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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 2022

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 2022, together with the comparative figures for the six months ended 30 June 2021. This announcement, containing the full text of the 2022 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, 29 August 2022

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

Mr. CAI Cunqiang (*Chairman*)

Mr. HAN Xiaojing

Mr. John LAW

COMPANY SECRETARY

Ms. YUEN Wing Yan Winnie
(with effect from 11 August 2022)

AUTHORISED REPRESENTATIVES

Mr. KONG Fanxing

Ms. YUEN Wing Yan Winnie
(with effect from 11 August 2022)

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 industry development” by making innovations in products and services to provide our customers with tailor-made integrated operations services. Over the past more than 10 years, the Group has been leading the development of the industry, and has been listed among the Fortune China 500 and Forbes Global 2000.

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

The Group, headquartered in Hong Kong, has business operations centers in Shanghai 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.



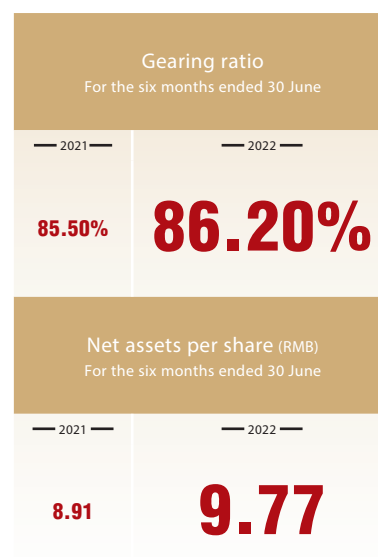
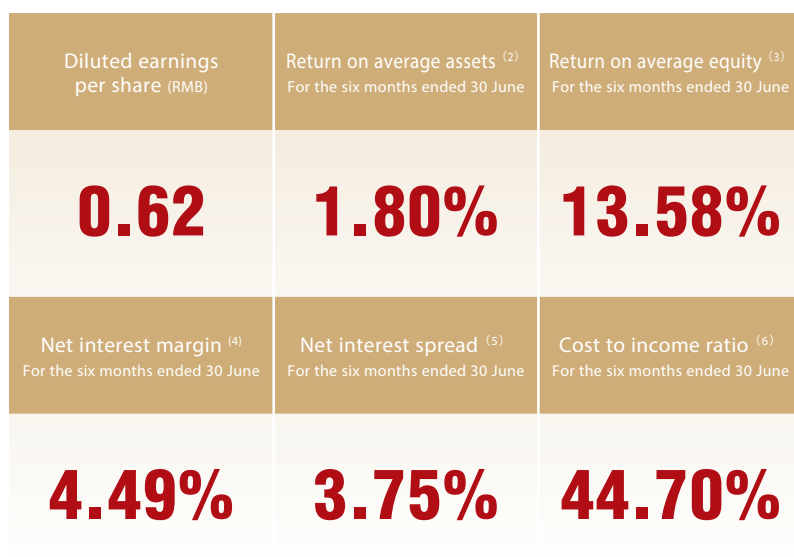
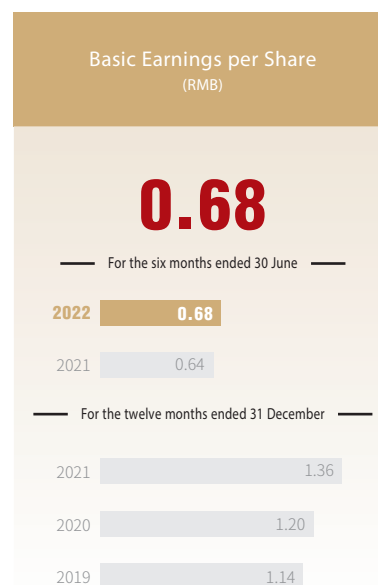
OFFICE LAYOUT NATIONWIDE



BUSINESS OVERVIEW

For the six months ended 30 June

2022



BUSINESS OVERVIEW

	For the six months ended 30 June		For the year ended 31 December		
	2022	2021	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Operating results					
Total revenue	17,715,854	16,184,157	33,643,923	29,041,801	26,856,461
Financial services (interest income)	10,517,904	9,358,025	19,168,370	16,521,643	15,841,562
Advisory services (fee income)	1,078,481	1,774,596	3,178,894	3,836,492	4,573,954
Revenue from industrial operation	6,197,942	5,116,738	11,434,721	8,811,129	6,521,280
Tax and surcharges	(78,473)	(65,202)	(138,062)	(127,463)	(80,335)
Cost of sales	(8,808,716)	(7,972,570)	(16,431,419)	(14,076,166)	(12,525,041)
Borrowing costs	(4,425,675)	(4,443,427)	(8,937,086)	(8,069,641)	(8,038,630)
Costs for industrial operation	(4,383,041)	(3,529,143)	(7,494,333)	(6,006,525)	(4,486,411)
Pre-provision operation profit ⁽¹⁾	5,543,280	5,342,772	13,143,618	11,248,938	9,917,400
Profit before tax	4,559,280	4,207,417	10,013,298	7,507,546	7,144,830
Profit for the period/year attributable to holders of ordinary shares of the Company	2,842,245	2,572,885	5,512,245	4,575,751	4,337,602
Basic earnings per share (RMB)	0.68	0.64	1.36	1.20	1.14
Diluted earnings per share (RMB)	0.62	0.60	1.25	1.16	1.14
Profitability indicators					
Return on average assets ⁽²⁾	1.80%	1.83%	1.96%	1.80%	1.83%
Return on average equity ⁽³⁾	13.58%	14.45%	14.57%	14.24%	14.99%
Net interest margin ⁽⁴⁾	4.49%	3.96%	4.06%	3.83%	3.66%
Net interest spread ⁽⁵⁾	3.75%	3.12%	3.21%	2.85%	2.48%
Cost to income ratio ⁽⁶⁾	44.70%	39.95%	35.29%	33.88%	33.53%

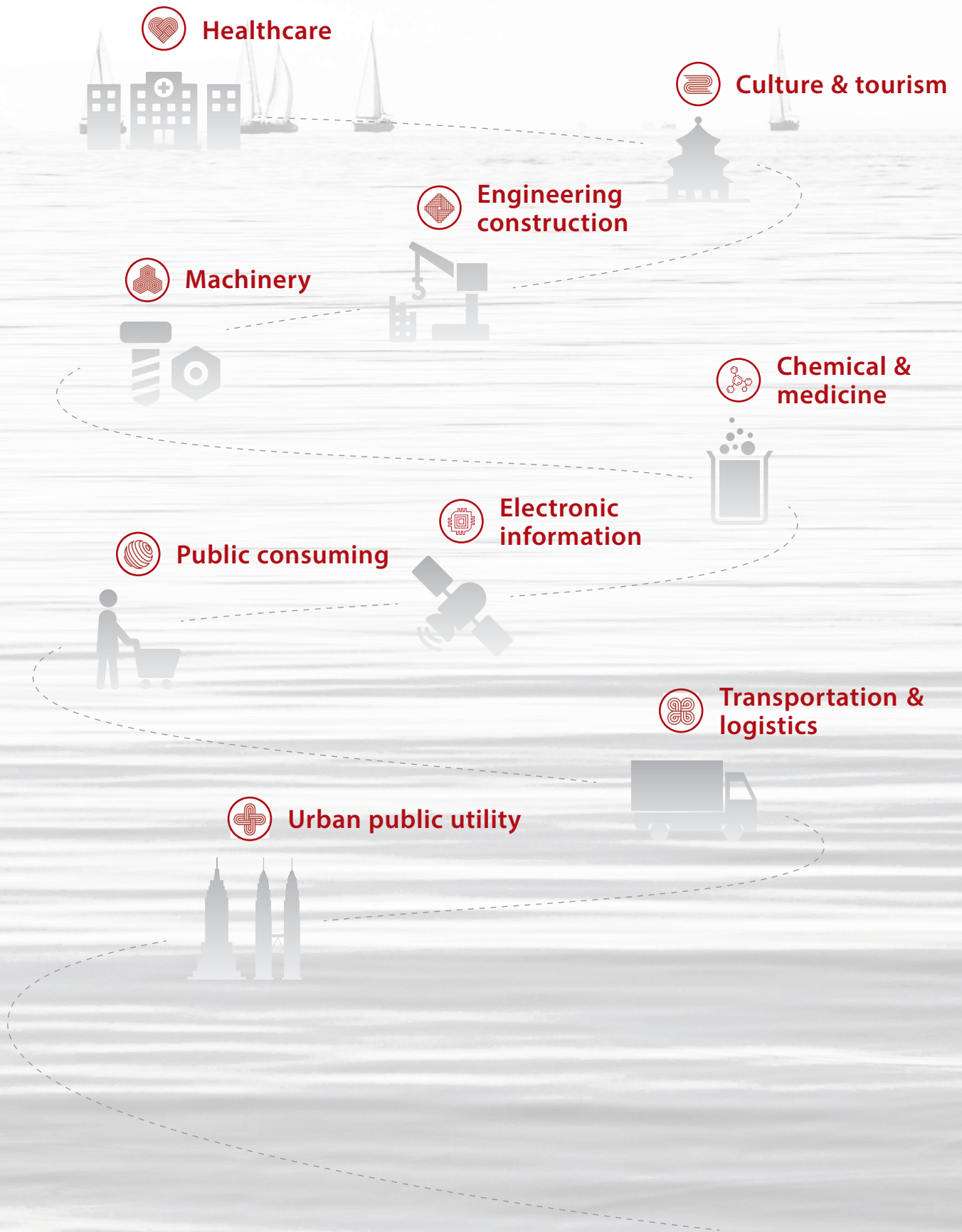
BUSINESS OVERVIEW

	30 June 2022	30 June 2021	31 December 2021	31 December 2020	31 December 2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Assets and liabilities					
Total assets	358,485,070	333,554,753	335,880,288	299,926,788	260,570,588
Net interest-earning assets	284,076,759	261,326,916	258,378,834	235,414,093	203,149,075
Total liabilities	309,020,789	285,175,866	282,826,178	254,659,655	219,035,813
Interest-bearing bank and other borrowings	261,870,494	231,927,568	230,200,742	205,216,155	162,396,266
Gearing ratio ⁽¹¹⁾	86.20%	85.50%	84.20%	84.91%	84.06%
Total equity	49,464,281	48,378,887	53,054,110	45,267,133	41,534,775
Equity attributable to holders of ordinary shares of the Company	42,180,204	37,118,792	41,522,550	34,119,452	30,128,436
Net assets per share (RMB)	9.77	8.91	9.63	8.58	7.61
Duration matching of assets and liabilities					
Financial assets	311,859,390	290,051,670	288,725,308	259,849,382	224,024,699
Financial liabilities	300,257,277	275,892,986	270,661,557	241,556,177	206,139,112
Quality of interest-earning assets					
Non-performing asset ratio ⁽⁷⁾	1.06%	1.10%	1.06%	1.10%	1.11%
Provision coverage ratio ⁽⁸⁾	236.30%	255.40%	241.75%	252.20%	246.11%
Write-off of non-performing assets ratio ⁽⁹⁾	18.18%	19.10%	40.32%	52.92%	40.30%
Overdue interest-earning assets (over 30 days) ratio ⁽¹⁰⁾	0.92%	0.97%	0.94%	0.99%	1.29%

