brokerage income	–	139,146	139,146
Other income	10,081	89,769	99,850
Total revenue from contracts with customers	3,292,993	1,811,690	5,104,683
Geographical markets			
Hong Kong	12,353	90,458	102,811
Mainland China	3,280,640	1,708,668	4,989,308
Other countries or regions	–	12,564	12,564
Total revenue from contracts with customers	3,292,993	1,811,690	5,104,683
Timing of revenue recognition			
Goods or services transferred at a point in time	2,767,420	778,242	3,545,662
Services transferred over time	525,573	1,033,448	1,559,021
Total revenue from contracts with customers	3,292,993	1,811,690	5,104,683

5. Revenue, Other Income and Gains (continued)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

For the six months ended 30 June 2018

Segments	Financial, lease and advisory RMB'000	Industrial operation and management RMB'000	Total RMB'000
Type of goods or services			
Sale of goods	82,479	64,645	147,124
Construction services	47,161	24,345	71,506
Service fee income	3,066,716	–	3,066,716
Healthcare service income	–	992,089	992,089
Education service income	–	78,580	78,580
Chartering and brokerage income	–	83,983	83,983
Other income	6,513	33,527	40,040
Total revenue from contracts with customers	3,202,869	1,277,169	4,480,038
Geographical markets			
Hong Kong	–	72,653	72,653
Mainland China	3,202,842	1,192,481	4,395,323
Other countries or regions	27	12,035	12,062
Total revenue from contracts with customers	3,202,869	1,277,169	4,480,038
Timing of revenue recognition			
Goods or services transferred at a point in time	2,801,861	503,964	3,305,825
Services transferred over time	401,008	773,205	1,174,213
Total revenue from contracts with customers	3,202,869	1,277,169	4,480,038

5. Revenue, Other Income and Gains (continued)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

For the six months ended 30 June 2019

Segments	Financial, lease and advisory RMB'000	Industrial operation and management RMB'000	Total RMB'000
Revenue from contracts with customers			
External customers	3,292,993	1,811,690	5,104,683
Intersegment sales	283	546	829
Intersegment adjustments and eliminations	(283)	(546)	(829)
Total revenue from contracts with customers	3,292,993	1,811,690	5,104,683

For the six months ended 30 June 2018

Segments	Financial, lease and advisory RMB'000	Industrial operation and management RMB'000	Total RMB'000
Revenue from contracts with customers			
External customers	3,202,869	1,277,169	4,480,038
Intersegment sales	–	–	–
Intersegment adjustments and eliminations	–	–	–
Total revenue from contracts with customers	3,202,869	1,277,169	4,480,038

Notes to Interim Condensed Consolidated Financial Information

5. Revenue, Other Income and Gains (continued)

		For the six months ended 30 June	
		2019	2018
		(Unaudited)	(Unaudited)
	Note	**RMB'000**	RMB'000
Other income and gains			
Bank interest income		**60,223**	23,767
Gain on structured financial products		**45,880**	8,687
Gain on disposal of property, plant and equipment		**4,067**	5,157
Government grants	*5a*	**10,399**	9,607
Interest income from subordinated tranches of asset-backed securities/notes		**155,970**	172,015
Realised gains from derivative instruments – transactions not qualifying as hedges		**–**	6,285
Realised gains from derivative instruments – not designated as hedges		**–**	12,740
Dividends from financial assets at fair value through profit or loss		**1,756**	–
Gains on disposal of a joint venture		**36,364**	–
Fair value gains from financial assets at fair value through profit or loss		**5,629**	–
Others		**14,733**	3,372
		335,021	241,630

5a. Government Grants

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Government special subsidy	**10,399**	9,607
	10,399	9,607

6. Profit before Tax

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

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cost of borrowings included in cost of sales	**4,191,318**	3,875,644
Cost of inventories sold	**222,328**	140,748
Cost of construction contracts	**57,868**	31,442
Cost of operating leases	**442,501**	366,207
Cost of chartering	**83,160**	52,804
Cost of healthcare service	**1,001,568**	727,505
Cost of education service	**100,558**	57,198
Cost of others	**62,921**	26,378

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	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB' 000	RMB' 000
Depreciation of property, plant and equipment	**100,005**	66,603
Depreciation of right-of-use assets/recognition of prepaid land lease payments	**69,598**	–
Amortisation of intangible assets and other assets:		
Current year expenditure	**12,164**	21,693
Less: Government grants released*	**–**	(689)
	12,164	21,004
Rental expenses		
Current year expenditure	**4,344**	105,057
Less: Government grants released*	**(665)**	(665)
	3,679	104,392
Auditors' remuneration – other services	**4,210**	3,300
Employee benefit expense (including directors' remuneration)		
– Wages and salaries		
– Current year expenditure	**1,864,299**	1,931,241
– Less: Government grants released*	**(28,179)**	(18,600)
	1,836,120	1,912,641
– Equity-settled share-based payment expenses	**159,237**	146,053
– Pension scheme contributions	**56,389**	49,850
– Other employee benefits	**128,693**	106,913
	344,319	302,816
Impairment of loans and accounts receivables *(Note 11)*	**1,484,071**	1,647,016
Impairment of other receivables	**9,023**	12,693
Impairment of credit commitments	**(797)**	–
Impairment of inventories	**52,523**	612
Impairment of property, plant and equipment	**68,185**	52,259
Entertainment fee	**55,035**	47,568
Business travelling expenses	**103,365**	93,762
Consultancy fees	**98,445**	63,287
Office expenses	**20,434**	26,644
Advertising and promotion expenses	**10,202**	14,653
Transportation expenses	**13,073**	8,975
Communication expenses	**12,313**	11,559
Litigation expense	**7,996**	10,049
Other miscellaneous expenses:		
Current year expenditure	**128,620**	100,528
Less: Government grants released*	**(282)**	(1,311)
	128,338	99,217

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	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Losses on disposal of property, plant and equipment	**2,288**	2,034
Donation	**21**	30
Bank commission expense	**13,945**	10,317
Foreign exchange (gains)/losses, net		
Cash flow hedges (transfer from equity to foreign exchange):	**(81,798)**	(517,626)
Others	**118,525**	588,356
Other expenditure	**4,623**	4,495
Losses on disposal of subsidiaries	**–**	4,930
Finance costs	**221,541**	152,231
Losses/(gains) on derecognition of loans and accounts receivables measured at amortised cost	**165,274**	(6,857)
Realised gains on derecognition of financial assets at fair value through profit or loss	**(1,074)**	(150,016)

* 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 income in the statement of financial position.

7. Income Tax

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current – Hong Kong		
Charge for the period	**43,632**	44,276
Current – Mainland China		
Charge for the period	**1,171,847**	1,385,047
Deferred tax *(Note 18)*	**(174,466)**	(473,791)
Total tax charge for the period	**1,041,013**	955,532

7. Income Tax (continued)

Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2018: 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 2018: 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 the 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 were recognized to fulfill the aforesaid preferential taxation policy and thus enjoyed a preferential tax rate of 15% since 2016. Zhaotong Renan Hospital Co., Ltd and Qiaojia Renan Hospital Co., Ltd were recognized to fulfill the aforesaid preferential taxation policy and thus enjoyed a preferential tax rate of 15% since 2017.

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%. Guangzhou Jinpeng was recognised as a high-technology enterprise in 2017. Since then, Guangzhou Jinpeng has enjoyed a preferential tax rate of 15%.

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	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Profit before tax	**3,569,893**	3,215,656
Tax at the statutory income tax rates	**918,460**	788,660
Effect of lower tax rate enacted by local authority	**(15,450)**	(7,836)
Expenses not deductible for tax	**67,467**	63,512
Income not subject to tax	**(32,512)**	(20,159)
Adjustment on current income tax in respect of prior years	**(3,287)**	(1,189)
Unrecognised tax losses	**66,084**	91,732
Effect of withholding tax on interest on intra-group balances	**40,251**	40,812
Income tax expense reported in the interim condensed consolidated statement of profit or loss	**1,041,013**	955,532

7. Income Tax (continued)

The share of taxes attributable to associates and joint ventures amounting to approximately RMB37,524,000 (six months ended 30 June 2018: negative RMB10,011,000) and negative RMB6,209,000 (six months ended 30 June 2018: RMB34,069,000) 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	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Dividends	**1,001,447**	972,002

Pursuant to a resolution passed at the general meeting on 5 June 2019, the Company declared a final dividend of HK$0.3 per share in respect of the year ended 31 December 2018 to its shareholders whose names appear on the register of members of the Company on 19 July 2019. Based on the total number of outstanding ordinary shares of 3,798,799,645 (excluding the 159,560,759 shares held for the share award scheme), cash dividends declared of approximately HK$1,139,640,000 (equivalent to RMB1,001,447,000) 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 2019 (six months ended 30 June 2018: 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 2019 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 amount 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 shown above is compared with the number of shares that would have been issued assuming the exercise of the share options.

