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遠東宏信有限公司
FAR EAST HORIZON LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 3360)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

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 2021, together with the comparative figures for the six months ended 30 June 2020. This announcement, containing the full text of the 2021 interim report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in relation to information to accompany preliminary announcement of interim results.

By Order of the Board
Far East Horizon Limited
KONG Fanxing
Chief Executive Officer and Executive Director

Hong Kong, 31 August 2021

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. LIU Haifeng David, Mr. KUO Ming-Jian 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.

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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

Environmental, Social and Governance Committee (Established on 31 August 2021)

Mr. CAI Cunqiang (*Chairman*)

Mr. HAN Xiaojing

Mr. John LAW

COMPANY SECRETARY

Ms. MAK Sze Man

AUTHORISED REPRESENTATIVES

Mr. KONG Fanxing

Ms. MAK Sze Man

REGISTERED OFFICE

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

CORPORATE INFORMATION

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

SHARE REGISTRAR

Computershare Hong Kong Investor
Services Limited

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

PRINCIPAL BANKERS

China Development Bank
Bank of China

AUDITORS

Ernst & Young

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

LEGAL ADVISER

Baker & McKenzie

COMPANY'S WEBSITE

www.fehorizon.com

STOCK CODE

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

Stock Code: 3360

COMPANY PROFILE

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

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

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

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

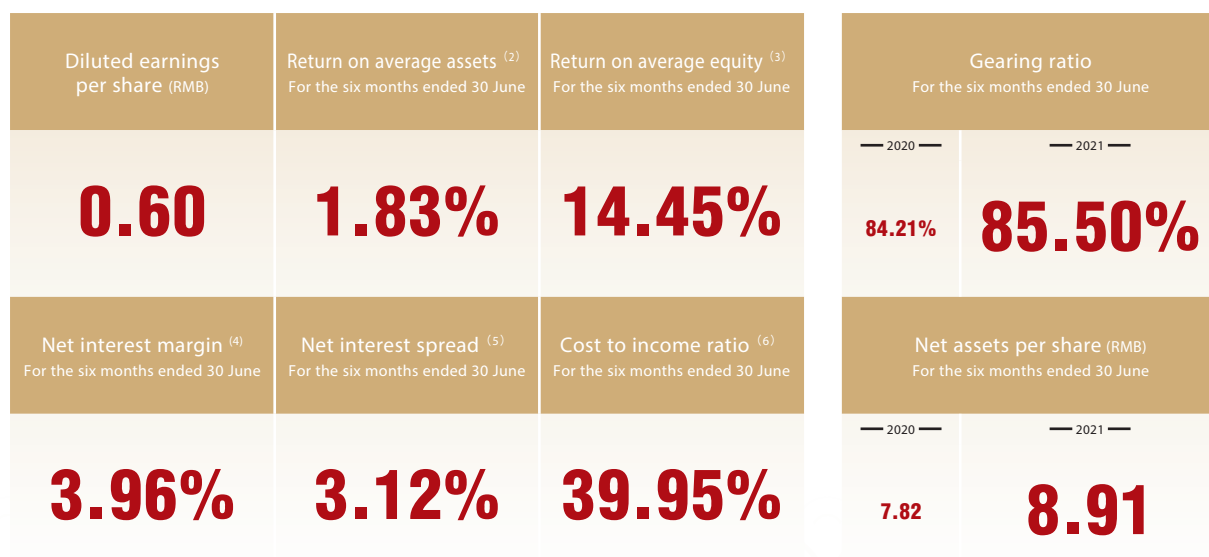
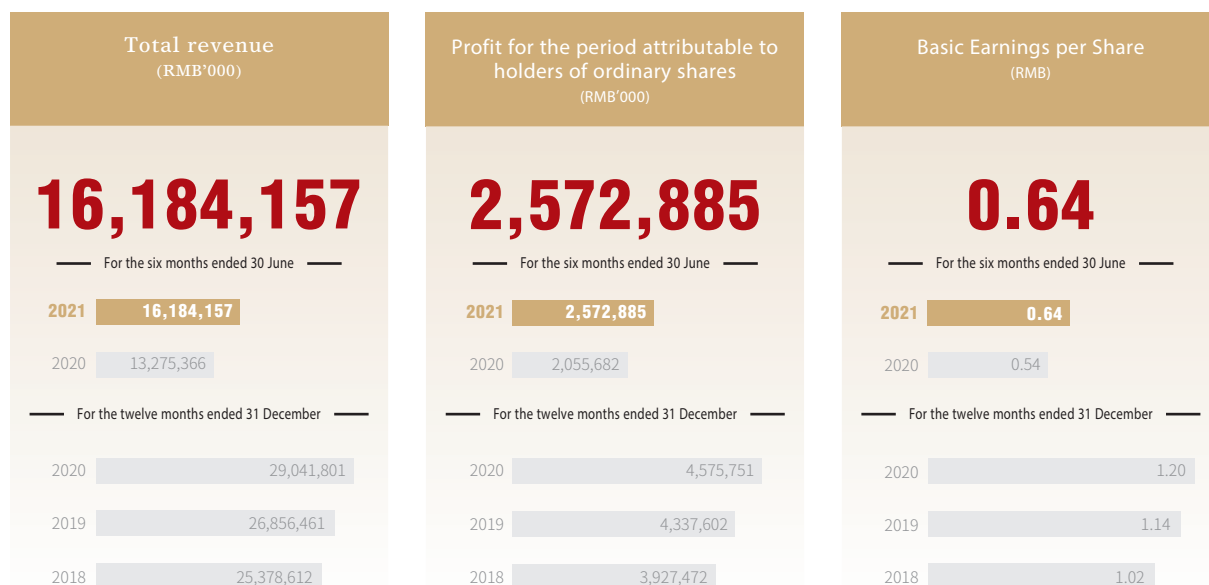
OFFICE LAYOUT NATIONWIDE



BUSINESS OVERVIEW

For the six months ended 30 June

2021



BUSINESS OVERVIEW

	For the six months ended 30 June		For the year ended 31 December		
	2021	2020	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Operating results					
Total revenue	16,184,157	13,275,366	29,041,801	26,856,461	25,378,612
Financial services (interest income)	9,358,025	7,730,045	16,521,643	15,841,562	16,137,698
Advisory services (fee income)	1,774,596	1,969,167	3,836,492	4,573,954	4,889,048
Revenue from industrial operation	5,116,738	3,620,098	8,811,129	6,521,280	4,515,625
Tax and surcharges	(65,202)	(43,944)	(127,463)	(80,335)	(163,759)
Cost of sales	(7,972,570)	(6,500,950)	(14,076,166)	(12,525,041)	(11,484,055)
Borrowing costs	(4,443,427)	(3,980,399)	(8,069,641)	(8,038,630)	(8,527,275)
Costs for industrial operation	(3,529,143)	(2,520,551)	(6,006,525)	(4,486,411)	(2,956,780)
Pre-provision operation profit ⁽¹⁾	5,342,772	4,985,955	11,248,938	9,917,400	9,152,801
Profit before tax	4,207,417	3,329,603	7,507,546	7,144,830	6,492,567
Profit for the period/year attributable to holders of ordinary shares of the Company	2,572,885	2,055,682	4,575,751	4,337,602	3,927,472
Basic earnings per share (RMB)	0.64	0.54	1.20	1.14	1.02
Diluted earnings per share (RMB)	0.60	0.54	1.16	1.14	1.02
Profitability indicators					
Return on average assets ⁽²⁾	1.83%	1.72%	1.80%	1.83%	1.78%
Return on average equity ⁽³⁾	14.45%	13.45%	14.24%	14.99%	14.80%
Net interest margin ⁽⁴⁾	3.96%	3.51%	3.83%	3.66%	3.51%
Net interest spread ⁽⁵⁾	3.12%	2.44%	2.85%	2.48%	2.28%
Cost to income ratio ⁽⁶⁾	39.95%	34.86%	33.88%	33.53%	35.36%

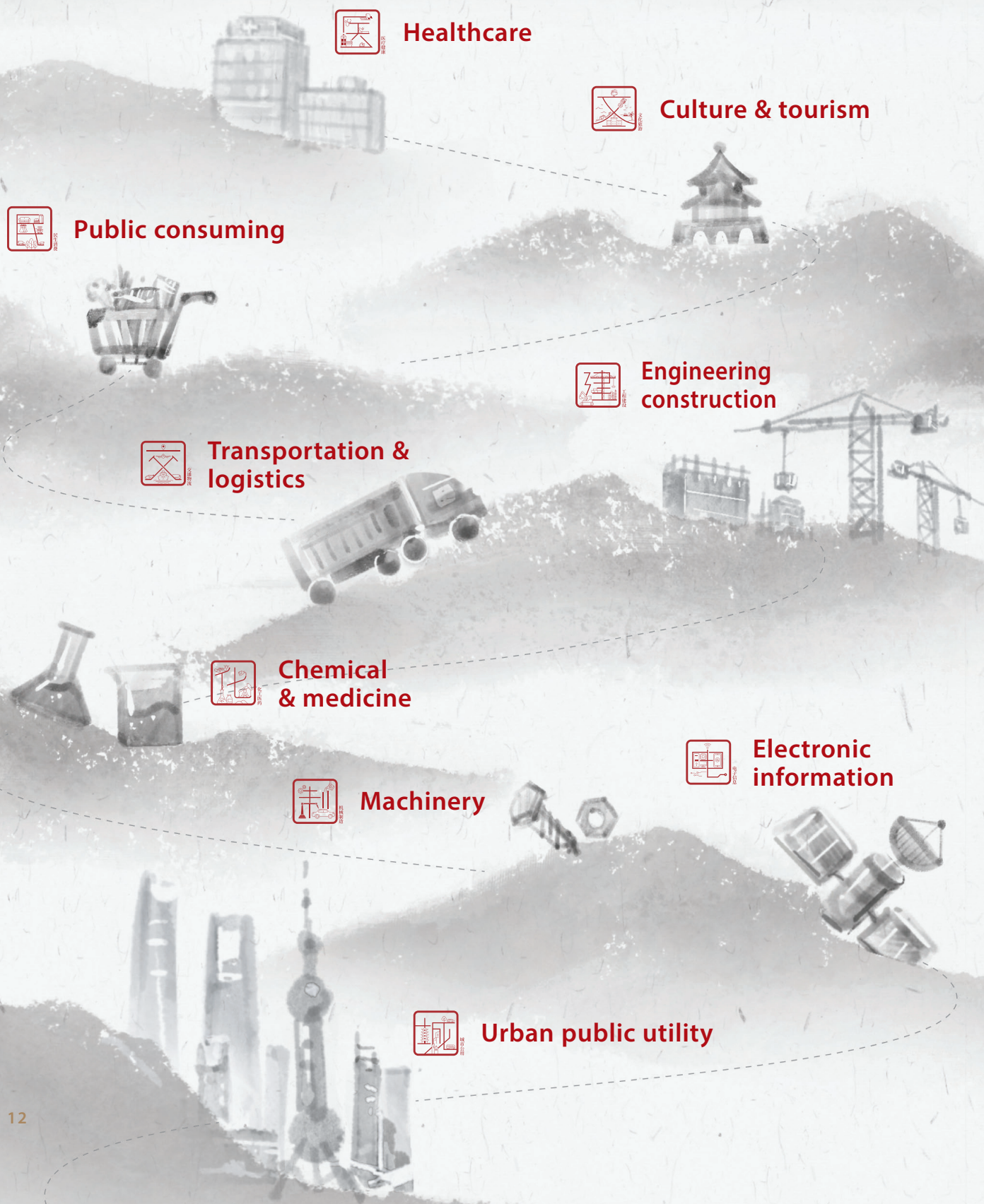
BUSINESS OVERVIEW

	30 June 2021	30 June 2020	31 December 2020	31 December 2019	31 December 2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Assets and liabilities					
Total assets	333,554,753	289,317,456	299,926,788	260,570,588	265,969,794
Net interest-earning assets	261,326,916	223,861,581	235,414,093	203,149,075	223,989,078
Total liabilities	285,175,866	243,624,474	254,659,655	219,035,813	226,877,290
Interest-bearing bank and other borrowings	231,927,568	188,182,819	205,216,155	162,396,266	172,514,982
Gearing ratio ⁽¹¹⁾	85.50%	84.21%	84.91%	84.06%	85.30%
Total equity	48,378,887	45,692,982	45,267,133	41,534,775	39,092,504
Equity attributable to holders of ordinary shares of the Company	37,118,792	31,000,176	34,119,452	30,128,436	27,729,743
Net assets per share (RMB)	8.91	7.82	8.58	7.61	7.01
Duration matching of assets and liabilities					
Financial assets	290,051,670	250,156,815	259,849,382	224,024,699	238,575,428
Financial liabilities	275,892,986	232,440,861	241,556,177	206,139,112	216,469,936
Quality of interest-earning assets					
Non-performing asset ratio ⁽⁷⁾	1.10%	1.13%	1.10%	1.11%	0.96%
Provision coverage ratio ⁽⁸⁾	255.40%	244.54%	252.20%	246.11%	236.73%
Write-off of non-performing assets ratio ⁽⁹⁾	19.10%	16.35%	52.92%	40.30%	34.41%
Overdue interest-earning assets (over 30 days) ratio ⁽¹⁰⁾	0.97%	1.28%	0.99%	1.29%	0.94%

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.
- (11) The Group proposes to spin off and separately list the shares of Horizon Construction Development, a subsidiary of the Group, on the Main Board of the Stock Exchange. In April 2021, certain investors entered into an equity purchase agreement with Horizon Construction Development to subscribe for a total of 6,651 shares at a total consideration of approximately US\$205 million. As these investors were granted redemption rights and other special rights, the aforementioned total consideration was presented as "liabilities" in the consolidated statement of financial position of the Group. Since these rights will no longer exist after the listing of Horizon Construction Development, the Group will re-evaluate the accounting classification of the aforementioned agreement at that time, and it is expected that the aforementioned total consideration will be presented as "equity". Assuming that the total consideration of the aforementioned agreement is listed as "equity" as at 30 June 2021, the debt-to-asset ratio of the Group will drop to 85.10%.



MANAGEMENT DISCUSSION AND ANALYSIS

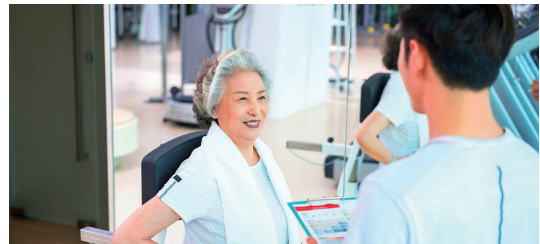
1. ECONOMY ENVIRONMENT

1.1 Macro-economy

In the first half of 2021, against the backdrop of the continuous evolution of the COVID-19 on a global scale, as well as the more complex and severe external environment, China's economy continued to recover steadily with major macro indicators staying within a reasonable range. Nonetheless, at the same time, the economic recovery was still unstable and uneven as disturbing factors such as rising commodity prices and supply chain interruptions, became prominent, while some consumer service industries were still affected by the effects of the pandemic. In the first half of 2021, the gross domestic product was RMB53.2 trillion, an actual year-on-year increase of 12.7%; and the average two-year growth rate was 5.3%, 0.3 percentage point faster than that of the first quarter.

On the supply side, industrial production continued to grow rapidly, and the recovery of the service industry slightly lagged behind. In the first half of 2021, the added value of the primary industry increased by 7.8% year on year with an average two-year growth rate of 4.3%; the secondary industry increased by 14.8% year on year with an average two-year growth rate of 6.1%; and the tertiary industry increased by 11.8% year on year with an average two-year growth rate of 4.9%. The three industries accounted for 5.3%, 38.9%, and 55.7% of the GDP, respectively. Compared with the same period of the previous year, the proportion of the secondary industry increased by 1.5 percentage points, and the proportions of the primary and tertiary industries decreased by 0.4 and 1.1 percentage points, respectively.

On the demand side, exports and investments staged a strong upward trend, while the rebound of consumption was slightly weak. In the first half of the year, the total retail sales of consumer goods increased by 23.0% year on year, and the average two-year growth rate was 4.4%, 0.2 percentage point faster than that of the first quarter, and there was still a big gap from that before the pandemic. The investment in fixed assets (excluding rural households) nationwide increased by 12.6% year on year, and the average two-year growth rate was 4.4%, 1.5 percentage points faster than that of the first quarter. The total value of imports and exports of goods increased by 27.1% year on year, and the average two-year growth rate was 10.8%, 0.9 percentage point faster than that of the first quarter.



MANAGEMENT DISCUSSION AND ANALYSIS

The quality, efficiency, and sustainability of the proactive fiscal policy improved. In the first half of 2021, the economy recovered in a remarkable fashion. The national general public budget revenue increased by 21.8% year on year, and the average two-year growth rate was 4.2%, 1.1 percentage points faster than that of the first quarter. As non-urgent and non-rigid expenditure continued to decrease, the national general public budget expenditure increased by 4.5% year on year, and the average two-year growth rate was -0.8%, 0.9 percentage point slower than that of the first quarter. The administration of special bonds returned to normal, and the issuance by local governments was moderately relaxed in terms of the issuance time. In the first half of 2021, the new issuance of local government special bonds amounted to RMB1.0 trillion, representing 27.8% of the target for the year, and a noticeably slower pace than the issuance during the previous years.

A prudent monetary policy that was flexible, accurate, reasonable and moderate was maintained. As of the end of June 2021, the balance of the broad measure of money supply (M2) increased by 8.6% year on year, 0.8 percentage point slower than that of the first quarter, and 0.1 percentage point higher than that in the same period in 2019; The outstanding social financing increased by 11.0% year on year, 1.3 percentage points slower than that of the first quarter, and 0.2 percentage point lower than that in the same period in 2019, showing that monetary policies basically returned to normal. The weighted average rate of corporate loans decreased by 0.16 percentage point year on year to 4.63%. In 2021, the People's Bank of China lowered the required reserve ratio of financial institutions by 0.5 percentage point, leading to financial institutions to further lower the comprehensive financing costs of the real economy.

In the second half of 2021, the domestic and foreign environment will be still complex, and there are many uncertainties and instabilities. The consolidation of the epidemic prevention and control results and the foundation of economic recovery still faces great challenges. The PRC government continues to deepen its supply-side reform, focusing on unleashing the potential of domestic demand, accelerating the establishment of a new development pattern and steadily reinforce high-quality development, to ensure the stable functioning of the economy, and in turn laid a solid foundation for realizing the second centenary goal of building China into a great modern socialist country in all respects. This will provide ample market scope and sound external conditions for the Group's continuous stable development.

Source: National Bureau of Statistics of China

1.2 Industry Environment

In the first half of 2021, the industrial sector continued to recover faster than the service sector. The industrial economy largely recovered to pre-pandemic levels, with capacity utilization reaching high levels in recent years. However, growth momentum slowed down due to constraints such as commodity inflation, interruption of chip supply and carbon emission targets. Industrial value added contributed 39.4% to national economic growth, and drove economic growth by 5.0 percentage points. Activities in the service sector gradually recovered, with some personnel-intensive industries showing signs of recovery, but the effects of the pandemic had not yet fully subsided. The value added of the service sector contributed 53.0% to the national economy, driving growth by 6.7 percentage points.

MANAGEMENT DISCUSSION AND ANALYSIS

From the perspective of various industry sectors served by the Group, the construction of major projects nationwide was steadily advancing and the safety expenses of real estate construction were growing rapidly, supporting the boom of the construction industry. Imported inflation pressure exerted squeezing pressure on the profitability of midstream and downstream industries, but directly benefited resource industries such as steel, coal, copper and aluminum. The overseas housing market boom represented by the U.S. drove the export of household products such as furniture, home appliances and bathroom products; at the same time, the spread of the “Delta” mutant strain once again boosted the demand for products including medical supplies and pandemic prevention materials. In the context of global economic recovery, as well as the booming domestic online consumption, the logistics sector maintained rapid growth. Technology innovation and domestic substitution accelerated, and fields such as new energy and semiconductors maintained a high degree of prosperity. However, at the same time, the effects of the pandemic on contact-based service industry such as passenger transportation and tourism had not yet fully subsided. The effects of the automobile chip shortage persisted, dragging down both production and sales. Under the background of policy adjustment, operations such as private education and private hospitals were facing greater pressure to break the situation and transform.

Source: National Bureau of Statistics of China

1.3 Industry operations

Ever since 2021, the overall business volume of the financial leasing industry declined, as the industry remained in an adjusting period and the number of enterprises slightly increased. As at March 2021, the total number of financial leasing companies in China was approximately 12,157, which increased by only 1 as compared to the end of last year. The total capital of the industry amounted to approximately RMB3.3 trillion, representing an increase of 1.2% as compared to the end of last year. The balance of financing leasing contracts in China totaled approximately RMB6.4 trillion, representing a decrease of 2.2% as compared to the end of last year, and a quarter-on-quarter decrease for two consecutive quarters.

In respect of industry regulation, in April, the State Council's Financial Stability and Development Committee held a meeting to study the strengthening of micro governance and financial supervision of local financial institutions, including financial leasing companies. In June, the State-owned Assets Supervision and Administration Commission of the State Council issued the Notice on Further Promoting the Healthy Development of Financial Leasing Companies Belonging to Central Enterprises and Strengthening Risk Prevention, which provided for the number of majority-owned leasing companies, business operation, risk prevention, etc., and emphasized that financial leasing companies which had similar business and operations of which were substantively suspended should be integrated or withdrawn. At the same time, the financial regulatory authorities in various regions including Shanghai, Hubei, Guangdong and Yunnan had issued regulatory rules and measures, and published various blacklists and whitelists, carried out regulatory ratings of leasing companies, and conducted regular inspections of leasing companies, etc. The continuous deepening and refinement of industry regulation would effectively promote the continuous standardization of industry development, reduce quantity and enhance quality, while providing favorable conditions for the sustainable and healthy development of compliant and professionally operated financial leasing companies.

Source: China Leasing Union (中國租賃聯盟), the Joint Leasing Research and Development Center (租賃聯合研發中心), and Tianjin Binhai Financial Leasing Research Institute (天津濱海融資租賃研究院)

MANAGEMENT DISCUSSION AND ANALYSIS

1.4 Company's Solutions

In the first half of 2021, in the face of the complex and difficult external environment, the Group adhered to its original aspiration and followed its development vision of “vigorously building excellent enterprises”, continuing to drive value creation with the philosophy of “model innovation”; and fully implemented its fundamental mission of “integrating global resources and promoting China’s industries”. By upholding the philosophy of “customer-centric” and focusing on finance as the main means, the Group continuously optimized its resource organization methods and upgraded its service approaches. Since the beginning of this year, in the face of multiple challenges such as economic slowdown, recurring pandemics and risk exposure, the Group had continued to promote the development strategy of “finance+industry” and achieved synchronicity with the fast-changing environment, thus maintaining a continuous, stable and healthy development trend as before.

In terms of financial business, firstly, regarding customer marketing, on the basis of nine industry sectors, the Company continued to focus on deepening its foothold in various regions and industries. Through the new marketing system, the Company clarified the target customer groups in the industry, refined its marketing objectives, enriched the operation means, optimized sales efficiency, continuously expanded the boundaries of the customer base, built the customer ecosphere, and consolidated and deepened the competitive advantages. Secondly, in terms of product services, the Company focused on full spectrum of the industrial chain and the whole life cycle of customers, and on the basis of traditional financial leasing services, continued to expand and enrich product services such as inclusive leasing, supply chain factoring, overseas financial services, non-performing assets treatment, PPP, industrial funds, etc., and cooperated with the Company’s expanded industrial operation business to provide customers with a three-dimensional product service system with more products and more dimensions. Thirdly, regarding risk control management, the Company followed the guidance of national industrial policies, accurately studied and judged the industry repair situation, and implemented differentiated control strategies. The Company actively invested in the construction of asset management network to effectively improve the efficiency of risk control. Fourthly, regarding internal management, the Company continued to promote the construction of refined management system and executed effective organization and integration of different management elements, effectively leading, promoting and safeguarding its operation

In terms of industrial operation, in response to national development strategies such as new urbanization and population aging, our business sectors including Horizon Construction Development and Horizon Healthcare have undertook active planning and formed an industrial group with leading scale and social influence.

Horizon Construction Development has become the largest equipment operation service provider in the PRC, and is also ranked the fourth in the Top 50 Aerial Work Platform Leasing Companies In the World by ACCESS 50 in 2021 and the 24th in IRN World’s Top 100 Rental Companies in 2021. Since the beginning of this year, Horizon Construction Development has continued to expand the scale of equipment, improve the operation level and consolidate the competitive advantages, maintaining a leading market position in the fields of neo-excavation support systems, neo-formwork systems, aerial work platforms, etc. Horizon Construction Development continues to deepen the contents of operation service, continuously building a full-cycle, comprehensive and multi-dimensional service system for projects. At the same time, Horizon Construction Development has formed the largest service outlet network in China. As at the end of June 2021, Horizon Construction Development had over 230 service outlets in 151 cities.

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2021, Horizon Construction Development was recognized by many leading companies and top investors in the industry, attracting a total of US\$205 million in strategic financing from XCMG Machinery, Zoomlion Heavy Industry, Hillhouse Group, Zhongxin Rongchuang, Zhejiang Dingli, LGMG, Terex and CMB International, etc. On 30 June 2021, the Group's proposed spin-off of its subsidiary, Horizon Construction Development, was approved. Horizon Construction Development had submitted an application to the Stock Exchange for listing on the Main Board.

As a large medical platform funded by social capital in China, Horizon Healthcare is dedicated to providing high-quality medical services available to everyone and building a long-living Horizon Healthcare brand that the government is pleased to see, the industry recognizes and in which people have confidence. In the first half of 2021, against the backdrop of the recurring pandemics in China, Horizon Healthcare actively performed its social responsibility of running medical services and stood on the front line of the pandemic, deploying more than 300 medical and nursing staff in total from three hospitals to support the nucleic acid sampling work.

Regarding business direction, Horizon Healthcare continues to focus on regions with weak medical resources, steadily promotes the "100 Counties Plan", and is committed to building a medical service network across the country with regional chains. Regarding discipline direction, Horizon Healthcare will take key disciplines such as orthopedics, nephrology, rehabilitation, skin care, and medical imaging as the driving force for development, give full play to its platform advantages, and optimize its discipline construction mode. Regarding management direction, it continues to promote the implementation of the management strategy of "one system, one network, one hospital" and, with the patient as the center, build an integrated operation and management model encompassing people, finance and physical resources. At the same time, it has comprehensively upgraded the construction of information systems to create a comprehensive medical information technology system that is unique, innovative, technically advanced and effective. As at the end of June, the number of hospitals in which Horizon Healthcare had controlling interests was 29 and its number of available beds was more than 12,000.

In terms of resource guarantee, under a complicated and constantly changing economy, the Group continued to strengthen cooperation with large financial institutions, dug deep into the resources of small and medium-sized banks, innovating new financing instruments and optimizing the structure of the financing system, thereby securing powerful access to resources. In terms of overseas financing, after prudential assessment, the Group successfully issued US\$ senior fixed interest bonds and US\$ zero coupon guaranteed convertible bonds, receiving high acclaim from the market and investors, providing the Company with stable financial protection.

MANAGEMENT DISCUSSION AND ANALYSIS

2. ANALYSIS OF PROFIT AND LOSS

2.1 Analysis of Profit and Loss (Overview)

In the first half of 2021, the Group continued to adhere to the operational philosophy of “finance + industry”, in the face of the complicated and ever changing macro environment and the effects of the COVID-19, and achieved stable growth in overall results, with profit before tax amounting to RMB4,207,417,000, representing an increase of 26.36% 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 RMB2,572,885,000, representing an increase of 25.16% 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 2020.

For the six months ended 30 June			
	2021	2020	
	RMB'000	RMB'000	Change %
	(Unaudited)	(Unaudited)	
Revenue	16,184,157	13,275,366	21.91%
Cost of sales	(7,972,570)	(6,500,950)	22.64%
Gross profit	8,211,587	6,774,416	21.21%
Other income/gains	878,522	952,089	-7.73%
Selling and administrative expenses	(3,280,328)	(2,361,302)	38.92%
Other expenses and losses	(223,581)	(304,975)	-26.69%
Finance costs	(385,221)	(325,086)	18.50%
Gains and loss on investment in joint ventures/associates	141,793	250,813	-43.47%
Pre-provision operating profit	5,342,772	4,985,955	7.16%
Provision for assets	(1,135,355)	(1,656,352)	-31.45%
Profit before tax	4,207,417	3,329,603	26.36%
Income tax expense	(1,316,039)	(971,717)	35.43%
Profit for the period	2,891,378	2,357,886	22.63%
Attributable to:			
Holders of ordinary shares of the Company	2,572,885	2,055,682	25.16%
Holders of perpetual securities	187,891	278,928	-32.64%
Non-controlling interests	130,602	23,276	461.10%

MANAGEMENT DISCUSSION AND ANALYSIS

2.2 Revenue

In the first half of 2021, the Group realized revenue of RMB16,184,157,000, representing an increase of 21.91% from RMB13,275,366,000 as compared to the corresponding period of the previous year. In the first half of 2021, income (before taxes and surcharges) of the financial and advisory segment was RMB11,132,621,000, accounting for 68.51% of the total income (before taxes and surcharges) and representing an increase of 14.78% as compared to the corresponding period of the previous year. The Group also accelerated its pace in developing integrated industrial operation business with income derived from industrial operation growing by 41.34% as compared to the corresponding period of the previous year, accounting for 31.49% of the total income (before taxes and surcharges).

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					
	2021		2020		
	RMB'000	% of total	RMB'000	% of total	Change %
	(Unaudited)		(Unaudited)		
Financial and advisory segment	11,132,621	68.51%	9,699,212	72.82%	14.78%
Financial services (interest income)	9,358,025	57.59%	7,730,045	58.04%	21.06%
Advisory services (fee income)	1,774,596	10.92%	1,969,167	14.78%	-9.88%
Industrial operation segment	5,116,738	31.49%	3,620,098	27.18%	41.34%
Total	16,249,359	100.00%	13,319,310	100.00%	22.00%
Taxes and surcharges	(65,202)		(43,944)		48.38%
Income (after taxes and surcharges)	16,184,157		13,275,366		21.91%

In the first half of 2021, the Group realized revenue of RMB16,184,157,000, representing growth of 21.91% from RMB13,275,366,000 as compared to the corresponding period of the previous year. The financial and advisory segment remained stable overall with a slight increase. The industrial operation segment continued to record substantial growth.

Income (before taxes and surcharges) of the financial and advisory segment was RMB11,132,621,000, accounting for 68.51% of the total income (before taxes and surcharges). In particular, interest income contribution from inclusive finance, commercial factoring, PPP investment, overseas financing, asset business and other new business directions amounted to RMB873 million, representing a year-on-year increase of 112.87%. Income derived from advisory services decreased by 9.88% mainly due to the active adjustment and continuous optimization of the Company's the service structure in response to customers' needs after changes in the external operating environment.