BUSINESS OVERVIEW

Notes:

- (1) Pre-provision operating profit = profit before tax + provision for assets;
- (2) Return on average assets = profit for the year 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 = written-off and disposal of non-performing assets/non-performing assets at the end of the previous period;
- (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 2022, the debt-to-asset ratio of the Group will drop to 85.78%.



MANAGEMENT DISCUSSION AND ANALYSIS

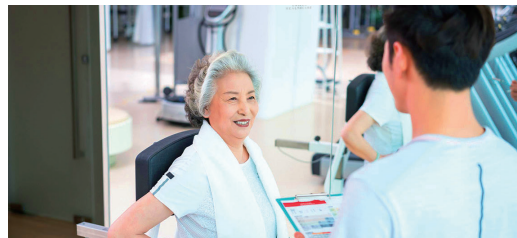
1. ECONOMY ENVIRONMENT

1.1 Macro-economy

In the first half of 2022, with the outbreak of the Russian-Ukrainian war abroad and the recurrent COVID-19 pandemic at home, the international and domestic environment was complex and volatile, with increasing risks and challenges. The complexity, severity and uncertainty of China's economic development environment were on the rise, posing new challenges to stable economic growth. In the first half of 2022, China's gross domestic product (GDP) was RMB56.3 trillion, a year-on-year increase of 2.5% at constant prices, and the economy generally demonstrated a steady recovery. In particular, in the second quarter of 2022, the GDP was RMB29.2 trillion, a year-on-year increase of 0.4% at constant prices. The economy withstood the pressure and achieved positive growth.

On the supply side, industrial production continued to recover, and the recovery of the service industry slightly lagged behind. In the first half of 2022, the added value of the primary industry was RMB2.9 trillion, a year-on-year increase of 5.0%; the added value of the secondary industry was RMB22.9 trillion, a year-on-year increase of 3.2%; and the added value of the tertiary industry was RMB30.5 trillion, a year-on-year increase of 1.8%, with contribution rates to economic growth of 10.7%, 48.7% and 40.6%, respectively. The added value of the three industries accounted for 5.2%, 40.6% and 54.2% of the GDP, respectively. Compared with the same period of the previous year, the proportion of the secondary industry increased by 1.6 percentage points, and the proportions of the primary and tertiary industries decreased by 0.2 and 1.4 percentage points, respectively.

On the demand side, exports and investment played a significant role in driving economic growth, and consumption was in the process of recovery. In the first half of 2022, the total retail sales of consumer goods fell by 0.7% year-on-year. By quarter, growth rate in the first quarter was 3.3%, while in the second quarter, it decreased by 4.6%. The investment in fixed assets (excluding rural households) nationwide increased by 6.1% year-on-year, which provided strong support for stabilizing the economic fundamentals. The net export of goods amounted to RMB2.48 trillion, a year-on-year increase of 57.5%, which strongly stimulated economic growth, as well as made positive contributions to consolidating the foundation for economic recovery and keeping the economy operating within a reasonable range.



MANAGEMENT DISCUSSION AND ANALYSIS

Proactive fiscal policy continued to exert its strength. In the first half of 2022, the national general public budget revenue was RMB10.5 trillion, of which RMB1.84 trillion was offset by tax rebates. The cumulative increase in the first half of 2022 was 3.3% net of tax credit refund. In 2022, China has arranged an additional quota for special bonds of RMB3.65 trillion, and as of the end of June, new special bonds of RMB3.41 trillion have been issued in various regions. In the first half of 2022, the effect of the large-scale implementation of the tax credit refund policy was released in a concentrated manner, and the additional quota for special bonds applicable to project construction was basically used up, meeting the requirements for the proactive fiscal policy to produce effects early on.

Efforts have been stepped up for the implementation of a prudent monetary policy, and financial support for the real economy has increased. As of the end of June 2022, the balance of the broad measure of money supply (M2) increased by 11.4% year-on-year, with a growth rate 0.3 and 2.8 percentage points higher than that at the end of last month and the same period of the previous year, respectively. The outstanding social financing increased by 10.8% year-on-year, and the comprehensive financing cost of enterprises recorded a steady decrease. In June 2022, the interest rate of newly issued corporate loans was 4.16%, 34 basis points lower than the previous year.

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

1.2 Industry environment

In the first half of 2022, the industrial economy was generally stable, and the service economy demonstrated a recovery trend. Industrial production presented steady recovery, however, the capacity utilization in the first and second quarters of 2022 were lower than the same period of the previous year, at 75.8% and 75.1%, respectively. The added value of the industrial industry increased by 3.3% year-on-year, driving the economic growth by 1.1 percentage points, of which the added value of the manufacturing industry increased by 2.8% year-on-year, accounting for 28.8% of the GDP, representing an increase of 0.7 percentage point over the same period of the previous year. The economic performance of the service industry has gradually stabilized despite the pressure, and the added value of the service industry accounted for 54.2% of the GDP, contributing 40.6% to the national economic growth and driving the GDP growth by 1.0 percentage point.

From the perspective of various industry sectors served by the Group, in the first half of 2022, the national investment demand in the real estate sector was relatively weak, which adversely affected the upstream glass, steel and cement, as well as downstream industries such as home appliances and furniture. For industrial enterprises, global commodity prices such as upstream energy and raw materials were at high levels, squeezing profits in the middle and lower reaches. At the same time, the outbreak of the COVID-19 pandemic dealt a great blow to high-contact service industries such as medical services, transportation and logistics, tourism, and theaters. Nevertheless, with the development of national infrastructure, the underpinning effect has become more obvious. Domestic substitution in the electronics industry continued, and photovoltaic, wind power, energy storage, new energy vehicles and other new energy industries have been booming, driving the high growth of upstream new chemical materials. Subsequent to the pandemic, China has stepped up efforts to promote the expansion and balanced distribution of high-quality medical resources, and implemented the "Thousands of Millions Project" as to disciplines, continuously spurring the demand for medical equipment. Meanwhile, external demand was relatively stable, with exports of consumer goods such as textiles, clothing and food constantly growing.

Source: National Bureau of Statistics of China

MANAGEMENT DISCUSSION AND ANALYSIS

1.3 Industry operations

The adjustment in the financial leasing industry continued, with both the number of enterprises and the overall business volume declining. As of the first half of 2022, the total number of financial leasing companies in China was approximately 11,603, which decreased by 314 as compared to the end of last year. The total capital of the industry amounted to approximately RMB3.18 trillion, representing a decrease of 2.8% as compared to the end of last year. The balance of financial leasing contracts in China totaled approximately RMB6.03 trillion, representing a decrease of 2.9% as compared to the end of last year, and a decline of 10.3% as compared to the historical high level in 2019.

Industry regulation has become more standardized. There were 667 financial leasing enterprises included in the regulatory list as at the end of September 2021. By the end of 2021, provinces and cities across the country have announced more than 30 batches of improperly operating financial leasing enterprises, totaling more than 10,000 and accounting for 86.8% of the total number of financial leasing enterprises. The rectification and regulation of the industry would contribute to the clearance of the industry market space and its long-term healthy development, which will continuously benefit the leading companies operating in compliance and serving the real economy.

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)

1.4 Company's Solutions

In the first half of 2022, 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”, placed more emphasis on the persistence and effectiveness of value creation, and continuously created incremental value for shareholders, customers, partners and employees. Taking a hit from the pandemic, the Group immediately launched an emergency plan to ensure the normal development of the business and the orderly operation of the enterprise as much as possible. With respect to market competition, focusing on market changes and customer needs, the Group continued to strengthen the practice of the concept of “model innovation”, and accelerated its implementation at the level of financial services and industrial operations, so as to form differentiated advantages from strategy to tactics, thereby ensuring the healthy development of the Group in a highly uncertain environment.

In terms of financial business, to address the changes in financial needs in the market, the Group took “urban upgrading and industrial private bank” as its core strategy and simultaneously promoted the strategy in four aspects, namely the industry, customer base, regions and products. Regarding the industry, we explored policy opportunities, cyclical opportunities and periodic opportunities, and continued to keep consolidation and expansion. In terms of customer base, we targeted large enterprises and industry leaders, and simultaneously improved the operational efficiency of small and medium-sized enterprises. For regions, we adapted to local conditions according to industry distribution, enhanced development, and deeply cultivated core economic belts, urban agglomerations and industrial parks, etc. Regarding products, we strengthened the flexible combination of products and innovated service methods according to customer needs. At the same time, we continuously strengthened the operational efficiency and service coordination of inclusive finance, overseas business, PPP investment, non-performing asset management and other businesses to ensure high-quality and stable development.