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

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

Earnings

	For the six months ended 30 June	
	2019	2018
	(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	**2,233,436**	2,009,712

Shares

	Number of shares For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares outstanding during the period, used in the basic earnings per share calculation	**3,817,901,428**	3,833,413,323
Effect of dilution – weighted average number of ordinary shares:		
Share options	**8,123,574**	2,026,096
Weighted average number of ordinary shares in issue during the period, used in the diluted earnings per share calculation	**3,826,025,002**	3,835,439,419

During the six months ended 30 June 2019, 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 2019, the Group acquired items of property, plant and equipment at a total cost of RMB1,369,611,000 (six months ended 30 June 2018: RMB2,059,689,000), including those through acquisition of subsidiaries.

Property, plant and equipment with a net book value of RMB44,715,000 were disposed of by the Group during the six months ended 30 June 2019 (six months ended 30 June 2018: RMB112,546,000), resulting in a net gain on disposal of RMB1,779,000 (six months ended 30 June 2018: a net gain of RMB3,123,000).

As at 30 June 2019, the Group has not obtained the property ownership certificates for eight buildings (31 December 2018: eight) with a net book value of RMB418,022,000 (31 December 2018: RMB435,524,000).

The Group was in the process of applying for the property ownership certificates for the above building as at 30 June 2019.

As at 30 June 2019, property, plant and equipment with a net carrying amount of RMB1,381,251,000 (31 December 2018: RMB1,443,412,000) were pledged to secure general banking facilities granted to the Group (see note 17(c)).

11. Loans and Accounts Receivables

	30 June 2019	31 December 2018
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Loans and accounts receivables due within 1 year	**92,163,502**	87,790,154
Loans and accounts receivables due after 1 year	**117,250,466**	132,844,117
	209,413,968	220,634,271

11. Loans and Accounts Receivables (continued)

11a. Loans and accounts receivables by nature

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Lease receivables *(Note 11b)**	221,232,688	233,565,773
Less: Unearned finance income	(24,399,833)	(27,249,304)
Net lease receivables *(Note 11b/11c)***	196,832,855	206,316,469
Interest receivables *(Note 11c)*/**	1,951,782	1,857,404
Factoring receivable *(Note 11c/11g)***	2,345,204	2,222,096
Entrusted loans *(Note 11c/11h)*/**	6,623,612	9,171,912
Long-term receivables *(Note 11c/11i)*/**	4,628,855	4,366,744
Secured loans *(Note 11c)***	318,754	54,453
Subtotal of Interest-bearing assets	212,701,062	223,989,078
Less:		
Provision for lease receivables *(Note 11d)***	(5,351,852)	(4,846,354)
Provision for factoring receivable *(Note 11d)***	(63,083)	(45,088)
Provision for entrusted loans *(Note 11d)***	(140,000)	(188,337)
Provision for long-term receivables *(Note 11d)***	(48,625)	(13,301)
Provision for secured loans *(Note 11d)***	(5,335)	(652)
Provision for interest-bearing assets	(5,608,895)	(5,093,732)
Notes receivable	356,205	162,940
Accounts receivable *(Note 11e)**	2,420,153	1,983,858
Provision for accounts receivable *(Note 11f)*	(454,557)	(407,873)
Total of loans and accounts receivables	209,413,968	220,634,271

* These balances included balances with related parties which are disclosed in note 11j.

** These balances are included in the interest-bearing assets disclosed in note 11c and note 11d.

11. Loans and Accounts Receivables (continued)

11b (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 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Lease receivables:		
Within 1 year	75,392,383	120,885,693
1 to 2 years	100,145,486	81,819,070
2 to 3 years	32,810,349	19,974,406
3 to 5 years	12,884,470	10,886,604
Total	221,232,688	233,565,773

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Net lease receivables:		
Within 1 year	66,828,902	104,914,424
1 to 2 years	87,963,925	72,788,965
2 to 3 years	30,018,902	18,483,450
3 to 5 years	12,021,126	10,129,630
Total	196,832,855	206,316,469

Notes to Interim Condensed Consolidated Financial Information

11. Loans and Accounts Receivables (continued)

11b (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 2019 (Unaudited) RMB' 000	31 December 2018 (Audited) RMB' 000
Lease receivables:		
Due within 1 year	98,254,659	93,206,939
Due in 1 to 2 years	67,069,538	69,732,415
Due in 2 to 3 years	37,555,435	42,559,640
Due in 3 to 5 years	17,933,276	27,685,931
Due after 5 years	419,780	380,848
Total	221,232,688	233,565,773

	30 June 2019 (Unaudited) RMB' 000	31 December 2018 (Audited) RMB' 000
Net lease receivables:		
Due within 1 year	84,870,838	79,478,262
Due in 1 to 2 years	60,266,126	61,915,905
Due in 2 to 3 years	34,746,843	38,854,786
Due in 3 to 5 years	16,550,220	25,711,412
Due after 5 years	398,828	356,104
Total	196,832,855	206,316,469

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 2019, the Group's lease receivables pledged or charged as security for the Group's bank and other borrowings amounted to RMB12,984,433,000 (31 December 2018: RMB14,870,001,000) (see note 17(a)).

11. Loans and Accounts Receivables (continued)

11c. Analysis of interest-bearing assets

	Stage I (12-month ECL) RMB'000	Stage II (Lifetime ECL) RMB'000	Stage III (Lifetime ECL – impaired) RMB'000	Total RMB'000
As at 30 June 2019				
Interest-bearing assets	**188,872,345**	**21,623,376**	**2,205,341**	**212,701,062**
Allowance for impairment losses	**(3,252,446)**	**(1,662,765)**	**(693,684)**	**(5,608,895)**
Interest-bearing assets, net	**185,619,899**	**19,960,611**	**1,511,657**	**207,092,167**

	Stage I (12-month ECL) RMB'000	Stage II (Lifetime ECL) RMB'000	Stage III (Lifetime ECL – impaired) RMB'000	Total RMB'000
As at 31 December 2018				
Interest-bearing assets	203,187,703	18,649,628	2,151,747	223,989,078
Allowance for impairment losses	(3,145,672)	(1,188,069)	(759,991)	(5,093,732)
Interest-bearing assets, net	200,042,031	17,461,559	1,391,756	218,895,346

11d. 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 measurement of expected credit losses. These models and assumptions relate to the future macroeconomic conditions and borrower's creditworthiness (e.g., the likelihood of default by customers and the corresponding losses). The Group has adopted judgement, assumptions and estimation techniques in order to measure 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.

11. Loans and Accounts Receivables (continued)

11d. Change in provision for interest-bearing assets (continued)

	For the six months ended 30 June 2019			
	Stage I (12-month ECL) RMB'000	**Stage II (Lifetime ECL) RMB'000**	**Stage III** (Lifetime ECL-impaired) RMB'000**	**Total RMB'000**
At beginning of the period	3,145,672	1,188,069	759,991	5,093,732
Impairment losses for the period	252,247*	686,951	482,216	1,421,414
Disposal	(322,418)	–	–	(322,418)
Conversion to Stage I	339,273	(339,273)	–	–
Conversion to Stage II	(162,477)	165,177	(2,700)	–
Conversion to Stage III	–	(38,159)	38,159	–
Write-off	–	–	(659,094)	(659,094)
Recoveries of interest-bearing assets previously written off	–	–	75,112	75,112
Exchange differences	149	–	–	149
At end of the period	3,252,446	1,662,765	693,684	5,608,895

	Year ended 31 December 2018			
	Stage I (12-month ECL) RMB'000	Stage II (Lifetime ECL) RMB'000	Stage III** (Lifetime ECL-impaired) RMB'000	Total RMB'000
At beginning of the year before adopting HKFRS 9				3,869,018
At beginning of the year after adopting HKFRS 9	2,880,655	478,715	700,180	4,059,550
Impairment losses for the year	689,630*	633,372	619,767	1,942,769
Disposal	(364,689)	–	–	(364,689)
Conversion to Stage I	92,857	(92,857)	–	–
Conversion to Stage II	(157,606)	181,496	(23,890)	–
Conversion to Stage III	–	(15,227)	15,227	–
Write-off	–	–	(605,874)	(605,874)
Recovery of interest-bearing assets previously written off	–	–	54,400	54,400
Exchange differences	4,825	2,570	181	7,576
At end of the year	3,145,672	1,188,069	759,991	5,093,732

11. Loans and Accounts Receivables (continued)

11d. Change in provision for interest-bearing assets (continued)

* This includes RMB701,840,000(31 December 2018: RMB1,775,748,000) loss allowance provided for newly originated interest-bearing assets, and RMB449,593,000(31 December 2018: RMB1,086,118,000) of loss allowances reversed as a result of repayment of existing interest-bearing assets.