The income of the industrial operation segment sustained continuous growth. The industrial operation segment, which comprised of Horizon Construction Development, Horizon Health and others, realized total income of RMB5,120 million, representing an increase of 41.34% as compared to the corresponding period of the previous year.

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In the first half of 2021, the Group's financial structure continued to be optimized with the income of non-leasing business accounting for 47.78% of the total income (before taxes and surcharges), representing an increase of 45.04% as compared with the corresponding period of the previous year. A continuous growth was achieved. In particular, interest income contribution from inclusive finance, commercial factoring, PPP investment, overseas financing, asset business and other new business directions accounted for 5.37% (first half of 2020: 3.08%) of the total income; income of the advisory business accounted for 10.92% (first half of 2020: 14.78%) of the total income; income of the industrial operation segment accounted for 31.49% (first half of 2020: 27.18%) of the total income.

2.2.1 Financial Services (Interest Income)

The interest income (before taxes and surcharges) from the financial and advisory segment of the Group increased by 21.06% from RMB7,730,045,000 for the first half of 2020 to RMB9,358,025,000 for the first half of 2021, accounting for 57.59% 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						
	2021			2020		
	Average balance of interest-earning assets ⁽¹⁾	Interest income ⁽²⁾	Average yield ⁽³⁾	Average balance of interest-earning assets ⁽¹⁾	Interest income ⁽²⁾	Average yield ⁽³⁾
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
	(unaudited)	(unaudited)		(unaudited)	(unaudited)	
Healthcare	28,343,893	1,113,467	7.86%	31,355,979	1,189,993	7.59%
Cultural & tourism	25,952,058	945,424	7.29%	30,020,445	1,113,269	7.42%
Engineering construction	27,617,191	1,092,513	7.91%	25,083,693	855,494	6.82%
Machinery	13,227,889	465,784	7.04%	9,101,006	287,052	6.31%
Chemical & medicine	6,474,369	210,712	6.51%	4,530,642	142,056	6.27%
Electronic information	9,959,242	329,521	6.62%	8,656,768	278,568	6.44%
Public consuming	12,858,598	427,656	6.65%	9,797,550	322,661	6.59%
Transportation & logistics	13,990,998	517,435	7.40%	13,841,548	457,002	6.60%
Urban public utility	109,946,267	4,255,513	7.74%	81,117,697	3,083,950	7.60%
Total	248,370,505	9,358,025	7.54%	213,505,328	7,730,045	7.24%

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Note:

- (1) Calculated based on the average balance of interest-earning assets at the beginning, middle and end of the indicated periods.
- (2) Interest income of each industry represents the revenue before taxes and surcharges.
- (3) Average yield represents the quotient of interest income as divided by average balance of interest-earning assets, listed in an annualized form.
- (4) Interest-earning assets include net financial leasing receivable, entrusted loans, mortgage loans, long-term receivables, factoring receivables and respective interest accrued but not received.
- (5) In the first half of 2021, the average balance and interest income of the Group's interest-earning assets of inclusive finance, commercial factoring, PPP investment, overseas financing, asset business and other new business directions amounted to RMB21,337,404,000 and RMB873,050,000, respectively, both representing a significant increase as compared with the average balance of RMB15,102,702,000 as at the end of 2020 and interest income of RMB410,129,000 of the interest-earning assets for the first half of 2020. The average yield remained stable with a slight increase.

Analysis according to average balance of interest-earning assets

The average balance of interest-earning assets of the Group increased by 12.48% from RMB220,808,249,000 as at the end of 2020 to RMB248,370,505,000 for the first half of 2021. The Group actively managed 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 2021, the average yield of the Group was 7.54%, representing 0.30 percentage point higher than 7.24% in the corresponding period of the previous year, mainly due to the fact that: (i) in the first half of 2021, the Group maintained a stable customer base coverage strategy, responded to customer needs in a timely manner, and maintained stable pricing; (ii) the Group enhanced the promotion of new businesses such as inclusive finance, commercial factoring, overseas financing, PPP investment and asset business, and maintained a higher return pricing.

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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				
	2021		2020	
	RMB'000	% of total	RMB'000	% of total
	(unaudited)		(unaudited)	
Northeast China	526,536	5.63%	561,627	7.27%
Northern China	936,500	10.01%	861,923	11.15%
Eastern China	3,192,559	34.12%	2,394,677	30.98%
Southern China	681,608	7.28%	588,303	7.61%
Central China	1,579,533	16.88%	1,080,732	13.98%
Northwest China	578,835	6.19%	500,095	6.47%
Southwest China	1,862,454	19.89%	1,742,688	22.54%
Total	9,358,025	100.00%	7,730,045	100.00%

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2.2.2 Advisory Services (Fee Income)

In the first half of 2021, fee income (before taxes and surcharges) from financial and advisory segment decreased by 9.88% from RMB1,969,167,000 for the first half of 2020 to RMB1,774,596,000 for the first half of 2021, accounting for 10.92% of the total revenue (before taxes and surcharges) of the Group.

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

For the six months ended 30 June					
	2021		2020		
	RMB'000	% of total	RMB'000	% of total	Change %
	(Unaudited)		(Unaudited)		
Healthcare	74,883	4.22%	86,154	4.38%	-13.08%
Cultural & tourism	120,323	6.78%	118,771	6.03%	1.31%
Engineering construction	222,907	12.56%	247,109	12.55%	-9.79%
Machinery	203,204	11.45%	141,250	7.17%	43.86%
Chemical & medicine	82,210	4.63%	61,788	3.14%	33.05%
Electronic information	80,348	4.53%	102,686	5.21%	-21.75%
Public consuming	122,485	6.90%	126,529	6.43%	-3.20%
Transportation & logistics	141,789	7.99%	159,777	8.11%	-11.26%
Urban public utility	726,447	40.94%	925,103	46.98%	-21.47%
Total	1,774,596	100.00%	1,969,167	100.00%	-9.88%

Engineering construction, transportation & logistics and urban public utility accounted for the greatest contribution to the aggregate growth of the Group's service charge income (before taxes and surcharges). With the guidance of national macro policies and the promotion of industries such as manufacturing and export as the COVID-19 pandemic steadily subsides, the Group's advisory service income in the machinery and chemicals & medicine industries increased respectively as compared to the first half of 2020. The Group will gradually enhance its service capabilities and enrich the scope and means of service based on changes in customers' requirements, and realize the healthy growth of the revenue of such service.

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

For the six months ended 30 June				
	2021		2020	
	RMB'000	% of total	RMB'000	% of total
	(Unaudited)		(Unaudited)	
Northeast China	87,697	4.94%	67,792	3.44%
Northern China	190,173	10.72%	264,464	13.43%
Eastern China	719,975	40.56%	786,540	39.94%
Southern China	136,434	7.69%	175,454	8.91%
Central China	235,466	13.27%	223,662	11.36%
Northwest China	161,616	9.11%	127,442	6.47%
Southwest China	243,235	13.71%	323,813	16.44%
Total	1,774,596	100.00%	1,969,167	100.00%

2.2.3 Revenue from Industrial Operation Segment

Revenue from industrial operation segment of the Group, before taxes and surcharges, increased by 41.34% from RMB3,620,098,000 for the first half of 2020 to RMB5,116,738,000 for the first half of 2021, accounting for 31.49% of the total revenue of the Group (before taxes and surcharges).

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

For the six months ended 30 June					
	2021		2020		
	RMB'000	% of total	RMB'000	% of total	Change %
	(Unaudited)		(Unaudited)		
Revenue from industrial operation segment	5,116,738	100.00%	3,620,098	100.00%	41.34%
Including:					
Revenue from equipment operation ⁽¹⁾	2,429,705	47.49%	1,381,704	38.17%	75.85%
Revenue from hospital operation ⁽²⁾	1,988,390	38.86%	1,539,020	42.51%	29.20%

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Notes:

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

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

2.3 Cost of Sales

In the first half of 2021, cost of sales of the Group increased by 22.64% from RMB6,500,950,000 in the corresponding period of the previous year to RMB7,972,570,000, of which the cost of the financial and advisory segment was RMB4,443,427,000, accounting for 55.73% of the total cost and representing an increase of 11.63% from RMB3,980,399,000 in the corresponding period of the previous 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 size of interest-earning assets grew, which caused the size of debt financing to increase. Although the cost of new financing decreased, interest expenditure of the financial and advisory segment still increased. The cost of the industrial operation segment was RMB3,529,143,000, accounting for 44.27% of the total costs and representing an increase of 40.01% from RMB2,520,551,000 in the corresponding period of the previous year. This was mainly due to the rapid expansions of the Group's industrial operations in respect of healthcare and equipment operation, among which, some of the hospitals under the industrial operation of healthcare were still at their preliminary stage and their economies of scale were not large enough. The equipment operation industry achieved large-scale output through its nationwide operating network and operational capabilities, and the rapid expansion of the business size led to significant growth in cost of sales for industrial operation. The Group will, through collectivized management, gradually enhance the operating efficiency of each industrial operation company, to transform the cost of sales of industrial operation into the growth of its revenue in a highly-effective manner.

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

For the six months ended 30 June					
	2021		2020		
	RMB'000	% of total	RMB'000	% of total	Change %
	(Unaudited)		(Unaudited)		
Cost of the finance and advisory segment	4,443,427	55.73%	3,980,399	61.23%	11.63%
Cost of the industrial operation segment	3,529,143	44.27%	2,520,551	38.77%	40.01%
Cost of sales	7,972,570	100.00%	6,500,950	100.00%	22.64%

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2.3.1 Cost of the Financial and Advisory Segment

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

For the six months ended 30 June						
2021			2020			
	Average balance ⁽¹⁾	Interest expense	Average cost rate ⁽²⁾	Average balance ⁽¹⁾	Interest expense	Average cost rate ⁽²⁾
	RMB'000	RMB'000		RMB'000	RMB'000	
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
Interest-bearing liabilities	201,084,272	4,443,427	4.42%	166,018,719	3,980,399	4.80%

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 by RMB463,028,000 from RMB3,980,399,000 for the first half of 2020 to RMB4,443,427,000 for the first half of 2021. The average cost rate of the Group decreased to 4.42% for the first half of 2021 as compared with that for the first half of 2020, mainly due to the fact that:

(i) affected by the loose monetary policy in the first half of 2021, domestic financing costs dropped, and new domestic bank withdrawals caused an average cost rate to decrease by 0.06% as compared to mid-2020; (ii) the Group made full use of diversified financing advantages, and appropriately increased overseas withdrawals, and the average cost rate decreased by 0.06% as compared to mid-2020 due to new overseas bank withdrawals; (iii) the Group completed the issuance of various product such as corporate bonds, medium-term notes, super-short financial bonds and asset securitization, due to the overall decline in bond market yields in the first half of 2021, resulting in a decrease in average cost ratio of 0.06% as compared to mid-2020; (iv) the decrease in stock cost. The cost of existing bank financing for 2021 increased by 0.20% as compared to mid-2020, which was due to the expiration of existing high-cost loans in the second half of 2017 and the first half of 2018, and the decrease in financing costs in the second half of 2020;

In the first half of 2021, under the “finance+industry” strategy, the Group continued to stepped up its efforts to support the development of the industries under the Group and connect financial resources in all directions. The ability on liability side was further strengthened, and the Group sustained a clear advantage over the peers in terms of financing costs.

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2.3.2 Cost of the Industrial Operation Segment

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

For the six months ended 30 June					
	2021		2020		
	RMB'000	% of total	RMB'000	% of total	Change %
	(Unaudited)		(Unaudited)		
Cost of the industrial operation segment	3,529,143	100.00%	2,520,551	100.00%	40.01%
Of which:					
Cost of equipment operation ⁽¹⁾	1,365,700	38.70%	767,959	30.47%	77.83%
Cost of hospital operation ⁽²⁾	1,590,400	45.06%	1,250,770	49.62%	27.15%

Notes:

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

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

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2.4 Gross Profit

The gross profit of the Group for the first half of 2021 increased by RMB1,437,171,000 or 21.21% to RMB8,211,587,000 from RMB6,774,416,000 in the corresponding period of the previous year. For the first half of 2021 and the first half of 2020, the gross profit margin of the Group was 50.74% and 51.03%, respectively.

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 2021 was 60.09%, up from 58.96% in the corresponding period of the previous 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. For this period, the interest income growth rate was higher than the interest expense growth rate. The following table sets forth the interest income, interest expense, net interest income, net interest spread and net interest margin of the Group during the periods indicated.

	For the six months ended 30 June		
	2021	2020	Change %
	RMB'000	RMB'000	
	(Unaudited)	(Unaudited)	
Interest income ⁽¹⁾	9,358,025	7,730,045	21.06%
Interest expense ⁽²⁾	4,443,427	3,980,399	11.63%
Net Interest income	4,914,598	3,749,646	31.07%
Net interest spread ⁽³⁾	3.12%	2.44%	0.68%
Net interest margin ⁽⁴⁾	3.96%	3.51%	0.45%

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.

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Net interest spread of the Group for the first half of 2021 was 3.12%, increased by 0.68 percentage point as compared with 2.44% in the corresponding period of the previous year. The increase of net interest spread was primarily due to the increase of 30 basis points in the average yield on interest-earning assets of the Group and the decrease of 38 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 31.07% to RMB4,914,598,000 for the first half of 2021 from RMB3,749,646,000 for the first half of 2020. The average balance of interest-earning assets of the Group increased by 16.33% year on year. Based on the above-mentioned reasons, the net interest margin of the Group increased by 0.45 percentage point to 3.96% as compared to 3.51% in the corresponding period of the previous year.

2.4.2 Gross Profit of the Industrial Operation Segment

For the six months ended 30 June					
	2021		2020		
	RMB'000	% of total	RMB'000	% of total	Change %
	(Unaudited)		(Unaudited)		
Gross profit of the industrial operation segment	1,587,595	100.00%	1,099,547	100.00%	44.39%
Of which:					
Gross profit of equipment operation ⁽¹⁾	1,064,005	67.02%	613,745	55.82%	73.36%
Gross profit of hospital operation ⁽²⁾	397,990	25.07%	288,250	26.22%	38.07%

Notes:

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

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

The gross profit of the industrial operation segment increased by 44.39% from RMB1,099,547,000 for the first half of 2020 to RMB1,587,595,000 for the first half of 2021, among which the gross profit of the hospital operation business and the equipment operation business was RMB397,990,000 and RMB1,064,005,000 respectively, accounting for 25.07% and 67.02% of the total gross profit of the industrial operation segment.

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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			
	2021	2020	
	RMB'000	RMB'000	Change %
	(Unaudited)	(Unaudited)	
Income from the holdings of off-balance-sheet assets ⁽¹⁾	329,986	510,310	-35.34%
Bank interest income	93,559	69,259	35.09%
Gains from structured financial products	57,471	43,365	32.53%
Government grants	41,908	44,791	-6.44%
Equity and debt investment income ⁽²⁾	218,016	253,552	-14.02%
Gains from the transfer of financial assets ⁽³⁾	47,428	1,792	2546.65%
Other income ⁽⁴⁾	90,154	29,020	210.66%
Total	878,522	952,089	-7.73%

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 and expected loss rate of such holding. For the changes in respect of the off-balance-sheet assets of the Group, please refer to the discussion and analysis in paragraph 3.3 of this section. The outstanding principal balance of the off-balance-sheet interest-earning assets of the Group as at 30 June 2021 was approximately RMB11.725 billion, a decrease of 22.14% from the RMB15.059 billion as at the end of the previous year, resulting in the decrease of revenue from the Group's holding of off-balance-sheet assets as compared to the corresponding period of the previous year.
- (2) The Group's equity and debt investment income was mainly gains on changes and transfer of the fair value of equity and debt investment.
- (3) The Group's gains from transfer of financial assets were the premium of interest-earning assets gained from issuing asset-backed securities of the Group.
- (4) The Group's other income for the period mainly consisted of gains from disposal of fixed assets of RMB10,011,000.

2.6 Selling and Administrative Expenses

Selling and administrative expenses of the Group for the first half of 2021 were RMB3,280,328,000, representing an increase of RMB919,026,000 or 38.92% from RMB2,361,302,000 in the corresponding period of the previous year. The increase in selling and administrative expenses was mainly due to the increase in the Group's salary and welfare-related costs as compared to the previous year as a result of the increase in the total number of full-time employees of the Group.

Cost to income ratio of the Group in the first half of 2021 was 39.95%, which increased from 34.86% as compared to the corresponding period of the previous year.

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2.7 Other Expenses and Losses

Other expenses of the Group in the first half of 2021 amounted to RMB223,581,000, representing a decrease of RMB81,394,000 or 26.69% as compared to the corresponding period of the previous year. Other expenses and losses comprised loss on changes in fair value of RMB80,573,000, representing a decrease of RMB21,927,000 as compared to RMB102,500,000 in the corresponding period of the previous year.

2.8 Finance Costs

Finance costs of the Group in the first half of 2021 amounted to RMB385,221,000, representing an increase of RMB60,135,000 or 18.50% as compared to the corresponding period of the previous year. The finance costs were mainly financing-related costs for the Group's industrial operation segment.

2.9 Pre-provision Operating Profit

Pre-provision operation profit of the Group in the first half of 2021 amounted to RMB5,342,772,000, representing an increase of RMB356,817,000 or 7.16% from the corresponding period of the previous year. In view of the above, facing the objective changes in the external environment, the Group proactively adopted prudent and stable development strategies. Financial and advisory segment maintained stable overall growth. At the same time, industrial operation was in a rapid expansion and investment period, and hence the increase in costs and selling and administrative expenses accelerated, resulting in a lower growth rate of the pre-provision operating profit than the growth rate of income and gross profit. It is expected that with the gradual stabilization of the external market environment in the future, the gradual expansion of the industrial operating scale and the improvement in internal operating efficiency, the pre-provision operation profit of the Group will show a steady growing trend.

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2.10 Provision for Assets

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

For the six months ended 30 June					
	2021		2020		
	RMB'000	% of total	RMB'000	% of total	Change %
	(Unaudited)		(Unaudited)		
Provision for interest-earning assets	1,086,050	95.66%	1,056,114	63.76%	2.83%
Provision for accounts receivable ⁽¹⁾	56,578	4.98%	99,168	5.99%	-42.95%
Provision for other receivables ⁽¹⁾	(4,366)	-0.38%	(6,582)	-0.40%	-33.67%
Provision for inventories	–	–	20,979	1.27%	-100.00%
Provision for fixed assets ⁽²⁾	–	–	449,956	27.17%	-100.00%
Provision for the holdings of off-balance-sheet assets ⁽³⁾	–	–	3,000	0.18%	-100.00%
Impairment of credit commitments ⁽⁴⁾	(2,907)	-0.26%	–	–	N/A
Other provisions	–	–	33,717	2.03%	-100.00%
Total	1,135,355	100.00%	1,656,352	100.00%	-31.45%

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 and fixed asset of subsidiaries in the industrial operation segment 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;
- (4) Provision for credit commitments is mainly the expected credit loss of the Group's interest-earning assets that have been contracted but not yet placed.

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2.11 Income Tax Expense

Income tax expense of the Group in the first half of 2021 was RMB1,316,039,000, which increased by RMB344,322,000 or 35.43% 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 2021 was 31.3%, which increased slightly 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		
	2021	2020	Change %
	(Unaudited)	(Unaudited)	
Domestic statutory tax rate	25.0%	25.0%	–
Cross-border business withholding income tax ⁽¹⁾	1.1%	1.7%	(0.6%)
Others ⁽²⁾	5.2%	2.5%	2.7%
Total	31.3%	29.2%	2.1%

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 increase of others was mainly due to the increase in overseas income tax.

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 RMB2,572,885,000, which increased by RMB517,203,000 or 25.16% from the corresponding period of the previous year.

2.13 Basic Earnings per Share

Basic earnings per share for the current period amounted to RMB0.64, representing an increase of RMB0.10 or 18.52% from the corresponding period of the previous year.

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3. ANALYSIS OF FINANCIAL POSITION

3.1 Assets (Overview)

As at 30 June 2021, the total assets of the Group increased by RMB33,627,965,000 or 11.21% from the end of the previous year to RMB333,554,753,000. Net interest-earning assets increased by RMB25,912,823,000 or 11.01% from the end of the previous year to RMB261,326,916,000.

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

	30 June 2021		31 December 2020		Change %
	RMB'000	% of total	RMB'000	% of total	
	(Unaudited)		(Audited)		
Loans and accounts receivable	254,438,683	76.28%	229,397,307	76.48%	10.92%
Of which: interest-earning assets	249,861,819	74.91%	225,676,893	75.24%	10.72%
Cash and cash equivalents	13,379,108	4.01%	11,877,235	3.96%	12.64%
Restricted deposits	5,461,490	1.64%	3,474,869	1.16%	57.17%
Holding of asset-backed securities/notes	4,202,907	1.26%	4,499,118	1.50%	-6.58%
Assets with continuing involvement	4,202,907	1.26%	4,499,118	1.50%	-6.58%
Prepayment and other accounts receivable	3,791,787	1.13%	2,485,597	0.83%	52.55%
Deferred tax assets	5,306,254	1.59%	5,142,900	1.71%	3.18%
Property, plant and equipment	21,156,604	6.34%	16,871,601	5.63%	25.40%
Investment in joint ventures/associates	7,355,338	2.21%	7,291,219	2.43%	0.88%
Financial assets at fair value through profit or loss	9,539,299	2.86%	9,342,565	3.11%	2.11%
Of which: interest-earning assets	4,110,518	1.23%	3,205,613	1.07%	28.23%
Financial assets at fair value through other comprehensive income	78,581	0.02%	108,176	0.04%	-27.36%
Derivative financial instruments	54,108	0.02%	288,967	0.10%	-81.28%
Inventories	470,014	0.14%	397,381	0.13%	18.28%
Contract assets	66,576	0.02%	110,132	0.04%	-39.55%
Goodwill	2,032,146	0.61%	2,032,232	0.68%	0.00%
Right-of-use assets	1,967,427	0.59%	2,059,242	0.69%	-4.46%
Other assets	51,524	0.02%	49,129	0.01%	4.87%
Total assets	333,554,753	100.00%	299,926,788	100.00%	11.21%

MANAGEMENT DISCUSSION AND ANALYSIS

3.2 Interest-Earning Assets

The main component of the Group's assets was interest-earning assets, which accounted for 76.14% of the Group's total assets as at 30 June 2021. In the first half of 2021, the Group dynamically adjusted the promotion policies of each industry sector in accordance with the environment and industry patterns. While cultivating the market in depth, it also strengthened risk management and control in a prudent manner, strengthened the risk identification of sub-sectors and customer qualifications, and improved asset safety. Under the premise of steadily promoting the expansion of financial business, the Group's interest-earning assets maintained steady growth.

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

	30 June 2021		31 December 2020		
	RMB'000	% of total	RMB'000	% of total	Change %
	(Unaudited)		(Audited)		
Interest-earning assets					
Included in loans and accounts receivable	257,129,714	98.39%	232,208,480	98.64%	10.73%
Included in financial assets at fair value through profit or loss	4,197,202	1.61%	3,205,613	1.36%	30.93%
Total net interest-earning assets	261,326,916	100.00%	235,414,093	100.00%	11.01%
Impairment of loans and accounts receivables	(7,267,895)		(6,531,587)		11.27%
Impairment of financial assets at fair value through profit or loss	(86,684)		–		N/A
Less: total interest-earning assets provisions	(7,354,579)		(6,531,587)		12.60%
Net interest-earning assets	253,972,337		228,882,506		10.96%

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3.2.1 Loans and Accounts Receivable

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

	30 June 2021		31 December 2020		
	RMB'000	% of total	RMB'000	% of total	Change %
	(Unaudited)		(Audited)		
Net interest-earning assets included in loans and accounts receivable	249,861,819	98.20%	225,676,893	98.38%	10.72%
Others ⁽¹⁾	4,576,864	1.80%	3,720,414	1.62%	23.02%
Net loans and accounts receivable	254,438,683	100.00%	229,397,307	100.00%	10.92%

Note:

(1) Others included notes receivables and accounts receivables.

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 2021		31 December 2020		
	RMB'000	% of total	RMB'000	% of total	Change %
	(Unaudited)		(Audited)		
Healthcare	28,308,152	10.83%	28,379,634	12.06%	-0.25%
Culture & tourism	26,275,427	10.05%	25,628,688	10.88%	2.52%
Engineering construction	29,039,917	11.11%	26,194,464	11.13%	10.86%
Machinery	14,894,909	5.70%	11,560,868	4.91%	28.84%
Chemical & medicine	7,279,335	2.79%	5,669,403	2.41%	28.40%
Electronic information	10,100,437	3.87%	9,818,047	4.17%	2.88%
Public consuming	14,049,228	5.38%	11,667,968	4.96%	20.41%
Transportation & logistics	14,014,581	5.36%	13,967,415	5.93%	0.34%
Urban public utility ⁽²⁾	117,364,930	44.91%	102,527,606	43.55%	14.47%
Total	261,326,916	100.00%	235,414,093	100.00%	11.01%

MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

- (1) Net interest-earning assets for culture & tourism, engineering construction, machinery, chemical & medicine, electronic information, public consuming and urban public utility among the target industries of the Group maintained growth during the period from 31 December 2020 to 30 June 2021, which was attributable to (i) the Group's business expansion and in-depth exploration of their respective industries, expanding the customer base in the above industries and increasing the introduction of high-quality customers in the above industries; (ii) the Group's adaptation to the changes in the macro economy and the trend of the industrial environment and adjustments to the layout of key industries; and (iii) the Group's continuous maintenance of quality industries and customers and exploration of their needs for financial service.
- (2) As at 30 June 2021, the interest-earning assets of urban public utility were further divided into sub-sectors, including public transportation infrastructure, water, electricity, gas and other operational services, urban environmental governance, energy-saving and carbon-reduction projects, smart city upgrading and transformation, emerging industry facilities and operation services, and other industries.
- (3) As at 30 June 2021, the net interest-earning assets of the Group's new business directions, including inclusive finance, commercial factoring, PPP investment, overseas financing and asset business, amounted to RMB22,664 million, representing an increase of RMB2,653 million or 13.26% from RMB20,011 million as at 31 December 2020.

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 2021		31 December 2020	
	RMB'000	% of total	RMB'000	% of total
	(Unaudited)		(Audited)	
Northeast China	13,643,960	5.22%	13,426,815	5.70%
Northern China	27,893,227	10.67%	26,163,695	11.12%
Eastern China	92,677,083	35.46%	78,752,349	33.45%
Southern China	21,370,462	8.18%	19,734,178	8.38%
Central China	38,325,254	14.67%	33,882,670	14.39%
Northwest China	17,952,869	6.87%	16,066,574	6.83%
Southwest China	49,464,061	18.93%	47,387,812	20.13%
Total	261,326,916	100.00%	235,414,093	100.00%

MANAGEMENT DISCUSSION AND ANALYSIS

3.2.4 Aging Analysis of Net Interest-earning Assets

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

	30 June 2021		31 December 2020		
	RMB'000	% of total	RMB'000	% of total	Change %
	(Unaudited)		(Audited)		
Net interest-earning assets					
Within 1 year	147,788,219	56.55%	130,110,706	55.27%	13.59%
1 to 2 years	60,414,590	23.12%	40,135,743	17.05%	50.53%
2 to 3 years	13,540,600	5.18%	32,703,059	13.89%	-58.60%
3 years and beyond	39,583,507	15.15%	32,464,585	13.79%	21.93%
Total	261,326,916	100.00%	235,414,093	100.00%	11.01%

Net interests-earning assets within one year represented net interest-earning assets the Group received, and were still valid as at the end of the year or the end of the period. As at 30 June 2021, net interest-earning assets within one year as set out in the table above represented 56.55% of net interest-earning assets of the Group, an increase as compared to the end of the previous year, which meant that the Group still maintained steady growth capacity of interest-earning assets.

3.2.5 Maturity Profile of Net Interest-earning Assets

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

	30 June 2021		31 December 2020		
	RMB'000	% of total	RMB'000	% of total	Change %
	(Unaudited)		(Audited)		
Maturity date					
Within 1 year	136,411,347	52.20%	123,395,491	52.42%	10.55%
1 to 2 years	75,575,693	28.92%	68,888,578	29.26%	9.71%
2 to 3 years	31,207,793	11.94%	27,935,036	11.87%	11.72%
3 years and beyond	18,132,083	6.94%	15,194,988	6.45%	19.33%
Total	261,326,916	100.00%	235,414,093	100.00%	11.01%

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Net interest-earning assets due within one year represented net interest-earning assets which the Group received within one year of the reporting date indicated. As at 30 June 2021, net interest-earning assets due within one year as set forth in the table above represented 52.20% of the Group's net interest-earning assets as of each of the respective dates, which basically remained unchanged 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.

3.2.6 Asset Quality of Net Interest-earning Assets

3.2.6.1 Five-category Classification of Net Interest-earning Assets

The Group implements a five-category classification of interest-earning assets that accurately 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 the interest-earning assets portfolio, the Group applies a series of criteria that is derived from the own internal regulations regarding the management of lease assets. These criteria have fully considered and learned from the requirements or standards of relevant regulatory agencies and similar institutions on asset classification. These criteria are designed to assess the possibility of repayment by the borrower and the collectability of principal and interest on our interest-earning assets. The interest-earning assets classification criteria focus on a number of factors, if applicable. The asset classifications of the Group include:

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

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

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

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

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

Asset management measures

In the first half of 2021, as the effects of the pandemic further weakened, domestic supply and demand rebounded significantly, the growth rate of consumption and investment accelerated significantly, and the social and economic level gradually returned to the pre-pandemic level. The Group continued to optimize its asset process management and monitoring system, deepened technological empowerment, strengthened team structure and personnel training, and achieved efficient management of assets throughout the entire process. During the reporting period, the security of the Group's assets showed a steady improvement trend.

Deepen technological empowerment and system construction to improve the efficiency of asset management throughout the entire process

The Group further deepened the empowerment of asset management technology by establishing a big data early warning platform to improve the depth, breadth and accuracy of risk mining, and strengthened the rule system for early warning application to achieve timeliness and effectiveness for customer risk prediction and on-site arrivals. It also realized the optimization and upgrade of the asset management system in throughout the entire process. The litigation management system and the management precision of litigation disposal were improved and the efficiency of risky asset disposal was strengthened to provide strong support for the disposal of risky assets. The rent management system was iteratively upgraded to realize the automation of daily operations and the efficiency of rent management.

Strengthen team structure and personnel training, and comprehensively improve asset management capabilities

The Group further optimized team functions, strengthened the personnel training system, and strengthened asset management capabilities. In the first half of 2021, the Group accelerated the construction of the sub-sectors system, focused on the analysis and prediction capabilities of related industries, strengthened the construction of regional characteristics, refined the division of labor, and adopted asset disposal methods that combine traditional and innovative methods to build industry-specific asset management capabilities. The Group also continued to improve the comprehensive capabilities of employees, and strengthen the combat effectiveness and execution capabilities of asset managers by establishing a full-cycle talent training system.