MANAGEMENT DISCUSSION AND ANALYSIS

In terms of industrial operation, we continued to stay close to the local markets, innovated service models, strengthened operational efficiency, emphasized management effectiveness, and highlighted differentiated competitive advantages.

Horizon Construction Development actively expanded its business size and consolidated its competitive advantages. In terms of equipment ownership, it continued to rank the first in China in terms of the ownership of aerial work platforms, neo-excavation systems and neo-formwork systems, and jumped ten places to the 14th in Top 100 Rental Companies. Regarding operating network, it continued to expand its outlets and achieve greater presence and business coverage. As at the end of June 2022, Horizon Construction Development had 322 service outlets in 198 cities. Meanwhile, the online channels have been further improved, and the foundation of digital operation has been gradually consolidated. By continuously improving the internal operation efficiency, coupled with a wealth of equipment operation and engineering services, it continuously satisfied and improved the experience of external customers.

As a large medical group funded by social capital in China, Horizon Healthcare has been actively responding to the country's call to encourage the communities to establish hospitals and expand the supply of quality medical services, continuing its focus on areas with scarce medical resources, and building a hospital network with unique Far East characteristics. Relying on its advantageous medical resources and professional capabilities, it actively promoted strategic exploration and implementation in business fields such as the integration of medical care and elderly care, medical management and consultation as well as medical technology. In the first half of the year, the five major discipline centers of orthopedics, nephrology, rehabilitation, oncology and consumer medicine took the lead in carrying out the hospital discipline development plan, technical exchange and personnel training, continuously empowering the discipline construction of member hospitals. The operation model of "One system, One network, One hospital" continued to mature. It gave full play to the Group's advantages in running medical services, and implemented centralized procurement of medicines, consumables and equipment, which further improved operational efficiency. The Quality and Safety Committee and its five subordinate professional committees, including the Nosocomial Infection Control Committee, the Nursing Committee and the Pharmacy Committee, optimized the medical quality inspection system, and conducted regular inspections on member hospitals to comprehensively strengthen medical quality management. Three Internet hospitals have been launched, including Siyang Hospital of Traditional Chinese Medicine and Huakang Orthopaedics Hospital, to provide patients with more convenient medical services. As of June 2022, the number of hospitals in which Horizon Healthcare had controlling interests was 29 and the actual number of beds available amounted to approximately 11,000.

MANAGEMENT DISCUSSION AND ANALYSIS

2. ANALYSIS OF PROFIT AND LOSS

2.1 Analysis of Profit and Loss (Overview)

In the first half of 2022, in reliance upon China's real economy, the Group continued to adhere to the operational philosophy of "finance + industry", and achieved stable growth in overall results in spite of the complicated and ever changing macro environment, with profit before tax amounting to RMB4,559,280,000, representing an increase of 8.36% as compared to the corresponding period of the previous year. The profit attributable to holders of ordinary shares of the Company during the year was RMB2,842,245,000, representing an increase of 10.47% 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 2021.

	For the six months ended 30 June		
	2022	2021	Change %
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	
Revenue	17,715,854	16,184,157	9.46%
Cost of sales	(8,808,716)	(7,972,570)	10.49%
Gross profit	8,907,138	8,211,587	8.47%
Other income/gains ⁽¹⁾	1,253,664	797,949	57.11%
Selling and administrative expenses	(3,981,355)	(3,280,328)	21.37%
Other expenses and losses ⁽¹⁾	(250,178)	(143,008)	74.94%
Finance costs	(557,143)	(385,221)	44.63%
Gains and loss on investment in joint ventures/associates	171,154	141,793	20.71%
Pre-provision operating profit	5,543,280	5,342,772	3.75%
Provision for assets	(984,000)	(1,135,355)	-13.33%
Profit before tax	4,559,280	4,207,417	8.36%
Income tax expense	(1,431,488)	(1,316,039)	8.77%
Profit for the period	3,127,792	2,891,378	8.18%
Attributable to:			
Holders of ordinary shares of the Company	2,842,245	2,572,885	10.47%
Holders of perpetual securities	139,525	187,891	-25.74%
Non-controlling interests	146,022	130,602	11.81%

Note:

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

MANAGEMENT DISCUSSION AND ANALYSIS

2.2 Revenue

In the first half of 2022, the Group realized revenue of RMB17,715,854,000, representing an increase of 9.46% from RMB16,184,157,000 as compared to the corresponding period of the previous year. In the first half of 2022, income (before taxes and surcharges) of the financial and advisory segment was RMB11,596,385,000, accounting for 65.17% of the total income (before taxes and surcharges) and representing an increase of 4.17% as compared to the corresponding period of the previous year. The Group also continued to develop the industrial operation business with income derived from industrial operation growing by 21.13% as compared to the corresponding period of the previous year.

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

	For the six months ended 30 June				
	2022		2021		Change %
	RMB'000	% of total	RMB'000	% of total	
	(Unaudited)		(Unaudited)		
Financial and advisory segment	11,596,385	65.17%	11,132,621	68.51%	
Financial services (interest income)	10,517,904	59.11%	9,358,025	57.59%	12.39%
Advisory services (fee income)	1,078,481	6.06%	1,774,596	10.92%	-39.23%
Industrial operation segment	6,197,942	34.83%	5,116,738	31.49%	21.13%
Total	17,794,327	100.00%	16,249,359	100.00%	9.51%
Taxes and surcharges	(78,473)		(65,202)		20.35%
Income (after taxes and surcharges)	17,715,854		16,184,157		9.46%

In the first half of 2022, the Group realized revenue of RMB17,715,854,000, representing a growth of 9.46% from RMB16,184,157,000 as compared to the corresponding period of the previous year. The financial and advisory segment remained stable overall with a slight increase. Structurally, financial services maintained growth, while advisory services recorded decline. The industrial operation segment continued to record substantial growth.

Income (before taxes and surcharges) of the financial and advisory segment was RMB11,596,385,000, accounting for 65.17% of the total income (before taxes and surcharges). In particular, interest income contribution from inclusive finance, commercial factoring, PPP investment, overseas business, asset business and other new business directions amounted to RMB1,187 million, representing a year-on-year increase of 35.91%. Income derived from advisory services decreased by 39.23% mainly due to the active adjustment and continuous optimization of the Group's service structure in response to customers' needs after changes in the external operating environment.

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The income of the industrial operation segment sustained a continuous growth. The industrial operation segment, which comprises of Horizon Construction Development, Horizon Healthcare and others, realized a total income of RMB6,198 million, representing an increase of 21.13% as compared to the corresponding period of the previous year. Of which, Horizon Construction Development realized an income of RMB3,565 million, representing an increase of 46.73% as compared to the corresponding period of the previous year; Horizon Healthcare realized an income of RMB2,067 million, representing an increase of 4.05% as compared to the corresponding period of the previous year.

In the first half of 2022, the Group's financial structure continued to be optimized with the income of non-leasing business accounting for 47.56% of the total income (before taxes and surcharges), which remained stable as compared with 47.78% of the corresponding period of the previous year. In particular, interest income contribution from inclusive finance, commercial factoring, PPP investment, overseas business, asset business and other new business directions increased to account for 6.67% (first half of 2021: 5.37%) of the total income; income of the industrial operation segment increased to accounted for 34.83% (first half of 2021: 31.49%) 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 12.39% from RMB9,358,025,000 for the first half of 2021 to RMB10,517,904,000 for the first half of 2022, accounting for 59.11% 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 during the indicated periods.

	For the six months ended 30 June					
	2022			2021		
	Average balance ⁽¹⁾	Interest income ⁽²⁾	Average yield ⁽³⁾	Average balance ⁽¹⁾	Interest income ⁽²⁾	Average yield ⁽³⁾
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)		
Interest-earning assets	271,227,797	10,517,904	7.76%	248,370,505	9,358,025	7.54%

Notes:

- (1) Calculated based on the average balance of interest-earning assets at the beginning and end of the indicated periods.
- (2) Interest income represents the revenue before taxes and surcharges.
- (3) Average yield represents the quotient of interest income as divided by average balance of interest-earning assets, presented on an annualized basis.
- (4) Interest-earning assets include net financial leasing receivable, entrusted loans, mortgage loans, long-term receivables, factoring receivables and respective interest accrued but not received.
- (5) In the first half of 2022, 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 RMB28,990,705,000 and RMB1,186,596,000, respectively, representing an increase of 22.92% and 35.91% as compared with the average balance of RMB23,585,137,000 as at the end of 2021 and interest income of RMB873,050,000 of the interest-earning assets for the first half of 2021. The average yield remained stable with a slight increase.

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Analysis according to average balance of interest-earning assets

The average balance of interest-earning assets of the Group increased by 7.76% from RMB251,706,614,000 as at the end of 2021 to RMB271,227,797,000 for the first half of 2022. The Group has been committed to serving high-calibre customers in the real industry with a long-term and stable development direction, continued to increase customer coverage in various related industries, and provided service products that met personalized needs of customers, maintaining the steady growth in the average balance of the asset scale of the Company's financial services business.

Analysis according to average yield

In the first half of 2022, the average yield of the Group was 7.76%, representing 0.22 percentage point higher than 7.54% in the corresponding period of the previous year, mainly due to the combination of the following: (i) in the first half of 2022, the Group maintained a stable customer base coverage strategy, responded to customer needs in a timely manner, and maintained stable pricing; (ii) the Group enhanced the promotion of comprehensive financial services such as inclusive finance, commercial factoring, overseas business, PPP investment and asset business, and maintained a higher return pricing.