** The majority of the interest-bearing assets are finance lease receivables, under which the lessor owns the related leased asset, so the finance leases are similar to secured lendings. Among these interest-bearing assets, 90%(31 December 2018: 94%) (in the terms of carrying amount) of the credit-impaired assets falling in Stage 3 in the table above are finance lease receivables, and hence the related leased assets owned by the Group, such leased assets are similar to security and constitute the main source of collection of impaired assets.

11e. 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 2019 (Unaudited) RMB' 000	31 December 2018 (Audited) RMB' 000
Within 1 year	**1,692,101**	1,487,678
More than 1 year	**728,052**	496,180
Total	**2,420,153**	1,983,858

11f. Change in provision for accounts receivable

	30 June 2019 (Unaudited) RMB' 000	31 December 2018 (Audited) RMB' 000
At beginning of period/year	**407,873**	236,218
Charge for the period/year	**62,657**	182,197
Acquisition of a subsidiary	**148**	1,570
Write-off	**(16,121)**	(11,322)
Exchange differences	**–**	(790)
At end of period/year	**454,557**	407,873

Notes to Interim Condensed Consolidated Financial Information

11. Loans and Accounts Receivables (continued)

11f. Change in provision for accounts receivable (continued)

Impairment under HKFRS 9

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

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

As at 30 June 2019

	Aging				
	within 1 year	**1-2 years**	**2-3 years**	**3-5 years**	**Total**
Gross Carrying amount (RMB'000)	**1,692,101**	**516,614**	**146,480**	**64,958**	**2,420,153**
Expected credit loss (RMB'000)	**143,828**	**138,621**	**107,150**	**64,958**	**454,557**
Average expected credit loss rate	**8.50%**	**26.83%**	**73.15%**	**100.00%**	

As at 31 December 2018

	Aging				
	within 1 year	1-2 years	2-3 years	3-5 years	Total
Gross Carrying amount (RMB'000)	1,487,678	279,861	148,127	68,192	1,983,858
Expected credit loss (RMB'000)	133,637	97,634	108,410	68,192	407,873
Average expected credit loss rate	8.98%	34.89%	73.19%	100.00%	

11g. An aging analysis of factoring receivables as at the end of the reporting period is as follows:

	30 June 2019	31 December 2018
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Within 1 year	**1,379,349**	1,100,526
More than 1 year	**965,855**	1,121,570
Total	**2,345,204**	2,222,096

11. Loans and Accounts Receivables (continued)

11h (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 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Entrusted loans:		
Within 1 year	200,896	261,833
1 to 2 years	243,439	3,066,647
2 to 3 years	1,112,028	4,256,344
3 to 5 years	5,067,249	1,587,088
Total	6,623,612	9,171,912

11h (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 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Entrusted loans:		
Due within 1 year	3,417,675	4,457,443
Due in 1 to 2 years	2,375,017	3,026,296
Due in 2 to 3 years	781,164	1,476,332
Due in 3 to 5 years	49,756	211,841
Total	6,623,612	9,171,912

11i. Long term receivables

As at 30 June 2019, the carrying value of long term receivables pledged or charged as security for the Group's borrowings amounted to RMB2,986,537,000 (31 December 2018: RMB2,227,156,000) (Note 17(a)).

11. Loans and Accounts Receivables (continued)

11j. Balances with related parties

		30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Joint ventures:			
– Guangzhou Kangda Industrial Technology Co., Ltd.			
Entrusted loan	*(i)*	60,000	60,000
Long-term receivables	*(ii)*	105,000	75,000
Interest receivables		19,981	17,348
– Weihai Haida Hospital Co., Ltd.			
Long-term receivables		–	30,000
Lease receivables		–	–
Interest receivables		–	1,720
– Kunming Broadhealthcare Investment Co., Ltd.			
Entrusted loan	*(i)*	50,000	50,000
Lease receivables		–	15,935
Interest receivables		–	36
– Tianjin FIS Asset Management Co., Ltd.			
Long-term receivables	*(ii)*	452,893	496,496
Interest receivables		–	434
– Suzhou Gaoxin Rehabilitation Hospital Co., Ltd.			
Entrusted loan	*(i)*	33,000	16,500
Interest receivables		1,077	–
– Fengyang Gulou Hospital Co., Ltd.			
Accounts receivables		14,295	14,540
Provision		(12,386)	(7,733)
		723,860	770,276

(i) Balances of entrusted loans interest-bearing at annual interest rates ranging from 6% to 13% (31 December 2018: from 6.175% to 13%).

(ii) Balances of long-term receivables interest-bearing at annual interest rates ranging from 4.85% to 9% (31 December 2018: from 4.85% to 6.05%).

12. Derivative Financial Instruments

	30 June 2019 (Unaudited) RMB'000		31 December 2018 (Audited) RMB'000	
	Assets	Liabilities	Assets	Liabilities
Cross-currency interest rate swap contracts	1,018,715	–	984,879	–
Forward currency contracts	23,183	(229,134)	43,299	(204,537)
Interest rate swaps	12,537	(20,047)	14,601	(3,317)
Total	1,054,435	(249,181)	1,042,779	(207,854)

	30 June 2019 (Unaudited) RMB'000		31 December 2018 (Audited) RMB'000	
	Assets	Liabilities	Assets	Liabilities
Portion classified as non-current				
Cross-currency interest rate swap contracts	944,247	–	903,290	–
Forward currency contracts	–	(12,282)	17,368	(14,151)
Interest rate swaps	12,040	(19,708)	14,081	(3,317)
	956,287	(31,990)	934,739	(17,468)
Current portion	98,148	(217,191)	108,040	(190,386)
Total	1,054,435	(249,181)	1,042,779	(207,854)

12. Derivative Financial Instruments (continued)

Cash flow hedge under HKFRS 9

At 30 June 2019, the Group designated 41 (2018: 36) cross-currency interest rate swap contracts, 27 (2018: 17) forward currency contracts and 4 (2018: Nil) interest rate swap contracts as hedges of future cash flows arising from foreign currency borrowings, details of which are as follows:

At 30 June 2019, the Group had 7 (2018: 7) cross-currency interest rate swaps in place with a notional amounts of HK$2,106,000,000 (2018: HK$2,106,000,000) whereby the Group receives a floating rate of interest on the HK$ notional amount at HKD-HIBOR-HKAB and pays a fixed rate of interest on the RMB notional amount at 3.91% to 4.31% (2018: 3.96% to 4.21%) per annum. The swaps are being used to hedge the foreign currency and interest rate exposure of 7 floating rate long-term borrowings denominated in HK$ with the total face value of HK$2,106,000,000 (2018: HK$2,106,000,000).

At 30 June 2019, the Group had 32 (2018: 27) cross-currency interest rate swaps in place with notional amounts of US$3,090,000,000 (2018: US$2,955,000,000) whereby the Group receives a floating rate of interest on the US$ notional amount at USD-LIBOR-BBA and pays a fixed rate of interest on the RMB notional amount at 3.35% to 5.70% (2018: 3.35% to 5.84%) per annum. The swaps are being used to hedge the foreign currency and interest rate exposure of 32 floating rate long-term borrowings denominated in US$ with the total face value of US$3,090,000,000 (2018: US$2,955,000,000).

At 30 June 2019, the Group had 2 (2018: 2) cross-currency interest rate swaps in place with notional amounts of US$200,000,000 (2018: US$200,000,000) whereby the Group receives a fixed rate of interest on the US$ notional amount at 4.38% p.a. and pays a fixed rate of interest on the RMB notional amount at 5.84% to 5.88% (2018: 5.84% to 5.88%) per annum. The swaps are being used to hedge the foreign currency exposure of 2 fixed rate long-term borrowings denominated in US$ with the total face value of US$200,000,000 (2018: US$200,000,000).

At 30 June 2019, the Group had 27 (2018:17) forward currency contracts with a total notional amount of US$440,863,000 (2018: US$321,100,000), SG$200,000,000 (2018: SG$200,000,000) and AU$200,000,000 (2018: AU$200,000,000) as hedges of future cash flows arising from foreign currency borrowings which will be settled in United States Dollar, Singapore Dollar and Australian Dollar, respectively.

At 30 June 2019, the Group had 4 (2018: Nil) interest rate swaps in place with notional amounts of US$215,000,000 (2018: Nil) whereby the Group receives a floating rate of interest on the US$ notional amount at USD-LIBOR-BBA and pays a fixed rate of interest on the US$ notional amount at 2.34% to 2.47% (2018: Nil) per annum. The swaps are being used to hedge interest rate exposure of 2 floating rate long-term borrowings denominated in US$ with the total face value of US$215,000,000 (2018: Nil).