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

	30 June 2021		31 December 2020		31 December 2019		31 December 2018	
	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total
	(Unaudited)		(Audited)		(Audited)		(Audited)	
Pass	234,339,670	89.67%	210,311,324	89.34%	178,912,873	88.07%	195,099,412	87.10%
Special mention	24,107,630	9.23%	22,512,881	9.56%	21,987,115	10.82%	26,737,919	11.94%
Substandard	1,632,177	0.63%	1,940,917	0.82%	1,689,815	0.83%	1,328,649	0.59%
Doubtful	1,239,287	0.47%	648,971	0.28%	559,272	0.28%	823,098	0.37%
Loss	8,152	0.00%	–	–	–	–	–	–
Net interest-earning assets	261,326,916	100.00%	235,414,093	100.00%	203,149,075	100.00%	223,989,078	100.00%
Non-performing assets	2,879,616		2,589,888		2,249,087		2,151,747	
Non-performing asset ratio	1.10%		1.10%		1.11%		0.96%	

The Group has established prudent asset quality control policy and adhered to a stringent and conservative asset classification policy. As at 30 June 2021, the Group's assets under special mention accounted for 9.23% of its net interest-earning assets, representing a decrease of 0.33 percentage point from 9.56% at the end of 2020. In the reporting period, the quality of assets continued to be further optimized.

The assets under special mention in the urban public utility industry accounted for 38.93% of the total assets under special mention. This was mainly due to the large amount of assets in the urban public sector and the large number of individual customers. Customer operations in some industries (such as power, heating) appeared volatile, and short-term capital position tightened. The Group prudently adjusted more of the assets of the segment to assets under special mention.

The assets under special mention in the cultural & tourism industry accounted for 20.26% of the total assets under special mention, mainly in tourism, cultural, etc. The overall operation in the first half of the year represented a steady recovery. However, considering the uncertainty impact of the pandemic on the tourism industry, 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 15.78% of the total assets under special mention. Some public hospitals were affected by the decline in local fiscal revenue, and some private medical industries (such as dentistry, medical aesthetics, healthcare, etc.) were greatly affected by the pandemic, resulting in a longer repayment cycle. The Group prudently adjusted more of the assets of the segment to assets under special mention.

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The assets under special mention in the engineering construction industry accounted for 8.96% of the total assets under special mention. Still partially affected by the effects of the pandemic, in the first half of the year, infrastructure construction demand was sluggishly recovering, and some customers had periodical tight liquidity. The Group prudently adjusted more of the assets of the segment to assets under special mention.

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

	30 June 2021		31 December 2020		31 December 2019	
	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total
	(Unaudited)		(Audited)		(Audited)	
Healthcare	3,804,597	15.78%	4,251,855	18.89%	4,696,256	21.36%
Cultural & tourism	4,883,619	20.26%	4,629,827	20.57%	4,761,246	21.65%
Engineering construction	2,160,309	8.96%	1,834,428	8.15%	2,334,046	10.62%
Machinery	696,237	2.89%	616,415	2.74%	924,872	4.21%
Chemical & medicine	135,282	0.56%	194,983	0.87%	73,200	0.33%
Electronic information	522,899	2.17%	858,049	3.81%	815,763	3.71%
Public consuming	776,977	3.22%	822,061	3.65%	604,632	2.75%
Transportation & logistics	1,744,034	7.23%	1,499,655	6.66%	1,247,384	5.67%
Urban public utility	9,383,676	38.93%	7,805,608	34.66%	6,529,716	29.70%
Total	24,107,630	100.00%	22,512,881	100.00%	21,987,115	100.00%

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

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

	30 June 2021	30 June 2020	31 December 2020	31 December 2019	31 December 2018
	% of total	% of total	% of total	% of total	% of total
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Pass	0.55%	13.80%	8.91%	22.76%	24.82%
Special mention	69.97%	67.64%	51.24%	35.69%	29.68%
Substandard	2.67%	3.75%	4.74%	3.15%	0.63%
Doubtful	1.46%	0.38%	0.40%	0.05%	1.30%
Loss	1.63%	0.05%	1.96%	0.67%	0.10%
Recovery	23.72%	14.38%	32.75%	37.68%	43.47%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

The Group's non-performing asset ratio remained at a low level, and the overall asset quality remained safe and under control. As at 30 June 2021, the non-performing asset ratio was 1.10%, which remained the same as at the end of last year.

The non-performing assets of the urban public utility industry accounted for 36.23% of the total non-performing assets. As the effects of the pandemic weakened, some customers' operating conditions improved, and thus the recovery cycle of the receivables had shortened, and the overall performance was better than last year. The gap of the non-performing rate of the segment continued to be reduced. The non-performing items were all surviving items in the past, and the single amount was relatively large. The new investment during the year performed well. The overall risk of the industry was under control, and the overall occurrence of non-performing situation in the industry was normal, loss prediction was low, and no systemic risk appeared. The Group prudently reclassified the assets of the segment into substandard and doubtful assets.

The non-performing assets in the healthcare industry accounted for 18.03% of the total non-performing assets. In the first half of 2021, the industry segment was continuously affected by the pandemic and the medical insurance expense control policy, and cash flow was tight. Although, in the current stage, the effects of the pandemic were gradually subsiding, and the past due status had eased, considering the situation concerning the pandemic was uncertain, the Group prudently reclassified the assets of the segment into substandard and doubtful assets.

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Non-performing assets of the engineering construction industry accounted for 14.18% of the total non-performing assets. Affected by the uncertainties of the pandemic, the industry was sluggishly recovering in the first half of 2021 and orders from some customers are fewer in numbers and was periodically overdue. The Group prudently reclassified the assets of the segment into substandard and doubtful assets.

The non-performing assets of the culture & tourism industry accounted for 12.67% of the total non-performing assets. Affected by the macroeconomic factors, some existing customers in previous years had high rigid debts, while enterprises found limited new financing channels while having poor solvency, resulting in difficulties in repaying mature debts. The Group prudently reclassified the assets of the segment into substandard and doubtful assets.

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

	30 June 2021		31 December 2020		31 December 2019	
	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total
	(Unaudited)		(Audited)		(Audited)	
Healthcare	519,301	18.03%	289,794	11.19%	24,549	1.09%
Culture & tourism	364,869	12.67%	193,965	7.49%	560,214	24.91%
Engineering construction	408,265	14.18%	223,021	8.61%	73,092	3.25%
Machinery	321,794	11.17%	353,849	13.66%	198,660	8.83%
Chemical & medicine	18,612	0.65%	25,226	0.97%	117,177	5.21%
Electronic information	98,760	3.43%	6,522	0.25%	85,213	3.79%
Public consuming	62,695	2.18%	46,483	1.80%	152,750	6.79%
Transportation & logistics	42,178	1.46%	83,534	3.23%	213,539	9.49%
Urban public utility	1,043,142	36.23%	1,367,494	52.80%	823,893	36.64%
Total	2,879,616	100.00%	2,589,888	100.00%	2,249,087	100.00%

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

	30 June 2021		31 December 2020		31 December 2019	
	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total
	(Unaudited)		(Audited)		(Audited)	
Healthcare	440,357	26.98%	268,294	13.82%	22,444	1.33%
Culture & tourism	272,607	16.72%	123,733	6.37%	560,214	33.15%
Engineering construction	301,860	18.49%	223,021	11.49%	72,611	4.30%
Machinery	131,618	8.06%	187,531	9.66%	65,661	3.89%
Chemical & medicine	–	–	25,226	1.30%	44,250	2.62%
Electronic information	95,996	5.88%	6,522	0.34%	85,213	5.04%
Public consuming	2,521	0.15%	43,607	2.25%	152,750	9.04%
Transportation & logistics	–	–	83,534	4.30%	42,183	2.50%
Urban public utility	387,218	23.72%	979,449	50.47%	644,489	38.13%
Total	1,632,177	100.00%	1,940,917	100.00%	1,689,815	100.00%

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

	30 June 2021		31 December 2020		31 December 2019	
	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total
	(Unaudited)		(Audited)		(Audited)	
Healthcare	78,944	6.37%	21,500	3.32%	2,105	0.38%
Culture & tourism	92,262	7.44%	70,232	10.82%	–	–
Engineering construction	106,405	8.59%	–	–	481	0.09%
Machinery	190,176	15.35%	166,318	25.63%	132,999	23.78%
Chemical & medicine	18,612	1.50%	–	–	72,927	13.04%
Electronic information	2,764	0.22%	–	–	–	–
Public consuming	52,022	4.20%	2,876	0.44%	–	–
Transportation & logistics	42,178	3.40%	–	–	171,356	30.64%
Urban public utility	655,924	52.93%	388,045	59.79%	179,404	32.08%
Total	1,239,287	100.00%	648,971	100.00%	559,272	100.00%

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

	30 June 2021		31 December 2020		31 December 2019	
	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total
	(Unaudited)		(Audited)		(Audited)	
Healthcare	-	-	-	-	-	-
Culture & tourism	-	-	-	-	-	-
Engineering construction	-	-	-	-	-	-
Machinery	-	-	-	-	-	-
Chemical & medicine	-	-	-	-	-	-
Electronic information	-	-	-	-	-	-
Public consuming	8,152	100.00%	-	-	-	-
Transportation & logistics	-	-	-	-	-	-
Urban public utility	-	-	-	-	-	-
Total	8,152	100.00%	-	-	-	-

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

	30 June 2021	31 December 2020	31 December 2019
	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Audited)	(Audited)
At the beginning of the period/year	2,589,888	2,249,087	2,151,747
Downgrades ⁽¹⁾	2,043,400	2,698,228	1,605,061
Upgrades	(641,630)	(466,234)	(28,232)
Recoveries	(617,414)	(701,056)	(612,339)
Write-off/disposal	(494,628)	(1,190,137)	(867,150)
At the end of the period/year	2,879,616	2,589,888	2,249,087
Non-performing assets ratio	1.10%	1.10%	1.11%
Non-performing loan formation ratio ⁽²⁾	0.34%	0.76%	0.43%

Notes:

- (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;
- (2) Non-performing loan formation ratio = (the balance of non-performing loan at the end of year – the balance of non-performing loan at the beginning of year + write-off for the year)/(net normal interest-earning assets at the beginning of year + net interest-earning assets under special mention at the beginning of year).

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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 2021		31 December 2020		31 December 2019		31 December 2018	
	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total
	(Unaudited)		(Audited)		(Audited)		(Audited)	
Interest-earning assets provisions:								
Provision for non-performing assets	1,414,075	19.23%	1,070,237	16.39%	469,357	8.48%	759,991	14.92%
Provision for pass and special mention assets	5,940,504	80.77%	5,461,350	83.61%	5,065,937	91.52%	4,333,741	85.08%
Total	7,354,579	100.00%	6,531,587	100.00%	5,535,294	100.00%	5,093,732	100.00%
Non-performing assets	2,879,616		2,589,888		2,249,087		2,151,747	
Provision coverage ratio	255.40%		252.20%		246.11%		236.73%	
Credit cost ratio ⁽¹⁾	0.44%		0.98%		0.90%		0.90%	

Note:

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

3.2.6.3 Write-off of Interest-earning Assets

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

	30 June 2021	31 December 2020	31 December 2019	31 December 2018
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Audited)	(Audited)	(Audited)
Write-off and disposal of non-performing assets	494,628	1,190,137	867,150	605,874
Non-performing assets as at the end of last year	2,589,888	2,249,087	2,151,747	1,760,972
Write-off ratio ⁽¹⁾	19.10%	52.92%	40.30%	34.41%

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.

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In the first half of 2021, according to the requirements of the accounting standards, the Group wrote off bad debts of RMB494,628,000, which were mainly distributed in the healthcare and urban public utility industries, accounting for RMB190,323,000 and RMB175,837,000, respectively. Despite the Group's effort in collection through judicial means, enforceable assets were unable to cover risk exposure of projects at the moment. Although the Group was required to write off the bad debts of the relevant non-performing assets pursuant to the requirements of the accounting standards, the Group had not ceased to dispose of assets, and would continue to recover through the disposal of equipment/collateral, and stay claim from guarantors. From 2011 to the first half of 2021, the written-off bad debts amounted to RMB3,968,379,000 and RMB679,310,000 was recovered.

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

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

	30 June 2021	31 December 2020	31 December 2019	31 December 2018
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Audited)	(Audited)	(Audited)
Overdue ratio (over 30 days)	0.97%	0.99%	1.29%	0.94%

The Group adhered to the prudent strategies of risk control and asset management. The Group's overdue ratio (over 30 days) was 0.97% as at 30 June 2021, representing 0.02 percentage point lower than 0.99% as at the end of 2020.

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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 2021		31 December 2020	
	RMB'000	% of total	RMB'000	% of total
	(Unaudited)		(Audited)	
Healthcare	324,284	12.83%	174,937	7.48%
Culture & tourism	219,329	8.67%	149,578	6.40%
Engineering construction	413,101	16.34%	237,010	10.14%
Machinery	356,954	14.12%	337,710	14.44%
Chemical & medicine	20,557	0.81%	–	–
Electronic information	155,017	6.13%	78,454	3.36%
Public consuming	67,085	2.65%	51,458	2.20%
Transportation & logistics	89,260	3.53%	105,579	4.52%
Urban public utility	882,889	34.92%	1,203,276	51.46%
Total	2,528,476	100.00%	2,338,002	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 2021		31 December 2020	
	RMB'000	% of total	RMB'000	% of total
	(Unaudited)		(Audited)	
Special mention	1,383,730	54.73%	985,311	42.14%
Substandard	321,959	12.73%	1,122,383	48.01%
Doubtful	814,635	32.22%	230,308	9.85%
Loss	8,152	0.32%	–	–
Total	2,528,476	100.00%	2,338,002	100.00%

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

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

For the six months ended 30 June					
	2021		2020		
	RMB million	% of total	RMB million	% of total	Change %
	(Unaudited)		(Unaudited)		
Healthcare	161	3.17%	261	11.49%	-38.31%
Culture & tourism	542	10.69%	106	4.67%	411.32%
Engineering construction	457	9.01%	258	11.36%	77.13%
Machinery	119	2.35%	–	–	N/A
Chemical & medicine	–	–	133	5.85%	-100.00%
Electronic information	398	7.85%	84	3.70%	373.81%
Public consuming	84	1.66%	91	4.01%	-7.69%
Transportation & logistics	380	7.49%	110	4.84%	245.45%
Urban public utility	2,930	57.78%	1,229	54.08%	138.41%
Total	5,071	100.00%	2,272	100.00%	123.20%

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

	30 June 2021		31 December 2020		
	RMB million	% of total	RMB million	% of total	Change %
	(Unaudited)		(Audited)		
Healthcare	1,554	13.25%	2,238	14.86%	-30.56%
Culture & tourism	1,955	16.67%	2,715	18.03%	-27.99%
Engineering construction	1,307	11.15%	2,337	15.52%	-44.07%
Machinery	369	3.15%	653	4.34%	-43.49%
Chemical & medicine	143	1.22%	406	2.70%	-64.78%
Electronic information	412	3.51%	565	3.75%	-27.08%
Public consuming	332	2.83%	581	3.86%	-42.86%
Transportation & logistics	866	7.39%	995	6.60%	-12.96%
Urban public utility	4,787	40.83%	4,569	30.34%	4.77%
Total	11,725	100.00%	15,059	100.00%	-22.14%

As at 30 June 2021, the balance of the holding of asset-backed securities/notes-related assets items amounted to RMB4,202,907,000, representing a decrease of 6.58% as compared to RMB4,499,118,000 as at 31 December 2020. 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 2021 with no significant anomalies of asset quality.

The balance of assets with continuing involvement of the Group amounted to RMB4,202,907,000, representing a decrease of RMB296,211,000 or 6.58% as compared to the end of last year. Pursuant to specific requirements of accounting standards, for the asset-backed securities/notes business described above, the Group should continue to recognize assets and liabilities with continuing involvement in relation to such activities due to risk associated with subordinate and enhanced credit facilities held by the Group.

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3.4 Other Assets

As at 30 June 2021, cash and cash equivalents of the Group amounted to RMB13,379,108,000. The Group reserved relatively sufficient cash to sustain the business development and ensure the capital liquidity safety of the Group. Restricted deposits of the Group amounted to RMB5,461,490,000.

The balance of prepayments and other receivables of the Group amounted to RMB3,791,787,000, mainly including prepayments for suppliers of machinery and equipment and deductible value-added tax etc.

The balance of deferred tax assets of the Group amounted to RMB5,306,254,000, mainly including the deferred income tax provided for the time difference between accounting and taxation.

The balance of property, plant and equipment of the Group amounted to RMB21,156,604,000, mainly including equipment, tools and plant for equipment operation business amounting to RMB14.963 billion, the plant and medical equipment of its affiliated hospitals amounting to RMB3.671 billion, and the main office building of the Group.

The balance of investments in joint ventures/associates of the Group amounted to RMB7,355,338,000, mainly including the equity investments of the Group in provincial asset management companies amounting to RMB4,650,822,000 and the equity investments of the Group in joint ventures/associates such as Guangzhou Kangda Industrial Technology Co., Ltd., Grand Flight Hooyoung Investment L.P. and the invested hospitals.

The balance of financial assets at fair value through profit or loss of the Group was RMB9,539,299,000, mainly including the financial equity investment, interest-earning assets and wealth management products investment invested by the Group, among which the balance of interest-earning assets and wealth management products as at 30 June 2021 was RMB4,110,518,000 and RMB1,483,559,000, respectively.

The balances of assets and liabilities corresponding to the Group's derivative financial instruments amounted to RMB54,108,000 and RMB2,014,523,000, respectively, which were mainly the financial instruments such as exchange rate forwards and currency swaps of the Group. These instruments are mainly used to hedge the foreign exchange exposure of the Group.

The balance of the Group's goodwill amounted to RMB2,032,146,000, which was mainly the goodwill recognized by the Group for the acquisition of medical institutions.

The balances of the Group's right-of-use assets amounted to RMB1,967,427,000, which was mainly the land use rights of the corresponding lands of the Group's main office building and its subsidiary hospitals' buildings and the assets recognized in the use rights of the premises leased by subsidiary hospitals in accordance with the accounting standard for leases.

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3.5 Liabilities (Overview)

As at 30 June 2021, total liabilities of the Group amounted to RMB285,175,866,000, representing an increase of RMB30,516,211,000 or 11.98% as compared to the end of last year, among which the interest-bearing bank and other borrowings were the main component of the Group's total liabilities, accounting for 81.32% of the total, which increased as compared to 80.58% at the end of last year.

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

	30 June 2021		31 December 2020		
	RMB'000	% of total	RMB'000	% of total	Change %
	(Unaudited)		(Audited)		
Interest-bearing bank and other borrowings	231,927,568	81.32%	205,216,155	80.58%	13.02%
Other payables and accruals	31,926,750	11.20%	31,315,420	12.30%	1.95%
Liabilities for continuing involvement	4,202,907	1.47%	4,499,118	1.77%	-6.58%
Trade and bills payables	12,595,307	4.42%	7,880,410	3.09%	59.83%
Tax payables	978,047	0.34%	1,764,699	0.69%	-44.58%
Derivative financial instruments	2,014,523	0.71%	1,855,165	0.73%	8.59%
Deferred tax liabilities	239,276	0.08%	244,077	0.10%	-1.97%
Deferred revenue	621,253	0.22%	1,064,019	0.42%	-41.61%
Lease liabilities	670,235	0.24%	820,592	0.32%	-18.32%
Total liabilities	285,175,866	100.00%	254,659,655	100.00%	11.98%

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3.6 Interest-bearing Bank and Other Borrowings

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

With respect to direct financing market, the Group further enriched the bond portfolios and optimized product structure. In the first half of 2021, the Group completed the first DFI registration with a total value of RMB40 billion in the leasing industry, and completed the first registration of panda bonds among all leasing companies. At the same time, the Group issued US\$250 million zero coupon convertible bonds in June 2021 and US\$200 million zero coupon convertible bonds in August 2021. The Company had a stable group of high-quality investors in the direct financing market, and continued to explore and introduce suitable new products, receiving high recognition from the regulatory authorities and the market. Diversified direct financing methods not only effectively supplemented the Company’s liabilities and equity, but also helped the Company further reduce costs and optimize its debt structure, reflecting the Company’s strong brand influence and market position in the capital market.

With respect to indirect financing market, the Group, on the basis of the current financing channel as required by the Company’s strategic development, strengthened its co-operation relationship with key banks and launched comprehensive cooperation in finance and industry with the six major banks and some policy banks, forming a deep strategic partnership.

In conclusion, the Group had diverse financing methods with a continuously improving 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. Looking forward to the future, the Group is confident that with the favorable operation momentum and profound financial market cooperation foundation, the Group can further improve its competitiveness on liability side.

As at 30 June 2021, the total sum of the Group’s interest-bearing bank and other borrowings amounted to RMB231,927,568,000, representing an increase of 13.02% as compared with RMB205,216,155,000 as at the end of last year. The Group’s borrowings were mainly denominated in RMB and US\$.

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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 2021		31 December 2020		
	RMB'000	% of total	RMB'000	% of total	Change %
	(Unaudited)		(Audited)		
Current	112,307,062	48.42%	103,931,451	50.64%	8.06%
Non-current	119,620,506	51.58%	101,284,704	49.36%	18.10%
Total	231,927,568	100.00%	205,216,155	100.00%	13.02%

As at 30 June 2021, 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 48.42%, which decreased as compared to the previous year, mainly because the Group moderately increased long-term debt so as to further optimize the periodic structure and adhere to a sound financing strategy while controlling capital costs.

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

	30 June 2021		31 December 2020		
	RMB'000	% of total	RMB'000	% of total	Change %
	(Unaudited)		(Audited)		
Secured	28,408,616	12.25%	22,217,589	10.83%	27.87%
Unsecured	203,518,952	87.75%	182,998,566	89.17%	11.21%
Total	231,927,568	100.00%	205,216,155	100.00%	13.02%

The Group carefully managed its funding risk in the first half of 2021. As at 30 June 2021, the proportion of the Group's interest-bearing bank and other borrowings that were unsecured accounted for 87.75% of the Group's total interest-bearing bank and other borrowings, which slightly decreased as compared with the previous year, mainly because the Group continued to optimize its financing conditions and acquired high-quality financing resources.

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

	30 June 2021		31 December 2020		
	RMB'000	% of total	RMB'000	% of total	Change %
	(Unaudited)	(Audited)	(Audited)		
Bank loans	115,946,637	49.99%	98,759,817	48.12%	17.40%
Loans from connected persons	–	–	203,270	0.10%	-100.00%
Other loans	115,980,931	50.01%	106,253,068	51.78%	9.16%
Total	231,927,568	100.00%	205,216,155	100.00%	13.02%

As at 30 June 2021, the Group's loans as a percentage to the Group's total bank and other borrowings increased slightly as compared to 31 December 2020, and the Group's bank loans and non-banking financing as a whole maintained a balance, which reflected the Group's stable and diverse financing sources.

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

	30 June 2021		31 December 2020		
	RMB'000	% of total	RMB'000	% of total	Change %
	(Unaudited)	(Audited)	(Audited)		
Domestic	182,860,836	78.84%	159,955,114	77.94%	14.32%
Overseas	49,066,732	21.16%	45,261,041	22.06%	8.41%
Total	231,927,568	100.00%	205,216,155	100.00%	13.02%

As at 30 June 2021, the proportion of the Group's domestic borrowings and other borrowings as a percentage to the Group's total borrowings was 78.84%, which was basically comparable to that at 31 December 2020, as the Group steadily expanded various financing channels domestic as well as overseas based on the changes in the market environment to satisfy the funding needs.

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

	30 June 2021		31 December 2020		
	RMB'000	% of total	RMB'000	% of total	Change %
	(Unaudited)		(Audited)		
RMB	181,594,061	78.30%	158,796,794	77.38%	14.36%
US\$	40,050,343	17.27%	39,223,026	19.11%	2.11%
Borrowings in other currencies	10,283,164	4.43%	7,196,335	3.51%	42.89%
Total	231,927,568	100.00%	205,216,155	100.00%	13.02%

As at 30 June 2021, the Group's activities in RMB accounted for 78.30% of its total interest-bearing bank and other borrowings, representing the same levels as compared to that at 31 December 2020, and the distribution of liabilities in different currencies as a whole remained stable, showing that the Group's diversified currency financing strategy was effectively implemented.

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

	30 June 2021		31 December 2020		
	RMB'000	% of total	RMB'000	% of total	Change %
	(Unaudited)		(Audited)		
Direct financing	101,947,252	43.96%	95,114,826	46.35%	7.18%
Indirect financing	129,980,316	56.04%	110,101,329	53.65%	18.06%
Total	231,927,568	100.00%	205,216,155	100.00%	13.02%

As at 30 June 2021, Group's direct borrowings accounted for 43.96% of the total, which decreased as compared with the end of last year on account of the Group's deep participation and good cooperation records in both direct and indirect financing markets, and the balanced financing structure ensured the financial resources needed for the future development of the Company.

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3.7 Shareholders' Equity

As at 30 June 2021, the total equity of the Group was RMB48,378,887,000, representing an increase of RMB3,111,754,000 or 6.87% from the end of last year.

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

	30 June 2021		31 December 2020		
	RMB'000	% of total	RMB'000	% of total	Change %
	(Unaudited)		(Audited)		
Share capital ⁽¹⁾	11,728,694	24.24%	10,397,104	22.97%	12.81%
Equity component of convertible bonds	233,750	0.48%	338,050	0.74%	-30.85%
Reserve	25,156,348	52.01%	23,384,298	51.66%	7.58%
Equity attributable to ordinary shareholders of the Company ⁽²⁾	37,118,792	76.73%	34,119,452	75.37%	8.79%
Perpetual securities ⁽³⁾	8,427,791	17.42%	8,478,063	18.73%	-0.59%
Non-controlling interests	2,832,304	5.85%	2,669,618	5.90%	6.09%
Total Equity	48,378,887	100.00%	45,267,133	100.00%	6.87%

Notes:

- (1) The Group's share capital increased by RMB1,331,590,000 in the first half of 2021, mainly including that: (i) on 18 January 2021, the conversion rights attaching to the convertible bonds in the principal amount of US\$200,000,000 due 2025 were fully exercised in accordance with the relevant conditions, and (ii) the exercise price charged for the exercise of share options during the period 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 RMB34,119,452,000 in the end of 2020. The Group's profit for the period attributable to the ordinary shareholders of the Company was RMB2,572,885,000 in the first half of 2021. The final dividend of HK\$0.36 per share for the year ended 31 December 2020 was approved at the annual general meeting on 9 June 2021 and paid on 30 June 2021. As at 30 June 2021, the equity attributable to the ordinary shareholders of the Company was RMB37,118,792,000.
- (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 6 July 2020, the Company redeemed all of the renewable corporate bonds.

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 notes.

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On 24 July 2019, the Group completed the issuance of perpetual trusted loans in an amount of RMB49,850,000 in the PRC. The basic term of the perpetual trusted loans will be 5 years (the Group is entitled to exercise its renewable option at the end of the stipulated basic term and at the end of each renewal period), with a coupon distribution rate of 6.0% per annum.

On 18 February 2020, the Group completed the issuance of perpetual trust securities (Pandemic Prevention and Control Securities) (phase one) in an amount of RMB2,000,000,000 in the PRC. The securities are divided into two types, the basic term of type one will be 2 years (the Group is entitled to exercise its renewable option at the end of the stipulated basic term and at the end of each renewal period) with coupon rate of 3.87% per annum and amount of RMB1,500,000,000, and the basic term of type two is 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 renewal period) with coupon rate of 4.13% per annum and amount of RMB500,000,000.

On 18 June 2020, the Group completed the issuance of perpetual trust securities (Pandemic Prevention and Control Securities) (phase two) in an amount of RMB700,000,000 in the PRC. The basic term of the securities will be 2 years (the Group is entitled to exercise its renewable option at the end of the stipulated basic term and at the end of each renewal period). The coupon rate is 3.98% per annum.

On 25 December 2020, the Group completed the issuance of perpetual trusted loans in an amount of RMB970,000,000 in the PRC. The basic term of the perpetual trusted loans will be 1 year (the Group is entitled to exercise its renewable option at the end of the stipulated basic term and at the end of each renewal period), with a coupon distribution rate of 5.65% per annum.

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

As at 30 June 2021, the Group's outstanding convertible bonds include:

1. The bonds in the principal amount of US\$300,000,000 due 2025 issued by Universe Trek Limited, a wholly-owned subsidiary of the Company, on 8 July 2020 and guaranteed by the Company, convertible into fully paid ordinary shares in the issued and paid-up capital of the Company in accordance with relevant conditions, and bearing interest from and including the issue date at the rate of 2.5% per annum payable semi-annually. Based on the net proceeds from the issuance of such convertible bonds (after deducting the fees, commission and expenses) amounting to approximately US\$296.6 million, the net price of each conversion share of such convertible bonds amounted to approximately HK\$8.24 (at the predetermined exchange rate of US\$1.00 to HK\$7.7503). The convertible bonds were offered and sold to no less than six independent placees (who were independent individuals, corporates and/or institutional investors). Pursuant to the subscription agreement dated 17 June 2020, the initial conversion price of the convertible bonds was HK\$8.33 per conversion share (the closing price quoted by the Company on the Stock Exchange was HK\$6.85 per share on that day); the conversion price was adjusted to HK\$7.92 per conversion share on 31 July 2020 due to the payment of a final dividend for the year ended 31 December 2019; the conversion price was further adjusted to HK\$7.58 per conversion share due to the payment of a final dividend for the year ended 31 December 2020. For the principal terms and other details of the abovementioned convertible bonds, please refer to the relevant announcements of the Company dated 17 June, 18 June, 19 June, 8 July, 21 July 2020 and dated 24 June 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

2. The bonds in the principal amount of US\$200,000,000 due 2025 issued by Universe Trek Limited, a wholly-owned subsidiary of the Company, on 4 December 2020 and guaranteed by the Company, convertible into fully paid ordinary shares in the issued and paid-up capital of the Company in accordance with relevant conditions, and bearing zero coupon. Based on the net proceeds from the issuance of such convertible bonds (after deducting the fees, commission and expenses) amounting to approximately US\$198.77 million, the net price of each conversion share of such convertible bonds amounted to approximately HK\$8.53 (at the predetermined exchange rate of US\$1.00 to HK\$7.7520). The convertible bonds were offered and sold to no less than six independent placees (who were independent individuals, corporates and/or institutional investors). Pursuant to the subscription agreement dated 24 November 2020, the initial conversion price of the convertible bonds was HK\$8.56 per conversion share (the closing price quoted by the Company on the Stock Exchange was HK\$7.85 per share on that day). On 18 January 2021, all of the abovementioned bonds have been fully converted into ordinary shares of the Company and the withdrawal of listing has become effective on 26 January 2021. For the principal terms and other details of the abovementioned convertible bonds, please refer to the relevant announcements of the Company dated 24 November, 4 December and 7 December 2020 and dated 18 January 2021.