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

	For the six months ended 30 June			
	2022		2021	
	RMB'000	% of total	RMB'000	% of total
	(Unaudited)		(Unaudited)	
Northeast China	512,690	4.87%	526,536	5.63%
Northern China	1,047,382	9.96%	936,500	10.01%
Eastern China	3,656,166	34.76%	3,192,559	34.12%
Southern China	883,001	8.40%	681,608	7.28%
Central China	1,831,554	17.41%	1,579,533	16.88%
Northwest China	682,109	6.49%	578,835	6.19%
Southwest China	1,905,002	18.11%	1,862,454	19.89%
Total	10,517,904	100.00%	9,358,025	100.00%

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2.2.2 Advisory Services (Fee Income)

In the first half of 2022, fee income (before taxes and surcharges) from financial and advisory segment decreased by 39.23% from RMB1,774,596,000 for the first half of 2021 to RMB1,078,481,000 for the first half of 2022, accounting for 6.06% of the total revenue (before taxes and surcharges) of the Group. In recent years, due to changes in the external environment, the industries and target customer groups subject to expansion by the Company have basically stabilized, so the demand for advisory services as a source of income has declined. At the same time, the Company also actively expanded and provided additional products and services other than advisory services based on its understanding of the needs of the target industries and customer groups, so as to maintain the stable growth of the Company's overall revenue.

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			
	2022		2021	
	RMB'000	% of total	RMB'000	% of total
	(Unaudited)		(Unaudited)	
Northeast China	26,037	2.41%	87,697	4.94%
Northern China	113,486	10.52%	190,173	10.72%
Eastern China	452,283	41.94%	719,975	40.56%
Southern China	102,963	9.55%	136,434	7.69%
Central China	207,644	19.25%	235,466	13.27%
Northwest China	66,956	6.21%	161,616	9.11%
Southwest China	109,112	10.12%	243,235	13.71%
Total	1,078,481	100.00%	1,774,596	100.00%

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2.2.3 Revenue from Industrial Operation Segment

Revenue from industrial operation segment of the Group, before taxes and surcharges, increased by RMB1,081,204,000 from RMB5,116,738,000 for the first half of 2021 to RMB6,197,942,000 for the first half of 2022, accounting for 34.83% 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				
	2022		2021		Change %
	RMB'000	% of total	RMB'000	% of total	
	(Unaudited)		(Unaudited)		
Revenue from industrial operation segment	6,197,942	100.00%	5,116,738	100.00%	21.13%
Including:					
Revenue from equipment operation ⁽¹⁾	3,565,169	57.52%	2,429,705	47.49%	46.73%
Revenue from hospital operation ⁽²⁾	2,067,030	33.35%	1,986,540	38.82%	4.05%

Notes:

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

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

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

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2.3 Cost of Sales

In the first half of 2022, cost of sales of the Group increased by 10.49% from RMB7,972,570,000 in the corresponding period of the previous year to RMB8,808,716,000, of which the cost of the financial and advisory segment was RMB4,425,675,000, accounting for 50.24% of the total cost and representing a decrease of 0.4% from RMB4,443,427,000 in the corresponding period of the previous year, mainly due to the fact that while the size of the Group's interest-earning assets grew, which caused the size of debt financing to increase, the cost of new financing decreased, and thus the interest expenditure of the financial and advisory segment remained stable. The cost of the industrial operation segment was RMB4,383,041,000, accounting for 49.76% of the total costs and representing an increase of 24.20% from RMB3,529,143,000 in the corresponding period of the previous year. In particular, Horizon Construction Development continued to achieve large-scale output by expanding its nationwide operating network and improving its professional operating capabilities, resulting in faster growth in cost of sales of operation with operating costs amounting to RMB2,194,490,000, an increase of 60.69% over the same period of the previous year. Some of the hospitals of Horizon Healthcare were still at their preliminary stage and their economies of scale were not large enough. In addition, some hospitals incurred additional operating expenses in response to the pandemic prevention and control with operating costs amounting to RMB1,747,910,000, representing an increase of 9.13% as compared to the corresponding period of the previous year. The Group will, through collectivized management, gradually enhance the operating efficiency of each industrial operation company, to transform the cost of sales of industrial operation into the growth of its revenue in a highly-effective manner.

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

	For the six months ended 30 June				
	2022		2021		Change %
	RMB'000	% of total	RMB'000	% of total	
	(Unaudited)		(Unaudited)		
Cost of the finance and advisory segment	4,425,675	50.24%	4,443,427	55.73%	-0.40%
Cost of the industrial operation segment	4,383,041	49.76%	3,529,143	44.27%	24.20%
Cost of sales	8,808,716	100.00%	7,972,570	100.00%	10.49%

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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 comprises 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					
	2022			2021		
	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	220,568,374	4,425,675	4.01%	201,084,272	4,443,427	4.42%

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, presented on an annualized basis.

The cost of sales of the financial and advisory segment decreased by RMB17,752,000 from RMB4,443,427,000 for the first half of 2021 to RMB4,425,675,000 for the first half of 2022. The average cost rate of the Group decreased to 4.01% for the first half of 2022 as compared with that for the first half of 2021, mainly due to the fact that:

(i) affected by the loose monetary policy in the first half of 2022, domestic financing costs dropped, and new domestic bank withdrawals caused an average cost rate to decrease by 0.04 percentage point as compared to mid-2021; (ii) despite the impact of the interest rate hike of U.S. dollars and the rising cost of capital on the overseas market, the Group made full use of its diversified financing advantages and appropriately used its overseas low-cost funds, achieving a decrease in the average cost rate of 0.05 percentage point as compared to mid-2021; (iii) the Group completed the issuance of various products such as corporate bonds, medium-term notes, super-short financial bonds and asset securitization in the first half of 2022. Due to the overall decline in bond market yields in the first half of 2022, the average cost rate decreased by 0.08 percentage point as compared to mid-2021; (iv) the decrease in stock cost. The average cost rate of existing bank financing for the first half of 2022 decreased by 0.24 percentage point as compared to mid-2021, which was due to the expiration of existing high-cost loans in the second half of 2018, and the decrease in financing costs in the second half of 2021.

In the first half of 2022, under the “finance + industry” strategy, the Group stepped up its efforts to promote the development towards different business directions and connect various financial resources in all directions. Our major measures are as follows: (i) deepen the cooperation with the mainstream domestic banks and non-bank institutions to further enhance the depth and breadth of cooperation; (ii) pay close attention to the international market, strengthen the communication with rating agencies and investors, and extend the cooperation in overseas financial markets; (iii) continue to explore new channels and products, thereby further enhancing and enriching its financing structure.

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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				
	2022		2021		Change %
	RMB'000	% of total	RMB'000	% of total	
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)		
Cost of the industrial operation segment	4,383,041	100.00%	3,529,143	100.00%	24.20%
Of which:					
Cost of equipment operation ⁽¹⁾	2,194,490	50.07%	1,365,700	38.70%	60.69%
Cost of hospital operation ⁽²⁾	1,747,910	39.88%	1,601,730	45.39%	9.13%

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 2022 increased by RMB695,551,000 or 8.47% to RMB8,907,138,000 from RMB8,211,587,000 in the corresponding period of the previous year. For the first half of 2022 and the first half of 2021, the gross profit margin of the Group was 50.28% and 50.74%, respectively.

2.4.1 Gross Profit of the Financial and Advisory Segment

The gross profit margin of the financial and advisory segment was affected by 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		
	2022	2021	Change %
	RMB'000	RMB'000	
	(Unaudited)	(Unaudited)	
Interest income ⁽¹⁾	10,517,904	9,358,025	12.39%
Interest expense ⁽²⁾	4,425,675	4,443,427	-0.40%
Net Interest income	6,092,229	4,914,598	23.96%
Net interest spread ⁽³⁾	3.75%	3.12%	0.63%
Net interest margin ⁽⁴⁾	4.49%	3.96%	0.53%

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, presented on an annualized basis. The average cost rate is calculated by dividing interest expense by the average balance of the interest-bearing liabilities, presented on an annualized basis.
- (4) Calculated by dividing net interest income by the average balance of interest-earning assets, presented on an annualized basis.

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Net interest spread of the Group for the first half of 2022 was 3.75%, increased by 0.63 percentage point as compared with 3.12% in the corresponding period of the previous year. The increase in net interest spread was primarily due to the decrease of 41 basis points in respect of the average cost rate on interest-bearing liabilities of the Group and the increase of 22 basis points in the average yield on interest-earning assets of the Group. For the changes in respect of the average yield on interest-earning assets and average cost rate on interest-bearing liabilities, please refer to the discussion and analysis in paragraphs 2.2.1 and 2.3.1 of this section. In the first half of 2022, the net interest income of the Group increased by 23.96% as compared with the corresponding period of the previous year. At the same time, the average balance on interest-earning assets of the Group increased by 9.20% year on year. As a result, the net interest margin of the Group increased by 0.53 percentage point to 4.49% for the first half of 2022 as compared with 3.96% for the first half of 2021.

2.4.2 Gross Profit of the Industrial Operation Segment

	For the six months ended 30 June				
	2022		2021		Change %
	RMB'000	% of total	RMB'000	% of total	
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)		
Gross profit of the industrial operation segment	1,814,901	100.00%	1,587,595	100.00%	14.32%
Of which:					
Gross profit of equipment operation ⁽¹⁾	1,370,679	75.52%	1,064,005	67.02%	28.82%
Gross profit of hospital operation ⁽²⁾	319,120	17.58%	384,810	24.24%	-17.07%

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.