There is an economic relationship between the hedged items and the hedging instruments as the terms of the cross-currency interest rate swap contracts and forward currency contracts match the terms of the borrowing contracts (i.e., notional amount, expected payment date and interest rate). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risks of the cross-currency interest rate swap contracts, forward currency contracts and interest rate swap contracts are identical to the hedged risk components. To measure the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

12. Derivative Financial Instruments (continued)

Cash flow hedge under HKFRS 9 (continued)

Hedge ineffectiveness can arise from:

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

The Group holds the following cross-currency interest rate swap contracts and forward currency contracts:

	Maturity						
	Less than 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 5 years	Total
As at 30 June 2019							
Cross-currency interest rate swap contracts							
Notional amount (in RMB'000)	–	–	–	931,216	17,076,191	3,286,788	21,294,195
Average forward rate (US$/RMB)	–	–	–	6.2920	6.4487	6.5339	
Notional amount (in RMB'000)	–	–	–	–	1,698,714	–	1,698,714
Average forward rate (HK$/RMB)	–	–	–	–	0.8117	–	
Forward currency contracts							
Notional amount (in RMB'000)	2,202,599	18,279	382,296	–	424,888	–	3,028,062
Average forward rate (US$/RMB)	6.8242	6.8221	6.5836	–	7.1361	–	
Notional amount (in RMB'000)	1,123,341	–	–	–	–	–	1,123,341
Average forward rate (AU$/RMB)	5.6154	–	–	–	–	–	
Notional amount (in RMB'000)	–	1,064,380	–	–	–	–	1,064,380
Average forward rate (SG$/RMB)	–	5.3219	–	–	–	–	
Hedge rate	1	1	1	1	1	1	

12. Derivative Financial Instruments (continued)

Cash flow hedge under HKFRS 9 (continued)

The Group holds the following cross-currency interest rate swap contracts and forward currency contracts: (continued)

	Maturity						
	Less than 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 5 years	Total
As at 31 December 2018							
Cross-currency interest rate swap contracts							
Notional amount (in RMB'000)	409,962	637,200	–	–	9,830,654	9,444,273	20,322,089
Average forward rate (US$/RMB)	6.3071	6.3720	–	–	6.4592	6.4178	
Notional amount (in RMB'000)	–	–	–	–	128,809	1,569,905	1,698,714
Average forward rate (HK$/RMB)	–	–	–	–	0.8257	0.8061	
Forward currency contracts							
Notional amount (in RMB'000)	–	619,368	826,728	–	736,601	–	2,182,697
Average forward rate (US$/RMB)	–	6.6177	6.8245	–	6.8308	–	
Notional amount (in RMB'000)	–	–	1,123,341	–	–	–	1,123,341
Average forward rate (AU$/RMB)	–	–	5.6154	–	–	–	
Notional amount (in RMB'000)	–	–	–	1,064,380	–	–	1,064,380
Average forward rate (SG$/RMB)	–	–	–	5.3219	–	–	
Hedge rate	1	1	1	1	1	1	

12. Derivative Financial Instruments (continued)

Cash flow hedge under HKFRS 9 (continued)

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

	Notional amount RMB'000	Carrying amount RMB'000	Line item in the statement of financial position	Change in fair value used for measuring hedge Ineffectiveness for the period RMB'000
As at 30 June 2019				
Forward currency contracts	661,684	23,183	Derivative Financial Instruments (Assets)	(20,116)
Forward currency contracts	4,554,099	(229,134)	Derivative Financial Instruments (Liabilities)	(24,597)
Cross-currency interest rate swaps	22,992,909	1,018,715	Derivative Financial Instruments (Assets)	33,836
Cross-currency interest rate swaps	–	–	Derivative Financial Instruments (Liabilities)	–

	Notional amount RMB'000	Carrying amount RMB'000	Line item in the statement of financial position	Change in fair value used for measuring hedge Ineffectiveness for the year RMB'000
As at 31 December 2018				
Forward currency contracts	1,079,311	43,299	Derivative Financial Instruments (Assets)	43,299
Forward currency contracts	3,291,107	(204,537)	Derivative Financial Instruments (Liabilities)	(72,616)
Cross-currency interest rate swaps	22,020,803	984,879	Derivative Financial Instruments (Assets)	862,405
Cross-currency interest rate swaps	–	–	Derivative Financial Instruments (Liabilities)	112,844

12. Derivative Financial Instruments (continued)

Cash flow hedge under HKFRS 9 (continued)

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

	Change in fair value used for measuring hedge ineffectiveness for the period RMB'000	Cash flow hedge reserve RMB'000
As at 30 June 2019		
Foreign currency bank loans amounted to RMB equivalent 30,958,405,000	72,136	(382,683)

	Change in fair value used for measuring hedge ineffectiveness for the year RMB'000	Cash flow hedge reserve RMB'000
As at 31 December 2018		
Foreign currency bank loans amounted to RMB equivalent 27,668,687,000	945,932	(392,491)

12. Derivative Financial Instruments (continued)

Cash flow hedge under HKFRS 9 (continued)

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

	Total hedging gain/(loss) recognised in other comprehensive income			Hedged ineffectiveness recognised in profit or loss	Line item in the statement of profit or loss	Amount reclassified from other comprehensive income to profit or loss			Line item (gross amount) loss in the statement of profit or loss
	Gross amount	Tax effect	Total			Gross amount	Tax effect	Total	
	RMB'000	RMB'000	RMB'000	RMB'000		RMB'000	RMB'000	RMB'000	
For the six months ended 30 June 2019									
Forward currency contracts	(28,507)	4,817	(23,690)	-	N/A	4,855	(1,815)	3,040	Cost of sales/other expenses
Cross-currency interest rate swaps	100,643	(17,870)	82,773	-	N/A	(61,900)	9,585	(52,315)	Cost of sales/other expenses
Total	72,136	(13,053)	59,083	-	N/A	(57,045)	7,770	(49,275)	

	Total hedging gain/(loss) recognised in other comprehensive income			Hedged ineffectiveness recognised in profit or loss	Line item in the statement of profit or loss	Amount reclassified from other comprehensive income to profit or loss			Line item (gross amount) loss in the statement of profit or loss
	Gross amount	Tax effect	Total			Gross amount	Tax effect	Total	
	RMB'000	RMB'000	RMB'000	RMB'000		RMB'000	RMB'000	RMB'000	
For the six months ended 30 June 2018									
Forward currency contracts	(33,820)	5,231	(28,589)	-	N/A	85,408	(13,597)	71,811	Cost of sales/other expenses
Cross-currency interest rate swaps	467,299	(86,405)	380,894	-	N/A	(577,181)	106,226	(470,955)	Cost of sales/other expenses
Total	433,479	(81,174)	352,305	-	N/A	(491,773)	92,629	(399,144)	

12. Derivative Financial Instruments (continued)

Fair value hedge under HKFRS 9 – Interest rate risk

At 30 June 2019, the Group had 12 (2018:14) interest rate swap agreements in place with a total notional amount of RMB9,900,000,000 (2018: RMB11,900,000,000) whereby it receives interest at fixed rates of 4.05% to 4.85% (2018: 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 fixed rate long-term bonds. The critical terms of the interest rate swaps substantially match those of the borrowings. These hedges were assessed to be highly effective.

There is an economic relationship between the hedged item and the hedging instrument as the terms of the interest rate swap match the terms of the long-term bonds (i.e., notional amount, maturity, payment and reset dates). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the interest rate swap is identical to that of the hedged risk component. In assessing the hedge effectiveness, the Group notes that the critical terms of the hedged items and the hedging instruments match each other, and therefore the changes in the fair value of the hedging instrument exactly offset the changes in fair value of the hedged item attributable to the hedged risk.