3. The bonds in the principal amount of US\$250,000,000 due 2026 issued by Universe Trek Limited, a wholly-owned subsidiary of the Company, on 15 June 2021 and guaranteed by the Company, convertible into fully paid ordinary shares in the issued and paid-up capital of the Company in accordance with relevant conditions, and bearing zero coupon. Based on the net proceeds from the issuance of such convertible bonds (after deducting the fees, commission and expenses) amounting to approximately US\$246 million, the net price of each conversion share of such convertible bonds amounted to approximately HK\$10.01 (at the predetermined exchange rate of US\$1.00 to HK\$7.7614). The convertible bonds were offered and sold to no less than six independent placees (who were independent individuals, corporates and/or institutional investors). Pursuant to the subscription agreement dated 27 May 2021, the initial conversion price of the convertible bonds was HK\$10.20 per conversion share (the closing price quoted by the Company on the Stock Exchange was HK\$8.88 per share on that day); the conversion price was adjusted to HK\$9.76 per conversion share due to the payment of a final dividend for the year ended 31 December 2020. For the principal terms and other details of the abovementioned convertible bonds, please refer to the relevant announcements of the Company dated 28 May, 15 June, 16 June and 24 June 2021.

The above convertible bonds were issued at 100.00% of the principal amount of the bonds as the issue price, and were issued in registered form and in denominations U.S.\$200,000 each and integral multiples of U.S.\$1,000 in excess thereof. The Company issued the above convertible bonds for the purpose of supplementing liquidity and intended to use all of the net proceeds from the bond issuance for working capital and general corporate purposes. As at the disclosure date of this report, the Company used all the net proceeds. The actual uses are as follows: (1) approximately US\$368.3 million for domestic business operations, and (2) approximately US\$373.07 million for working capital and other general corporate purposes, consistent with the previously disclosed use of proceeds. The proceeds from the bond issue can provide the Company with additional funding at lower cost to repay its existing debts and optimize its financing structure, to further strengthen the working capital for the Company, as well as potentially enhance the equity base of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

(I) Impact of the Convertible Bonds on Earnings per Share and Share Dilution

As at 30 June 2021, except for the convertible bonds issued on 4 December 2020, no conversion into shares had occurred for the other above convertible bonds. If the conversion rights attaching to the above convertible bonds were fully exercised in accordance with relevant conditions, the Company would have issued 505,546,457 shares, representing approximately 12.14% of the issued share capital of the Company as at 30 June 2021 and approximately 10.83% of the issued share capital of the Company as enlarged by the issue of such conversion shares.

The table below sets forth the dilution impact of the full conversion of the above convertible bonds on the shareholding of the substantial shareholders (having referred to the Company's shareholding structure as at 30 June 2021 and assuming no further shares would be issued by the Company):

	As of 30 June 2021		Immediately following the full conversion of all convertible bonds	
	Number of shares	Approximate percentage of total issued shares	Number of shares	Approximate percentage of total issued shares
Sinochem Group Co., Ltd.	919,914,440	22.09%	919,914,440	19.70%
KONG Fanxing ^{note}	793,510,791	19.05%	793,510,791	16.99%
The holders of the convertible bonds issued on 8 July 2020	—	—	306,740,105	6.57%
The holders of the convertible bonds issued on 15 June 2021	—	—	198,806,352	4.26%
Other shareholders	2,451,024,542	58.86%	2,451,024,542	52.48%
Total	4,164,449,773	100.00%	4,669,996,230	100.00%

Note: On 30 June 2021, those shares include: (i) 870,000 shares held by Mr. KONG Fanxing; (ii) 18,438,234 vested restricted shares; and (iii) 774,202,557 shares whose voting rights Idea Prosperous Limited were entrusted to exercise, and Idea Prosperous Limited is a wholly-owned company of Mr. KONG Fanxing.

Please refer to Note 8 to the financial statements for the impact on earnings per share as if the convertible bonds had been fully converted on 30 June 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

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

As at 30 June 2021, the Company's liabilities and credit status did not change significantly, and the credit ratings assigned to the Company by various credit rating agencies remained unchanged. The Company has sufficient cash flow. At the same time, the banks have granted sufficient credit lines to the Company. Even if investors hold the convertible bonds to maturity and require payment of the principal, the Company is fully capable of paying in cash.

(III) Analysis of the Implied Internal Rate of Returns

As at 30 June 2021, no conversion into shares had occurred for the convertible bonds issued on 8 July 2020 and the convertible bonds issued on 15 June 2021. Based on the implied internal rate of returns of the abovementioned convertible bonds and other related parameters, the share price at which it would be equally financially advantageous for the bondholders to convert or redeem the revised conversion shares for the end of year 2021 to 2025 were as below:

	As of 31 December				
	2021	2022	2023	2024	2025
Share price of the convertible bonds issued on 8 July 2020 (HK\$)	7.58	7.58	7.58	7.58	N/A
Share price of the convertible bonds issued on 15 June 2021 (HK\$)	9.87	10.06	10.27	10.47	10.68

(IV) Events after the reporting period

The bonds in the principal amount of US\$200,000,000 due 2026 issued by Universe Trek Limited, a wholly-owned subsidiary of the Company, on 5 August 2021 and guaranteed by the Company, convertible into fully paid ordinary shares in the issued and paid-up capital of the Company in accordance with relevant conditions, and bearing zero coupon. Based on the net proceeds from the issuance of such convertible bonds (after deducting the fees, commission and expenses) amounting to approximately US\$198.50 million, the net price of each conversion share of such convertible bonds amounted to approximately HK\$10.64 (at the predetermined exchange rate of US\$1.00 to HK\$7.7713). The convertible bonds were offered and sold to no less than six independent placees (who were independent individuals, corporates and/or institutional investors). Pursuant to the subscription agreement dated 20 July 2021, the initial conversion price of the convertible bonds was HK\$10.70 per conversion share (the closing price quoted by the Company on the Stock Exchange was HK\$8.30 per share on that day). For the principal terms and other details of the abovementioned convertible bonds, please refer to the relevant announcements of the Company dated 20 July, 5 August and 6 August 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

4. CAPITAL MANAGEMENT

The primary objective of the Group's capital management activities is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. In the first half of 2021, 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 2021	31 December 2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Total assets (A)	333,554,753	299,926,788
Total liabilities (B)	285,175,866	254,659,655
Total equity	48,378,887	45,267,133
Gearing ratio (C=B/A)	85.50%	84.91%

In the first half of 2021, 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 2021, the Group's gearing ratio was 85.50%.

4.2 Ratio of Assets at Risk to Equity

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

As at 30 June 2021, the ratios of risk assets to equity of International Far Eastern Financial Leasing Co., Ltd., Far Eastern Horizon (Tianjin) Financial Leasing Co., Ltd. and Far Eastern Horizon Financial Leasing Co., Ltd., the domestic finance leasing operations entities of the Group, were 6.44, 4.70 and 3.81 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

	30 June 2021	31 December 2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Total assets	228,640,596	211,839,706
Less: Cash	8,244,161	8,446,082
Total assets at risk	220,396,435	203,393,624
Equity	34,245,304	33,045,275
Ratio of assets at risk to equity	6.44	6.15

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

	30 June 2021	31 December 2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Total assets	82,538,863	72,859,139
Less: Cash	2,564,105	4,113,945
Total assets at risk	79,974,758	68,745,194
Equity	17,029,933	15,918,809
Ratio of assets at risk to equity	4.70	4.32

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

	30 June 2021	31 December 2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Total assets	14,856,757	18,591,404
Less: Cash	331,341	145,336
Total assets at risk	14,525,416	18,446,068
Equity	3,809,826	5,423,447
Ratio of assets at risk to equity	3.81	3.40

MANAGEMENT DISCUSSION AND ANALYSIS

5. CAPITAL EXPENDITURES

The Group's capital expenditure was RMB5,421,217,000 in the first half of 2021, which was mainly used as the expenditures for additions of property, plant and equipment, and external equity investments.

6. RISK MANAGEMENT

6.1 Credit Risk

In the first half of 2021, with the expansion of the vaccination coverage of COVID-19 vaccines, the pressure of the pandemic was relieved in most major economies and economic dynamism was gradually restored. Thanks to the early and effective control of the domestic pandemic and the development strategy of "giving priority to domestic circulation and promoting positive interplay between domestic circulation and international circulation", China's advantageous position as a world manufacturing and supply center was highlighted and exports reached record highs; coupled with the sustained and strong rebound in domestic consumption, China's economy performed well in the first half of the year, with GDP growth of 12.7% compared to the corresponding period of the previous year. At the same time, China was also leading and driving the accelerating recovery of the global economy.

In the first half of 2021, the Company strengthened its research and judgment on circumstances, accurately identified external changes and improved scientific decision-making; rationally allocated and optimized asset structure; expanded customer base, continued to consolidate business foundation and effectively dispersed credit concentration risk; expanded credit channels and released credit resources to focus on managing key risk areas; continuously evaluated pre-investment to ensure safer investment; and strictly operated to effectively avoid operational risks and moral risks. In the first half of the year, the Company's operation was positive and flexible, asset safety was under control, and the Company achieved sustained and steady growth in performance.

I. Strengthening of research and judgment and accurate identification of external changes

In the first half of 2021, the Company continued to uphold industry-focused risk management, continually strengthened macroeconomic and industry research, captured business opportunities in a timely manner, and accurately identified industry risks arising from changes in the economic environment and policy adjustments.

Under the decision-making mechanism of the Risk Management Committee, the front line, middle and back office and different levels and departments of the company participate in collective decision-making to assess and judge as comprehensively and accurately as possible the comprehensive impact of external changes on the Company and all relevant departments, so as to ensure that the formulation of industry risk control policies and control systems and rules are more targeted and achieve synchronicity with the external environment.

MANAGEMENT DISCUSSION AND ANALYSIS

II. Optimization of structure and reasonable allocation of major assets

In the first half of 2021, in terms of asset allocation, the Company remained committed to serving urban upgrading and industrial upgrading.

In terms of serving urban upgrading, the Company encourages the formulation of layout in industries that are strongly related to “safeguarding people’s livelihood” and aim to stabilize growth and serve as foundational support, including medical and healthcare, educational institutions, urban public transportation, urban rail transportation, water production and supply, electricity production and supply, and gas production and supply. The Company encourages the formulation of layout in industries related to major infrastructure construction and new urbanization construction projects, including highway, railroad, airport, port and other infrastructure construction. Under the established industry strategy, the Company focuses on the national regional development strategy, serving the rise of Yangtze River Delta, Pearl River Delta, Bohai Bay and Central China and China Western Development, and selected customers for allocation according to regional capacity.

In terms of serving industrial upgrading, the Company encourages the formulation of layout in manufacturing upgrade related industries which focuses on “innovation-led, technology-empowered and intelligent upgrading” as the main line, including high-end new materials, major technical equipment, intelligent manufacturing and robotics technology, aero engines and gas turbines, Beidou industrial application, new energy vehicles and smart vehicles, high-end medical equipment and innovative drugs, advanced agricultural machinery and equipment, etc., and new infrastructure-related industries, including but not limited to 5G networks, new energy charging piles, big data centers, artificial intelligence, cloud computing, industrial Internet, virtual reality and augmented reality, IoT, blockchain, etc. Priority is given to customers of the aforementioned industries which have core intellectual property rights, resource advantages and customer advantages during formulation of layout. The Company encourages the formulation of layout in environmental protection-related industries with high-technology characteristics.

In the first half of 2021, the Company’s asset structure was further optimized and the allocation of assets across industry was more reasonable.

III. Expanding customer base to consolidate operations and diversify risks

Adhering to a business development strategy which covers the whole industry chain and possesses multi-level customer base.

The Company continuously carries out detailed investigation of the customer base along the upstream and downstream of the industry chain, constantly updates the list of target customers, and continuously updates the client entry criteria based on changes in the industry and the risk characteristics of our practicing clients, so as to keep the selection of customer base synchronized with the development of the industry.

The Company encourages the development of new customers and controls the number of overturned customers and credit scale.

The Company encourages the development of leading enterprises of state-owned enterprise customers and private customers. For small and medium-sized customers, insist on expanding along the upstream and downstream of existing customers.

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2021, the number of customers grew significantly, effectively consolidating the operating base and expanding the scope of credit. The dispersion of credit leads to a further reduction in risk concentration.

IV. Expanding channels to precisely control credit risks

For well qualified customers, the Company expands active credit channels and improve credit efficiency by ways including pre-setting credit lines and simplifying credit approval. At the same time, more credit management resources will be released to focus on credit evaluation of relatively complex cyclical industries, group customers with diversified operations, etc.

For cyclical industries, the Company prudently conducts research and makes judgment on the industry cycle and current position, and reasonably sets the project period. The Company investigates the key factors of industry risks and forms an industry risk management manual. It summarizes the public data of clients who have been listed and issued bonds in the industry, forms a yardstick of industry operation and financial data, and accurately positions and evaluates the industry level and status of clients. The Company accurately grasps the cost and profit level, debt level, investment trend and operation cycle of industrial customers, and arrives at an accurate judgment of clients' solvency.

For group clients engaged in diversified operations, the Company focuses on their core business when conducting assessment, with emphasis on the core assets, liabilities and cash flow, and pays attention to the operating trend of the main business and the synergy of multi-industry strategies, conducts careful extrapolation of favorable and unfavorable impacts of major investments and financing, major external guarantees and affiliated enterprises on the operation and accurately judge the repayment ability and liquidity pressure of the customer. At the same time, the Company will refer to the credit conditions of the financing institutions for this customer to optimize the transaction structure and guarantee conditions.

The Company insists on the quality control approach of "all-round, full-process, multi-angle, and uninterrupted" and centralizes multi-level and multi-series professional strength to carry out centralized "consultation" evaluation for cyclical industries and group customers, striving for being perfectly safe.

V. Undertaking re-evaluation and continuously monitor project risks

For projects that are within the validity period of the credit facilities and the credit facilities of which have been granted for a period of time, if they are renewed with new contracts or credit facilities are granted again, a continuous assessment or reassessment of the customer's credit status is required to assess whether there have been significant adverse changes in the customer's credit capacity and the various impacts thereof, and whether the customer still has the willingness and ability to repay, so as to ensure that the funds are placed safely and under control. By increasing the frequency of continuous assessment and reassessment, we are able to cope with the impact of rapid changes in the external environment on our customers' operations.

For customers to whom credits have been granted, regular designated inspections and non-regular investigation of customer credit status are carried out according to the amount granted and the risk status of customers. The relevant information is shared to the customer information database in a timely manner to ensure that reorder operations can be reasonably applied and comprehensively considered.

MANAGEMENT DISCUSSION AND ANALYSIS

VI. Undertaking strict operation to mitigate operational and ethical risks

The Company strengthens self-inspection and inspection at the implementation level, further improves the internal control governance of risk management, and optimizes the interactive mechanism for problem discovery, operation correction and system improvement.

Emphasis is placed on the sharing and exchange of historical risk events to continuously improve the risk awareness and risk prevention skills of personnel in key positions.

The Company undertakes strict management of the qualification of front-line personnel and accessors of professional capacity to ensure that the certified personnel have passed the qualification certification and have excellent professional ability. For personnel who newly acquire operation qualifications, a mechanism in which the aforementioned personnel are accompanied by skilled workers during operations will be implemented for a period of time. They will operate independently only after completing a specific level of operations and accumulating enough experience.

Conduct regular checks of operation standards of relevant personnel, and identify and correct operational problems in time, and constantly improve the operation management system. For those who do not operate according to the system requirements, punishment will be imposed with no tolerance.

Ensure the closed loop of operation management and the linkage of personnel management to achieve the “double upgrade” of management system and personnel capability.

VII. Pursuing intellectualization, to improve management quality and efficiency

In the areas of target customer introduction, risk identification and monitoring, the Company further strengthens financial technology, such as the introduction, development, integration and use of intelligent tools including big data, automatic recognition and comparison of graphics and text, Internet crawlers, intelligent classification and analysis of banking slips, intelligent question answering robots, positioning systems, etc. In addition, it expands the breadth of information sources, increases the density and frequency of cross-validation, and strengthens the depth of risk analysis, further improving the quality and efficiency of risk management.

MANAGEMENT DISCUSSION AND ANALYSIS

6.2 Interest Rate Risk

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

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

	As of 30 June 2021	As of 31 December 2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Variable interest bearing assets	16,996,768	26,871,970
Variable interest bearing liabilities	(86,695,742)	(83,248,638)
Monetary funds and others	18,612,198	16,542,660
Derivative financial instruments	46,108,489	44,778,713
Net exposure	(4,978,287)	4,944,705

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

	Increase/(decrease) in profit before tax of the Group	
	As of 30 June 2021	As of 31 December 2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Change in basis points		
+ 100 basis points	(30,980)	30,639
- 100 basis points	30,980	(30,639)

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 at 30 June 2021, the Group's actual exposure to foreign exchange risk (excluding perpetual securities) approximately amounted to US\$6,177 million, hedges against foreign exchange exposure amounted to US\$6,033 million with the hedge ratio (percentage of the aforesaid two items) of 97.66% (approximately 95.17% as at 31 December 2020). The Group's actual exposure to foreign exchange risk is limited. As at 30 June 2021, the Group's foreign exchange risk exposure (including perpetual securities) was approximately US\$6,877 million and the hedge ratio was approximately 87.73% (approximately 85.12% as at 31 December 2020).

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 exchange rate	As of 30 June 2021	As of 31 December 2020
		RMB'000	RMB'000
		(Unaudited)	(Audited)
Effect on the profit before tax	+1%	9,353	18,658
Direct effect of perpetual securities on the equity in the event of future redemption	+1%	45,221	45,674
		54,574	64,332

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

The Group manages its liquidity risk through daily monitoring with the following objectives: maintaining the stability of the leasing business, projecting cash flows and evaluating the level of current assets, and maintaining an efficient internal fund transfer mechanism to ensure liquidity of the Group.

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

As at 30 June 2021							
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total financial assets	16,846,602	49,622,477	111,469,483	137,277,320	2,603,193	1,742,829	319,561,904
Total financial liabilities	180,353	48,237,367	95,699,413	135,247,295	2,211,372	–	281,575,800
Net liquidity gap	16,666,249	1,385,110	15,770,070	2,030,025	391,821	1,742,829	37,986,104

As at 31 December 2020							
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total financial assets	15,251,872	42,854,039	101,092,228	124,431,629	3,275,855	1,268,060	288,173,683
Total financial liabilities	138,723	42,726,178	83,076,559	120,924,888	1,338,329	–	248,204,677
Net liquidity gap	15,113,149	127,861	18,015,669	3,506,741	1,937,526	1,268,060	39,969,006

6.5 Operational Risk

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

MANAGEMENT DISCUSSION AND ANALYSIS

7. CHARGE ON GROUP ASSETS

The Group had lease receivables of RMB20,789,405,000, long-term receivables of RMB5,415,258,000, cash of RMB261,739,000, property, plant and equipment of RMB4,277,182,000 and right-of-use asset (the original prepaid land lease payments) of RMB852,981,000 as at 30 June 2021 in order to secure or pay the bank borrowings, cash of RMB1,472,925,000 was pledged for bank acceptances, letter of credit and etc..

8. MATERIAL INVESTMENTS, ACQUISITIONS AND DISPOSALS

As at 30 June 2021, the number of hospitals controlled by the Group was 29 with the number of beds available and the actual number of beds available amounting to more than 12,000 and approximately 10,000, respectively. A nationwide hospital operation network covering East China, South China, North China, Southwest, and Northeast China has been formed. Under the operation of “One system, One network, One hospital” and for the future operation vision, the Group will include the above hospitals in the unified operation and management model, and under the main theme of discipline development and construction, efforts will be made to increase the core competitiveness of the hospitals and achieve higher income.

In the first half of 2021, the Group disposed of one kindergarten in Tianjin and currently operates 10 kindergartens and 4 schools. On 14 May 2021, the State Council promulgated the Regulation on the Implementation of the Non-state Education Promotion Law of the People’s Republic of China, which contains various provisions relating to the operation of non-profit schools providing compulsory education. After the Implementation Regulation comes into effect, there will be uncertainty for the existing Far East subsidiaries to provide services to non-profit schools providing compulsory education. Based on this, the Group plans to shift its business strategy to the provision of non-compulsory education services.

The Company insists on a high-quality positioning of school operations, and takes the responsibility of cultivating elites for the society. Its kindergarten and compulsory education schools have formed a good brand and scale effect in the local area and are widely recognized by parents. Its international high school attained excellent results regarding further studies, with an admission rate of over 70% for the top 100 universities in the world, and has helped outstanding students to enter top schools such as Oxford, Cambridge and Ivy League for successive years.

Based on a series of factors such as maintaining national stability, boosting fertility rate and promoting social equity, it is expected that the state will maintain strong regulation on the education industry, especially the basic education stage, and reduction of foreign capital, de-capitalization and reduction of scale will be promoted. It is predicted that in the future, the basic education stage will be dominated by the public system and the number of private schools will be significantly reduced. However, at the same time, the public’s demand for high-quality education will persist for a long time, and at the same time, the country continues to encourage studying abroad. Therefore, in the future, in the segment of education efforts will be made to vigorously develop the international high school business, and through systematic operation, form a competitive advantage nationwide, and appropriately attend to the development of education business at the same time.

In the first half of 2021, the Group did not conduct any material investment as defined under Rule 32(4A) of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

MANAGEMENT DISCUSSION AND ANALYSIS

9. HUMAN RESOURCES

As at 30 June 2021, the Group had 22,442 full-time employees, an increase of 1,507 full-time employees as compared to 20,935 in the corresponding period of 2020. The increased full-time employees were mainly grassroots personnel in medical institutions and equipment operation sectors.

The Group believes that it has a high quality work force with specialized industry expertise. As at 30 June 2021, approximately 39.62% of the Group's employees had bachelor's degrees or above, and approximately 7.48% had master's degrees or above.

9.1 Incentive Schemes

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

With a view of promoting the Group to establish and complete the medium-long term stimulation and restriction system for fully arousing the enthusiasm of the management, attracting and retaining the excellent management talents, and effectively integrating the interests of shareholders, the Company and the management to guarantee the long-term, stable and healthy development, the Board of the Company considered and passed the program of setting up the equity incentive plans in 2014 and 2019.

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

MANAGEMENT DISCUSSION AND ANALYSIS

9.1.1 2014 Share Option Scheme

During the reporting period, the Company did not grant any options 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 to 7)	Outstanding as at 1 January 2021	Number of share options				Outstanding as at 30 June 2021
						Granted	Exercised (Note 8)	Lapsed	Cancelled	
KONG Fanxing CEO and executive Director	11 July 2014	11 July 2016 – 11 July 2018	11 July 2016 – 11 July 2024	5.86	1,316,960	–	–	–	–	1,316,960
KONG Fanxing CEO and executive Director	3 July 2015	3 July 2017 – 3 July 2019	3 July 2017 – 3 July 2025	7.17	1,856,913	–	–	–	–	1,856,913
KONG Fanxing CEO and executive Director	15 June 2016	15 June 2018 – 15 June 2020	15 June 2018 – 15 June 2026	5.714	3,292,400	–	–	–	–	3,292,400
KONG Fanxing CEO and executive Director	20 June 2017	20 June 2019 – 20 June 2021	20 June 2019 – 20 June 2027	6.82	3,292,400	–	–	–	–	3,292,400
KONG Fanxing CEO and executive Director	18 July 2018	18 July 2020 – 18 July 2022	18 July 2020 – 18 July 2028	7.36	3,410,926	–	–	–	–	3,410,926
WANG Mingzhe CFO and executive Director	11 July 2014	11 July 2016 – 11 July 2018	11 July 2016 – 11 July 2024	5.86	460,936	–	–	–	–	460,936
WANG Mingzhe CFO and executive Director	3 July 2015	3 July 2017 – 3 July 2019	3 July 2017 – 3 July 2025	7.17	594,212	–	–	–	–	594,212
WANG Mingzhe CFO and executive Director	15 June 2016	15 June 2018 – 15 June 2020	15 June 2018 – 15 June 2026	5.714	1,053,568	–	–	–	–	1,053,568
WANG Mingzhe CFO and executive Director	20 June 2017	20 June 2019 – 20 June 2021	20 June 2019 – 20 June 2027	6.82	1,037,106	–	–	–	–	1,037,106
WANG Mingzhe CFO and executive Director	18 July 2018	18 July 2020 – 18 July 2022	18 July 2020 – 18 July 2028	7.36	1,074,442	–	–	–	–	1,074,442
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	3,266,579	–	544,340	–	509	2,721,730
Employees	3 July 2015	3 July 2017 – 3 July 2019	3 July 2017 – 3 July 2025	7.17	6,497,278	–	716,554	–	29,341	5,751,383
Employees	15 June 2016	15 June 2018 – 15 June 2020	15 June 2018 – 15 June 2026	5.714	11,763,928	–	1,914,193	–	140,381	9,709,354
Employees	20 June 2017	20 June 2019 – 20 June 2021	20 June 2019 – 20 June 2027	6.82	15,075,075	–	1,281,080	–	2,648,599	11,145,396
Employees	18 July 2018	18 July 2020 – 18 July 2022	18 July 2020 – 18 July 2028	7.36	18,156,261	–	653,184	–	1,273,023	16,230,054
TOTAL					72,148,984	–	5,109,351	–	4,091,853	62,947,780

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

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

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\$8.9073.

MANAGEMENT DISCUSSION AND ANALYSIS

9.1.2 2019 Share Option Scheme

No share options were granted under the 2019 Share Option Scheme during the reporting period. A summary of the movements of the outstanding share options under the 2019 Share Option Scheme during the reporting period is as follows:

Grantee	Date of grant	Vesting period (Note 1)	Exercise period (Note 2)	Exercise price per share HK\$ (Note 3)	Outstanding as at 1 January 2021	Number of share options				Outstanding as at 30 June 2021
						Granted	Exercised	Lapsed	Cancelled	
KONG Fanxing CEO and executive Director	19 July 2019	19 July 2020 – 19 July 2022	19 July 2020 – 19 July 2029	7.618	3,163,358	–	–	–	–	3,163,358
KONG Fanxing CEO and executive Director	23 July 2020	23 July 2021 – 23 July 2023	23 July 2021 – 23 July 2030	6.70	3,748,579	–	–	–	–	3,748,579
WANG Mingzhe CFO and executive Director	19 July 2019	19 July 2020 – 19 July 2022	19 July 2020 – 19 July 2029	7.618	996,458	–	–	–	–	996,458
WANG Mingzhe CFO and executive Director	23 July 2020	23 July 2021 – 23 July 2023	23 July 2021 – 23 July 2030	6.70	1,614,388	–	–	–	–	1,614,388
SUBTOTAL FOR DIRECTORS					9,522,783	–	–	–	–	9,522,783
Employees	19 July 2019	19 July 2020 – 19 July 2022	19 July 2020 – 19 July 2029	7.618	17,802,338	–	563,637	–	1,259,166	15,979,535
Employees	23 July 2020	23 July 2021 – 23 July 2023	23 July 2021 – 23 July 2030	6.70	17,703,291	–	–	–	467,323	17,235,968
TOTAL					45,028,412	–	563,637	–	1,726,489	42,738,286

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Note 4: During the year ended 31 December 2020, the aggregated estimated fair value of the share options granted on 23 July 2020 under the 2019 Share Option Scheme was RMB28,552,000. The estimated fair value of the share options granted on that date to Mr. KONG Fanxing, Mr. WANG Mingzhe and other eligible employees was RMB4,283,000, RMB1,844,000 and RMB22,425,000, respectively.

Grantee	Date of grant	Total number granted	Fair value of share options granted
			RMB'000
KONG Fanxing	23 July 2020	3,748,579	4,283
WANG Mingzhe	23 July 2020	1,614,388	1,844
Employees	23 July 2020	19,627,562	22,425
Total		24,990,529	28,552

As at 30 June 2021, the abovementioned disclosures remained unchanged.

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 of 30 June 2021, the Company had granted an aggregate of 283,740,200 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 2021, the Group complied with all statutory social insurance and housing fund obligations applicable to the Group under the PRC laws in all material aspects.

MANAGEMENT DISCUSSION AND ANALYSIS

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

10.1 Contingent Liabilities

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

	As at 30 June 2021	As at 31 December 2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Legal proceedings:		
Claimed amounts	87,847	6,310

10.2 Capital Commitments and Credit Commitments

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

	As at 30 June 2021	As at 31 December 2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Contracted, but not provided for:		
Capital expenditure for acquisition of property, workshop and equipment	243,169	324,921
Irrevocable credit commitments ⁽¹⁾	7,341,102	8,101,274

Note:

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

MANAGEMENT DISCUSSION AND ANALYSIS

11. FUTURE OUTLOOK

In the first half of 2021, under the strong and unified leadership of the state, the economy in China continues to recover and improve in a steady pace. The World Bank states that as the economic recovery in China is further reinforced, a powerful growth of 8.5% will be witnessed by the end of year. However, at the same time, the global pandemic continues to evolve and the external environment has become more complex and severe, as a result, the foundation of domestic economic recovery is still unstable, structural problems are prominent, and the momentum of economic growth and recovery has slowed down.

Against this backdrop, the Group will remain true to the original aspiration and upgrade the business and management models, and move forward with the vision of “vigorously building excellent enterprises”. The Group will continue to pay close attention to the changing situation of the pandemic, the economic recovery and the direction of macro- and medium-term policies, and make unremitting efforts to seek high-quality and sustainable development in an environment full of instability and uncertainty in the future, and continuously increase value creation for all parties in society.

In the direction of financial business, the Group will continue to extend the service contents, enrich the product means, expand the customer base and strengthen the risk control capability, and promote the iteration and upgrade of the business system, strengthen the coordination of internal and external resources of the organization, create a new integrated service model and build the characteristic industry leading capability. At the same time, the Group is promoting the operation and the management simultaneously, improving the application of information technology, and striving to build a flexible and efficient digital operation capability with full process coverage.

In the direction of industrial operation, Horizon Construction Development will continue to expand its operation scale and service network, continuously consolidate its leading edge in the industry, refine its management, strictly control risks, accelerate digital upgrade, and provide multi-functional and full-cycle one-stop solutions for customers. Horizon Healthcare will continue to focus on quality regions with special features, coordinate multiple elements such as discipline construction, supply chain, talents etc., continuously improve its value creation capability. orderly promote the exploration and implementation of strategies in fields such as retirement and consulting. In addition, the Group will continue to explore and incubate operation platforms in industries such as new energy, electronics and cultural and entertainment to assist in the upgrade and development of China's industries and consumption.