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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		
	2022	2021	Change %
	RMB'000	RMB'000	
	(Unaudited)	(Unaudited)	
Income from the holdings of off-balance-sheet assets ⁽¹⁾	824,484	329,986	149.85%
Bank interest income	101,430	93,559	8.41%
Gains from structured financial products	54,349	57,471	-5.43%
Government grants	88,087	41,908	110.19%
Equity and debt investment income ⁽²⁾	—	137,443	-100.00%
Gains from the transfer of financial assets ⁽³⁾	—	47,428	-100.00%
Other income ⁽⁴⁾	185,314	90,154	105.55%
Total	1,253,664	797,949	57.11%

Notes:

- (1) For the holdings of off-balance-sheet assets of the Group, the income of the period was recognized according to the expected yield and expected loss rate of such holdings. For the changes in respect of the off-balance-sheet assets of the Group, please refer to the discussion and analysis in paragraph 3.3 of this section.
- (2) The Group's equity and debt investment income was mainly gains on changes and transfer of the fair value of equity and debt investment. Due to the impact of the overall fluctuation of the capital market, net loss from equity and debt investment of the Group amounted to RMB66,162,000 in the first half of 2022, which was reclassified to other expenses and losses.
- (3) The Group's gains from the transfer of financial assets were the premium of interest-earning assets gained from issuing asset-backed securities of the Group. Net loss from the transfer of financial assets of the Group amounted to RMB1,489,000 in the first half of 2022, which was reclassified to other expenses and losses.
- (4) The Group's other income for the period mainly consisted of gains from disposal of fixed assets of RMB130 million as compared to RMB10 million in the corresponding period of the previous year.

2.6 Selling and Administrative Expenses

Selling and administrative expenses of the Group for the first half of 2022 were RMB3,981,355,000, representing an increase of RMB701,027,000 or 21.37% from the corresponding period of the previous year. The increase in selling and administrative expenses was mainly due to the proactive market expansion strategy adopted by the Group to promote business growth.

Cost to income ratio of the Group in the first half of 2022 was 44.70%, which increased from 39.95% as compared to the corresponding period of the previous year.

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2.7 Other Expenses and Losses

Other expenses and losses of the Group in the first half of 2022 amounted to RMB250,178,000, representing an increase of RMB143,008,000 or 74.94% as compared to the corresponding period of the previous year. Among which, net loss from equity and debt investment amounted to RMB66,162,000 and net loss from the transfer of financial assets amounted to RMB1,489,000.

2.8 Finance Costs

Finance costs of the Group in the first half of 2022 amounted to RMB557,143,000, representing an increase of 44.63% as compared to RMB385,221,000 in the corresponding period of the previous year. The finance costs were mainly financing-related costs for the Group's industrial operation segment. Among which, the finance costs of the equipment operation segment were RMB390 million, representing an increase of RMB160 million as compared to RMB230 million in the corresponding period of the previous year. For details, please refer to the discussion and analysis in paragraph 12.1 of this section.

2.9 Pre-provision Operating Profit

Pre-provision operation profit of the Group in the first half of 2022 amounted to RMB5,543,280,000, representing an increase of RMB200,508,000 or 3.75% as compared to the corresponding period of the previous year. 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				
	2022		2021		Change %
	RMB'000	% of total	RMB'000	% of total	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
Provision for interest-earning assets	957,427	97.30%	1,086,050	95.66%	-11.84%
Provision for accounts receivable ⁽¹⁾	81,723	8.31%	56,578	4.98%	44.44%
Provision for other receivables ⁽¹⁾	19,584	1.99%	(4,366)	-0.38%	-548.56%
Provision for fixed assets ⁽²⁾	(46,442)	-4.72%	–	–	N/A
Provision for credit commitments ⁽³⁾	(28,292)	-2.88%	(2,907)	-0.26%	873.24%
Total	984,000	100.00%	1,135,355	100.00%	-13.33%

Notes:

- (1) Provision for accounts receivable and other receivables is mainly the expected credit loss of the relevant receivables made by the Group for equipment operation and hospital operation;
- (2) Provision for fixed assets is mainly the impairment provisions made by the Group for the vessel assets and fixed asset of subsidiaries in the industrial operation segment it owns;
- (3) Provision for credit commitments is mainly the expected credit loss of the Group's interest-earning assets that have been contracted but not yet placed.

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2.11 Income Tax Expense

Income tax expense of the Group for the first half of 2022 was RMB1,431,488,000, representing an increase of RMB115,449,000 or 8.77% from the corresponding period of the previous year, mainly 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 2022 was 31.4%, which remained unchanged as compared to the corresponding period of the previous year. The following table sets forth a breakdown of particulars of the income tax rate of the Group for the periods indicated:

	For the six months ended 30 June		
	2022	2021	Change %
	(Unaudited)	(Unaudited)	
Domestic statutory tax rate	25.0%	25.0%	–
Cross-border business withholding income tax ⁽¹⁾	1.2%	1.1%	0.1%
Others	5.2%	5.2%	–
Total	31.4%	31.3%	0.1%

Notes:

- (1) The increase in cross-border business withholding income tax was due to the increase of the withholding tax on the cross-border borrowings business of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

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 RMB2,842,245,000, representing an increase of RMB269,360,000 or 10.47% from the corresponding period of the previous year.

2.13 Basic Earnings per Share

Basic earnings per share for the current period amounted to RMB0.68, representing an increase of RMB0.04 or 6.25% from the corresponding period of the previous year.

	For the six months ended 30 June		
	2022	2021	Change %
	(Unaudited)	(Unaudited)	
Profit for the period attributable to holders of ordinary shares of the Company (RMB'000)	2,842,245	2,572,885	10.47%
Weighted average number of ordinary shares outstanding during the period (share)	4,184,273,603	4,006,548,100	4.44%
Basic earnings per share (RMB)	0.68	0.64	6.25%

As a result of the increase in the number of ordinary shares of the Company, the increase in the Group's basic earnings per share for the first half of 2022 as compared to the corresponding period of the previous year was slightly lower than the increase in profit for the period. The Group's return on average equity also decreased.

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

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3. ANALYSIS OF FINANCIAL POSITION

3.1 Assets (Overview)

As at 30 June 2022, the total assets of the Group increased by RMB22,604,782,000 or 6.73% from the end of the previous year to RMB358,485,070,000. Net interest-earning assets increased by RMB25,212,414,000 or 10.02% from the end of the previous year to RMB276,939,725,000.

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

	30 June 2022		31 December 2021		Change %
	RMB'000	% of total	RMB'000	% of total	
	(Unaudited)		(Audited)		
Loans and accounts receivable	279,852,521	78.07%	252,218,007	75.09%	10.96%
Of which: interest-earning assets	272,699,503	76.07%	246,076,955	73.26%	10.82%
Cash and cash equivalents	13,752,478	3.84%	15,659,036	4.66%	-12.18%
Restricted deposits	3,878,497	1.08%	4,239,760	1.26%	-8.52%
Holding of asset-backed securities/notes	670,012	0.19%	2,858,774	0.85%	-76.56%
Assets with continuing involvement	670,012	0.19%	2,858,774	0.85%	-76.56%
Prepayment and other accounts receivable	3,720,190	1.04%	3,671,376	1.09%	1.33%
Deferred tax assets	6,037,143	1.68%	5,394,566	1.61%	11.91%
Property, plant and equipment	25,877,901	7.22%	24,530,838	7.30%	5.49%
Investment in joint ventures/associates	8,030,191	2.24%	7,820,282	2.33%	2.68%
Financial assets at fair value through profit or loss	11,367,166	3.17%	12,760,358	3.80%	-10.92%
Of which: interest-earning assets	4,240,222	1.18%	5,650,356	1.68%	-24.96%
Financial assets at fair value through other comprehensive income	622,357	0.17%	699,039	0.21%	-10.97%
Derivative financial instruments	759,086	0.21%	22,331	0.01%	3,299.25%
Inventories	589,046	0.16%	559,020	0.17%	5.37%
Contract assets	390,606	0.11%	276,859	0.08%	41.08%
Goodwill	373,982	0.10%	373,982	0.11%	0.00%
Right-of-use assets	1,819,090	0.51%	1,865,058	0.56%	-2.46%
Other assets	74,792	0.02%	72,228	0.02%	3.55%
Total assets	358,485,070	100.00%	335,880,288	100.00%	6.73%

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3.2 Interest-Earning Assets

The main component of the Group's assets was interest-earning assets, which accounted for 77.25% of the Group's total assets as at 30 June 2022. In the first half of 2022, the Group dynamically adjusted the promotion policies of each industry sector in accordance with the environment and industry patterns. While cultivating the market in depth, it also strengthened risk management and control in a prudent manner, and strengthened the risk identification of sub-sectors and customer qualifications. Under the premise of asset safety, the Group steadily promoted the expansion of financial business to maintain steady growth for its interest-earning assets.

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

	30 June 2022		31 December 2021		Change %
	RMB'000	% of total	RMB'000	% of total	
	(Unaudited)		(Audited)		
Net interest-earning assets					
Included in loans and accounts receivable	279,730,462	98.47%	252,620,628	97.77%	10.73%
Included in financial assets at fair value through profit or loss	4,346,297	1.53%	5,758,206	2.23%	-24.52%
Total net interest-earning assets	284,076,759	100.00%	258,378,834	100.00%	9.95%
Provision for loans and accounts receivables	(7,030,959)		(6,543,673)		7.45%
Provision for financial assets at fair value through profit or loss	(106,075)		(107,850)		-1.65%
Less: total provision for interest-earning assets	(7,137,034)		(6,651,523)		7.30%
Net interest-earning assets	276,939,725		251,727,311		10.02%

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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 2022		31 December 2021		
	RMB'000	% of total	RMB'000	% of total	Change %
	(Unaudited)		(Audited)		
Net interest-earning assets included in loans and accounts receivable	272,699,503	97.44%	246,076,955	97.57%	10.82%
Other ⁽¹⁾	7,153,018	2.56%	6,141,052	2.43%	16.48%
Net loans and accounts receivable	279,852,521	100.00%	252,218,007	100.00%	10.96%

Notes:

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

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 2022		31 December 2021		
	RMB'000	% of total	RMB'000	% of total	Change %
	(Unaudited)		(Audited)		
Healthcare	25,702,721	9.05%	26,852,242	10.39%	-4.28%
Culture & tourism	27,315,294	9.62%	25,447,285	9.85%	7.34%
Engineering construction	26,163,850	9.21%	27,017,305	10.46%	-3.16%
Machinery	15,275,230	5.38%	15,050,567	5.82%	1.49%
Chemical & medicine	8,539,675	3.01%	7,304,262	2.83%	16.91%
Electronic information	8,623,837	3.04%	9,418,387	3.65%	-8.44%
Public consuming	16,179,085	5.70%	14,988,468	5.80%	7.94%
Transportation & logistics	15,081,127	5.31%	14,560,301	5.64%	3.58%
Urban public utility	141,195,940	49.68%	117,740,017	45.56%	19.92%
Total	284,076,759	100.00%	258,378,834	100.00%	9.95%

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Notes:

- (1) Interest-earning assets for machinery, chemical & medicine, public consuming, transportation & logistics and urban public utility among the target industries of the Group maintained growth during the period from 31 December 2021 to 30 June 2022, 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 2022, 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 2022, the net interest-earning assets of the Group's new business directions, including inclusive finance, commercial factoring, PPP investment, overseas business and asset business, amounted to RMB29,901 million, representing an increase of RMB1,820 million or 6.48% from RMB28,081 million as at 31 December 2021.