The hedge ineffectiveness can arise from:

- differences in the timing of interest cash flows of the hedged item and the hedging instrument
- the counterparties' credit risks may impact the fair value movements of the hedging instruments

12. Derivative Financial Instruments (continued)

Fair value hedge under HKFRS 9 – Interest rate risk (continued)

The impact of the hedging instrument on the statement of financial position is as follows:

	Notional amount RMB'000	Carrying amount RMB'000	Line item in the statement of financial position	Change in fair value used for measuring hedge ineffectiveness for the period RMB'000
As at 30 June 2019				
Interest rate swap	8,600,000	12,537	Derivative Financial Instruments (Assets)	(2,064)
Interest rate swap	1,300,000	(20,047)	Derivative Financial Instruments (Liabilities)	(16,730)

	Notional amount RMB'000	Carrying amount RMB'000	Line item in the statement of financial position	Change in fair value used for measuring hedge ineffectiveness for the year RMB'000
As at 31 December 2018				
Interest rate swap	9,100,000	14,601	Derivative Financial Instruments (Assets)	14,018
Interest rate swap	2,800,000	(3,317)	Derivative Financial Instruments (Liabilities)	12,194

12. Derivative Financial Instruments (continued)

Fair value hedge under HKFRS 9 – Interest rate risk (continued)

The impact of the hedged item on the statement of financial position is as follows:

	Carrying amount RMB'000	Accumulated fair value adjustments RMB'000	Line item in the statement of financial position	Change in fair value used for measuring hedge ineffectiveness for the period RMB'000
As at 30 June 2019				
Bonds amounted to RMB equivalent 9,900,000,000	9,892,490	(7,510)	Interest-bearing bank and other borrowings	(18,794)

	Carrying amount RMB'000	Accumulated fair value adjustments RMB'000	Line item in the statement of financial position	Change in fair value used for measuring hedge ineffectiveness for the year RMB'000
As at 31 December 2018				
Bonds amounted to RMB equivalent 11,900,000,000	11,911,284	11,284	Interest-bearing bank and other borrowings	26,212

13. Investments in Joint Ventures

	30 June 2019 RMB'000	31 December 2018 RMB'000
Share of net assets	1,845,873	1,947,408
Excess of consideration over share of net assets acquired	93,637	121,605
Impairment losses	(170,000)	(170,000)
	1,769,510	1,899,013

13. Investments in Joint Ventures (continued)

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
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
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	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	28.36	28.36	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$73,329,460.54	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

Notes to Interim Condensed Consolidated Financial Information

13. 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
Gold Chance Shipping Limited (金運船務有限公司)	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
Guangzhou Yimei Tiancheng Decoration Engineering Co., Ltd. (廣州藝美天成裝飾工程有限公司)	Registered capital of RMB5,000,000	PRC/ Mainland China	60*	60	Decoration engineering
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 11j to the financial statements.

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

13. 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 2019 RMB'000	31 December 2018 RMB'000
Cash and cash equivalents	49,572	140,975
Other current assets	2,694,593	2,536,304
Current assets	2,744,165	2,677,279
Non-current assets	11,805	9,464
Financial liabilities, excluding other payables and accruals	(43,000)	(43,000)
Other payables and accruals	(682,786)	(575,275)
Current liabilities	(725,786)	(618,275)
Non-current liabilities	(490,000)	(520,000)
Net assets	1,540,184	1,548,468
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	60%	60%
Group's share of net assets of the joint venture, excluding excess of consideration over share of net assets acquired	924,110	929,081
Cumulative impairment	(170,000)	(170,000)
Carrying amount of the investment	754,110	759,081

	For the six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Administrative expenses	(4,967)	(3,918)
Other expenses	(3,318)	(3,449)
Loss and total comprehensive income for the period	(8,285)	(7,367)

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13. Investments in Joint Ventures (continued)

The following table illustrates the summarised financial information in respect of Yuanyi Kaiyuan adjusted for any differences in accounting policies and reconciled to the fair value of the net assets in the financial statements.

	30 June 2019 RMB'000	31 December 2018 RMB'000
Cash and cash equivalents	13,461	60,284
Other current assets	2,025,539	1,995,600
Current assets	2,039,000	2,055,884
Non-current assets	–	–
Current liabilities	–	–
Non-current liabilities	–	–
Net assets	2,039,000	2,055,884
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	39.856%	39.856%
Group's share of net assets of the joint venture, excluding excess of consideration over share of net assets acquired	812,664	819,393
Capital to be injected to the joint venture	(332,871)	(302,871)
Carrying amount of the investment	479,793	516,522

	For the six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Other expenses	(16,884)	(14,038)
Other income and gains	–	289,289
(Loss)/profit and total comprehensive income for the period	(16,884)	275,251
Dividend received	–	53,496

13. 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	
	2019	2018
	RMB'000	RMB'000
Share of the joint ventures' loss for the period	**(9,559)**	(3,093)

	30 June	31 December
	2019	2018
	RMB'000	RMB'000
Aggregate carrying amount of the Group's investments in the joint ventures	**535,607**	623,410

14. Investments in Associates

	30 June	31 December
	2019	2018
	RMB'000	RMB'000
Share of net assets	**3,783,554**	3,382,840
Excess of consideration over share of net assets acquired	**682,710**	682,710
	4,466,264	4,065,550

Particulars of the material associates 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 Yijia Construction Development Co., Ltd. (上海藝佳建設發展有限公司)	Registered capital of RMB14,285,800	PRC/ Mainland China	30	30	Development and construction
Hangzhou Guoya Stomatological Hospital Co., Ltd. (杭州國雅口腔醫院有限公司)	Registered capital of RMB31,408,000	PRC/ Mainland China	36.2777	36.2777	Medical service

As at 30 June 2019, the Group also invested in five companies which are mainly engaged in the investment holding business in Mainland China, with the registered capital of RMB1,000,000,000, RMB3,000,000,000, RMB6,018,000,000, RMB4,508,514,000 and RMB1,000,000,000, respectively. The percentage of ownership interest and profit sharing of the Group in these companies are 27.20%, 19.50%, 10.0254%, 13.3082% and 10.00%, respectively. The aforementioned companies are accounted for using the equity method.

14. Investments in Associates (continued)

The following table illustrates the summarised financial information in respect of three largest associates (in terms of carrying amount) adjusted for any differences in accounting policies and reconciled to the fair value of the net assets in the financial statements:

	30 June 2019 RMB'000	30 June 2019 RMB'000	30 June 2019 RMB'000
Current assets	6,160,457	3,333,135	39,718,387
Non-current assets	6,722,546	2,960,677	7,232,902
Current liabilities	(2,590,857)	(914,901)	(22,359,466)
Non-current liabilities	(3,545,615)	(1,640,388)	(13,074,800)
Net assets	6,746,531	3,738,523	11,517,023
Net assets attributable to the shareholders of the parent	3,870,623	3,738,523	8,861,238
Reconciliation to the Group's interest in the associates:			
Proportion of the Group's ownership	13.3082%	19.5%	10.0254%
Group's share of net assets of the associates, excluding excess of consideration over share of net assets	515,110	729,012	888,375
Excess of consideration over share of net assets	282,092	23,717	158,185
Carrying amount of the investment	797,202	752,729	1,046,560

	For the six months ended 30 June		
	2019 RMB'000	2019 RMB'000	2019 RMB'000
Revenue	270,206	254,784	2,242,648
Profit and total comprehensive income for the period after the Group's investments in the associates	242,560	140,826	627,621
Profit and total comprehensive attributable to the parent after the Group's investments in the associates	175,848	140,826	550,259

14. Investments in Associates (continued)

The following table illustrates the summarised financial information in respect of three largest associates (in terms of carrying amount) adjusted for any differences in accounting policies and reconciled to the fair value of the net assets in the financial statements: (continued)

	31 December 2018 RMB'000	31 December 2018 RMB'000	31 December 2018 RMB'000
Current assets	6,667,365	3,400,735	38,065,872
Non-current assets	5,823,946	2,985,595	8,164,023
Current liabilities	(2,875,661)	(1,148,189)	(22,186,772)
Non-current liabilities	(3,111,678)	(1,640,444)	(13,298,417)
Net assets	6,503,972	3,597,697	10,744,706
Net assets attributable to the shareholders of the parent	3,694,775	3,597,697	8,310,980
Reconciliation to the Group's interest in the associates:			
Proportion of the Group's ownership	13.3082%	19.5%	10.0254%
Group's share of net assets of the associates, excluding excess of consideration over share of net assets	491,708	701,551	833,209
Excess of consideration over share of net assets	282,092	23,717	158,185
Carrying amount of the investment	773,800	725,268	991,394

	For the six months ended 30 June		
	2018 RMB'000	2018 RMB'000	2018 RMB'000
Revenue	–	39,754	–
Profit and total comprehensive income for the period after the Group's investment in the associates	–	28,189	–
Profit and total comprehensive attributable to the parent after the Group's investment in the associates	–	28,189	–

14. Investments in Associates (continued)

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

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Share of the associates' profit/(loss) for the period	**6,543**	(35,531)

	30 June	31 December
	2019	2018
	RMB'000	RMB'000
Aggregate carrying amount of the Group's investments in the associates	**1,869,773**	1,575,088

The above balances include a total of RMB1,202,324,000 (31 December 2018: RMB871,628,000) investments held by the Group as an investor in sub-ordinated tranches of several collective fund trusts, whose total funds amounted to RMB5,569,800,000 (31 December 2018: RMB4,277,520,000), and the Group had significant influence in these trusts. These trusts conduct entrusted finance lease and entrusted loan businesses.