MANAGEMENT DISCUSSION AND ANALYSIS

12. EQUIPMENT OPERATION SEGMENT REPORT

12.1 Profit Statement Analysis of Equipment Operation Segment

For the six months ended 30 June			
	2021	2020	
	RMB' million	RMB' million	Change %
	(Unaudited)	(Unaudited)	
Total revenue	2,429.70	1,381.71	75.85%
Revenue from operating lease ⁽¹⁾	1,729.78	915.63	88.92%
Revenue from engineering and technical services ⁽²⁾	655.35	419.68	56.15%
Revenue from platforms and others	44.57	46.40	-3.94%
Total Cost	(1,365.70)	(767.96)	77.83%
Cost of operating lease ⁽¹⁾	(871.92)	(473.55)	84.12%
Cost of engineering and technical services ⁽²⁾	(458.58)	(257.90)	77.81%
Cost of platforms and others	(35.20)	(36.51)	-3.59%
Gross profit	1,064.00	613.75	73.36%
Gross profit of operating lease ⁽¹⁾	857.86	442.08	94.05%
Gross profit of engineering and technical services ⁽²⁾	196.77	161.78	21.63%
Gross profit of platforms and others	9.37	9.89	-5.26%
Administrative and selling expenses	(467.90)	(247.62)	88.96%
Provision for assets	(27.72)	(72.48)	-61.75%
Other profit	(17.24)	33.21	-151.91%
Profit before interest and tax	551.14	326.86	68.62%
Finance costs	(245.78)	(132.14)	86.00%
Profit before tax	305.36	194.72	56.82%
Income tax expense	(71.73)	(44.62)	60.76%
Profit for the period	233.63	150.10	55.65%

MANAGEMENT DISCUSSION AND ANALYSIS

12.2 Asset Analysis of Equipment Operation Segment

	30 June 2021		31 December 2020		
	RMB' million	% of total	RMB' million	% of total	Change %
	(Unaudited)		(Audited)		
Monetary fund	1,549.08	6.80%	165.83	1.06%	834.14%
Accounts receivables, bill and contract assets	3,452.41	15.15%	2,830.92	18.10%	21.95%
Prepayments and other receivables	1,746.00	7.66%	1,235.08	7.90%	41.37%
Inventories	222.61	0.98%	165.76	1.06%	34.30%
Fixed assets and other intangible assets	14,967.78	65.65%	10,352.96	66.20%	44.57%
Right-of-use assets	350.91	1.54%	681.88	4.36%	-48.54%
Deferred income tax assets	179.28	0.79%	182.11	1.16%	-1.55%
Other assets	325.07	1.43%	24.65	0.16%	1,218.74%
Total assets	22,793.14	100.00%	15,639.19	100.00%	45.74%

Notes:

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

In 2021, Horizon Construction Development jumped to the 24th place in IRN World's Top 100 Rental Companies in 2021, which is awarded by KHL Group, one of the world's largest international building information providers, and ranked fourth in Aerial Work Platform Leasing Companies in the World in ACCESS 50 in 2021. In April 2021, each of (i)Xuzhou XCMG Huijin M&A Industry Fund (L.P.), (ii)Zoomlion International Trading (H.K.) Co., Limited, (iii)GSPR Holdings Limited, (iv) Zhejiang Dingli Machinery Co., Ltd., (v)LGMG International Limited, (vi)Terex International Holdings 2 Limited and (vii) Thrive Accomplish Limited entered into a share purchase agreement with Horizon Construction Development, respectively, to subscribe for shares of Horizon Construction Development with a total consideration of US\$204,910,326.45. Upon signing of the agreement, the above-mentioned institutions have become strategic investors of Horizon Construction Development. On 30 June 2021, Horizon Construction Development submitted a listing application form (Form A1) to the Stock Exchange to apply for the listing and trading of shares of Horizon Construction Development on the main board of the Stock Exchange. As at the disclosure date of this report, the Company directly held approximately 80.95% of the shares of Horizon Construction Development. As planned, upon completion of the proposed spin-off and the proposed listing, the Company is expected to own more than 50% of equity interest in Horizon Construction Development, which will remain a subsidiary of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2021, Horizon Construction Development, a leader in the equipment operation service market for aerial work platforms, new support systems, new formwork systems and other equipment, owned approximately 77,000 pieces of aerial work platform equipment and over 1,700,000 tons of materials, with the total original value of its operating assets ranking No.1 in the equipment service market. Specifically, the Group's aerial work platform equipment mainly consists of scissor-type and boom-type aerial work platforms, which are extensively used in construction, installation and subsequent maintenance of industrial buildings, municipal venues, commercial sites, energy chemical, transportation logistics and other fields. The new support systems consist of temporary steel structures for construction purpose such as steel support, Larsen pile and structural steel, which are widely used in fields such as civil construction, municipal pipelines, subways and bridge infrastructures. The new formwork systems mainly consist of socket type scaffolding, mainly used in fields such as industrial construction, municipal construction, housing construction and traffic construction. The pavement equipment consists of paving machines, road rollers and milling machines, which are used in the construction and maintenance of asphalt concrete pavements such as high-grade roads, airport runways, test-drive tracks and municipal roads. The electric power equipment consists of generators and load boxes, which are mainly used in temporary power supply for engineering construction, large-scale exhibitions, advertising campaigns, marine engineering, urban construction, field engineering, and mining.

As at 30 June 2021, Horizon Construction Development had more than 230 service outlets in 151 cities, covering East China, South China, North China, Southwest China and Northeast China, and providing high quality and convenient services for its corporate customers, the accumulative amount of which has exceeded 60,000 at present. 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 153 authorized patents, including 13 invention patents and 56 software copyrights.

As at 30 June 2021, the total income of Horizon Construction Development was RMB2,430 million, representing an increase of 75.85% over the previous year, and the net profit was RMB234 million, representing an increase of 55.65% over the previous year. The main reasons were:

- (1) The market of equipment operation service in China is enormous and has huge growth potential. Along with the promotion of China's urbanization, iterative upgrade of industries and the 14th Five-Year Plan of China entering into implementation phase, the construction market in China is experiencing strong demand. In reliance on the product layout advantages and service concept of "safe", "environmentally friendly" and "efficient", the equipment operation services provided by Horizon Construction Development continues to be favored by the market and customers. By giving full play to the synergy and connection of the main product lines, the Company's asset utilization rate exceeded 70% in the first half of the year. With the continuous and efficient growth of the scale of operations, operating lease income grew well in the first half of the year, with operating lease income totaling RMB1,730 million in the first half of the year, representing a year-on-year increase of 88.92% compared with the previous year.
- (2) In the engineering field, with the continuous advancement of technical methods, the continuous iteration of engineering equipment as well as labour specialization and supply chain transformation, engineering and technical services and operating leasing services have become more and more complementary and synergistic. Horizon Construction Development adheres to the "customer-centric" service philosophy and provides one-stop solutions from technical solution design to on-site project management in the fields such as new support systems and new formwork systems in response to the practical needs of customers, which results in stronger customer stickiness. In the first half of 2021, Horizon Construction Development achieved revenue of RMB655 million from engineering and technical services, with a year-on-year growth of 56.15%.
- (3) Based on the industry traffic and standardized operations formed on a self-support basis, Horizon Construction Development gradually built a full-category engineering equipment service platform in the industry. The platform business takes the sublease business as the entry point, while incorporating a trading platform which operates sales of equipment materials and spare parts, to enrich the income source of Horizon Construction Development. The revenue achieved by the platform in the first half of 2021 reached RMB45 million. Under the impact of the pandemic overseas, the scale of cross-border used machine sales business was still affected.

MANAGEMENT DISCUSSION AND ANALYSIS

13. HOSPITAL OPERATION SEGMENT REPORT

13.1 Profit Statement Analysis of Hospital Operation Segment

For the six months ended 30 June			
	2021	2020	
	RMB' million	RMB' million	Change %
	(Unaudited)	(Unaudited)	
Total Revenue	1,988.39	1,539.02	29.20%
Revenue from hospital operation ⁽¹⁾	1,962.32	1,500.34	30.79%
Other relevant revenue from hospital operation ⁽²⁾	26.07	38.68	-32.60%
Total Cost	(1,590.40)	(1,250.77)	27.15%
Cost from hospital operation ⁽³⁾	(1,583.45)	(1,248.77)	26.80%
Other cost	(6.95)	(2.00)	247.50%
Gross profit	397.99	288.25	38.07%
Gross profit from hospital operation	404.94	290.25	39.51%
Other cost	(6.95)	(2.00)	247.50%
Labor cost ⁽⁴⁾	(82.08)	(76.54)	7.24%
Other administrative and selling expenses ⁽⁴⁾	(111.12)	(113.19)	-1.83%
Provision for assets	(49.87)	(29.27)	70.38%
Other profit	0.51	5.04	-89.88%
Profit before tax	155.43	74.29	109.22%
Income tax expense	(44.07)	(45.96)	-4.11%
Profit for the period	111.36	28.33	293.09%

Notes:

- (1) In the first half of 2021, the number of hospitals controlled by the Group was 29 with the number of beds available and the actual number of beds available amounting to more than 12,000 and approximately 10,000, respectively. A nationwide hospital operation network covering East China, South China, North China, Southwest, and Northeast China has been formed. 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 into 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 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 2021 increased from approximately RMB1.249 billion of the first half of 2020 to RMB1.583 billion, showing a growth in volume and size compared to the same period of the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS

- (4) The Group continued to strengthen the construction of medical teams, improve the professional quality of medical staff, enhance the integrated management level and optimize continuously. Combined the introduction of senior management talents in the upper level and local hospitals and the optimization and adjustment to the structure of the Group's top information system, the labor expenses of the Group have increased. After being affected by the pandemic, the Group proactively promoted the control and management of expenses, reduced costs and increased efficiency, as a result, other sales management expenses have decreased in 2021.
- (5) This analysis of hospital operation sector profit statement has not taken into account the impact of shareholders' borrowings.
- (6) According to the actual situation of the hospital operation sector, the scope of the hospital operation sector has been adjusted and the comparative data has been restated this year.

13.2 Asset Analysis of Hospital Operation Segment

	30 June 2021		31 December 2020		
	RMB' million	% of total	RMB' million	% of total	Change %
	(Unaudited)		(Audited)		
Monetary fund	116.98	1.42%	117.89	1.45%	-0.77%
Amount of the Group's cash pool	456.92	5.53%	597.55	7.36%	-23.54%
Accounts receivables	514.73	6.23%	419.68	5.17%	22.65%
Prepayments ⁽¹⁾	108.04	1.31%	45.15	0.56%	139.29%
Other receivables	66.65	0.81%	60.11	0.74%	10.89%
Entrusted loans	203.20	2.46%	174.66	2.15%	16.34%
Inventories	155.76	1.88%	151.78	1.87%	2.62%
Fixed assets and Intangible assets ⁽²⁾	3,711.48	44.91%	3,660.41	45.10%	1.40%
Goodwill ⁽³⁾	2,026.67	24.52%	2,026.67	24.97%	0.00%
Investments in joint ventures/associates ⁽⁴⁾	267.95	3.24%	280.33	3.45%	-4.42%
Deferred income tax assets	61.39	0.74%	41.06	0.51%	49.51%
Right-of-use assets ⁽⁵⁾	571.92	6.92%	539.33	6.64%	6.04%
Other assets	2.63	0.03%	2.01	0.02%	30.85%
Total assets	8,264.32	100.00%	8,116.63	100.00%	1.82%

Notes:

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

DISCLOSURE OF INTERESTS

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

As at 30 June 2021, 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	51,073,843(L) ⁽²⁾	1.22%
		Interest in a controlled corporation	774,202,557(L) ⁽³⁾	18.59%
WANG Mingzhe	The Company	Beneficial owner	17,563,775(L) ⁽⁴⁾	0.42%
LIU Haifeng David	The Company	Interest in a controlled corporation	409,429,100(L) ⁽⁵⁾	9.83%
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, 6,911,937 underlying shares in respect of the share options granted pursuant to the Company's 2019 Share Option Scheme and 30,122,307 underlying shares in respect of the awarded shares granted pursuant to the Company's 2014 Restricted Share Award Scheme. In addition to the share interest in respect of the share options and awarded shares granted, to the best of the directors' knowledge, information and belief, having made all reasonable enquiries, Mr. Kong Fanxing is interested in 870,000 ordinary shares of the Company as at 30 June 2021. For details of those schemes, please refer to the 2020 annual report of the Company.
- (3) The interest includes 40,726,000 shares held directly by Powerful Force HK Limited, 159,670,000 shares held directly by Will of Heaven HK Limited, 107,503,000 held directly by Swallow Gird HK Limited, 197,945,000 held directly by Energon HK Limited, 181,121,495 shares held directly by Jinsheng Developments Limited, and 87,237,062 shares held directly by Idea Delicacy Limited. All of them had unconditionally, irrevocably and permanently entrusted Idea Prosperous Limited, a company 100% owned by Mr. Kong Fanxing, to exercise the voting rights attached to the shares.
- (4) The interest includes 4,220,264 underlying shares in respect of the share options granted pursuant to the Company's 2014 Share Option Scheme, 2,610,846 underlying shares in respect of the share options granted pursuant to the Company's 2019 Share Option Scheme and 10,346,665 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 2021. For details of those schemes, please refer to the 2020 annual report of the Company.
- (5) The interests includes (1) 1,067,000 ordinary shares of the Company held directly by New Trace Limited which is 100% controlled by Mr. Liu Haifeng David; (2) 358,362,100 ordinary shares of the Company held directly by Capital Rise Limited; and (3) 50,000,000 ordinary shares of the Company held directly by Capital Lead Limited. Capital Bridge Limited holds the entire share capital of Capital Rise Limited and Capital Lead Limited respectively. Capital Bridge Limited is 100% controlled by DCP Capital Partners L.P., which is 100% controlled by DCP General Partner, Ltd, which in turn is 100% controlled by DCP Partners Limited. DCP Partners Limited is 100% controlled by DCP, Ltd., which is 50% controlled by Mr. Julian Juul Wolhardt and 50% controlled by Mr. Liu Haifeng David.

Save as disclosed above, as at 30 June 2021, none of the directors or the chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he/she is taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register kept by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DISCLOSURE OF INTERESTS

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES

Based on the information available to the directors of the Company, as at 30 June 2021 (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 2021, the entities or individuals who had interests or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company under section 336 of the SFO or had otherwise notified to the Company were as follows:

Name of shareholder	Capacity/nature of interest	Number of ordinary Shares ⁽¹⁾	Approximate percentage of interest
Sinochem Capital Investment Management (Hong Kong) Limited ⁽²⁾	Beneficial owner	919,914,440(L)	22.08%
Sinochem Capital Investment Management Limited ⁽²⁾	Interest in a controlled corporation	919,914,440(L)	22.08%
Sinochem Corporation ⁽²⁾	Interest in a controlled corporation	919,914,440(L)	22.08%
Sinochem Group Co., Ltd ⁽²⁾	Interest in a controlled corporation	919,914,440(L)	22.08%
The State-owned Assets Supervision and Administration Commission of the State Council ⁽²⁾	Interest in a controlled corporation	919,914,440(L)	22.08%
KONG Fanxing	Beneficial owner	51,073,843(L) ⁽³⁾	1.22%
	Interest in a controlled corporation	774,202,557(L) ⁽⁴⁾	18.59%
Idea Prosperous Limited ⁽⁴⁾	Entrusted to exercise voting rights	774,202,557(L)	18.59%
JPMorgan Chase & Co. ⁽⁵⁾	Interest in a controlled corporation	84,937,236(L)	2.03%
		70,774,265(S)	1.69%
	Investment manager	100,000(L)	0.00%
	Person having a security interest in shares	28,047,849(L)	0.67%
	Approved lending agent	312,148,658(P)	7.49%
Cathay Financial Holding Co., Ltd. ⁽⁶⁾	Beneficial owner	318,400,000(L)	7.64%
Aim Future Limited ⁽⁷⁾	Interest in a controlled corporation	505,844,000(L)	12.14%
Gold Stone Enterprise Limited ⁽⁷⁾	Interest in a controlled corporation	505,844,000(L)	12.14%
Cantrust (Far East) Limited ⁽⁷⁾	Trustee	505,844,000(L)	12.14%
UBS Group AG ⁽⁸⁾	Interest in a controlled corporation	473,723,215(L)	11.37%
		37,477,231(S)	0.89%

DISCLOSURE OF INTERESTS

Name of shareholder	Capacity/nature of interest	Number of ordinary Shares ⁽¹⁾	Approximate percentage of interest
Sunshine Trust Company Limited ⁽⁹⁾	Trustee	272,237,062(L)	6.53%
LIU Haifeng David ⁽¹⁰⁾	Interest in a controlled corporation	409,429,100(L)	9.83%
Capital Rise Limited ⁽¹⁰⁾	Beneficial owner	358,362,100(L)	8.60%
Capital Bridge Limited ⁽¹⁰⁾	Interest in a controlled corporation	408,362,100(L)	9.80%
DCP Capital Partners L.P. ⁽¹⁰⁾	Interest in a controlled corporation	408,362,100(L)	9.80%
DCP General Partner, Ltd ⁽¹⁰⁾	Interest in a controlled corporation	408,362,100(L)	9.80%
DCP, Ltd. ⁽¹⁰⁾	Interest in a controlled corporation	408,362,100(L)	9.80%
Julian Juul WOLHARDT ⁽¹⁰⁾	Interest in a controlled corporation	408,362,100(L)	9.80%
HSBC Holdings plc ⁽¹¹⁾	Interest in a controlled corporation	9,076,421	0.21%
	Trustee	505,546,457	12.13%

Notes:

- (1) The letter "L" denotes the person's long position in the shares of the Company. The letter "S" denotes the person's short position in the shares of the Company. The letter "P" denotes the person's shares of the Company by approved lending agent.
- (2) Sinochem Capital Investment Management (Hong Kong) Limited is 100% controlled by Sinochem Capital Investment Management Limited, which is 100% controlled by Sinochem Corporation, which is in turn controlled as to 98% by Sinochem Group Co., Ltd. Sinochem Group Co., Ltd is 100% controlled by the State-owned Assets Supervision and Administration Commission of the State Council.
- (3) Please refer to Note (2) of the section headed "Directors' and Chief Executives' Interests and/or Short Positions in the Shares, Underlying Shares and Debentures of the Company or any of its Associated Corporations" for further details of the shareholding structure.
- (4) Please refer to Note (3) of the section headed "Directors' and Chief Executives' Interests and/or Short Positions in the Shares, Underlying Shares and Debentures of the Company or any of its Associated Corporations" for further details of the shareholding structure.
- (5) Please refer to Form 2 – Corporate Substantial Shareholder Notice for the relevant event on 18 June 2021 for further details of the shareholding structure.
- (6) Please refer to Form 2 – Corporate Substantial Shareholder Notice for the relevant event on 8 February 2021 for further details of the shareholding structure.
- (7) The interest is held directly by Will of Heaven HK Limited, Swallow Gird HK Limited, Powerful Force HK Limited and Energon HK Limited. Will of Heaven HK Limited, Swallow Gird HK Limited, Powerful Force HK Limited and Energon HK Limited are 100% controlled by Aim Future Limited, which is in turn 100% controlled by Gold Stone Enterprise Limited. Cantrust (Far East) Limited is the trustee of The Gold Stone I Trust and holds 100% interest in Gold Stone Enterprise Limited.
- (8) Please refer to Form 2 – Corporate Substantial Shareholder Notice for the relevant event on 23 June 2021 for further details of the shareholding structure.
- (9) The interest is held directly by Idea Delicacy Limited, which is 100% controlled by Sunshine Trust Company Limited, trustee of Sunshine Trust Company Limited-Fortune Investment Fund.
- (10) Please refer to Note (5) of the section headed "Directors' and Chief Executives' Interests and/or Short Positions in the Shares, Underlying Shares and Debentures of the Company or any of its Associated Corporations" for further details of the shareholding structure.
- (11) Please refer to Form 2 – Corporate Substantial Shareholder Notice for the relevant event on 30 June 2021 for further details of the shareholding structure.

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

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE CODE

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

The Company has complied with the code provisions of the CG Code throughout the period from 1 January 2021 to 30 June 2021, 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 should attend the annual general meeting of the listed issuers and invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) or in the absence of the chairmen of such committees, another member of the committee to attend and be available to answer questions at the annual general meeting.

At the annual general meeting of the Company held on 9 June 2021 (the “2021 AGM”), Mr. Ning Gaoning (Chairman of the Board), Mr. Liu Jialin (Chairman of the Remuneration and Nomination Committee) and Mr. Liu Haifeng David (Chairman of the Strategy and Investment Committee) were unable to be present due to other important business engagements or travelling restrictions under the COVID-19 outbreak. In order to ensure smooth holding of the 2021 AGM, Mr. Yip Wai Ming (Chairman of the Audit and Risk Management Committee) chaired the 2021 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 2021.

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

No incident of non-compliance with the Employees Written Guidelines by the employees was noted by the Company for the six months ended 30 June 2021.

CORPORATE GOVERNANCE

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the period from 1 January 2021 to 30 June 2021, 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 2021 of the Group, including the accounting principles and practices adopted by the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

The environmental, social and governance committee has been formally established since 31 August 2021 and will assist the Board in reviewing and monitoring the environmental, social and governance policies and practices of the Company. The environmental, social and governance committee consists of three members, namely Mr. Cai Cunqiang as Chairman, Mr. Han Xiaojing and Mr. John Law. For details, please refer to the announcement of the Company dated 31 August 2021.

OTHER INFORMATION

IMPLEMENTATION OF DISTRIBUTION OF 2020 FINAL DIVIDEND

According to the proposal in relation to dividend distribution, which was considered and passed at the AGM on 9 June 2021, the Group has paid a dividend of HK\$0.36 per share to shareholders whose names appear on the register of members of the Company on 21 June 2021, thereby resulting in a total dividend payment amount of HK\$1,449,926,447.76.

INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2021.

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 2021.

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
HAN Xiaojing	Appointed as the independent non-executive director of Angelalign Technology Inc. (a company listed on the Hong Kong Stock Exchange, stock code: 6699) with effect from 20 May 2021.
KUO Ming-Jian	Appointed as the independent non-executive director of Accton Technology Corporation (a company listed on the Taiwan Stock Exchange, stock code: 2345) with effect from 8 July 2021.

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 92 to 176, 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 2021 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

For the six months ended 30 June			
		2021	2020
		(Unaudited)	(Unaudited)
	Notes	RMB'000	RMB'000
Interest Income	4	9,358,025	7,730,045
Revenue from operating leases	4	1,729,783	915,626
Revenue from contracts with customers	4	5,161,551	4,673,639
Tax and surcharges		(65,202)	(43,944)
Cost of sales		(7,972,570)	(6,500,950)
Other income and gains	4	960,777	993,144
Selling and distribution costs		(1,501,515)	(941,631)
Administrative expenses		(1,778,813)	(1,924,323)
Impairment losses on financial and contract assets		(1,048,671)	(1,151,700)
Gains/(losses) on derecognition of financial assets measured at amortised cost		47,428	(102,882)
Other expenses		(439,948)	(243,148)
Finance costs		(385,221)	(325,086)
Share of net profits of: Associates		168,799	321,156
Share of net losses of: Joint ventures		(27,006)	(70,343)
PROFIT BEFORE TAX	5	4,207,417	3,329,603
Income tax expense	6	(1,316,039)	(971,717)
PROFIT FOR THE PERIOD		2,891,378	2,357,886
Attributable to:			
Ordinary shareholders of the Company		2,572,885	2,055,682
Holders of perpetual securities	22	187,891	278,928
Non-controlling interests		130,602	23,276
		2,891,378	2,357,886
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8	RMB	RMB
Basic			
– Earnings per share		0.64	0.54
Diluted			
– Earnings per share		0.60	0.54

Details of the dividends payable and proposed for the period are disclosed in Note 7 to the interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
PROFIT FOR THE PERIOD	2,891,378	2,357,886
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	(357,855)	526,108
Reclassification adjustment for losses included in the consolidated statement of profit or loss	554,220	(561,345)
Income tax effect	(34,685)	5,383
	161,680	(29,854)
Exchange differences:		
Exchange differences on translation of foreign operations	(10,170)	(819)
Reclassification adjustments for a foreign operation disposed of during the period	14,580	–
	4,410	(819)
Net other comprehensive income that will be reclassified to profit or loss in subsequent periods	166,090	(30,673)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	166,090	(30,673)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	3,057,468	2,327,213
Attributable to:		
Ordinary shareholders of the Company	2,738,975	2,025,009
Holders of perpetual securities	187,891	278,928
Non-controlling interests	130,602	23,276
	3,057,468	2,327,213

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

		30 June 2021	31 December 2020
		(Unaudited)	(Audited)
	Notes	RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	21,156,604	16,871,601
Right-of-use assets		1,967,427	2,059,242
Goodwill		2,032,146	2,032,232
Other intangible assets		51,524	49,129
Investments in joint ventures	12	2,365,700	2,326,760
Investments in associates	13	4,989,638	4,964,459
Financial assets at fair value through profit or loss	15	6,950,469	6,176,714
Derivative financial instruments	11	49,297	69,202
Loans and accounts receivables	10	118,912,773	106,476,358
Prepayments, other receivables and other assets		6,402,302	8,579,835
Deferred tax assets	19	5,306,254	5,142,900
Restricted deposits	14	–	142
Total non-current assets		170,184,134	154,748,574
CURRENT ASSETS			
Inventories		470,014	397,381
Loans and accounts receivables	10	135,525,910	122,920,949
Contract assets		66,576	110,132
Prepayments, other receivables and other assets		5,795,299	2,903,998
Debt investment at fair value through other comprehensive income		78,581	108,176
Financial assets at fair value through profit or loss	15	2,588,830	3,165,851
Derivative financial instruments	11	4,811	219,765
Restricted deposits	14	5,461,490	3,474,727
Cash and cash equivalents	14	13,379,108	11,877,235
Total current assets		163,370,619	145,178,214
CURRENT LIABILITIES			
Trade and bills payables	16	12,595,307	7,880,410
Other payables and accruals		18,815,681	15,223,636
Derivative financial instruments	11	1,098,949	297,441
Interest-bearing bank and other borrowings	17	112,307,062	103,931,451

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

		30 June 2021	31 December 2020
		(Unaudited)	(Audited)
	Notes	RMB'000	RMB'000
Lease liabilities		187,615	237,544
Income tax payable		978,047	1,764,699
Total current liabilities		145,982,661	129,335,181
NET CURRENT ASSETS		17,387,958	15,843,033
TOTAL ASSETS LESS CURRENT LIABILITIES		187,572,092	170,591,607
NON-CURRENT LIABILITIES			
Convertible bonds – host debts	18	3,323,899	2,924,074
Interest-bearing bank and other borrowings	17	116,296,607	98,360,630
Lease liabilities		482,620	583,048
Derivative financial instruments	11	915,574	1,557,724
Deferred tax liabilities	19	239,276	244,077
Other payables and accruals		12,483,584	16,304,185
Deferred revenue		621,253	1,064,019
Other non-current liabilities		4,830,392	4,286,717
Total non-current liabilities		139,193,205	125,324,474
Net assets		48,378,887	45,267,133
EQUITY			
Equity attributable to ordinary shareholders of the parent			
Share capital	20	11,728,694	10,397,104
Equity component of convertible bonds		233,750	338,050
Reserves	21	25,156,348	23,384,298
		37,118,792	34,119,452
Holders of perpetual securities	22	8,427,791	8,478,063
Non-controlling interests		2,832,304	2,669,618
Total equity		48,378,887	45,267,133

Kong Fanxing
Director

Wang Mingzhe
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to ordinary shareholders of the parent										
	Equity component of		Shares held for the share		Share-based		Reserve		Exchange		Total
	Share capital	convertible bonds	Capital reserve	award scheme	compensation reserve	Special reserve	fund	Hedging reserve	fluctuation reserve	Retained profits	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 20)	(Note 18)	(Note 21)	(Note 21)	(Note 21)	(Note 21)	(Note 21)	(Note 21)	(Note 22)	(Note 22)	
At 1 January 2021	10,397,104	338,050	1,303,120	(866,947)	379,223	24,914	121,913	(254,289)	753,819	21,972,345	45,267,133
Profit for the period	-	-	-	-	-	-	-	-	-	2,572,885	2,891,378
Other comprehensive income for the period:											
Cash flow hedges, net of tax	-	-	-	-	-	-	-	161,680	-	-	161,680
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	4,410	-	4,410
Total comprehensive income	-	-	-	-	-	-	-	161,680	4,410	2,572,885	3,057,468
Final 2020 dividend declared (net of dividends received from shares held for the share award scheme) (Note 7)	-	-	-	-	-	-	-	-	-	(1,205,585)	(1,205,585)
Distribution paid to holders of perpetual securities	-	-	-	-	-	-	-	-	-	(238,163)	(238,163)
Transfer of share option reserve upon exercise of share options	39,309	-	-	-	(8,225)	-	-	-	-	31,084	31,084
Recognition of equity-settled share-based payments	-	-	-	-	92,396	-	-	-	-	92,396	92,396
Special reserve – safety fund appropriation	-	-	-	-	-	9,213	-	-	-	(11,381)	-
Capital injection by non-controlling shareholders	-	-	488,393	-	-	-	-	-	-	488,393	1,339,529
Purchase of non-controlling interests	-	-	146,761	-	-	-	-	-	-	146,761	146,699
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	51,602
Dividends declared to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	(22,432)
Issue of convertible bonds (Note 18)	-	75,594	-	-	-	-	-	-	-	75,594	75,594
Issue of shares upon conversion of convertible bond (Note 18)	1,292,281	(179,894)	-	-	-	-	-	-	-	-	1,112,387
Put option granted to non-controlling shareholders	-	-	(478,497)	-	-	-	-	-	-	-	(852,328)
At 30 June 2021 (Unaudited)	11,728,694	233,750	1,459,777*	(866,947)*	463,394*	34,127*	121,913*	(92,609)*	758,229*	23,278,464*	48,378,887

* These reserve accounts comprise the consolidated reserves of RMB25,156,348,000 (31 December 2020: RMB23,384,298,000) in the consolidated statement of financial position.