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 2022		31 December 2021	
	RMB'000	% of total	RMB'000	% of total
	(Unaudited)		(Audited)	
Northeast China	11,773,044	4.14%	12,743,031	4.93%
Northern China	29,400,776	10.35%	27,874,070	10.79%
Eastern China	103,868,015	36.57%	90,249,456	34.93%
Southern China	23,603,304	8.31%	23,193,533	8.98%
Central China	45,319,352	15.95%	38,837,614	15.03%
Northwest China	20,077,342	7.07%	18,085,546	7.00%
Southwest China	50,034,926	17.61%	47,395,584	18.34%
Total	284,076,759	100.00%	258,378,834	100.00%

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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 2022		31 December 2021		Change %
	RMB'000	% of total	RMB'000	% of total	
	(Unaudited)		(Audited)		
Net interest-earning assets					
Within 1 year	160,420,005	56.47%	147,943,495	57.26%	8.43%
1 to 2 years	70,656,240	24.87%	62,788,047	24.30%	12.53%
2 to 3 years	27,018,487	9.51%	15,887,437	6.15%	70.06%
3 years and beyond	25,982,027	9.15%	31,759,855	12.29%	-18.19%
Total	284,076,759	100.00%	258,378,834	100.00%	9.95%

Net interests-earning assets within one year represented net interest-earning assets that become effective within one year from the reporting date indicated, and were still valid as at the end of the year or the end of the period. As at 30 June 2022, net interest-earning assets within one year as set out in the table above accounted for 56.47% of the net interest-earning assets of the Group, remained stable as compared to the end of the previous year.

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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.

Maturity date	30 June 2022		31 December 2021		Change %
	RMB'000	% of total	RMB'000	% of total	
	(Unaudited)		(Audited)		
Within 1 year	147,062,956	51.77%	133,352,545	51.61%	10.28%
1 to 2 years	78,949,089	27.79%	72,416,924	28.03%	9.02%
2 to 3 years	35,044,446	12.34%	31,010,907	12.00%	13.01%
3 years and beyond	23,020,268	8.10%	21,598,458	8.36%	6.58%
Total	284,076,759	100.00%	258,378,834	100.00%	9.95%

Net interest-earning assets due within one year represent net interest-earning assets which the Group will receive within one year of the reporting date indicated. As of 30 June 2022, net interest-earning assets due within one year as set forth in the table above accounted for 51.77% of the Group's net interest-earning assets as of each of the respective dates, which remained stable 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 that facilitated the matching of our liabilities.

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3.2.6 Asset Quality of Net Interest-earning Assets

3.2.6.1 Five-category Classification of Net Interest-earning Assets

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

Classification criteria

In determining the classification of the interest-earning assets portfolio, the Group applies a series of criteria that is derived from the own internal regulations regarding the management of lease assets. These criteria are designed to assess the possibility of repayment by the borrower and the recoverability 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 changes 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 the Group is likely to incur losses notwithstanding the enforcement of any guarantees underlying the contract. The Group takes 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 the Group is 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 2022, the Group's assets were under further stress due to the continuous rebound and minor resurgence of the pandemic, as well as internal and external macroeconomic uncertainties. The Group's asset management team has a comprehensive decision-making and balance mechanism comprising front-end monitoring and handling, middle-office process control and back-end supervision and support, which forms a closed-loop management of early warning and monitoring, on-site supervision, follow-up on abnormalities and non-performing handling. On such basis, through comprehensive application of financial technology tools, including asset alert system, rent management system and litigation system, combined with accumulated experiences in nine major industries and the continuous in-depth development in localized operation across the country, the asset management of the Group has become faster, deeper and more comprehensive. During the reporting period, the pandemic and uncertainties in the economic environment had no material impact on the Group. The quality of the Group's assets continued to improve and asset safety was further enhanced.

Optimize working methods and management tools and enhance asset monitoring efficiency

During the reporting period, under the normalization of the pandemic, the Group adjusted the customer monitoring methods in a timely manner and combined them with network early warning and monitoring methods to monitor assets efficiently based on the principle of "early detection, decision and disposal". On the one hand, based on the perspective of comprehensive risk management, the Group carried out hierarchical and classified management to achieve comprehensive coverage of customer monitoring according to customer risk conditions; on the other hand, it continued to advance the technological empowerment strategy to pursue more accurate information of the asset early warning system and more targeted risk through the expansion of the early warning system data and the upgrade of the rules. On the basis of the above, by improving the manual and machine management model of assets, that is, combining the localized asset personnel distribution system covering the whole country with the early warning system for accurately predicting risks, the Group could timely discover the potential risks of customers and arrive at the customer site as soon as possible, so as to seize the golden time of disposal and realize rapid decision-making and efficient disposal of assets, strictly adhering to the bottom line of asset safety.

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Deepen industry research and resource expansion and strengthen ability to dispose risky assets

Through continuous expansion and construction of various disposal resources, along with diversified and innovative disposal methods, the Group has provided strong support for the disposal of risky assets and ensured the rapid and efficient recovery of risky assets. The Group continued to develop industry research and combat capabilities of teams to provide strong support for asset disposal. In terms of industry research capabilities, the Group strengthened the exchange, interaction, management and output among the nine major industries, realized dynamic monitoring of industry risks, and identified key risky objects as soon as possible through hierarchical classification, dynamic tracking, and optimization of management and control by establishing a sound industry research system, so as to formulate a precise response disposal strategy and form a complete asset protection system. In the direction of combat capabilities of teams, a full life cycle training system for teams has been established to train asset personnel in layers and categories, which enriched their disposal methods and improve their comprehensive capabilities, thereby strengthening the overall combat capability as teams and laying a solid foundation for the effective elimination of risky assets.

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

	30 June 2022		31 December 2021		31 December 2020		31 December 2019	
	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total
	(Unaudited)		(Audited)		(Audited)		(Audited)	
Pass	259,929,824	91.50%	234,737,048	90.85%	210,311,324	89.34%	178,912,873	88.07%
Special mention	21,126,603	7.44%	20,890,374	8.09%	22,512,881	9.56%	21,987,115	10.82%
Substandard	1,549,995	0.54%	1,541,604	0.60%	1,940,917	0.82%	1,689,815	0.83%
Doubtful	1,470,337	0.52%	1,209,808	0.46%	648,971	0.28%	559,272	0.28%
Loss	-	-	-	-	-	-	-	-
Net interest-earning assets	284,076,759	100.00%	258,378,834	100.00%	235,414,093	100.00%	203,149,075	100.00%
Non-performing assets	3,020,332		2,751,412		2,589,888		2,249,087	
Non-performing asset ratio	1.06%		1.06%		1.10%		1.11%	

The Group has established a prudent asset quality control policy and adhered to a stringent and conservative asset classification policy. As at 30 June 2022, the Group's assets under special mention accounted for 7.44% of its net interest-earning assets, representing a decrease of 0.65 percentage point from 8.09% at the end of 2021.

The assets under special mention in the urban public utility industry accounted for 42.32% of the total assets under special mention. This was mainly due to the large proportion of assets in such segment. Based on our prudent risk management strategies, for some customers in certain industries (such as public transportation, electricity and heating) with modest profitability but stable cash flow and normal repayment at present, 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 cultural & tourism industry accounted for 19.34% of the total assets under special mention, mainly concentrated in tourism, hotels and other directions. Repeatedly affected by the pandemic in the first half of 2022, the overall recovery of assets in the segment was less than expected. It was under greater pressure in the short term, but the long-term forecast is generally positive, and 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 15.53% of the total assets under special mention. Some hospitals that were greatly affected by the pandemic saw a decline in the number of outpatients and inpatients in the first half of 2022, resulting in a decline in daily revenue, which in turn affected the pace of rent repayment. The Group prudently adjusted more of the assets of the segment to assets under special mention.

The assets under special mention in the engineering construction industry accounted for 8.85% of the total assets under special mention. Some customers in such segment were affected by the pandemic in the first half of 2022, and the construction progress fell short of expectations, resulting in a slowdown in payment collection and certain pressure on business stability. 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 2022		31 December 2021		31 December 2020	
	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total
	(Unaudited)		(Audited)		(Audited)	
Healthcare	3,280,637	15.53%	3,364,715	16.11%	4,251,855	18.89%
Cultural & tourism	4,085,860	19.34%	4,533,263	21.70%	4,629,827	20.57%
Engineering construction	1,870,706	8.85%	1,776,551	8.50%	1,834,428	8.15%
Machinery	744,626	3.52%	521,922	2.50%	616,415	2.74%
Chemical & medicine	109,667	0.52%	117,083	0.56%	194,983	0.87%
Electronic information	388,728	1.84%	433,270	2.07%	858,049	3.81%
Public consuming	565,789	2.68%	663,184	3.17%	822,061	3.65%
Transportation & logistics	1,140,685	5.40%	1,397,187	6.69%	1,499,655	6.66%
Urban public utility	8,939,905	42.32%	8,083,199	38.70%	7,805,608	34.66%
Total	21,126,603	100.00%	20,890,374	100.00%	22,512,881	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 2022	30 June 2021	31 December 2021	31 December 2020	31 December 2019
	% of total (Unaudited)	% of total (Unaudited)	% of total (Audited)	% of total (Audited)	% of total (Audited)
Pass	–	0.55%	0.27%	8.91%	22.76%
Special mention	77.10%	69.97%	52.99%	51.24%	35.69%
Substandard	2.62%	2.67%	2.42%	4.74%	3.15%
Doubtful	0.80%	1.46%	0.96%	0.40%	0.05%
Loss	0.92%	1.63%	2.71%	1.96%	0.67%
Recovery	18.56%	23.72%	40.65%	32.75%	37.68%
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 2022, the non-performing asset ratio was 1.06%, which remained the same as at the end of last year.