15. Cash and Cash Equivalents and Restricted Deposits

	30 June	31 December
	2019	2018
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Cash and bank balances	**10,056,445**	10,498,240
Time deposits	**17,919**	51,275
	10,074,364	10,549,515
Less:		
Pledged deposits	**924,786**	845,015
Restricted bank deposits related to asset-backed securitisations	**4,492,149**	4,314,961
Restricted bank deposits related to collective fund trusts	**149,878**	120,147
Cash and cash equivalents	**4,507,551**	5,269,392

15. Cash and Cash Equivalents and Restricted Deposits (continued)

At 30 June 2019, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to RMB9,000,375,000 (31 December 2018: RMB9,440,130,000). 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 2019, cash of RMB440,994,000 (31 December 2018: RMB510,222,000) was pledged for bank and other borrowings (see note 17(b)).

As at 30 June 2019, cash of RMB468,873,000 (31 December 2018: RMB319,874,000) was pledged for bank acceptances and letters of credit and others.

As at 30 June 2019, cash of RMB14,919,000 (31 December 2018: RMB14,919,000) was pledged for collective fund trusts.

As at 30 June 2019, cash of RMB337,945,000 (31 December 2018: RMB372,120,000) was deposited with Sinochem Finance Co., Ltd., a subsidiary of the ultimate holding company of a shareholder with significant influence.

16. Trade and Bills Payables

	Note	**30 June 2019 (Unaudited) RMB'000**	31 December 2018 (Audited) RMB'000
Bills payable		**2,853,974**	2,103,326
Trade payables		**1,552,421**	1,268,387
Due to related parties	*16a*	**335,784**	60,201
		4,742,179	3,431,914

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

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Within 1 year	**4,263,293**	3,181,260
1 to 2 years	**367,955**	110,837
2 to 3 years	**43,636**	73,761
3 years and beyond	**67,295**	66,056
	4,742,179	3,431,914

16. Trade and Bills Payables (continued)

16a. Balances with related parties

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Due to related parties:		
Subsidiary of the ultimate holding company of a shareholder with significant influence:		
Sinochem Finance Co., Ltd.	335,784	60,000
Associate:		
Shanghai Yijia Construction Development Co., Ltd.	–	201
	335,784	60,201

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

17. Interest-Bearing Bank and Other Borrowings

	30 June 2019 (Unaudited)			31 December 2018 (Audited)		
	Effective annual interest rate (%)	Maturity	RMB'000	Effective annual interest rate (%)	Maturity	RMB'000
Current:						
Current portion of long term bank loans – secured	2.30~6.41	2019~2020	6,769,819	2.30~6.41	2019	9,312,914
Bank loans – secured	3.30~5.44	2020	98,234	5.00~5.44	2019	519,800
Bank loans – unsecured	3.25~5.66	2019~2020	11,613,267	2.33~6.10	2019	15,136,896
Current portion of long term bank loans – unsecured	2.90~6.50	2019~2020	20,040,713	2.30~5.70	2019	18,957,422
Other loans – unsecured	6.64~6.80	2019~2020	50,200	6.10~7.80	2019	315,400
Bonds – unsecured*	2.80~6.13	2019~2020	30,461,514	2.99~6.40	2019	22,393,105
			69,033,747			66,635,537
Non-current:						
Bank loans – secured	3.81~6.41	2020~2032	6,593,150	3.24~6.41	2020~2032	24,497,235
Bank loans – unsecured	3.24~5.70	2020~2023	34,441,645	2.90~8.20	2020~2023	19,584,540
Loans from subsidiaries of the ultimate holding company of a shareholder with significant influence – unsecured	5.60	2021	1,000,000	5.60	2021	1,000,000
Other loans – secured	6.78	2021	400,000	6.78	2021	400,000
Other loans – unsecured	5.90~6.80	2020~2022	9,383,211	4.00~10.26	2020~2021	8,396,617
Bonds – unsecured*	3.80~6.40	2020~2023	42,440,500	3.60~6.40	2020~2023	52,001,053
			94,258,506			105,879,445
			163,292,253			172,514,982

* 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 12 to the financial statements.

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

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	38,522,033	43,927,032
In the second year	31,518,963	28,982,673
In the third to fifth years, inclusive	8,980,612	14,353,712
Beyond five years	535,220	745,390
	79,556,828	88,008,807
Loans from subsidiaries of the ultimate holding company of a shareholder repayable:		
Within one year or on demand	–	–
In the second year	1,000,000	–
In the third to fifth years, inclusive	–	1,000,000
	1,000,000	1,000,000
Other borrowings repayable:		
Within one year	30,511,714	22,708,505
In the second year	38,278,636	48,888,052
In the third to fifth years, inclusive	13,945,075	11,909,618
	82,735,425	83,506,175
	163,292,253	172,514,982

(a) As at 30 June 2019, 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 RMB10,603,411,000 (31 December 2018: RMB13,747,761,000) and RMB2,265,252,000 (31 December 2018: RMB1,729,420,000), respectively.

(b) As at 30 June 2019, the Group's bank and other borrowings pledged by cash amounted to RMB75,198,000 (31 December 2018: RMB18,225,279,000).

(c) As at 30 June 2019, the Group's bank and other borrowings pledged by the Group's leasehold land, and property, plant and equipment amounted to RMB917,342,000 (31 December 2018: RMB1,027,489,000). The Group's leasehold land of approximately RMB900,540,000 (31 December 2018: RMB910,048,000) was pledged. The Group had not provided any guarantees for other entities (31 December 2018: Nil).

18. Deferred Tax

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

Deferred tax assets

	Fee income received in advance RMB'000	Government special subsidy 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	Cash flow hedge RMB'000	Others RMB'000	Total RMB'000
Gross deferred tax assets at 1 January 2019 (Audited)	381,518	636,245	143,566	1,652,968	1,074,297	144,834	98,238	10,159	4,141,825
(Charged)/credited to the statement of profit or loss during the period	(92,728)	36,215	42,081	104,806	72,674	39,698	–	–	202,746
Acquisition of subsidiaries	–	–	–	796	–	–	–	158	954
Credited to reserve	–	–	–	–	–	–	(5,283)	–	(5,283)
Exchange differences	–	–	–	17	–	–	–	–	17
Gross deferred tax assets at 30 June 2019 (Unaudited)	288,790	672,460	185,647	1,758,587	1,146,971	184,532	92,955	10,317	4,340,259

	Fee income received in advance RMB'000	Government special subsidy 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	Cash flow hedge RMB'000	Others RMB'000	Total RMB'000
Gross deferred tax assets at 1 January 2018	466,727	467,860	127,090	1,157,620	862,550	156,855	1,744	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 year	(85,209)	168,385	16,476	439,397	212,186	(12,345)	–	1,312	740,202
Disposal of subsidiaries	–	–	–	–	(439)	(12)	–	(983)	(1,434)
Credited to reserve	–	–	–	–	–	–	96,494	–	96,494
Exchange differences	–	–	–	1,476	–	336	–	–	1,812
Gross deferred tax assets at 31 December 2018	381,518	636,245	143,566	1,652,968	1,074,297	144,834	98,238	10,159	4,141,825

Notes to Interim Condensed Consolidated Financial Information

18. 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 2019 (Audited)	59,416	–	76,190	9,385	114,579	259,570
(Credited)/charged to the statement of profit or loss during the period	(545)	–	–	–	28,825	28,280
Arising from acquisition of subsidiaries	13,474	–	–	–	–	13,474
Gross deferred tax liabilities at 30 June 2019 (Unaudited)	72,345	–	76,190	9,385	143,404	301,324

	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	34,953	4,362	29,626	9,385	79,251	157,577
(Credited)/charged to the statement of profit or loss during the year	(2,822)	–	46,564	–	35,328	79,070
Arising from acquisition of subsidiaries	27,285	–	–	–	–	27,285
Credited to reserve	–	(4,362)	–	–	–	(4,362)
Gross deferred tax liabilities at 31 December 2018	59,416	–	76,190	9,385	114,579	259,570

18. 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 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Net deferred tax assets recognised in the consolidated statement of financial position	**4,202,131**	4,031,727
Net deferred tax liabilities recognised in the consolidated statement of financial position	**163,196**	149,472

As at 30 June 2019, the Group had tax losses arising in Hong Kong of RMB449,335,000 (31 December 2018: of RMB273,775,000) 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 RMB421,463,000 (31 December 2018: RMB364,656,000) 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 2019, 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 RMB753,300,000 (31 December 2018: RMB490,941,000) and RMB276,628,000 (31 December 2018: RMB276,628,000), 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 2019, the aggregate amount of unrecognised deferred tax liabilities (i.e. withholding taxes relating to such temporary differences) was approximately RMB805,067,000 (31 December 2018: RMB684,582,000).