For the six months ended 30 June 2021

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

For the six months ended 30 June			
		2021	2020
		(Unaudited)	(Unaudited)
	Notes	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		4,207,417	3,329,603
Adjustments for:			
Finance costs and bank charges		4,809,091	3,980,399
Bank interest income	4	(93,559)	(69,259)
Share of net profits of associates		(168,799)	(321,156)
Share of net losses of joint ventures		27,006	70,343
Gains on unlisted debt investments, at fair value	4	(57,471)	(31,680)
(Gains)/losses on disposal of property, plant and equipment, net		(9,826)	2,500
Gains on disposal of subsidiaries	4	(48,602)	(9,251)
Depreciation of property, plant and equipment		871,374	785,698
Depreciation of right-of-use assets		108,525	123,724
Provision for impairment of loans and accounts receivables	5	1,055,944	1,155,282
Provision for impairment of inventories	5	–	20,979
Provision for impairment of prepayments, other receivables and other assets	5	(4,366)	(3,582)
Impairment of other intangible assets	5	–	4,463
Provision for impairment of property, plant and equipment	5	–	449,956
Impairment of credit commitments	5	(2,907)	–
Impairment of right-of-use assets	5	–	29,221
Impairment of goodwill	5	–	33
Amortisation of intangible assets and other assets	5	12,673	18,200
Equity-settled share-based payment expenses	5	92,396	118,870
Foreign exchange loss, net		40,867	48,856
Interest expense on lease liabilities		19,556	42,953
Interest income from continuing involvement in transferred assets		(195,907)	(321,590)
Realised gains on derecognition of financial assets at fair value through profit or loss		(20,501)	(4,295)
Fair value losses from financial liabilities at fair value through profit or loss		129,683	42,751
Fair value loss/(gains) from financial assets at fair value through profit or loss		(106,834)	(192,038)
Interest income from financial assets at fair value through profit or loss		–	(6,226)
Dividends of financial assets at fair value through profit or loss	4	(7,290)	–
		10,658,470	9,264,754

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

For the six months ended 30 June			
		2021	2020
		(Unaudited)	(Unaudited)
	Notes	RMB'000	RMB'000
Increase in inventories		(72,687)	(111,161)
Decrease in contract assets		43,556	1,461
Increase in loans and accounts receivables		(26,130,275)	(19,464,767)
(Increase)/Decrease in prepayments, other receivables and other assets		(654,331)	127,046
(Increase)/Decrease in restricted cash		(1,623,011)	869,653
Increase in trade and bills payables		4,715,802	3,065,388
Decrease in other payables and accruals		(1,107,574)	(4,934,671)
Decrease in other liabilities		(442,766)	(440,946)
Net cash flows used in operating activities before tax and interest		(14,612,816)	(11,623,243)
Interest paid		(4,323,420)	(3,499,916)
Interest received		93,559	69,259
Income tax paid		(2,300,757)	(1,751,269)
Net cash flows used in operating activities		(21,143,434)	(16,805,169)
CASH FLOWS FROM INVESTING ACTIVITIES			
Gains on unlisted debt investments, at fair value	4	52,217	31,680
Proceeds from disposal of property, plant and equipment		71,796	60,217
Purchase of items of property, plant and equipment, intangible assets and other long term assets		(5,241,623)	(3,574,159)
Acquisition of subsidiaries		–	(6,301)
Proceeds from disposal of associates		12,500	18,000
Purchase of shareholding for joint ventures		(127,255)	(135,021)
Purchase of shareholding for associates		(52,339)	–
Dividend received from joint ventures		61,228	16,307
Dividend received from associates		26,333	44,818
Dividend received from financial assets at fair value through profit or loss		7,290	106,193
Proceeds from disposal of financial assets at fair value through profit or loss		3,932,184	211,056
Proceeds from disposal of interests in joint ventures		–	55,918
Disposal of subsidiaries		61,541	192,924
Purchase of financial assets at fair value through profit or loss		(3,939,732)	(3,805,781)
Net cash flows used in investing activities		(5,135,860)	(6,784,149)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

For the six months ended 30 June			
		2021	2020
		(Unaudited)	(Unaudited)
	Notes	RMB'000	RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received from exercise of share options		31,084	15,010
Capital injection from non-controlling shareholders		1,473,825	512,338
Acquisition of non-controlling interests		–	(22,194)
Cash received from borrowings		104,296,921	74,598,485
Repayments of borrowings		(77,650,088)	(49,727,935)
Principal portion of lease payments/finance lease rental payments		(116,542)	(208,817)
Increase in pledged deposits		(363,610)	(320,353)
Distribution paid to holders of perpetual securities	21	(238,163)	(108,287)
Issue of perpetual capital securities		–	2,694,000
Dividends paid to non-controlling shareholders		(27,463)	(13,988)
Realised fair value gains from derivative financial instruments in hedges for borrowings		36,362	141,931
Issue of convertible bonds		1,584,131	–
Dividends paid		(1,205,585)	–
Net cash flows provided by financing activities		27,820,872	27,560,190
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,541,578	3,970,872
Cash and cash equivalents at beginning of the period		11,877,235	3,989,571
Effect of exchange rate changes on cash and cash equivalents		(39,705)	12,346
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	14	13,379,108	7,972,789

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

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 changed from Room 6305, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong to Unit 6608, 66/F, International Commerce Centre, 1 Austin Road West, Kowloon with effect from 31 July 2020.

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial information for the six months ended 30 June 2021 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 2020.

The financial information relating to the year ended 31 December 2020 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 2020 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 2020. The auditor's report was unqualified; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i> (early adopted)

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank and other borrowings denominated in Hong Kong dollars and foreign currencies based on the Hong Kong Interbank Offered Rate and the London Interbank Offered Rate ("LIBOR") as at 30 June 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the "economically equivalent" criterion is met.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies and disclosures (continued)

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

Since there were no rent concessions occurring as a direct consequence of the covid-19 pandemic within the Group during the period ended 30 June 2021, the amendment to HKFRS 16 had no significant impact on the financial position and performance of the Group.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into two operating segments, namely the financial, lease and advisory business and the industrial operation and management business, based on the internal organisational structure, management requirement and internal reporting system:

- The financial, lease and advisory business comprises primarily (a) direct finance leasing; (b) sale-leaseback; (c) factoring; (d) entrusted loans; (e) operating leases and (f) advisory services.
- The industrial operation and management business comprises primarily (a) import and export trade and domestic trade of medical equipment, as well as the provision of trade agency services primarily within the machinery industry; (b) ship brokerage services; (c) medical engineering; (d) hospital and healthcare management and (e) education consulting and management.

Management monitors the operating results of the Group's business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Group.

Segment revenue, results and assets mainly include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

3. OPERATING SEGMENT INFORMATION (continued)

As at and for the six months ended 30 June 2021 (Unaudited)

	Financial, lease and advisory	Industrial operation and management	Adjustments and eliminations	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue: (Note 4)				
Sales to external customers	13,566,454	2,617,703	–	16,184,157
Intersegment sales	125,898	12,619	(138,517)	–
Cost of sales	(5,848,635)	(2,123,935)	–	(7,972,570)
Other income and gains	609,890	359,901	(9,014)	960,777
Selling and distribution costs and administrative expenses	(3,017,095)	(281,522)	18,289	(3,280,328)
Other expenses	(296,479)	(143,469)	–	(439,948)
Finance costs	(373,470)	(140,993)	129,242	(385,221)
Impairment losses on financial and contract assets	(1,024,584)	(24,087)	–	(1,048,671)
Profits on disposal of financial assets measured at amortised cost	47,428	–	–	47,428
Share of profits of associates	168,207	592	–	168,799
Share of profits/(losses) of joint ventures	11,459	(38,465)	–	(27,006)
Profit before tax	3,969,073	238,344	–	4,207,417
Income tax expense	(1,287,236)	(28,803)	–	(1,316,039)
Profit after tax	2,681,837	209,541	–	2,891,378
Segment assets	323,889,178	21,559,824	(11,894,249)	333,554,753
Other segment information:				
Impairment losses recognised in the statement of profit or loss	1,024,584	24,087	–	1,048,671
Depreciation and amortisation	758,454	225,882	–	984,336
Capital expenditure	5,073,819	347,398	–	5,421,217

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

3. OPERATING SEGMENT INFORMATION (continued)

As at and for the six months ended 30 June 2020 (Unaudited)

	Financial, lease and advisory	Industrial operation and management	Adjustments and eliminations	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue: (Note 4)				
Sales to external customers	11,122,064	2,153,302	–	13,275,366
Intersegment sales	106,474	11,176	(117,650)	–
Cost of sales	(4,728,832)	(1,772,118)	–	(6,500,950)
Other income and gains	673,402	343,188	(23,446)	993,144
Selling and distribution costs and administrative expenses	(2,283,056)	(594,468)	11,570	(2,865,954)
Other expenses	(237,482)	(22,068)	16,402	(243,148)
Finance costs	(274,648)	(163,562)	113,124	(325,086)
Impairment losses on financial and contract assets	(1,107,356)	(44,344)	–	(1,151,700)
Losses on disposal of financial assets measured at amortised cost	(102,882)	–	–	(102,882)
Share of profits of associates	158,392	162,764	–	321,156
Share of losses of joint ventures	(1,404)	(68,939)	–	(70,343)
Profit before tax	3,324,672	4,931	–	3,329,603
Income tax expense	(942,492)	(29,225)	–	(971,717)
Profit/(loss) after tax	2,382,180	(24,294)	–	2,357,886
As at 31 December 2020 (Audited)				
Segment assets	293,787,662	20,991,692	(14,852,566)	299,926,788
For the six months ended 30 June 2020 (Unaudited)				
Other segment information:				
Impairment losses recognised in the statement of profit or loss	1,126,888	529,464	–	1,656,352
Depreciation and amortisation	547,509	380,113	–	927,622
Capital expenditure	3,426,712	288,769	–	3,715,481

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

3. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

For the six months ended 30 June		
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Mainland China	16,049,985	13,123,009
Hong Kong	46,698	7,776
Other countries or regions	87,474	144,581
	16,184,157	13,275,366

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

(b) Non-current assets

	30 June 2021	31 December 2020
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Mainland China	34,729,097	31,487,806
Hong Kong	925,167	950,688
	35,654,264	32,438,494

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

Information about major customers

There was no single customer from whom the revenue derived amounted to 10% or more of the total revenue of the Group during the period.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

4. INTEREST INCOME, REVENUE FROM OPERATING LEASES, REVENUE FROM CONTRACTS WITH CUSTOMERS, OTHER INCOME AND GAINS

An analysis of interest income, revenue from operating leases, revenue from contracts with customers, other income and gains is as follows:

For the six months ended 30 June			
		2021	2020
		(Unaudited)	(Unaudited)
	Note	RMB'000	RMB'000
Interest Income			
Interest income from finance leases, factoring and loan		9,227,452	7,723,819
Interest income from financial assets at fair value through profit or loss		130,573	6,226
Revenue from operating leases		1,729,783	915,626
Revenue from contracts with customers	(i)	5,161,551	4,673,639
Tax and surcharges		(65,202)	(43,944)
		16,184,157	13,275,366

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

4. INTEREST INCOME, REVENUE FROM OPERATING LEASES, REVENUE FROM CONTRACTS WITH CUSTOMERS, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers

(i) Disaggregated revenue information

For the six months ended 30 June 2021

	Financial, lease and advisory	Industrial operation and management	Total
Segments	RMB'000	RMB'000	RMB'000
Types of goods or services			
Sale of goods	35,115	289,731	324,846
Construction services	655,351	–	655,351
Service fee income	1,774,596	–	1,774,596
Healthcare service income	–	1,962,317	1,962,317
Education service income	–	150,713	150,713
Chartering and brokerage income	–	119,303	119,303
Other income	66,586	107,839	174,425
Total revenue from contracts with customers	2,531,648	2,629,903	5,161,551
Geographical markets			
Hong Kong	14,869	31,829	46,698
Mainland China	2,516,779	2,510,601	5,027,380
Other countries or regions	–	87,473	87,473
Total revenue from contracts with customers	2,531,648	2,629,903	5,161,551
Timing of revenue recognition			
Goods or services transferred at a point in time	1,704,883	1,121,999	2,826,882
Services transferred over time	826,765	1,507,904	2,334,669
Total revenue from contracts with customers	2,531,648	2,629,903	5,161,551

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

4. INTEREST INCOME, REVENUE FROM OPERATING LEASES, REVENUE FROM CONTRACTS WITH CUSTOMERS, OTHER INCOME AND GAINS (continued)**Revenue from contracts with customers** (continued)**(i) Disaggregated revenue information** (continued)

For the six months ended 30 June 2020

	Financial, lease and advisory	Industrial operation and management	Total
Segments	RMB'000	RMB'000	RMB'000
Types of goods or services			
Sale of goods	36,868	254,774	291,642
Construction services	419,742	–	419,742
Service fee income	1,969,167	–	1,969,167
Healthcare service income	–	1,500,345	1,500,345
Education service income	–	88,096	88,096
Chartering and brokerage income	–	203,250	203,250
Other income	85,229	116,168	201,397
Total revenue from contracts with customers	2,511,006	2,162,633	4,673,639
Geographical markets			
Hong Kong	1,530	343	1,873
Mainland China	2,509,476	2,017,709	4,527,185
Other countries or regions	–	144,581	144,581
Total revenue from contracts with customers	2,511,006	2,162,633	4,673,639
Timing of revenue recognition			
Goods or services transferred at a point in time	1,625,543	915,167	2,540,710
Services transferred over time	885,463	1,247,466	2,132,929
Total revenue from contracts with customers	2,511,006	2,162,633	4,673,639

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

4. INTEREST INCOME, REVENUE FROM OPERATING LEASES, REVENUE FROM CONTRACTS WITH CUSTOMERS, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

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

For the six months ended 30 June 2021

	Financial, lease and advisory	Industrial operation and management	Total
Segments	RMB'000	RMB'000	RMB'000
Revenue from contracts with customers			
External customers	2,531,648	2,629,903	5,161,551
Intersegment sales	5,670	12,619	18,289
Intersegment adjustments and eliminations	(5,670)	(12,619)	(18,289)
Total revenue from contracts with customers	2,531,648	2,629,903	5,161,551

For the six months ended 30 June 2020

	Financial, lease and advisory	Industrial operation and management	Total
Segments	RMB'000	RMB'000	RMB'000
Revenue from contracts with customers			
External customers	2,511,006	2,162,633	4,673,639
Intersegment sales	–	11,176	11,176
Intersegment adjustments and eliminations	–	(11,176)	(11,176)
Total revenue from contracts with customers	2,511,006	2,162,633	4,673,639

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

4. INTEREST INCOME, REVENUE FROM OPERATING LEASES, REVENUE FROM CONTRACTS WITH CUSTOMERS, OTHER INCOME AND GAINS (continued)

For the six months ended 30 June			
		2021	2020
		(Unaudited)	(Unaudited)
	Note	RMB'000	RMB'000
Other income and gains			
Bank interest income		93,559	69,259
Gains on structured financial products		57,471	31,680
Gains on disposal of property, plant and equipment		10,011	9,911
Government grants	4a	41,908	44,791
Gains on disposal of subsidiaries		48,602	9,251
Interest income from continuing involvement in transferred assets		329,986	510,310
Fair value gains from financial assets at fair value through profit or loss		274,091	294,538
Dividends of financial assets at fair value through profit or loss		7,290	–
Realised gains on derecognition of financial assets at fair value through profit or loss		20,501	4,295
Others		77,358	19,109
		960,777	993,144

4a. GOVERNMENT GRANTS

For the six months ended 30 June			
		2021	2020
		(Unaudited)	(Unaudited)
		RMB'000	RMB'000
Government special subsidies		41,908	44,791

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cost of borrowings included in cost of sales	4,443,427	3,980,399
Cost of inventories sold	280,527	269,941
Cost of construction contracts	458,581	257,899
Cost of operating leases	871,919	473,551
Cost of chartering	79,038	130,674
Cost of healthcare service	1,583,446	1,248,770
Cost of education service	116,729	97,228
Cost of others	138,903	42,488
Depreciation of property, plant and equipment		
Current year expenditure	135,006	93,851
Less: Government grants released*	(586)	(349)
	134,420	93,502
Depreciation of right-of-use assets	100,289	114,334
Amortisation of intangible assets and other assets	12,673	18,200
Auditors' remuneration – other services	3,310	2,760
Employee benefit expense (including directors' remuneration)		
– Wages and salaries		
Current year expenditure	2,676,501	2,078,817
Less: Government grants released*	(461,317)	(640,751)
	2,215,184	1,438,066
– Equity-settled share-based payment expenses	92,396	118,870
– Pension scheme contributions	72,605	21,988
– Other employee benefits	130,490	101,827
	295,491	242,685

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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5. PROFIT BEFORE TAX (continued)

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

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Impairment of goodwill	–	33
Impairment of loans and accounts receivables (Note 10)	1,055,944	1,155,282
Impairment of financial assets included in prepayments, other receivables and other assets	(4,366)	(3,582)
Impairment of credit commitments	(2,907)	–
Impairment of inventories	–	20,979
Impairment of property, plant and equipment	–	449,956
Impairment of right-of-use assets	–	29,221
Impairment of other intangible assets	–	4,463
Lease payments not included in the measurement of lease liabilities	5,225	5,911
Entertainment expenses	26,229	30,837
Business travelling expenses	107,398	79,967
Consultancy fees	84,212	84,404
Office expenses	25,064	22,407
Advertising and promotion expenses	14,131	13,178
Transportation expenses	32,368	21,341
Communication expenses	13,411	9,287
Litigation expenses	16,162	8,352
Other miscellaneous expenses:		
Current year expenditure	200,256	177,437
Less: Government grants released*	(5,495)	(1,366)
	194,761	176,071

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

5. PROFIT BEFORE TAX (continued)

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

For the six months ended 30 June		
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Losses on disposal of property, plant and equipment	185	12,411
Donation	1,473	1,283
Bank commission expenses	69,314	23,413
Foreign exchange losses/(gains), net:		
Cash flow hedges (transfer from equity to offset foreign exchange)	426,503	(580,838)
Others	(385,636)	629,694
Fair value losses from financial assets at fair value through profit or loss	167,257	102,500
Fair value losses from financial liabilities at fair value through profit or loss**	129,683	42,751
Other expenditure	31,169	11,934
Finance costs	385,221	325,086
(Gains)/losses on derecognition of loans and accounts receivables measured at amortised cost	(47,428)	102,882
Bank interest income	(93,559)	(69,259)
Interest income from continuing involvement in transferred assets	(329,986)	(510,310)
Fair value gains from financial assets at fair value through profit or loss	(274,091)	(294,538)

* 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.

** The fair value losses from a financial liability at fair value through profit or loss are accounted for the fair value change linked to the investments by Limited Partners other than the Group in Tianjin Tongli Hongyang No.3 Management Center (Limited Partnership), Shanghai Xiangfu Equity Fund Center (Limited Partnership), and Tianjin Yuanyi Yongxuan Management Center (Limited Partnership) that are classified as financial liabilities in the consolidated financial statements of the Group.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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6. INCOME TAX

For the six months ended 30 June		
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current – Hong Kong		
Charge for the period	53,397	60,333
Current – Mainland China		
Charge for the period	1,465,519	1,501,684
Deferred tax (Note 19)	(202,877)	(590,300)
Total tax charge for the period	1,316,039	971,717

Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2020: 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 2020: 25%) on the estimated assessable profits for the period, based on existing legislation, interpretations and practices in respect thereof.

The State Administration of Taxation announced that enterprises of encouraged industries in the Western Region of the PRC could use a preferential tax rate of 15% from 1 January 2011 to 31 December 2020. Deyang The Fifth Hospital Co., Ltd., Chongqing Yudong Hospital Co., Ltd., Nayong Xinli Hospital Co., Ltd. and Chengdu Jinsha Hospital Co., Ltd. were recognised to fulfil the aforesaid preferential taxation policy and thus have enjoyed a preferential tax rate of 15% since 2016. Zhaotong Renan Hospital Co., Ltd. and Qiaojia Renan Hospital Co., Ltd. were recognised to fulfil the aforesaid preferential taxation policy and thus have enjoyed a preferential tax rate of 15% since 2017. Qinghai Kangle Hospital Company Ltd. was recognised to fulfil the aforesaid preferential taxation policy and thus has enjoyed a preferential tax rate of 15% since 2020.

On 30 October 2015, Shanghai Horizon Equipment & Engineering Co., Ltd. was recognised as a high-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 Wealth Healthy Electronics Co., Ltd. was recognised as a high-technology enterprise in 2017. Since then, Guangzhou Wealth Healthy Electronics Co., Ltd. has enjoyed a preferential tax rate of 15%. Guangzhou Hongtu Equipment & Engineering Co., Ltd. was recognised as a high-technology enterprise in 2020. Since then, Guangzhou Hongtu Equipment & Engineering Co., Ltd. has enjoyed a preferential tax rate of 15%.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

6. INCOME TAX (continued)

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

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Profit before tax	4,207,417	3,329,603
Tax at the statutory income tax rates	1,168,794	916,603
Expenses not deductible for tax	132,304	33,647
Income not subject to tax	(105,877)	(127,161)
Adjustment on current income tax in respect of prior years	27,065	(30,158)
Utilisation of previously unrecognised tax losses	(8,479)	–
Unrecognised tax losses	57,015	120,838
Effect of recognition of deductible temporary differences that were not recognised in prior years	33	–
Effect of withholding tax on interest on intra-group balances	45,184	57,948
Income tax expense reported in the interim condensed consolidated statement of profit or loss	1,316,039	971,717

The share of tax attributable to associates and joint ventures amounting to approximately RMB56,266,000 (six months ended 30 June 2020: RMB50,179,000) and a credit amount of RMB27,756,000 (six months ended 30 June 2020: a credit amount of RMB33,932,000) are included in "Share of net profits of associates" and "Share of net losses of joint ventures" on the face of the interim condensed consolidated statement of profit or loss.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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7. DIVIDENDS

For the six months ended 30 June		
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Dividends	1,205,585	1,143,486

Pursuant to a resolution passed at the general meeting on 9 June 2021, the Company declared a final dividend of HK\$0.36 per share in respect of the year ended 31 December 2020 to its shareholders whose names appear on the register of members of the Company on 21 June 2021. Based on the total number of outstanding ordinary shares of 4,027,573,466 (excluding the 136,648,367 shares held for the share award scheme), cash dividends declared of approximately HK\$1,449,926,000 (equivalent to RMB1,205,585,000) 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 2021 (six months ended 30 June 2020: Nil).

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

The calculation of basic earnings per share for the six months ended 30 June 2021 is based on the consolidated net profit for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 4,006,548,100 (30 June 2020: 3,797,360,143) outstanding during the period.

The calculation of the diluted earnings per share amount is based on the consolidated net profit for the period attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the host debt component of convertible bonds. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

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

(continued)

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

Earnings

For the six months ended 30 June		
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculations	2,572,885	2,055,682
Interest on the host debt component of convertible bonds	44,169	–
Profit attributable to ordinary equity holders of the parent, before the above impact arising from convertible bonds	2,617,054	2,055,682

Shares

Number of shares		
For the six months ended 30 June		
	2021	2020
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares outstanding during the period, used in the basic earnings per share calculation	4,006,548,100	3,797,360,143
Effect of dilution – weighted average number of ordinary shares:		
Share options	11,082,319	3,107,026
Convertible bonds	343,326,902	–
Weighted average number of ordinary shares for diluted earnings per share	4,360,957,321	3,800,467,169

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired items of property, plant and equipment at a total cost of RMB5,081,982,000 (six months ended 30 June 2020: RMB3,934,895,000), including those through acquisition of subsidiaries.

Property, plant and equipment with a net book value of RMB61,970,000 were disposed of by the Group during the six months ended 30 June 2021 (six months ended 30 June 2020: RMB72,878,000), resulting in a net gain of disposal of RMB9,826,000 (six months ended 30 June 2020: a net loss of RMB2,500,000).

As at 30 June 2021, the Group has not obtained the property ownership certificates for five buildings (31 December 2020: five) with a net book value of RMB502,050,000 (31 December 2020: RMB569,052,000).

The Group was in the process of applying for the property ownership certificates for the above buildings as at 30 June 2021.

As at 30 June 2021, property, plant and equipment with a net carrying amount of RMB4,277,182,000 (31 December 2020: RMB2,551,259,000) were pledged to secure general banking facilities granted to the Group (see Note 17(c)).

10. LOANS AND ACCOUNTS RECEIVABLES

	30 June 2021	31 December 2020
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Loans and accounts receivables due within 1 year	135,525,910	122,920,949
Loans and accounts receivables due after 1 year	118,912,773	106,476,358
	254,438,683	229,397,307

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

10. LOANS AND ACCOUNTS RECEIVABLES (continued)

10a. Loans and accounts receivables by nature

	30 June 2021	31 December 2020
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Lease receivables (Note 10b)*	253,260,674	229,309,368
Less: Unearned finance income	(22,610,778)	(20,684,176)
Net lease receivables (Note 10b)	230,649,896	208,625,192
Interest receivables*	1,943,573	1,570,797
Factoring receivable (Note 10g)	9,066,945	8,237,411
Entrusted loans (Note 10h)*	1,677,835	2,148,646
Long-term receivables*	13,367,181	11,357,450
Secured loans	424,284	268,984
Subtotal of interest-earning assets (Note 10c)**	257,129,714	232,208,480
Less:		
Provision for lease receivables	(6,637,529)	(6,081,514)
Provision for factoring receivable	(178,284)	(204,052)
Provision for entrusted loans	(184,779)	(74,811)
Provision for long-term receivables	(265,816)	(169,144)
Provision for secured loans	(1,487)	(2,066)
Provision for interest-earning assets (Note 10d)**	(7,267,895)	(6,531,587)
Notes receivable	667,374	439,661
Accounts receivable (Note 10e)*	4,803,481	4,180,032
Provision for accounts receivable (Note 10f)	(893,991)	(899,279)
Total of loans and accounts receivables	254,438,683	229,397,307

* These balances included balances with related parties which are disclosed in Note 10j.

** These balances are included in the interest-earning assets disclosed in Note 10c and Note 10d.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

10. LOANS AND ACCOUNTS RECEIVABLES (continued)

- 10b** (1). An ageing analysis of lease receivables, determined based on the ageing of the receivables since the effective date of the relevant lease contracts, as at the end of the reporting period is as follows:

	30 June 2021	31 December 2020
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Lease receivables:		
Within 1 year	140,099,686	122,031,640
1 to 2 years	58,142,594	39,530,206
2 to 3 years	13,288,122	34,740,573
3 to 5 years	41,730,272	33,006,949
Total	253,260,674	229,309,368

	30 June 2021	31 December 2020
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Net lease receivables:		
Within 1 year	127,517,489	110,790,626
1 to 2 years	52,989,850	36,242,634
2 to 3 years	12,195,868	31,489,904
3 to 5 years	37,946,689	30,102,028
Total	230,649,896	208,625,192

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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10. LOANS AND ACCOUNTS RECEIVABLES (continued)

10b (2). The table below illustrates the gross and net amounts of lease receivables the Group expects to receive in the following five or more than five consecutive accounting years:

	30 June 2021	31 December 2020
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Lease receivables:		
Due within 1 year	135,328,617	122,165,800
Due in 1 to 2 years	74,598,656	68,625,874
Due in 2 to 3 years	29,436,642	27,256,023
Due in 3 to 5 years	12,630,095	10,490,430
Due after 5 years	1,266,664	771,241
Total	253,260,674	229,309,368

	30 June 2021	31 December 2020
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Net lease receivables:		
Due within 1 year	121,519,495	109,337,798
Due in 1 to 2 years	68,736,823	63,218,357
Due in 2 to 3 years	27,430,899	25,529,827
Due in 3 to 5 years	11,769,103	9,824,101
Due after 5 years	1,193,576	715,109
Total	230,649,896	208,625,192

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 2021, the Group's lease receivables pledged or charged as security for the Group's bank and other borrowings amounted to RMB20,789,405,000 (31 December 2020: RMB17,856,783,000) (see Note 17(a)).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

10. LOANS AND ACCOUNTS RECEIVABLES (continued)

10c. Analysis of interest-earning assets

	Stage I (12-month ECLs)	Stage II (Lifetime ECLs)	Stage III (Lifetime ECLs – impaired)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 30 June 2021				
Interest-earning assets	234,206,107	20,043,991	2,879,616	257,129,714
Allowance for impairment losses	(4,181,921)	(1,671,899)	(1,414,075)	(7,267,895)
Interest-earning assets, net	230,024,186	18,372,092	1,465,541	249,861,819

	Stage I (12-month ECLs)	Stage II (Lifetime ECLs)	Stage III (Lifetime ECLs – impaired)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2020				
Interest-earning assets	210,020,909	19,597,683	2,589,888	232,208,480
Allowance for impairment losses	(3,753,371)	(1,707,979)	(1,070,237)	(6,531,587)
Interest-earning assets, net	206,267,538	17,889,704	1,519,651	225,676,893

10d. Movements in provision for interest-earning assets

The Group has applied the general approach to providing for expected credited losses ("ECLs") prescribed by HKFRS 9 from 1 January 2018, which permits the use of either a twelve-month basis or a lifetime basis to record expected credit losses based on an expected credit loss model for interest-earning assets.

The Group has conducted an assessment of ECLs according to forward-looking information and used appropriate models and a large number of assumptions in its measurement of expected credit losses. These models and assumptions relate to the future macroeconomic conditions and borrower's creditworthiness (e.g., the likelihood of default by customers and the corresponding losses). The Group has adopted judgement, assumptions and estimation techniques in order to measure ECLs according to the requirements of accounting standards such as criteria for judging significant increases in credit risk, definition of credit-impaired financial asset, parameters for measuring ECLs and forward-looking information.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

10. LOANS AND ACCOUNTS RECEIVABLES (continued)

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

In response to the covid-19 pandemic, the Group has rolled out certain relief measures on a commercial basis to customers impacted by the coronavirus to support their immediate cash flows and liquidity by offering principal moratoriums or tenor extension. Because of the relief measures, the Group may not have the same level of credit risk information about repayment records as compared to what they had in the past. Therefore, the Group extended its effort done to obtain additional information for credit assessment, including those in the covid-19 vulnerable sectors. The Group has paid special attention to the application of macroeconomic data and forward-looking information to ensure that the effect of covid-19 has been sufficiently reflected.

For the six months ended 30 June 2021				
	Stage I (12-month ECLs)	Stage II (Lifetime ECLs)	Stage III** (Lifetime ECLs – impaired)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of the period	3,753,371	1,707,979	1,070,237	6,531,587
Impairment losses for the period	651,879*	(246,464)	593,951	999,366
Disposal	(130,993)	–	–	(130,993)
Conversion to Stage I	10,950	(10,950)	–	–
Conversion to Stage II	(103,056)	288,508	(185,452)	–
Conversion to Stage III	–	(67,174)	67,174	–
Write-off	–	–	(494,628)	(494,628)
Recoveries of interest-earning assets previously written off	–	–	362,793	362,793
Exchange differences	(230)	–	–	(230)
At end of the period	4,181,921	1,671,899	1,414,075	7,267,895

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

10. LOANS AND ACCOUNTS RECEIVABLES (continued)**10d. Movements in provision for interest-earning assets** (continued)

	Year ended 31 December 2020			
	Stage I	Stage II	Stage III**	Total
	(12-month ECLs)	(Lifetime ECLs)	(Lifetime ECLs – impaired)	
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of the year	3,438,649	1,627,288	469,357	5,535,294
Impairment losses for the year	319,962*	164,871	1,683,836	2,168,669
Disposal	(59,813)	–	(94,875)	(154,688)
Conversion to Stage I	223,766	(223,766)	–	–
Conversion to Stage II	(167,849)	250,719	(82,870)	–
Conversion to Stage III	–	(111,133)	111,133	–
Write-off	–	–	(1,095,262)	(1,095,262)
Recoveries of interest-earning assets previously written off	–	–	78,918	78,918
Exchange differences	(1,344)	–	–	(1,344)
At end of the year	3,753,371	1,707,979	1,070,237	6,531,587

* This includes RMB1,783,916,000 (31 December 2020: RMB2,565,171,000) loss allowance provided for newly originated interest-bearing assets, and RMB1,132,037,000 (31 December 2020: RMB2,245,209,000) of loss allowances reversed as a result of repayment of existing interest-earning assets.