The non-performing assets of the urban public utility industry accounted for 30.85% of the total non-performing assets, mainly for individual projects with a large scale. As at 30 June 2022, certain risky customers made good progress this year, and the disposal was completed in the first half of the year. The non-performing asset ratio of such segment was 0.66%, representing a decrease of 0.28 percentage point as compared with the end of last year, and the overall performance has been improving. Under the current relatively relaxed financial environment, customers' financing conditions continued to improve, the overall risk of the industry was under control, and the loss prediction was low. 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 24.54% of the total non-performing assets. Affected by the continuous impact of the pandemic, customers in the culture & tourism segment have highlighted business risks in the short run and some customers have weakened repayment capabilities, resulting in long overdue. 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 13.89% of the total non-performing assets. In the first half of 2022, certain customers in the construction industry chain of such segment have suffered from recurrent pandemic, resulting in suspended and delayed construction as well as slow payment for construction projects. As a result, some customers had tight cash flow and were long overdue. The Group prudently reclassified the assets of the segment into substandard and doubtful assets.

The non-performing assets in the healthcare industry accounted for 11.54% of the total non-performing assets. Due to the continuous impact of the pandemic and the medical insurance cost control policy, the repayment ability of some customers has declined. However, in the long run, the future development of the industry is still optimistic with no major risk. 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 2022		31 December 2021		31 December 2020	
	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total
	(Unaudited)		(Audited)		(Audited)	
Healthcare	348,563	11.54%	172,276	6.26%	289,794	11.19%
Culture & tourism	741,302	24.54%	621,141	22.58%	193,965	7.49%
Engineering construction	419,423	13.89%	218,173	7.93%	223,021	8.61%
Machinery	255,903	8.47%	306,581	11.14%	353,849	13.66%
Chemical & medicine	9,278	0.31%	20,404	0.74%	25,226	0.97%
Electronic information	26,402	0.87%	64,537	2.35%	6,522	0.25%
Public consuming	57,816	1.91%	96,389	3.50%	46,483	1.80%
Transportation & logistics	230,131	7.62%	146,968	5.34%	83,534	3.23%
Urban public utility	931,514	30.85%	1,104,943	40.16%	1,367,494	52.80%
Total	3,020,332	100.00%	2,751,412	100.00%	2,589,888	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 2022		31 December 2021		31 December 2020	
	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total
	(Unaudited)		(Audited)		(Audited)	
Healthcare	196,738	12.69%	43,554	2.83%	268,294	13.82%
Culture & tourism	421,204	27.17%	334,088	21.66%	123,733	6.37%
Engineering construction	91,079	5.88%	128,768	8.35%	223,021	11.49%
Machinery	106,637	6.88%	136,707	8.87%	187,531	9.66%
Chemical & medicine	444	0.03%	1,792	0.12%	25,226	1.30%
Electronic information	1,236	0.08%	25,421	1.65%	6,522	0.34%
Public consuming	8,235	0.53%	44,553	2.89%	43,607	2.25%
Transportation & logistics	52,615	3.39%	4,920	0.32%	83,534	4.30%
Urban public utility	671,807	43.35%	821,801	53.31%	979,449	50.47%
Total	1,549,995	100.00%	1,541,604	100.00%	1,940,917	100.00%

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

	30 June 2022		31 December 2021		31 December 2020	
	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total
	(Unaudited)		(Audited)		(Audited)	
Healthcare	151,825	10.33%	128,722	10.64%	21,500	3.32%
Culture & tourism	320,098	21.77%	287,053	23.73%	70,232	10.82%
Engineering construction	328,344	22.33%	89,405	7.39%	–	–
Machinery	149,266	10.15%	169,874	14.04%	166,318	25.63%
Chemical & medicine	8,834	0.60%	18,612	1.54%	–	–
Electronic information	25,166	1.71%	39,116	3.23%	–	–
Public consuming	49,581	3.37%	51,836	4.28%	2,876	0.44%
Transportation & logistics	177,516	12.07%	142,048	11.74%	–	–
Urban public utility	259,707	17.67%	283,142	23.41%	388,045	59.79%
Total	1,470,337	100.00%	1,209,808	100.00%	648,971	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 2022		31 December 2021		31 December 2020	
	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	-	-	-	-	-	-
Transportation & logistics	-	-	-	-	-	-
Urban public utility	-	-	-	-	-	-
Total	-	-	-	-	-	-

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

	30 June 2022	31 December 2021	31 December 2020
	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Audited)	(Audited)
At the beginning of the period/year	2,751,412	2,589,888	2,249,087
Downgrades ⁽¹⁾	1,391,454	2,865,433	2,698,228
Upgrades	(110,833)	(609,118)	(466,234)
Recoveries	(511,596)	(1,050,475)	(701,056)
Write-off/disposal	(500,105)	(1,044,316)	(1,190,137)
At the end of the period/year	3,020,332	2,751,412	2,589,888
Non-performing assets ratio	1.06%	1.06%	1.10%
Non-performing loan formation ratio ⁽²⁾	0.30%	0.52%	0.76%

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 period – the balance of non-performing loan at the beginning of period + write-off/disposal of non-performing loan for the period)/(net normal interest-earning assets at the beginning of period + net interest-earning assets under special mention at the beginning of period)

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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 2022		31 December 2021		31 December 2020		31 December 2019	
	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	1,151,816	16.14%	1,154,550	17.36%	1,070,237	16.39%	469,357	8.48%
Provision for pass and special mention assets	5,985,218	83.86%	5,496,973	82.64%	5,461,350	83.61%	5,065,937	91.52%
Total	7,137,034	100.00%	6,651,523	100.00%	6,531,587	100.00%	5,535,294	100.00%
Non-performing assets	3,020,332		2,751,412		2,589,888		2,249,087	
Provision coverage ratio	236.30%		241.75%		252.20%		246.11%	
Credit cost ratio ⁽¹⁾	0.35%		0.37%		0.98%		0.90%	

Notes:

- (1) Credit cost ratio = provision for interest-earning assets for the period/average balance of interest-earning assets.
- (2) By virtue of the Company's diversified and high-quality asset allocation as well as comprehensive and effective risk management and asset management system, it is expected that the Company's asset quality will steadily improve in the future, and the non-performing asset ratio will sustain steady decline in the future.

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 2022	31 December 2021	31 December 2020	31 December 2019
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Audited)	(Audited)	(Audited)
Write-off and disposal of non-performing assets	500,105	1,044,316	1,190,137	867,150
Non-performing assets as at the end of last year	2,751,412	2,589,888	2,249,087	2,151,747
Write-off ratio ⁽¹⁾	18.18%	40.32%	52.92%	40.30%

Note:

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

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In the first half of 2022, according to the requirements of the accounting standards, the Group wrote off bad debts of RMB500,105,000, which were mainly distributed in the culture & tourism, electronic information, chemical & medicine, urban public utility and public consuming industries, accounting for RMB352,852,000, RMB42,564,000, RMB35,830,000, RMB25,000,000 and RMB22,521,000, respectively. Despite the Group's effort in collection through judicial means, actionable assets were unable to cover risk exposure of projects at the moment. Although the Group was required to write off the bad debts of the relevant non-performing assets pursuant to the requirements of the accounting standards, the Group did not terminate the disposal of assets, but continued to collect the payment through disposal of equipment/pledge, and stay claim from guarantors. In the first half of 2022, the Group recovered the written-off amount of RMB84,821,000, which was used to offset the provision for interest-earning assets in the current period. From 2011 to the first half of 2022, the written-off bad debts amounted to RMB5,018,172,000 and RMB867,723,000 had been recovered.

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

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

	30 June 2022	31 December 2021	31 December 2020	31 December 2019
	(Unaudited)	(Audited)	(Audited)	(Audited)
Overdue ratio (over 30 days)	0.92%	0.94%	0.99%	1.29%

The Group adhered to the prudent strategies of risk control and asset management. The Group's overdue ratio (over 30 days) was 0.92% as at 30 June 2022, representing 0.02 percentage point lower than 0.94% as at the end of 2021, which reflected the stable and improving trend of asset quality.