19. Share Capital

	Number of shares	**Amounts** HK$
Issued and fully paid ordinary shares:		
At 31 December 2018 (Audited) *(Note (i))*	3,954,162,637	13,032,555,000
At 30 June 2019 (Unaudited) *(Note (i))*	**3,958,360,404**	**13,065,799,000**

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 Interim Condensed Consolidated Financial Information

19. Share Capital (continued)

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

	Number of shares in issue	Share capital HK$'000	Equivalent share capital RMB'000
At 1 January 2019 and 31 December 2018	3,954,162,637	13,032,555	10,235,373
Share options exercised *(Note (ii))*	4,197,767	33,244	28,452
As at 30 June 2019 (Unaudited)	**3,958,360,404**	**13,065,799**	**10,263,825**

Note:

(ii) The subscription rights attaching to 989,209, 1,042,911, 1,740,679 and 424,968 share options were exercised at the subscription prices of HK$5.86, HK$7.17, HK$5.714 and HK$6.82 per share, respectively, resulting in the issue of 4,197,767 shares for a total cash consideration, before expenses, of HK$26,118,000. An amount of HK$7,126,000 was transferred from the share option reserve to share capital upon the exercise of the share options.

20. 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.

21. 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 Securities 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.

21. Perpetual Securities (continued)

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%.

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 2019, 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 RMB45,107,000 (six months ended 30 June 2018: RMB43,413,000), RMB138,264,000 (six months ended 30 June 2018: RMB138,264,000) and RMB75,845,000 (six months ended 30 June 2018: RMB71,562,000), respectively, and the distribution made by the Group to the holders of Perpetual Securities was RMB122,145,000 (six months ended 30 June 2018: RMB113,747,000).

22. Contingent Liabilities

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

	30 June 2019 RMB'000	31 December 2018 RMB'000
Claimed amounts	**2,787**	2,654

23. Pledge of Assets

Details of the Group's assets pledged for the Group's bank loans and other borrowings are included in notes 10, 11, 15 and 17 to the financial statements.

24. 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 2019, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Within one year	**1,040,276**	1,174,081
In the second to fifth years, inclusive	**445,833**	503,178
	1,486,109	1,677,259

(b) As lessee

The Group leases various buildings, vehicles and other equipments under non-cancellable operating lease agreements. The operating lease commitment as at 30 June 2019 presented below represents the future aggregate minimum lease payments for leases of low-value assets and the leases with lease terms less than one year. Leases with lease terms over one year have been recorded as lease liabilities as at 30 June 2019 under newly adopted accounting standard HKFRS 16 (note 2.2). The operating lease commitment as at 31 December 2018 presented below represents the future aggregate minimum lease payments under all non-cancellable operating leases.

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Within one year	**5,465**	142,361
In the second to fifth years, inclusive	**–**	502,446
More than five years	**–**	395,274
	5,465	1,040,081

25. Commitments

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

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Contracted, but not provided for:		
Capital expenditure for acquisition of property, plant and equipment	246,762	158,361
Purchase of shareholding	166,419	204,049
	413,181	362,410

(b) Credit commitments

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

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Irrevocable credit commitments	9,494,346	9,706,751

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

26. 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.
Teamway Shipping Limited
Gold Chance Shipping Limited
Fengyang Gulou Hospital Co., Ltd.
Suzhou Gaoxin Rehabilitation Hospital Co., Ltd.
Grand Flight Investment Management Co., Ltd.
Tian Jin Grand Flight Hooyoung Asset Management Co., Ltd.
Guangzhou Yimei Tiancheng Decoration Engineering Co., Ltd.

Associates
Tianjin FIS Asset Management Co., Ltd.
Shanghai Yijia Construction Development Co., Ltd.
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
SCHTRUST- Far Eastern Leasing portfolio investment collective fund trust

* *jointly controlled by the Group before 25 March, 2019.*

26. Related Party Transactions (continued)

a. **In addition to the balances in notes 11,15,16 and 17 to the financial statements, at the end of the reporting period, the Group had the following balances with its related parties:**

(i) ***Prepayments, other receivables and other assets***

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (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
Sinochem Jinmao Property Management (Beijing) Co., Ltd.	175	175
Gold Chance Shipping Limited	33,962	35,621
Teamway Shipping Limited	34,787	35,965
Weihai Haida Hospital Co., Ltd.	–	566
Fengyang Gulou Hospital Co., Ltd.	422	422
Kunming Broadhealthcare Investment Co., Ltd.	410	410
Suzhou Gaoxin Rehabilitation Hospital Co., Ltd.	38	–
Shanghai Yijia Construction Development Co., Ltd.	10,000	–
	103,650	97,021

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

26. Related Party Transactions (continued)

a. In addition to the balances in notes 11,15,16 and 17 to the financial statements, at the end of the reporting period, the Group had the following balances with its related parties: (continued)

(ii) Other payables and accruals

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Due to related parties		
Sinochem Finance Co., Ltd.	1,556	12,343
Fengyang Gulou Hospital Co., Ltd.	287	20
Kunming Broadhealthcare Investment Co., Ltd.	1	1
Suzhou Gaoxin Rehabilitation Hospital Co., Ltd.	16,022	2,494
Tianjin FIS Asset Management Co., Ltd.	1,038	1
Grand Flight Investment Management Co., Ltd.	28,695	33,874
Tian Jin Grand Flight Hooyoung Asset Management Co., Ltd.	1,993	1,983
Guangzhou Yimei Tiancheng Decoration Engineering Co., Ltd.	90,602	–
Hua Bao – Far Eastern Leasing portfolio investment collective fund trust	40,110	9,058
CITIC – Far Eastern Leasing portfolio investment collective fund trust	52,788	53,475
XMITIC – Far Eastern Leasing portfolio investment collective fund trust	164,401	34,397
SCHTRUST- Far Eastern Leasing portfolio investment collective fund trust	445	5,725
	397,938	153,371

26. Related Party Transactions (continued)

a. In addition to the balances in notes 11,15,16 and 17 to the financial statements, at the end of the reporting period, the Group had the following balances with its related parties: (continued)

(ii) Other payables and accruals (continued)

Except for the amounts due to Guangzhou Yimei Tiancheng Decoration Engineering Co., Ltd. which bear interest at an interest rate of 4.35%, and the amounts due to Grand Flight Investment Management Co., Ltd., Tian Jin Grand Flight Hooyoung Asset Management Co., Ltd., Suzhou Gaoxin Rehabilitation Hospital Co., Ltd. and Tianjin FIS Asset Management Co., Ltd. which bear interest at an interest rate of 1.485%, amounts due to other related parties are unsecured and non-interest-bearing.

(iii) Lease liabilities

	30 June 2019 (Unaudited) RMB' 000	31 December 2018 (Audited) RMB' 000
Beijing Chemsunny Property Co., Ltd.	17,825	–

Since 1 January 2019, such operating lease with the related company was accounted for according to HKFRS 16. Lease liabilities at 30 June 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 4.9%. The Group paid the rental expenses to Beijing Chemsunny Property Co., Ltd. RMB4,070,000 and paid property fee to Sinochem Jinmao Property Management (Beijing) Co., Ltd. RMB280,000 for the six months ended 30 June 2019.

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	
	2019 (Unaudited) RMB' 000	2018 (Unaudited) RMB' 000
Sinochem Finance Co., Ltd.	2,091	2,104

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

26. Related Party Transactions (continued)

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

(ii) Service fee income

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Kunming Broadhealthcare Investment Co., Ltd.	**1,830**	118

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

(iii) Interest expenses on borrowings

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Sinochem Finance Co., Ltd.	**26,562**	29,795

The interest expenses were charged at rate 5.60% per annum.

(iv) Interest expenses

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Grand Flight Investment Management Co., Ltd.	**156**	90
Tian Jin Grand Flight Hooyoung Asset Management Co., Ltd.	**14**	14
Suzhou Gaoxin Rehabilitation Hospital Co., Ltd.	**17**	–
Tianjin FIS Asset Management Co., Ltd.	**263**	–
Guangzhou Yimei Tiancheng Decoration Engineering Co., Ltd.	**599**	–
Beijing Chemsunny Property Co., Ltd.	**356**	–
	1,405	104

The interest expenses were charged at rates ranging from 1.485% to 4.9% per annum.