** The majority of the interest-earning assets are finance lease receivables, under which the lessor owns the related leased asset, so the finance leases are similar to secured lendings. Among these interest-bearing assets, 91%(31 December 2020: 93%) of the credit-impaired assets falling into Stage III in the table above are finance lease receivables, and hence the related leased assets are owned by the Group, and such leased assets are similar to security and constitute the main source of collection of impaired assets.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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10. LOANS AND ACCOUNTS RECEIVABLES (continued)

10e. An ageing analysis of accounts receivable as at the end of the reporting period is as follows:

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

	30 June 2021	31 December 2020
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Within 1 year	3,828,156	3,104,035
More than 1 year	975,325	1,075,997
Total	4,803,481	4,180,032

10f. Movements in provision for accounts receivable

	30 June 2021	31 December 2020
	(Unaudited)	(Audited)
	RMB'000	RMB'000
At beginning of period/year	899,279	554,106
Charge for the period/year	33,659	374,597
Acquisition of subsidiaries	–	14,738
Write-off	(38,947)	(44,162)
At end of period/year	893,991	899,279

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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10. LOANS AND ACCOUNTS RECEIVABLES (continued)**10f. Movements in provision for accounts receivable** (continued)

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

As at 30 June 2021

	Ageing				Total
	Within 1 year	1-2 years	2-3 years	3-5 years	
Gross carrying amount (RMB'000)	3,828,156	590,892	226,585	157,848	4,803,481
Expected credit loss (RMB'000)	533,142	171,175	99,838	89,836	893,991
Average expected credit loss rate	13.93%	28.97%	44.06%	56.91%	

As at 31 December 2020

	Ageing				Total
	Within 1 year	1-2 years	2-3 years	3-5 years	
Gross carrying amount (RMB'000)	3,104,035	624,092	231,876	220,029	4,180,032
Expected credit loss (RMB'000)	481,477	183,948	107,860	125,994	899,279
Average expected credit loss rate	15.51%	29.47%	46.52%	57.26%	

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

	30 June 2021	31 December 2020
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Within 1 year	6,913,352	7,006,976
More than 1 year	2,153,593	1,230,435
Total	9,066,945	8,237,411

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

10. LOANS AND ACCOUNTS RECEIVABLES (continued)

10h(1). An ageing analysis of entrusted loans, determined based on the ageing of the receivables since the effective dates of the relevant loan contracts, as at the end of the reporting period is as follows:

	30 June 2021	31 December 2020
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Entrusted loans:		
Within 1 year	499,464	476,534
1 to 2 years	258,415	99,444
2 to 3 years	32,842	65,800
3 to 5 years	887,114	1,506,868
Total	1,677,835	2,148,646

10h(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 2021	31 December 2020
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Entrusted loans:		
Due within 1 year	1,054,461	1,170,723
Due in 1 to 2 years	444,376	928,860
Due in 2 to 3 years	120,541	24,414
Due in 3 to 5 years	58,457	24,649
Total	1,677,835	2,148,646

10i. Long term receivables

As at 30 June 2021, the carrying value of long term receivables pledged or charged as collateral for the Group's borrowings amounted to RMB5,415,258,000 (31 December 2020: RMB4,873,854,000) (Note 17(a)).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

		30 June 2021	31 December 2020
		(Unaudited)	(Audited)
		RMB'000	RMB'000
Joint ventures:			
– Guangzhou Kangda Industrial Technology Co., Ltd.			
Entrusted loan	(i)	–	60,000
Long-term receivables	(ii)	535,000	535,000
Interest receivables		764	669
– Kunming Broadhealthcare Investment Co., Ltd.			
Entrusted loan	(i)	50,000	50,000
Lease receivables	(iii)	14,601	–
Interest receivables		2	–
– Suzhou Gaoxin Rehabilitation Hospital Co., Ltd.			
Entrusted loan	(i)	67,979	60,079
– Fengyang Gulou Hospital Co., Ltd.			
Accounts receivable		–	4,372
– Shanghai Shengjiang Investment Management Co., Ltd.			
Lease receivables	(iii)	5,145	9,408
Interest receivables		60	–
– Guixi Hongyu Infrastructure Investment Co., Ltd.			
Accounts receivable		47	–
– Shanghai Jinghong Yuanyu Apartment Management Co., Ltd.			
Factoring receivable		29,500	–
Associates:			
– Tianjin FIS Asset Management Co., Ltd.			
Long-term receivables	(ii)	879,000	915,000
Interest receivables		4,987	6,278
– Hangzhou Guoya Stomatological Hospital Co., Ltd.			
Lease receivables	(iii)	14,618	–
Interest receivables		59	–
Provision		(38,067)	(33,365)
		1,563,695	1,607,441

(i) Balances of entrusted loans earn interest at annual interest rates ranging from 7.13% to 8% (31 December 2020: from 5.81% to 8%).

(ii) Balances of long-term receivables earn interest at annual interest rates ranging from 4.75% to 5.81% (31 December 2020: from 4.75% to 5.81%).

(iii) Balances of lease receivables earn interest at annual interest rates ranging from 5.29% to 12% (31 December 2020: 12%).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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11. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2021		31 December 2020	
	(Unaudited)		(Audited)	
	RMB'000		RMB'000	
	Assets	Liabilities	Assets	Liabilities
Cross-currency interest rate swaps	39,207	(1,906,986)	269,809	(1,756,842)
Forward currency contracts	536	(95,694)	–	(72,485)
Interest rate swaps	14,365	(11,843)	19,158	(25,838)
Total	54,108	(2,014,523)	288,967	(1,855,165)
Portion classified as non-current				
Cross-currency interest rate swaps	39,207	(875,425)	50,193	(1,528,821)
Forward currency contracts	504	(36,228)	–	(24,409)
Interest rate swaps	9,586	(3,921)	19,009	(4,494)
	49,297	(915,574)	69,202	(1,557,724)
Current portion	4,811	(1,098,949)	219,765	(297,441)
Total	54,108	(2,014,523)	288,967	(1,855,165)

Cash flow hedges under HKFRS 9

At 30 June 2021, the Group designated 77 (2020: 75) cross-currency interest rate swap contracts, 15 (2020: 6) forward currency contracts and 28 (2020: 22) interest rate swap contracts as hedges of future cash flows arising from foreign currency borrowings, details of which are as follows:

At 30 June 2021, the Group had 19 (2020: 15) cross-currency interest rate swaps in place with notional amounts of HK\$11,020,400,000 (2020: HK\$6,980,000,000) whereby the Group receives floating rate interest on the HK\$ notional amount at HKD-HIBOR-HKAB and pays fixed rate interest on the RMB notional amount at 3.15% to 4.38% (2020: 3.15% to 4.38%) per annum. The swaps are being used to hedge the foreign currency and interest rate exposure of 19 floating rate long-term borrowings denominated in HK\$ with the total face value of HK\$11,020,400,000 (2020: HK\$6,980,000,000).

At 30 June 2021, the Group had 46 (2020: 54) cross-currency interest rate swaps in place with notional amounts of US\$3,312,161,000 (2020: US\$4,040,572,000) whereby the Group receives floating rate interest on the US\$ notional amount at USD-LIBOR-BBA and pays fixed rate interest on the RMB notional amount at 2.70% to 4.38% (2020: 2.70% to 4.38%) per annum. The swaps are being used to hedge the foreign currency and interest rate exposure of 46 floating rate long-term borrowings denominated in US\$ with the total face value of US\$3,312,161,000 (2020: US\$4,040,572,000).

At 30 June 2021, the Group had 11 (2020: 5) cross-currency interest rate swaps in place with notional amounts of US\$900,000,000 (2020: US\$400,000,000) whereby the Group receives fixed rate interest on the US\$ notional amount at 2.63% to 4.38% (2020: 3.38% to 4.38%) per annum and pays fixed rate interest on the RMB notional amount at 4.50% to 5.88% (2020: 4.50% to 5.88%) per annum. The swaps are being used to hedge the foreign currency exposure of 11 fixed rate long-term borrowings denominated in US\$ with the total face value of US\$900,000,000 (2020: US\$400,000,000).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedges under HKFRS 9 (continued)

At 30 June 2021, the Group had 1 (2020: 1) cross-currency interest rate swap in place with a notional amount of JPY6,500,000,000 (2020: JPY6,500,000,000) whereby the Group receives floating rate interest on the JPY notional amount at JPY-LIBOR-BBA and pays fixed rate interest on the RMB notional amount at 3.83% (2020:3.83%) per annum. The swap is being used to hedge the foreign currency and interest rate exposure of 1 floating rate long-term borrowing denominated in JPY with the total face value of JPY6,500,000,000 (2020: JPY6,500,000,000).

At 30 June 2021, the Group had 15 (2020: 6) forward currency contracts with a total notional amount of US\$342,100,000 (2020: US\$237,835,000) as hedges of future cash flows arising from foreign currency borrowings with the total face value of US\$342,100,000 (2020: US\$237,835,000) which will be settled in US\$.

At 30 June 2021, the Group had 4 (2020: 4) interest rate swaps in place with notional amounts of US\$300,000,000 (2020: US\$300,000,000) whereby the Group receives floating rate interest on the US\$ notional amount at USD-LIBOR-BBA and pays fixed rate interest on the US\$ notional amount at 0.45% to 2.36% (2020: 0.45% to 2.36%) per annum. The swaps are being used to hedge interest rate exposure of 4 floating rate long-term borrowings denominated in US\$ with the total face value of US\$300,000,000 (2020: US\$300,000,000).

At 30 June 2021, the Group had 24 (2020: 18) interest rate swaps in place with a total notional amount of RMB13,223,932,000 (2020: RMB10,471,232,000) whereby the Group receives interest at variable rates equal to the Loan Prime Rate on the notional amount and pays a fixed rate of interest on the RMB notional amount at 3.70% to 4.11% (2020: 3.70% to 4.11%) per annum. The swaps are being used to hedge interest rate exposure of 24 floating rate long-term borrowings denominated in RMB with the total face value of RMB13,223,932,000 (2020: RMB10,471,232,000).

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

Hedge ineffectiveness can arise from:

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedges under HKFRS 9 (continued)

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

	Maturity						Total
	Less than 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 5 years	
As at 30 June 2021							
Cross-currency interest rate swap contracts							
Notional amount (in RMB'000)	2,327,074	–	3,497,032	5,805,322	1,865,345	15,127,203	28,621,976
Average forward exchange rate (US\$/RMB)	6.7734	–	7.0187	7.0706	6.7671	6.6831	
Notional amount (in RMB'000)	–	–	356,502	1,128,527	–	8,014,106	9,499,135
Average forward exchange rate (HK\$/RMB)	–	–	0.9130	0.9035	–	0.8536	
Notional amount (in RMB'000)	–	–	–	–	428,350	–	428,350
Average forward exchange rate (JPY/RMB)	–	–	–	–	0.0659	–	
Forward currency contracts							
Notional amount (in RMB'000)	489,965	510,154	388,464	281,478	682,269	–	2,352,330
Average forward exchange rate (US\$/RMB)	6.8950	6.6279	6.7313	6.6066	6.9171	–	
Interest rate swaps							
Notional amount (in RMB'000)	1,292,020	350,000	80,000	1,000,000	7,279,932	5,160,010	15,161,962
Average forward exchange rate	N/A	N/A	N/A	N/A	N/A	N/A	
Hedge rate	1	1	1	1	1	1	

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)**Cash flow hedges under HKFRS 9 (continued)**

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

	Maturity						Total
	Less than 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 5 years	
As at 31 December 2020							
Cross-currency interest rate swap contracts							
Notional amount (in RMB'000)	5,927,433	2,750,820	2,327,074	–	9,987,735	9,024,455	30,017,517
Average forward exchange rate (US\$/RMB)	6.3604	6.7213	6.7734	–	7.0525	6.7987	
Notional amount (in RMB'000)	1,569,905	–	–	–	1,485,029	2,996,371	6,051,305
Average forward exchange rate (HK\$/RMB)	0.8061	–	–	–	0.9073	0.8832	
Notional amount (in RMB'000)	–	–	–	–	428,350	–	428,350
Average forward exchange rate (JPY/RMB)	–	–	–	–	0.0659	–	
Forward currency contracts							
Notional amount (in RMB'000)	–	353,430	495,117	510,154	–	298,384	1,657,085
Average forward exchange rate (US\$/RMB)	–	6.9082	7.0042	6.7570	–	7.4410	
Interest rate swaps							
Notional amount (in RMB'000)	–	–	1,304,980	–	2,405,541	8,718,181	12,428,702
Average forward exchange rate	–	–	N/A	–	N/A	N/A	
Hedge rate	1	1	1	1	1	1	

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedges under HKFRS 9 (continued)

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

	Notional amount	Carrying amount	Line item in the statement of financial position	Change in fair value used for measuring hedge ineffectiveness for the period
	RMB'000	RMB'000		RMB'000
As at 30 June 2021				
Forward currency contracts	415,872	536	Derivative financial instruments (assets)	536
Forward currency contracts	1,936,458	(95,694)	Derivative financial instruments (liabilities)	(23,209)
Cross-currency interest rate swaps	1,267,520	39,207	Derivative financial instruments (assets)	(230,602)
Cross-currency interest rate swaps	37,281,941	(1,906,986)	Derivative financial instruments (liabilities)	(150,144)
Interest rate swaps	8,411,022	14,365	Derivative financial instruments (assets)	(4,644)
Interest rate swaps	6,750,940	(11,843)	Derivative financial instruments (liabilities)	13,995

	Notional amount	Carrying amount	Line item in the statement of financial position	Change in fair value used for measuring hedge ineffectiveness for the period
	RMB'000	RMB'000		RMB'000
As at 31 December 2020				
Forward currency contracts	–	–	Derivative financial instruments (assets)	(24,513)
Forward currency contracts	1,657,085	(72,485)	Derivative financial instruments (liabilities)	(48,003)
Cross-currency interest rate swaps	8,355,358	269,809	Derivative financial instruments (assets)	(1,258,545)
Cross-currency interest rate swaps	28,141,814	(1,756,842)	Derivative financial instruments (liabilities)	(1,614,164)
Interest rate swap	8,837,552	19,009	Derivative financial instruments (assets)	19,009
Interest rate swap	3,591,150	(25,838)	Derivative financial instruments (liabilities)	(8,661)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)**Cash flow hedges under HKFRS 9** (continued)

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

	Change in fair value used for measuring hedge ineffectiveness for the period	Cash flow hedge reserve
	RMB'000	RMB'000
As at 30 June 2021		
Foreign currency bank loans amounting to RMB equivalent 40,908,647,000	(357,855)	(92,609)

	Change in fair value used for measuring hedge ineffectiveness for the year	Cash flow hedge reserve
	RMB'000	RMB'000
As at 31 December 2020		
Foreign currency bank loans amounting to RMB equivalent 38,769,290,000	(2,476,186)	(254,289)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedges 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
For the six months ended 30 June 2021	Gross amount	Tax effect	Total			Gross amount	Tax effect	Total	
	RMB'000	RMB'000	RMB'000	RMB'000		RMB'000	RMB'000	RMB'000	
Forward currency contracts	(29,365)	6,958	(22,407)	-	N/A	73,082	(17,971)	55,111	Cost of sales/other expenses
Cross-currency interest rate swaps	(337,692)	57,540	(280,152)	-	N/A	481,138	(80,662)	400,476	Cost of sales/other expenses
Interest rate swaps	9,202	(550)	8,652	-	N/A	-	-	-	Cost of sales/other expenses
Total	(357,855)	63,948	(293,907)	-	N/A	554,220	(98,633)	455,587	

	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
For the six months ended 30 June 2020	Gross amount	Tax effect	Total			Gross amount	Tax effect	Total	
	RMB'000	RMB'000	RMB'000	RMB'000		RMB'000	RMB'000	RMB'000	
Forward currency contracts	22,322	(3,570)	18,752	-	N/A	(16,112)	2,113	(13,999)	Cost of sales/other expenses
Cross-currency interest rate swaps	530,184	(104,163)	426,021	-	N/A	(545,233)	106,647	(438,586)	Cost of sales/other expenses
Interest rate swaps	(26,398)	4,356	(22,042)	-	N/A	-	-	-	Cost of sales/other expenses
Total	526,108	(103,377)	422,731	-	N/A	(561,345)	108,760	(452,585)	

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Fair value hedges under HKFRS 9 – Interest rate risk

At 30 June 2021, the Group did not have any interest rate swap agreement. At 31 December 2020, the Group had 1 interest rate swap agreement in place with a total notional amount of RMB300,000,000 whereby it receives interest at a fixed rate of 4.80% per annum and pays interest at a variable rate equal to the benchmark interest rate of Renminbi loans of the People's Bank of China on the notional amount. The swap is used to hedge the exposure to changes in the fair value of the fixed rate long-term bond. The critical terms of the interest rate swap substantially match the terms of the borrowing. This hedge was 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 differently impacting the fair value movements of the hedging instruments

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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

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

	Notional amount	Carrying amount	Line item in the statement of financial position	Change in fair value used for measuring hedge ineffectiveness for the period
	RMB'000	RMB'000		RMB'000
As at 30 June 2021				
Interest rate swap	–	–	Derivative financial instruments (assets)	(149)
Interest rate swap	–	–	Derivative financial instruments (liabilities)	–

	Notional amount	Carrying amount	Line item in the statement of financial position	Change in fair value used for measuring hedge ineffectiveness for the year
	RMB'000	RMB'000		RMB'000
As at 31 December 2020				
Interest rate swap	300,000	149	Derivative financial instruments (assets)	(12,820)
Interest rate swap	–	–	Derivative financial instruments (liabilities)	177

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)**Fair value hedges under HKFRS 9 – Interest rate risk** (continued)

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

	Carrying amount	Accumulated fair value adjustments	Line item in the statement of financial position	Change in fair value used for measuring hedge ineffectiveness for the period
	RMB'000	RMB'000		RMB'000
As at 30 June 2021				
Bonds amounting to nil	–	–	–	(149)

	Carrying amount	Accumulated fair value adjustments	Line item in the statement of financial position	Change in fair value used for measuring hedge ineffectiveness for the year
	RMB'000	RMB'000		RMB'000
As at 31 December 2020				
Bonds amounting to RMB equivalent 300,000,000	300,149	149	Interest-bearing bank and other borrowings	(12,643)

12. INVESTMENTS IN JOINT VENTURES

	30 June 2021	31 December 2020
	RMB'000	RMB'000
Share of net assets	2,441,492	2,402,552
Excess of consideration over share of net assets acquired	104,624	104,624
Impairment losses	(180,416)	(180,416)
	2,365,700	2,326,760

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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12. INVESTMENTS IN JOINT VENTURES (continued)

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

Name	Particulars of issued shares held	Place of registration and business	Percentage of		Principal activities
			Ownership interest	Profit sharing	
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 RMB7,576,000	PRC/Mainland China	41.4	41.4	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伙)	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

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12. INVESTMENTS IN JOINT VENTURES (continued)

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

Name	Particulars of issued shares held	Place of registration and business	Percentage of		Principal activities
			Ownership interest	Profit sharing	
Gold Chance Shipping Limited (金運船務有限公司)	HK\$ 10,000	Hong Kong	50	50	Shipping service
Fengyang Qianmen Hospital Co., Ltd. (Formerly known as Fengyang Gulou Hospital Co., Ltd.) (鳳陽縣前門醫院有限公司) (原名：鳳陽縣鼓樓醫院有限公司)	Registered capital of RMB100,000,000	PRC/Mainland China	35	35	Medical service
Suzhou Gaoxin Rehabilitation Hospital Co., Ltd. (蘇州高新康復醫院有限公司)	Registered capital of RMB50,000,000	PRC/Mainland China	61*	61	Medical service
Grand Flight Investment Management Co., Ltd. (遠翼投資管理有限公司)	Registered capital of RMB50,000,000	PRC/Mainland China	90*	90	Investment holding
Tianjin Yuanyi Kaiyuan Asset Management Centre (Limited Partnership) (“Yuanyi Kaiyuan”) (天津遠翼開元資產管理中心 (有限合伙))	Registered capital of RMB1,505,420,000	PRC/Mainland China	39.856	39.856	Investment holding
Guangzhou Yimei Tiancheng Decoration Engineering Co., Ltd. (廣州藝美天成裝飾 工程有限公司)	Registered capital of RMB5,000,000	PRC/Mainland China	60*	60	Decoration engineering
Wuhan Matang Hospital of Traditional Chinese Medicine Co., Ltd. (武漢麻塘中醫醫院有限公司)	Registered capital of RMB16,040,000	PRC/Mainland China	49	49	Medical service

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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12. INVESTMENTS IN JOINT VENTURES (continued)

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

Name	Particulars of issued shares held	Place of registration and business	Percentage of		Principal activities
			Ownership interest	Profit sharing	
Shanghai Xiangyun Enterprise Management Partnership (Limited Partnership) (上海襄鑒企業管理合夥企業 (有限合夥))	Registered capital of RMB350,010,000	PRC/Mainland China	51.9985*	51.9985	Management consulting
Shanghai Jinghong Yuanyu Apartment Management Co., Ltd. (上海景閔遠寓公寓管理有限公司)	Registered capital of RMB40,000,000	PRC/Mainland China	51*	51	Property management
Wuhan Hongye Construction Development Co., Ltd. (武漢泓冶建設發展有限公司)	Registered capital of RMB328,000,000	PRC/Mainland China	47	47	Drainage works
Guixi Hongyu Infrastructure Investment Co., Ltd. (貴溪市宏宇基礎設施投資有限公司)	Registered capital of RMB146,280,748	PRC/Mainland China	48	48	Infrastructure construction
Guixi Hongye Infrastructure Investment Co., Ltd. (貴溪市宏鄴基礎設施投資有限公司)	Registered capital of RMB151,294,129	PRC/Mainland China	48	48	Infrastructure construction
Xi'an Chuxin Investment Construction Co., Ltd. (西安楚信投資建設有限公司)	Registered capital of RMB100,000,000	PRC/Mainland China	46	46	Municipal engineering
Sichuan Hongcheng City Construction Investment Co., Ltd. (四川宏鑄城市建設投資有限公司)	Registered capital of RMB10,000,000	PRC/Mainland China	60*	60	Construction investment

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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12. INVESTMENTS IN JOINT VENTURES (continued)

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

Name	Particulars of issued shares held	Place of registration and business	Percentage of		Principal activities
			Ownership interest	Profit sharing	
Shanghai Shengjiang Investment Management Co., Ltd. (上海盛疆投資管理有限公司)	Registered capital of RMB50,000,000	PRC/Mainland China	51*	51	Investment management
Qingdao Co-e-Wins Venture Capital Limited Partnership (青島同歷並贏創業投資合夥企業(有限合夥))	Registered capital of RMB100,000,000	PRC/Mainland China	50	50	Investment management
Yantai Zhongda Xinhong Science and Education Investment Co., Ltd. (煙台中達信宏科教投資有限公司)	Registered capital of RMB520,000,000	PRC/Mainland China	47.5	47.5	Infrastructure construction

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

The Group's loans and accounts receivable balances due from the joint ventures are disclosed in Note 10j to the financial statements. There was no recent history of default and past due amounts for loans to joint ventures. As at 30 June 2021 and 31 December 2020, the loss allowance was assessed to be minimal.

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

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12. INVESTMENTS IN JOINT VENTURES (continued)

The following table illustrates the summarised financial information in respect of Kangda adjusted for any differences in accounting policies and reconciled to the carrying amount of the net assets in the financial statements.

	30 June 2021	31 December 2020
	RMB'000	RMB'000
Cash and cash equivalents	385,395	436,351
Other current assets	2,756,859	2,918,115
Current assets	3,142,254	3,354,466
Non-current assets	85,987	30,554
Tax payable	(40,489)	–
Other payables and accruals	(988,223)	(1,088,905)
Current liabilities	(1,028,712)	(1,088,905)
Non-current liabilities	(700,000)	(889,000)
Net assets	1,499,529	1,407,115
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	899,717	844,269
Cumulative impairment	(170,000)	(170,000)
Carrying amount of the investment	729,717	674,269

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Revenue	477,795	111,883
Cost of sales	(236,821)	(117,140)
Administrative expenses	(9,188)	(4,819)
Other expenses	(126,240)	(3,914)
Other income	32	–
Gain/(loss) and total comprehensive income for the period	105,578	(13,990)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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12. INVESTMENTS IN JOINT VENTURES (continued)

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

	30 June 2021	31 December 2020
	RMB'000	RMB'000
Cash and cash equivalents	88,394	50,422
Other current assets	1,387,696	1,706,416
Current assets	1,476,090	1,756,838
Non-current assets	–	–
Other payables and accruals	(4,800)	–
Current liabilities	(4,800)	–
Non-current liabilities	–	–
Net assets	1,471,290	1,756,838
Net assets attributable to limited partners	1,375,730	1,662,309
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	548,311	662,530
Carrying amount of the investment	548,311	662,530

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Other expenses	(12,201)	(15,087)
Other income and gains	(273,347)	(240,234)
Loss and total comprehensive income for the period	(285,548)	(255,321)
Dividend received	–	16,307

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12. 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	
	2021	2020
	RMB'000	RMB'000
Share of the joint ventures' gain for the period	24,179	39,812
Aggregate carrying amount of the Group's investments in the joint ventures	989,486	865,656

13. INVESTMENTS IN ASSOCIATES

	30 June 2021	31 December 2020
	RMB'000	RMB'000
Share of net assets	4,324,919	4,299,740
Excess of consideration over share of net assets acquired	664,719	664,719
	4,989,638	4,964,459

Particulars of the material associates are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of		Principal activities
			Ownership interest	Profit sharing	
Shanghai Yijia Construction Development Co., Ltd. (上海藝佳建設發展有限公司)	Registered capital of RMB50,000,000	PRC/Mainland China	30	30	Development and construction
Hangzhou Guoya Stomatological Hospital Co., Ltd. (杭州國雅口腔醫院有限公司)	Registered capital of RMB32,574,700	PRC/Mainland China	34.98	34.98	Medical service

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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13. INVESTMENTS IN ASSOCIATES (continued)

As at 30 June 2021, the Group also invested in six companies which are mainly engaged in investment holding in Mainland China, with the registered capital of RMB2,600,000,000, RMB3,000,000,000, RMB7,097,107,212, RMB4,508,514,000, RMB1,000,000,000 and RMB3,000,000,000, respectively. The percentages of ownership interest and profit sharing of the Group in these companies are 27.20%, 19.50%, 8.5011%, 13.3082%, 10.00% and 17.00%, respectively. The aforementioned companies are accounted for using the equity method.

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

For the six months ended 30 June		
	2021	2020
	RMB'000	RMB'000
Share of the associates' profit for the period	5,433	199,739

	30 June 2021	31 December 2020
	RMB'000	RMB'000
Aggregate carrying amount of the Group's investments in the associates	551,573	477,515

The above balances include a total of RMB52,403,000 (31 December 2020: RMB63,335,000) investments held by the Group as an investor in sub-ordinated tranches of several collective fund trusts, whose total funds raised amounted to RMB500,000,000 (31 December 2020: RMB500,000,000), and the Group had significant influence in these trusts. These trusts conduct entrusted finance lease and entrusted loan businesses. The maximum exposure of the Group to losses from those investments approximates their carrying amounts.

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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14. CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS

	30 June 2021	31 December 2020
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Cash and bank balances	18,840,598	15,352,104
Less:		
Pledged deposits	1,734,664	1,371,054
Restricted bank deposits related to asset-backed securitisations	3,422,444	2,090,749
Restricted bank deposits related to collective fund trusts	3,617	13,066
Restricted bank deposits related to a bank account	300,765	–
Cash and cash equivalents	13,379,108	11,877,235

At 30 June 2021, the cash and bank balances of the Group denominated in Renminbi (“RMB”) amounted to RMB14,946,058,000 (31 December 2020: RMB14,549,773,000). 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 2021, cash of RMB261,739,000 (31 December 2020: RMB379,104,000) was pledged for bank and other borrowings (see Note 17(b)).

As at 30 June 2021, cash of RMB1,472,925,000 (31 December 2020: RMB991,950,000) was pledged for bank acceptances, letters of credit and others.

As at 30 June 2021, cash of RMB300,765,000 (31 December 2020: nil) was restricted mainly due to that the account information of a subsidiary was not timely updated.

As at 30 June 2021, cash of RMB260,638,000 (31 December 2020: RMB259,245,000) was deposited with Sinochem Finance Co., Ltd., a subsidiary of the ultimate holding company of a shareholder with significant influence.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2021	31 December 2020
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Unlisted equity investments, at fair value	1,196,485	934,037
Listed equity investments, at fair value	568,344	233,100
Unlisted debt investments, at fair value	7,774,470	8,175,428
	9,539,299	9,342,565
Analysed into:		
Current portion	2,588,830	3,165,851
Non-current portion	6,950,469	6,176,714

The above equity investments were classified as financial assets at fair value through profit or loss as the Group has not elected to recognise the fair value gain or loss through other comprehensive income.