Notes to Interim Condensed Consolidated Financial Information

26. Related Party Transactions (continued)

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

(v) Rental expenses

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
China Jin Mao Group Co., Ltd.	–	27,854
Beijing Chemsunny Property Co., Ltd.	–	6,120
Sinochem Jinmao Property Management (Beijing) Co., Ltd.	–	422
Jin Mao (Shanghai) Property Management Services Co., Ltd.	–	3,276
	–	37,672

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	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Sinochem Finance Co., Ltd.	6,630	3,314

(vii) Consultancy fee

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Sinochem Finance Co., Ltd.	755	–

26. Related Party Transactions (continued)

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

(viii) Interest income

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Weihai Haida Hospital Co., Ltd.	**893**	805
Guangzhou Kangda Industrial Technology Co., Ltd.	**5,979**	4,292
Kunming Broadhealthcare Investment Co., Ltd.	**1,883**	1,463
Tianjin FIS Asset Management Co., Ltd.	**11,540**	–
Suzhou Gaoxin Rehabilitation Hospital Co., Ltd.	**1,078**	–
	21,373	6,560

(ix) Sales of goods

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Suzhou Gaoxin Rehabilitation Hospital Co., Ltd.	**5,992**	–

(x) Construction services

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Weihai Haida Hospital Co., Ltd.	**–**	5,138

(xi) Tendering service fee

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Sinochem Finance Co., Ltd.	**40**	–

Notes to Interim Condensed Consolidated Financial Information

26. Related Party Transactions (continued)

c. Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Employee benefits	**59,020**	52,645

27. Financial Instruments by Category

	As of 30 June 2019	As of 31 December 2018
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Financial assets as per the statement of financial position		
Debt instruments at amortised cost:		
Loans and accounts receivables	**209,413,968**	220,634,271
Financial assets included in prepayments, other receivables and other assets	**3,859,290**	3,679,459
Restricted deposits	**5,566,813**	5,280,123
Cash and cash equivalents	**4,507,551**	5,269,392
Financial assets at fair value through profit or loss:		
Derivative financial instruments designated as hedging instruments	**12,537**	14,601
Financial assets at fair value through profit or loss	**4,480,102**	2,669,404
Hedging instruments designated in cash flow hedges:		
Derivative financial instruments designated as cash flow hedging	**1,041,898**	1,028,178
Total	**228,882,159**	238,575,428
Financial liabilities as per the statement of financial position		
Financial liabilities at amortised costs:		
Trade and bills payables	**4,742,179**	3,431,914
Financial liabilities included in other payables and accruals	**38,867,820**	40,315,186
Interest-bearing bank and other borrowings	**163,292,253**	172,514,982
Lease liabilities	**1,118,423**	–
Financial liabilities at fair value through profit or loss:		
Derivative financial instruments designated as hedging instruments	**20,047**	3,317
Hedging instruments designated in cash flow hedges:		
Derivative financial instruments designated as cash flow hedging	**229,134**	204,537
Total	**208,269,856**	216,469,936

28. 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 other 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 borrowings 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 2019	31 December 2018	**30 June 2019**	31 December 2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial liabilities				
Bonds issued	**72,902,014**	74,394,157	**73,968,359**	75,300,048

28. 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)

28. Fair Value Hierarchy (continued)

Assets and liabilities measured at fair value:

As at 30 June 2019

	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	–	1,018,715	–	1,018,715
Forward currency contracts – assets	–	23,183	–	23,183
Interest rate swaps – assets	–	12,537	–	12,537
Forward currency contracts – liabilities	–	(229,134)	–	(229,134)
Interest rate swaps – liabilities	–	(20,047)	–	(20,047)
Financial assets at fair value through profit or loss	–	4,480,102	–	4,480,102

As at 31 December 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	–	984,879	–	984,879
Forward currency contracts – assets	–	43,299	–	43,299
Interest rate swaps – assets	–	14,601	–	14,601
Forward currency contracts – liabilities	–	(204,537)	–	(204,537)
Interest rate swaps – liabilities	–	(3,317)	–	(3,317)
Financial assets at fair value through profit or loss	–	2,669,404	–	2,669,404

During the six months ended 30 June 2019, 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 2018: Nil).

28. Fair Value Hierarchy (continued)

Liabilities for which fair values are disclosed:

As at 30 June 2019

	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	–	73,968,359	–	73,968,359

As at 31 December 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	–	75,300,048	–	75,300,048

29. Events after the Reporting Period

In July 2019, 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 5 June 2019 to subscribe for a total of 31,633,581 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 first, second and third 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 2019, the Board resolved to grant 47,450,371 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 and amended on 20 March 2019. 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.

30. 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 28 August 2019.

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 datas and financial statements is set out below.

	For the six months ended 30 June		For the year ended 31 December		
	2019	2018	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Revenue	**14,181,427**	12,766,739	25,378,612	18,782,314	13,928,369
Cost of sales	**(6,162,222)**	(5,277,926)	(11,484,055)	(8,106,962)	(5,735,538)
Gross profit	**8,019,205**	7,488,813	13,894,557	10,675,352	8,192,831
Other income/gains	**338,750**	399,740	739,058	637,738	477,443
Selling and administrative expenses	**(2,819,296)**	(2,786,470)	(4,913,015)	(3,911,745)	(2,872,888)
Other expenses and losses	**(225,533)**	(93,773)	(395,474)	(422,743)	(306,790)
Finance costs	**(221,541)**	(152,231)	(459,849)	(225,372)	(157,755)
Gains and loss on investment in joint ventures/associates	**91,313**	72,157	287,524	(13,673)	891
Pre-provision profit	**5,182,898**	4,928,236	9,152,801	6,739,557	5,333,732
Provision for assets	**(1,613,005)**	(1,712,580)	(2,660,234)	(1,952,369)	(1,261,262)
Profit before tax	**3,569,893**	3,215,656	6,492,567	4,787,188	4,072,470
Income tax expense	**(1,041,013)**	(955,532)	(2,104,442)	(1,377,623)	(1,130,683)
Profit for the period/year	**2,528,880**	2,260,124	4,388,125	3,409,565	2,941,787
Attributable to:					
Holders of ordinary shares of the Company	**2,233,436**	2,009,712	3,927,472	3,229,057	2,882,208
Holders of perpetual securities	**259,216**	253,239	502,735	231,264	78,284
Non-controlling interests	**36,228**	(2,827)	(42,082)	(50,756)	(18,705)
	2,528,880	2,260,124	4,388,125	3,409,565	2,941,787

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		
	2019	2018	2018	2017	2016
	US$'000	US$'000	US$'000	US$'000	US$'000
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Revenue	**2,064,555**	1,941,591	3,788,588	2,788,514	2,074,125
Cost of sales	**(897,106)**	(802,678)	(1,714,371)	(1,203,599)	(854,100)
Gross profit	**1,167,449**	1,138,913	2,074,217	1,584,915	1,220,025
Other income/gains	**49,316**	60,793	110,329	94,682	71,098
Selling and administrative expenses	**(410,438)**	(423,771)	(733,428)	(580,757)	(427,813)
Other expenses and losses	**(32,833)**	(14,261)	(59,037)	(62,762)	(45,685)
Finance costs	**(32,252)**	(23,152)	(68,648)	(33,460)	(23,492)
Gains and loss on investment in joint ventures/associates	**13,293**	10,973	42,922	(2,030)	133
Pre-provision profit	**754,535**	749,495	1,366,355	1,000,588	794,266
Provision for assets	**(234,824)**	(260,453)	(397,127)	(289,858)	(187,819)
Profit before tax	**519,711**	489,042	969,228	710,730	606,447
Income tax expense	**(151,552)**	(145,319)	(314,157)	(204,529)	(168,374)
Profit for the period/year	**368,159**	343,723	655,071	506,201	438,073
Attributable to:					
Holders of ordinary shares of the Company	**325,148**	305,641	586,304	479,402	429,200
Holders of perpetual securities	**37,737**	38,513	75,049	34,335	11,658
Non-controlling interests	**5,274**	(431)	(6,282)	(7,536)	(2,785)
	368,159	343,723	655,071	506,201	438,073

Financial Summary

	For the six months ended 30 June		For the year ended 31 December		
	2019	2018	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Total assets	**259,235,096**	272,299,943	265,969,794	227,454,273	166,560,921
Total liabilities	**(219,051,277)**	(234,922,165)	(226,877,290)	(191,046,481)	(141,714,820)
Perpetual securities	**(9,926,664)**	(9,937,215)	(9,789,593)	(9,797,723)	(1,231,881)
Non-controlling interests	**(1,713,454)**	(1,425,998)	(1,573,168)	(1,269,200)	(654,990)
	28,543,701	26,014,565	27,729,743	25,340,869	22,959,230

The following table sets forth the assets, liabilities and non-controlling interests of the Group converted into US$ at the respective 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		
	2019	2018	2018	2017	2016
	US$'000	US$'000	US$'000	US$'000	US$'000
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Total assets	**37,708,569**	41,154,058	38,753,030	34,809,812	24,010,512
Total liabilities	**(31,863,394)**	(35,504,967)	(33,057,071)	(29,237,930)	(20,428,834)
Perpetual securities	**(1,443,941)**	(1,501,861)	(1,426,389)	(1,499,453)	(177,581)
Non-controlling interests	**(249,241)**	(215,518)	(229,218)	(194,239)	(94,420)
	4,151,993	3,931,712	4,040,352	3,878,190	3,309,677

Note:

(1) Exchange rate

	Exchange rate as at the end of the period	Average exchange rate
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**
31 December 2018	6.8632	6.6987
30 June 2019	**6.8747**	**6.8690**