The above debt investments were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

16. TRADE AND BILLS PAYABLES

	30 June 2021	31 December 2020
	(Unaudited)	(Audited)
Note	RMB'000	RMB'000
Current:		
Bills payable	10,129,888	6,133,902
Trade payables	2,465,419	1,738,557
Due to related parties 16a	–	7,951
	12,595,307	7,880,410

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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16. TRADE AND BILLS PAYABLES (continued)

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

	30 June 2021	31 December 2020
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Within 1 year	12,402,915	7,618,459
1 to 2 years	100,672	167,303
2 to 3 years	14,565	40,353
3 years and beyond	77,155	54,295
	12,595,307	7,880,410

16a. BALANCES WITH RELATED PARTIES

	30 June 2021	31 December 2020
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Due to related parties:		
Associate:		
Shanghai Yijia Construction Development Co., Ltd.	—	7,951

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



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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17. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2021 (Unaudited)			31 December 2020 (Audited)		
	Effective annual interest rate (%)	Maturity	RMB'000	Effective annual interest rate (%)	Maturity	RMB'000
Current:						
Bank loans – secured	4.30	2021	6,000	2.00~5.00	2021	147,005
Current portion of long term bank loans – secured	2.63~6.41	2021~2022	6,188,048	2.71~6.41	2021	4,853,992
Bank loans – unsecured	0.94~5.40	2021~2022	21,256,684	1.05~5.00	2021	19,481,295
Loans from subsidiaries of the ultimate holding company of a shareholder with significant influence – unsecured	–	–	–	4.19	2021	10,000
Current portion of long term bank loans – unsecured	0.75~5.35	2021~2022	34,024,479	0.84~5.46	2021	26,454,673
Other loans – secured	2.97~6.78	2021~2022	3,619,890	3.93~6.78	2021	1,293,759
Other loans – unsecured	5.40~6.71	2021~2022	6,076,738	6.71	2021	6,330,000
Bonds – secured*	3.10~4.50	2021~2022	5,501,023	3.15~4.23	2021	5,677,022
Bonds – unsecured*	3.17~6.20	2021~2022	35,634,200	1.50~6.40	2021	39,683,705
			112,307,062			103,931,451
Non-current:						
Bank loans – secured	2.63~6.41	2022~2045	7,961,415	2.71~6.41	2022~2045	6,676,568
Bank loans – unsecured	0.75~7.70	2022~2031	46,510,011	0.84~7.70	2022~2031	41,146,284
Loans from subsidiaries of the ultimate holding company of a shareholder with significant influence – unsecured	–	–	–	4.19	2022~2023	193,270
Other loans – secured	2.97~5.75	2022~2026	2,487,101	3.93~5.16	2022~2025	2,313,483
Other loans – unsecured	5.50~6.16	2022~2024	1,849,950	5.50~5.90	2022	1,201,000
Bonds – secured*	3.59~5.20	2022~2023	2,645,139	3.15~4.23	2022~2023	1,255,760
Bonds – unsecured*	2.63~5.19	2022~2025	54,842,991	3.10~5.19	2022~2025	45,574,265
			116,296,607			98,360,630
Convertible bonds – host debts (Note 18)	0.00~2.50	2025~2026	3,323,899	0.00~2.50	2025	2,924,074
			231,927,568			205,216,155

* 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 11 to the financial statements.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

	30 June 2021	31 December 2020
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	61,475,211	50,936,965
In the second year	26,728,784	27,979,657
In the third to fifth years, inclusive	26,768,458	18,829,398
Beyond five years	974,184	1,013,797
	115,946,637	98,759,817
Loans from subsidiaries of the ultimate holding company of a shareholder repayable:		
Within one year or on demand	–	10,000
In the second year	–	10,000
In the third to fifth years, inclusive	–	183,270
	–	203,270
Other borrowings repayable:		
Within one year or on demand	50,831,851	52,984,486
In the second year	49,359,551	28,873,605
In the third to fifth years, inclusive	15,789,529	24,394,977
	115,980,931	106,253,068
	231,927,568	205,216,155

- (a) As at 30 June 2021, 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 RMB19,548,169,000 (31 December 2020: RMB16,502,850,000) and RMB4,066,420,000 (31 December 2020: RMB3,806,937,000), respectively.
- (b) As at 30 June 2021, the Group's bank and other borrowings amounting to RMB900,000 (31 December 2020: RMB142,005,000) were secured by the pledge of cash.
- (c) As at 30 June 2021, the Group's bank and other borrowings secured by the Group's leasehold land, and property, plant and equipment amounted to RMB4,793,127,000 (31 December 2020: RMB1,765,797,000). The Group had not provided any guarantees for other entities (31 December 2020: Nil).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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18. CONVERTIBLE BONDS

On 8 July 2020, Universe Trek Limited, a wholly-owned subsidiary of the Company issued 2.5 per cent guaranteed convertible bonds with a nominal value of USD\$300,000,000 ("the 300 million 2.5 percent Bonds"). The 300 million 2.5 percent Bonds will be unconditionally and irrevocably guaranteed by the Company. There was no movement in the number of these convertible bonds during the period. The 300 million 2.5 percent Bonds are convertible at the option of the bondholders into ordinary shares of the Company with the initial conversion price of HK\$8.33 per share at any time on or after 18 August 2020 and up to the close of business on the date falling ten days prior to 8 July 2025. The number of Shares issuable upon conversion of any Bond shall be determined by dividing the principal amount of the Bond to be converted translated into Hong Kong dollars at the fixed rate of HK\$7.7503 = US\$1.00 by the Conversion Price in effect on the relevant Conversion Date. The conversion price of the 300 million 2.5 percent Bonds was adjusted from HK\$8.33 per share to HK\$7.92 per share with effect from 31 July 2020 as a result of the declaration of the final dividend for the year ended 31 December 2019, and was further adjusted from HK\$7.92 per share to HK\$7.58 per share with effect from 30 June 2021 as a result of the declaration of the final dividend for the year ended 31 December 2020. The 300 million 2.5 percent Bonds are redeemable at the option of the bondholders at 100.00 per cent of its principal amount on 8 July 2023. Any 300 million 2.5 percent Bonds convertible notes not converted will be redeemed on 8 July 2025 at 100.00 per cent of its principal amount. The 300 million 2.5 percent Bonds carry interest at a rate of 2.5 per cent per annum, which is payable semi-annually in arrears on 8 July and 8 January.

On 4 December 2020, Universe Trek Limited issued zero coupon guaranteed convertible bonds with a nominal value of USD\$200,000,000 ("the 200 million zero coupon Bonds"). The 200 million zero coupon Bonds will be unconditionally and irrevocably guaranteed by the Company. During the period, all the outstanding 200 million zero coupon Bonds have been fully converted into ordinary shares of the Company in accordance with the terms and conditions of the 200 million zero coupon Bonds.

On 15 June 2021, Universe Trek Limited issued zero coupon guaranteed convertible bonds with a nominal value of USD\$250,000,000 ("the 250 million zero coupon Bonds"). The 250 million zero coupon Bonds will be unconditionally and irrevocably guaranteed by the Company. There was no movement in the number of these convertible bonds during the period. The 250 million zero coupon Bonds are convertible at the option of the bondholders into ordinary shares of the Company with the initial conversion price of HK\$10.20 per share at any time on or after 26 July 2021 and up to the close of business on the date falling ten days prior to 15 June 2026. The number of Shares issuable upon conversion of any Bond shall be determined by dividing the principal amount of the Bond to be converted translated into Hong Kong dollars at the fixed rate of HK\$7.7614 = US\$1.00 by the Conversion Price in effect on the relevant Conversion Date. The conversion price of the 250 million zero coupon Bonds was adjusted from HK\$10.20 per share to HK\$9.76 per share with effect from 30 June 2021 as a result of the declaration of the final dividend for the year ended 31 December 2020. The 250 million zero coupon Bonds are redeemable at the option of the bondholders at 106.15 per cent of its principal amount on 15 June 2024. Any 250 million zero coupon Bonds convertible notes not converted will be redeemed on 15 June 2026 at 110.46 per cent of its principal amount.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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19. DEFERRED TAX

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

Deferred tax assets

	Fee income received in advance	Government special subsidy	Share- based payments	Allowances for impairment losses	Salaries and welfare payables	Losses available for offsetting against future taxable profits	Cash flow hedge	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross deferred tax assets at at 1 January 2021 (Audited)	238,006	955,044	142,012	2,299,224	1,366,140	172,697	54,131	15,375	5,242,629
(Charged)/credited to the statement of profit or loss during the period	135,626	(100,587)	(65,096)	237,239	(10,318)	4,798	-	(3,587)	198,075
Charged to reserve	-	-	-	-	-	-	(34,685)	-	(34,685)
Exchange differences	-	-	-	(33)	-	(4)	-	-	(37)
Gross deferred tax assets at 30 June 2021 (Unaudited)	373,632	854,457	76,916	2,536,430	1,355,822	177,491	19,446	11,788	5,405,982

	Fee income received in advance	Government special subsidy	Share- based payments	Allowances for impairment losses	Salaries and welfare payables	Losses available for offsetting against future taxable profits	Cash flow hedge	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross deferred tax assets at 1 January 2020	262,280	790,325	82,900	1,719,551	1,267,843	94,445	73,539	11,808	4,302,691
(Charged)/credited to the statement of profit or loss during the year	(24,274)	164,719	59,112	576,403	93,224	78,012	-	1,530	948,726
Acquisition of subsidiaries	-	-	-	3,769	5,073	-	-	2,037	10,879
Charged to reserve	-	-	-	-	-	-	(19,408)	-	(19,408)
Exchange differences	-	-	-	(499)	-	240	-	-	(259)
Gross deferred tax assets at 31 December 2020	238,006	955,044	142,012	2,299,224	1,366,140	172,697	54,131	15,375	5,242,629

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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19. DEFERRED TAX (continued)**Deferred tax liabilities**

	Asset revaluation	Fair value adjustments arising from financial assets at fair value through profit or loss	Withholding income tax	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross deferred tax liabilities at 1 January 2021 (Audited)	142,516	83,046	9,385	108,859	343,806
Credited to the statement of profit or loss during the period	(3,557)	–	–	(1,245)	(4,802)
Gross deferred tax liabilities at 30 June 2021 (Unaudited)	138,959	83,046	9,385	107,614	339,004

	Asset revaluation	Fair value adjustments arising from financial assets at fair value through profit or loss	Withholding income tax	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross deferred tax liabilities at 1 January 2020	89,363	133,419	9,385	125,920	358,087
Credited to the statement of profit or loss during the year	(807)	(50,373)	–	(17,061)	(68,241)
Arising from acquisition of subsidiaries	53,960	–	–	–	53,960
Gross deferred tax liabilities at 31 December 2020	142,516	83,046	9,385	108,859	343,806

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19. DEFERRED TAX (continued)

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

	30 June 2021	31 December 2020
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	5,306,254	5,142,900
Net deferred tax liabilities recognised in the consolidated statement of financial position	239,276	244,077

As at 30 June 2021, the Group had tax losses arising in Hong Kong of RMB356,233,000 (31 December 2020: RMB338,602,000) 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 RMB440,856,000 (31 December 2020: RMB433,318,000) that will expire in one to five years for offsetting against future taxable profits. The Group has recognised deferred tax assets in respect of the tax losses mentioned above. Aside from this, as at 30 June 2021, the Group did not recognise deferred tax assets arising in Mainland China and Hong Kong in respect of unutilised tax losses of RMB2,442,810,000 (31 December 2020: RMB2,245,235,000) and RMB643,558,000 (31 December 2020: RMB643,014,000), respectively, due to uncertainty in their recoverability.

Pursuant to a resolution of the Company in 2019, it is decided that the dividends paid by the Mainland China subsidiaries from 2018 onwards shall be limited to the direct investment in subsidiaries in the Mainland China. 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 2021, the aggregate amount of unrecognised deferred tax liabilities (i.e. withholding taxes relating to such temporary differences) was approximately RMB1,268,050,000 (31 December 2020: RMB1,151,682,000).

20. SHARE CAPITAL

	Number of shares	Amounts HK\$
Issued and fully paid ordinary shares:		
At 31 December 2020 (Audited) (Note (i))	3,977,655,290	13,220,189,000
At 30 June 2021 (Unaudited) (Note (i))	4,164,449,773	14,812,281,000

Notes:

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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20. SHARE CAPITAL (continued)

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

	Number of shares in issue	Share capital	Share capital equivalent to
		HK\$'000	RMB'000
At 1 January 2021 and 31 December 2020	3,977,655,290	13,220,189	10,397,104
Share options exercised (Note (ii))	5,672,988	46,857	39,309
Conversion shares issued (Note (iii))	181,121,495	1,545,235	1,292,281
As at 30 June 2021 (Unaudited)	4,164,449,773	14,812,281	11,728,694

Notes:

- (ii) The subscription rights attaching to 544,340, 716,554, 1,914,193, 1,281,080, 653,184 and 563,637 share options were exercised at the subscription prices of HK\$5.86, HK\$7.17, HK\$5.714, HK\$6.82, HK\$7.36 and HK\$7.618 per share, respectively, resulting in the issue of 5,672,988 shares for a total cash consideration, before expenses, of HK\$37,103,000. An amount of HK\$9,754,000 was transferred from the share option reserve to share capital upon the exercise of the share options.
- (iii) During the period, there was a conversion of the convertible bonds in the principal amount of US\$200,000,000 with the corresponding equity component of US\$27,462,000 and liability component of US\$171,738,000. The Company has issued a total of 181,121,495 conversion shares to the bondholders at the conversion price of HK\$8.56 per conversion share.

21. RESERVES

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

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

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

Special reserve mainly represents funds set aside for the purpose of certain safety production activities. Pursuant to certain regulations issued by the State Administration of Work Safety of the PRC and other relevant regulatory bodies, the 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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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21. RESERVES (continued)

Share-based compensation reserve of the Group comprises the recognition of the equity-settled share-based payments under the Share Option Scheme and the Share Award Scheme which are yet to be exercised. The amount will be transferred to share capital or shares held for the Share Award Scheme when the related Share Options are exercised or Restricted Shares are vested.

22. PERPETUAL SECURITIES

On 14 June 2017, the Company issued US\$300,000,000 perpetual capital securities (the “Perpetual Capital 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”) at 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 day immediately following the 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 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 4 June, 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.

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22. 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%.

On 24 July 2019, Far Eastern Leasing completed the issuance of perpetual trusted loans (the "Perpetual Loans") in an amount of RMB49,850,000 in the PRC. The basic term of the Perpetual Loans will be 5 years (Far Eastern Leasing is entitled to exercise its renewable option at the end of the stipulated basic term and at the end of each renewal period), with a coupon distribution rate of 6.0% per annum.

Distributions of the Perpetual Loans may be paid annually in arrears on 24 July of each year and may be deferred at the discretion of Far Eastern Leasing unless a compulsory distribution payment event (including distributions to shareholders of Far Eastern Leasing) has occurred. Following a deferral, arrears of distributions are cumulative.

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

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

On 18 June 2020, Far Eastern Leasing completed the issuance of renewable corporate bonds (the "Renewable Corporate Bonds") (Phase Two) in an amount of RMB700,000,000 in the PRC. The basic term of the Renewable Corporate Bonds (Phase Two) will be 2 years (Far Eastern Leasing is entitled to exercise its renewable option at the end of the stipulated basic term and at the end of each renewal period), with a coupon distribution rate of 3.98% per annum.

Distributions of the Renewable Corporate Bonds (Phase Two) may be paid annually in arrears on 18 June of each year and may be deferred at the discretion of Far Eastern Leasing unless a compulsory distribution payment event (including distributions to shareholders of Far Eastern Leasing) has occurred. Following a deferral, arrears of distributions are cumulative.

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22. PERPETUAL SECURITIES (continued)

On 25 December 2020, Far Eastern Leasing completed the issuance of perpetual trusted loans (the “Perpetual Trust Loans”) in an amount of RMB970,000,000 in the PRC. The basic term of the Perpetual Trust Loan will be 1 year (Far Eastern Leasing is entitled to exercise its renewable option at the end of the stipulated basic term and at the end of each renewal period), with a coupon distribution rate of 5.65% per annum.

Distributions of the Perpetual Trust Loan may be paid every three months in arrears on and after 21 March of each year and may be deferred at the discretion of Far Eastern Leasing unless a compulsory distribution payment event (including distributions to shareholders of Far Eastern Leasing) has occurred. Following a deferral, arrears of distributions are cumulative. The distribution rate will be reset every year. The relevant reset distribution rate shall be the higher of (A) the coupon distribution rate of 5.65% per annum plus 3%, and (B) the specified arithmetic average of the yields of PRC treasury bonds plus the initial spread plus 3%.

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 Guaranteed Perpetual Securities, the Perpetual Loans, the Renewable Corporate Bonds and the Perpetual Trust Loans other than an unforeseen liquidation of the Company.

The direct transaction costs attributable to the Perpetual Capital Securities, the Guaranteed Perpetual Securities, the Perpetual Loans, the Renewable Corporate Bonds and the Perpetual Trust Loan amounted to RMB5,451,000, RMB16,309,000, RMB64,000, RMB6,000,000 and nil, respectively.

For the six months ended 30 June 2021, the profits attributable to the holders of the Perpetual Capital Securities, the Guaranteed Perpetual Securities, the Perpetual Loans, the Renewable Corporate Bonds and the Perpetual Trust Loan (collectively the “Perpetual Securities”) based on the applicable distribution rates were RMB42,386,000 (six months ended 30 June 2020: RMB46,707,000), RMB72,459,000 (six months ended 30 June 2020: RMB78,867,000), RMB1,419,000 (six months ended 30 June 2020: RMB1,512,000) and RMB45,726,000 (six months ended 30 June 2020: RMB30,300,000) and RMB25,901,000 (six months ended 30 June 2020: Nil), respectively, and the distribution made by the Group to the holders of Perpetual Securities was RMB238,163,000 (six months ended 30 June 2020: RMB108,287,000).

23. CONTINGENT LIABILITIES

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

	30 June 2021	31 December 2020
	RMB'000	RMB'000
Claimed amounts	87,847	6,310

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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24. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans and other borrowings are included in Notes 9, 10, 14 and 17, respectively, to the financial statements.

25. COMMITMENTS

(a) Capital commitments

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

	30 June 2021	31 December 2020
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Contracted, but not provided for:		
Capital expenditure for acquisition of property, plant and equipment	243,169	324,921

(b) Credit commitments

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

	30 June 2021	31 December 2020
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Irrevocable credit commitments	7,341,102	8,101,274

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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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.

Beijing Chemsunny Property 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

Guangzhou Kangda Industrial Technology Co., Ltd.

Kunming Broadhealthcare Investment Co., Ltd.

Teamway Shipping Limited

Gold Chance Shipping Limited

Fengyang Qianmen 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.

Guixi Hongyu Infrastructure Investment Co., Ltd.

Shanghai Shengjiang Investment Management Co., Ltd.

Shanghai Jinghong Yuanyu Apartment Management 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

Hangzhou Guoya Stomatological Hospital Co., Ltd.

* Tian Jin Grand Flight Hooyoung Asset Management Co., Ltd. is the subsidiary of Grand Flight Investment Management Co., Ltd., a joint venture of the Group.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

26. RELATED PARTY TRANSACTIONS (continued)

- a. In addition to the balances in Notes 10,14,16 and 17 to the financial statements, at the end of the reporting period, the Group had the following balances with its related parties:

- (i) Prepayments, other receivables and other assets

	30 June 2021	31 December 2020
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Due from related parties		
Beijing Chemsunny Property Co., Ltd.	2,493	2,493
Sinochem Jinmao Property Management (Beijing) Co., Ltd.	175	175
Gold Chance Shipping Limited	16,541	16,707
Teamway Shipping Limited	17,265	17,438
Fengyang Qianmen Hospital Co., Ltd.	474	474
Suzhou Gaoxin Rehabilitation Hospital Co., Ltd.	–	102
Guixi Hongyu Infrastructure Investment Co., Ltd.	47	–
Kunming Broadhealthcare Investment Co., Ltd.	–	392
	36,995	37,781

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

26. RELATED PARTY TRANSACTIONS (continued)

- a. In addition to the balances in Notes 10,14,16 and 17 to the financial statements, at the end of the reporting period, the Group had the following balances with its related parties: (continued)

(ii) Other payables and accruals

	30 June 2021	31 December 2020
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Due to related parties		
Fengyang Qianmen Hospital Co., Ltd.	268	268
Kunming Broadhealthcare Investment Co., Ltd.	1	1
Suzhou Gaoxin Rehabilitation Hospital Co., Ltd.	1,271	8,509
Grand Flight Investment Management Co., Ltd.	12,702	26,782
Tian Jin Grand Flight Hooyoung Asset Management Co., Ltd.	2,043	2,033
Guangzhou Yimei Tiancheng Decoration Engineering Co., Ltd.	50	–
CITIC – Far Eastern Leasing portfolio investment collective fund trust	379	67
SCHTRUST- Far Eastern Leasing portfolio investment collective fund trust	–	2,682
Shanghai Shengjiang Investment Management Co., Ltd.	–	273
Hangzhou Guoya Stomatological Hospital Co., Ltd.	750	–
Shanghai Jinghong Yuanyu Apartment Management Co., Ltd.	2,700	–
Guangzhou Kangda Industrial Technology Co., Ltd.	401,436	399,951
	421,600	440,566

Except for the amounts due to Fengyang Qianmen Hospital Co., Ltd., Kunming Broadhealthcare Investment Co., Ltd., Grand Flight Investment Management Co., Ltd., Tian Jin Grand Flight Hooyoung Asset Management Co., Ltd., Suzhou Gaoxin Rehabilitation Hospital Co., Ltd. and Guangzhou Kangda Industrial Technology Co., Ltd. which bear interest at an interest rate of 1.485%, amounts due to other related parties are unsecured and non-interest-bearing.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

26. RELATED PARTY TRANSACTIONS (continued)

- a. In addition to the balances in Notes 10,14,16 and 17 to the financial statements, at the end of the reporting period, the Group had the following balances with its related parties: (continued)

(iii) Lease liabilities

	30 June 2021	31 December 2020
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Beijing Chemsunny Property Co., Ltd.	13,962	18,282

Lease liabilities at 30 June 2021 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate of 3.85% (31 December 2020: 4.9%).

- 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	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Sinochem Finance Co., Ltd.	1,940	1,744

The interest was charged at rates ranging from 0.35% to 1.495% per annum (31 December 2020: 0.35% to 1.495%).

(ii) Service fee income

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Kunming Broadhealthcare Investment Co., Ltd.	189	–
Guangzhou Kangda Industrial Technology Co., Ltd.	–	31
Suzhou Gaoxin Rehabilitation Hospital Co., Ltd.	989	1,151
Hangzhou Guoya Stomatological Hospital Co., Ltd.	296	–
	1,474	1,182

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

26. RELATED PARTY TRANSACTIONS (continued)

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

(iii) Interest expenses on borrowings

For the six months ended 30 June		
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Sinochem Finance Co., Ltd.	3,243	7,327

The interest expenses were charged at a rate of 4.185% per annum (31 December 2020: 3.6% to 4.185%).

(iv) Interest expenses on other payables

For the six months ended 30 June		
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Grand Flight Investment Management Co., Ltd.	137	226
Tian Jin Grand Flight Hooyoung Asset Management Co., Ltd.	14	14
Suzhou Gaoxin Rehabilitation Hospital Co., Ltd.	41	37
Guangzhou Yimei Tiancheng Decoration Engineering Co., Ltd.	–	575
	192	852

The interest expenses were charged at rates 1.485% per annum(31 December 2020:1.485%).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

26. RELATED PARTY TRANSACTIONS (continued)**b. The Group had the following material transactions with related parties during the period: (continued)****(v) Rental as a lessee**

For the six months ended 30 June		
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Beijing Chemsunny Property Co., Ltd.	4,070	4,070
Sinochem Jinmao Property Management (Beijing) Co., Ltd.	281	281
	4,351	4,351

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

(vi) Commission fee expense

For the six months ended 30 June		
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Sinochem Finance Co., Ltd.	—	5,735

(vii) Consultancy fee

For the six months ended 30 June		
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Sinochem Finance Co., Ltd.	94	717

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

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	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Guangzhou Kangda Industrial Technology Co., Ltd.	13,045	3,292
Kunming Broadhealthcare Investment Co., Ltd.	1,754	1,699
Tianjin FIS Asset Management Co., Ltd.	19,880	22,535
Suzhou Gaoxin Rehabilitation Hospital Co., Ltd.	2,369	1,821
Shanghai Shengjiang Investment Management Co., Ltd.	389	–
Hangzhou Guoya Stomatological Hospital Co., Ltd.	125	–
	37,562	29,347

(ix) Sales of goods

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Suzhou Gaoxin Rehabilitation Hospital Co., Ltd.	–	61

c. Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Employee benefits	52,903	51,507

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

27. FINANCIAL INSTRUMENTS BY CATEGORY

	As of 30 June 2021	As of 31 December 2020
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Financial assets as per the statement of financial position		
Financial assets at amortised cost:		
Loans and accounts receivables	254,438,683	229,397,307
Financial assets included in prepayments, other receivables and other assets	7,100,401	5,360,263
Restricted deposits	5,461,490	3,474,869
Cash and cash equivalents	13,379,108	11,877,235
Financial assets at fair value through profit or loss:		
Derivative financial instruments designated as hedging instruments in fair value hedges	–	149
Financial assets at fair value through profit or loss	9,539,299	9,342,565
Financial assets at fair value through other comprehensive income:		
Debt investment at fair value through other comprehensive income	78,581	108,176
Hedging instruments designated in cash flow hedges:		
Derivative financial instruments designated as hedging instruments in cash flow hedges	54,108	288,818
Total	290,051,670	259,849,382

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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27. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

	As of 30 June 2021 (Unaudited)	As of 31 December 2020 (Audited)
	RMB'000	RMB'000
Financial liabilities as per the statement of financial position		
Financial liabilities at amortised cost:		
Trade and bills payables	12,595,307	7,880,410
Financial liabilities included in other payables and accruals	26,855,918	27,561,842
Interest-bearing bank and other borrowings	228,603,669	202,292,081
Convertible bonds – host debts	3,323,899	2,924,074
Lease liabilities	670,235	820,592
Other non-current liabilities	1,330,825	–
Financial liabilities at fair value through profit or loss:		
Other non-current liabilities	498,610	222,013
Hedging instruments designated in cash flow hedges:		
Derivative financial instruments designated as hedging instruments in cash flow hedges	2,014,523	1,855,165
Total	275,892,986	243,556,177

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, other receivables and other assets, trade and bills payables, financial liabilities included in other payables and accruals, and interest-bearing bank and borrowings.

Fair value estimates are made at a specific point in time based on relevant market information and information about various financial instruments. The following methods and assumptions have been used to estimate the fair value of each class of financial instrument as far as practicable:

Cash and cash balances, current portion of financial assets included in deposits and other receivables, trade and bills payables, short term borrowings and current portion of financial liabilities included in other payables and accruals

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

28. FAIR VALUE HIERARCHY (continued)

Financial instruments not measured at fair value (continued)

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

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

Bonds issued and convertible bonds – host debts

The fair values of the bonds and convertible bonds – host debts issued are calculated based on a discounted cash flow model that is used based on a current yield curve appropriate for the remaining term to maturity.

Other non-current liabilities

Other non-current liabilities include a financial liability which was measured at amortized cost of RMB1,330,825,000 as at 30 June 2021. Its fair value of RMB1,336,769,000 has been calculated by discounting the expected future cash flows using rate of 7.5227%, which was currently available for instruments with same currency, similar terms and remaining maturities and considered the Group's own non-performance risk (Level 3).

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 June 2021	31 December 2020	30 June 2021	31 December 2020
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities				
Bonds issued	98,623,353	92,190,752	99,496,417	92,107,786
Convertible bonds – host debts	3,323,899	2,924,074	3,481,045	3,026,531
Other non-current liabilities	1,330,825	–	1,336,769	–

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 prepayment, deposits and other receivables and non-current portion of financial liabilities included in other payables and accruals have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The difference between the carrying amounts and the fair values of those financial assets and liabilities is not significant.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

28. FAIR VALUE HIERARCHY (continued)

Financial instruments measured at fair value

Non-deliverable cross-currency swaps and interest rate swaps

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

Financial assets at fair value through profit or loss

The valuations of the financial assets at fair value through profit or loss were based on information known to the Group and market conditions existing at the end of the reporting period. The fair values were determined by using appropriate valuation techniques. Valuation techniques include using recent arm's length market transactions, referring to the current market value of another instrument that is substantially the same and making as much use of available and supportable market data as possible.

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2021:

Description	Fair value at 30 June 2021	Valuation technique	Unobservable input	Relationship of unobservable inputs to fair value
RMB'000				
Financial investments at fair value through profit or loss	2,032,051	Market comparable model/ Adjusted recent transaction price/ Discounted cash flow	Discount for lack of marketability ("DLOM")/Volatility/ Discount rate	The higher the DLOM, the lower the fair value/ The higher the volatility, the higher the fair value/ The higher the discount rate, the lower the fair value

Description	Fair value at 31 December 2020	Valuation technique	Unobservable input	Relationship of unobservable inputs to fair value
RMB'000				
Financial investments at fair value through profit or loss	1,770,807	Market comparable model/ Adjusted recent transaction price/ Discounted cash flow	Discount for lack of marketability ("DLOM")/Volatility/ Discount rate	The higher the DLOM, the lower the fair value/ The higher the volatility, the higher the fair value/ The higher the discount rate, the lower the fair value

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

28. FAIR VALUE HIERARCHY (continued)**Fair value hierarchy**

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

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

Assets and liabilities measured at fair value

As at 30 June 2021

	Level 1 Quoted prices in active markets	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Cross-currency interest rate swaps – assets	–	39,207	–	39,207
Forward currency contracts – assets	–	536	–	536
Interest rate swaps – assets	–	14,365	–	14,365
Cross-currency interest rate swaps – liabilities	–	(1,906,986)	–	(1,906,986)
Forward currency contracts – liabilities	–	(95,694)	–	(95,694)
Interest rate swaps – liabilities	–	(11,843)	–	(11,843)
Financial assets at fair value through profit or loss	568,344	6,938,904	2,032,051	9,539,299
Debt investment at fair value through other comprehensive income	–	448,097	–	448,097
Other non-current liabilities	–	(498,610)	–	(498,610)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

28. FAIR VALUE HIERARCHY (continued)

Assets and liabilities measured at fair value (continued)

As at 31 December 2020

	Level 1 Quoted prices in active markets	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Cross-currency interest rate swaps – assets	–	269,809	–	269,809
Interest rate swaps – assets	–	19,158	–	19,158
Cross-currency interest rate swaps – liabilities	–	(1,756,842)	–	(1,756,842)
Forward currency contracts – liabilities	–	(72,485)	–	(72,485)
Interest rate swaps – liabilities	–	(25,838)	–	(25,838)
Financial assets at fair value through profit or loss	233,100	7,338,658	1,770,807	9,342,565
Debt investment at fair value through other comprehensive income	–	108,176	–	108,176
Other non-current liabilities	–	(222,013)	–	(222,013)

The movements in fair value measurements within Level 3 during the period are as follows:

	For the six months ended 30 June 2021	Year ended 31 December 2020
	RMB'000	RMB'000
Financial assets at fair value through profit or loss		
Carrying amount at 1 January 2021	1,770,807	–
Changes in fair value recognised in profit or loss	69,637	44,320
Additions	191,640	1,726,487
Exchange differences	(33)	–
Carrying amount at 30 June 2021	2,032,051	1,770,807

During the six months ended 30 June 2021, there was no transfer of fair value measurements between Level 1 and Level 2 and no transfer into or out of Level 3 (six months ended 30 June 2020: Nil).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

28. FAIR VALUE HIERARCHY (continued)**Liabilities for which fair values are disclosed**

As at 30 June 2021

	Level 1 Quoted prices in active markets	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Bonds issued	–	99,496,417	–	99,496,417
Convertible bonds – host debts	–	3,481,045	–	3,481,045
Other non-current liabilities	–	–	1,336,769	1,336,769

As at 31 December 2020

	Level 1 Quoted prices in active markets	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Bonds issued	–	92,107,786	–	92,107,786
Convertible bonds – host debts	–	3,026,531	–	3,026,531

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

29. EVENTS AFTER THE REPORTING PERIOD

In July 2021, the board of directors (the “Board”) announced that, the Company has resolved 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 33,847,932 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 2021, the Board resolved to grant 50,771,897 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.

On 5 August 2021, the Group, through Universe Trek Limited, a wholly-owned subsidiary of the Company, conducted an international offering of the US dollar-denominated, zero coupon convertible bonds in an aggregate principal amount of US\$200,000,000 with a maturity date on 5 August 2026. The convertible bonds were unconditionally and irrevocably guaranteed by the Company.

30. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the Board on 31 August 2021.