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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 2022		31 December 2021	
	RMB'000	% of total	RMB'000	% of total
	(Unaudited)		(Audited)	
Healthcare	460,057	17.68%	397,561	16.43%
Culture & tourism	608,629	23.39%	577,627	23.86%
Engineering construction	365,939	14.07%	267,354	11.04%
Machinery	185,745	7.14%	176,951	7.31%
Chemical & medicine	10,618	0.41%	20,404	0.84%
Electronic information	26,607	1.02%	39,711	1.64%
Public consuming	74,437	2.86%	102,706	4.24%
Transportation & logistics	215,802	8.29%	315,852	13.05%
Urban public utility	653,796	25.14%	522,786	21.59%
Total	2,601,630	100.00%	2,420,952	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 2022		31 December 2021	
	RMB'000	% of total	RMB'000	% of total
	(Unaudited)		(Audited)	
Special mention	840,237	32.30%	797,733	32.95%
Substandard	291,057	11.19%	413,412	17.08%
Doubtful	1,470,336	56.51%	1,209,807	49.97%
Loss	—	—	—	—
Total	2,601,630	100.00%	2,420,952	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				
	2022		2021		Change %
	RMB million	% of total	RMB million	% of total	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
Healthcare	31	1.55%	161	3.17%	-80.75%
Culture & tourism	–	–	542	10.69%	-100.00%
Engineering construction	–	–	457	9.01%	-100.00%
Machinery	53	2.65%	119	2.35%	-55.46%
Chemical & medicine	–	–	–	–	–
Electronic information	416	20.77%	398	7.85%	4.52%
Public consuming	59	2.95%	84	1.66%	-29.76%
Transportation & logistics	138	6.89%	380	7.49%	-63.68%
Urban public utility	1,306	65.19%	2,930	57.78%	-55.43%
Total	2,003	100.00%	5,071	100.00%	-60.50%

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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 2022		31 December 2021		Change %
	RMB million	% of total	RMB million	% of total	
	(Unaudited)		(Audited)		
Healthcare	269	6.13%	703	8.56%	-61.74%
Culture & tourism	520	11.86%	983	11.97%	-47.10%
Engineering construction	229	5.22%	651	7.93%	-64.82%
Machinery	137	3.12%	295	3.59%	-53.56%
Chemical & medicine	267	6.09%	786	9.57%	-66.03%
Electronic information	303	6.91%	279	3.40%	8.60%
Public consuming	52	1.19%	161	1.96%	-67.70%
Transportation & logistics	383	8.73%	629	7.66%	-39.11%
Urban public utility	2,225	50.75%	3,724	45.36%	-40.25%
Total	4,385	100.00%	8,211	100.00%	-46.60%

As at 30 June 2022, the balance of the holding of asset-backed securities/notes-related assets items amounted to RMB670,012,000, representing a decrease of 76.56% as compared to RMB2,858,774,000 as at 31 December 2021, mainly due to the fact that the off-balance sheet assets in previous years became mature one after another in the first half of 2022. 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 2022 with no significant anomalies of asset quality.

The balance of assets with continuing involvement of the Group amounted to RMB670,012,000, representing a decrease of 76.56% as compared to RMB2,858,774,000 as at the end of last year. Pursuant to specific requirements of accounting standards, for the asset-backed securities/notes business described above, the Group should continue to recognize assets and liabilities with continuing involvement in relation to such activities due to risk associated with subordinate and enhanced credit facilities held by the Group.

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3.4 Other Assets

As at 30 June 2022, cash and cash equivalents of the Group amounted to RMB13,752,478,000. 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 RMB3,878,497,000.

The balance of prepayments and other receivables of the Group amounted to RMB3,720,190,000, 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 RMB6,037,143,000, 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 RMB25,877,901,000, mainly including equipment, tools and plant for equipment operation business amounting to RMB19.7 billion, the buildings and medical equipment of its affiliated hospitals amounting to RMB3.7 billion, and the main office building of the Group.

The balance of investments in joint ventures/associates of the Group amounted to RMB8,030,191,000, mainly including the equity investments of the Group in provincial asset management companies amounting to RMB4,990,284,000 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., PPP investment and the invested hospitals.

The balance of financial assets at fair value through profit or loss of the Group was RMB11,367,166,000, mainly due to the financial equity investment, interest-earning assets and wealth management products investment invested by the Group, among which the balance of interest-earning assets, wealth management products and other debt investments as at 30 June 2022 was RMB4.24 billion, RMB1.96 billion and RMB2.71 billion, respectively.

The balances of assets and liabilities corresponding to the Group's derivative financial instruments amounted to RMB759,086,000 and RMB935,522,000, 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 RMB373,982,000, 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 RMB1,819,090,000, 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 standards.

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3.5 Liabilities (Overview)

As at 30 June 2022, total liabilities of the Group amounted to RMB309,020,789,000, representing an increase of RMB26,194,611,000 or 9.26% 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 84.74% of the total, which increased by 3.35 percentage points as compared to 81.39% as at the end of last year.

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

	30 June 2022		31 December 2021		
	RMB'000	% of total	RMB'000	% of total	Change %
	(Unaudited)		(Audited)		
Interest-bearing bank and other borrowings	261,870,494	84.74%	230,200,742	81.39%	13.76%
Other payables and accruals	27,048,213	8.75%	28,876,352	10.21%	-6.33%
Liabilities for continuing involvement	670,012	0.22%	2,858,774	1.01%	-76.56%
Trade and bills payables	16,140,680	5.22%	13,890,322	4.91%	16.20%
Tax payables	1,161,181	0.38%	2,172,065	0.77%	-46.54%
Derivative financial instruments	935,522	0.30%	2,368,864	0.84%	-60.51%
Deferred tax liabilities	426,408	0.14%	386,850	0.14%	10.23%
Deferred revenue	241,028	0.08%	1,465,194	0.52%	-83.55%
Lease liabilities	527,251	0.17%	607,015	0.21%	-13.14%
Total liabilities	309,020,789	100.00%	282,826,178	100.00%	9.26%

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3.6 Interest-bearing Bank and Other Borrowings

Being faced with the complicated financial environment domestically 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 continuously enriched the bond portfolios and optimized product structure in line with the policy. In the first half of 2022, the Group issued a total of two green and one rural agricultural modernization asset securitization projects to continue to contribute to the development in the sustainable development sector. At the same time, the Group completed the first issuance of RMB1 billion perpetual medium-term notes in July 2022, and will continue to pay attention to the timely introduction of domestic and overseas equity supplementary instruments. The Company had a stable group of high-quality investors in the direct financing market, and continued to carry out product innovation, 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 continued to strengthen its cooperation relationship with key banks by deepening trade financing, inclusive finance and other means on the basis of the current financing channel in accordance with the Company’s strategic development needs and in line with bank policies, and launched comprehensive cooperation in finance and industry, forming a deep strategic partnership. Furthermore, in the first half of 2022, the US dollar loan project won the “Rural Anti-pandemic Contribution Award” from the Asian Development Bank.

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 2022, the total sum of the Group’s interest-bearing bank and other borrowings amounted to RMB261,870,494,000, representing an increase of 13.76% as compared with RMB230,200,742,000 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 the distribution between current and non-current interest-bearing bank and other borrowings as of the dates indicated.

	30 June 2022		31 December 2021		
	RMB'000	% of total	RMB'000	% of total	Change %
	(Unaudited)		(Audited)		
Current	144,618,532	55.23%	122,694,483	53.30%	17.87%
Non-current	117,251,962	44.77%	107,506,259	46.70%	9.07%
Total	261,870,494	100.00%	230,200,742	100.00%	13.76%

As at 30 June 2022, 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 55.23%, which slightly increased as compared to the end of the previous year, mainly because the Group moderately increased short-term debt so as to adhere to a sound financing strategy and ensure liquidity security.

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

	30 June 2022		31 December 2021		
	RMB'000	% of total	RMB'000	% of total	Change %
	(Unaudited)		(Audited)		
Secured	40,479,385	15.46%	35,026,522	15.22%	15.57%
Unsecured	221,391,109	84.54%	195,174,220	84.78%	13.43%
Total	261,870,494	100.00%	230,200,742	100.00%	13.76%

The Group carefully managed its funding risk in the first half of 2022. As at 30 June 2022, the proportion of the Group's interest-bearing bank and other borrowings that were unsecured accounted for 84.54% of the Group's total interest-bearing bank and other borrowings, which slightly decreased as compared to the end of the previous year, mainly because the Group acquired more low-cost funds by means of asset pledge.

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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 2022		31 December 2021		
	RMB'000	% of total	RMB'000	% of total	Change %
	(Unaudited)		(Audited)		
Bank loans	131,937,479	50.38%	110,640,201	48.06%	19.25%
Loans from connected persons	600,000	0.23%	–	–	N/A
Other loans	129,333,015	49.39%	119,560,541	51.94%	8.17%
Total	261,870,494	100.00%	230,200,742	100.00%	13.76%

As at 30 June 2022, the Group's loans as a percentage to the Group's total bank and other borrowings increased slightly as compared to the end of last year, 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 2022		31 December 2021		
	RMB'000	% of total	RMB'000	% of total	Change %
	(Unaudited)		(Audited)		
Domestic	216,032,873	82.50%	182,720,857	79.37%	18.23%
Overseas	45,837,621	17.50%	47,479,885	20.63%	-3.46%
Total	261,870,494	100.00%	230,200,742	100.00%	13.76%

As at 30 June 2022, the proportion of the Group's domestic borrowings and other borrowings as a percentage to the Group's total borrowings was 82.50%, which slightly increased as compared with that at the end of last year as the Group moderately expanded domestic financing channels to satisfy the funding needs in view of the uncertainties in the overseas market.

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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 2022		31 December 2021		
	RMB'000	% of total	RMB'000	% of total	Change %
	(Unaudited)		(Audited)		
RMB	217,237,239	82.96%	180,916,831	78.59%	20.08%
US\$	28,140,310	10.74%	39,276,524	17.06%	-28.35%
Borrowings in other currencies	16,492,945	6.30%	10,007,387	4.35%	64.81%
Total	261,870,494	100.00%	230,200,742	100.00%	13.76%

As at 30 June 2022, the Group's activities in RMB accounted for 82.96% of its total interest-bearing bank and other borrowings, representing an increase from the end of last year as the Group actively promoted domestic RMB financing, and vigorously expanded and strengthened RMB financing.

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 2022		31 December 2021		
	RMB'000	% of total	RMB'000	% of total	Change %
	(Unaudited)		(Audited)		
Direct financing	116,215,651	44.38%	106,732,021	46.36%	8.89%
Indirect financing	145,654,843	55.62%	123,468,721	53.64%	17.97%
Total	261,870,494	100.00%	230,200,742	100.00%	13.76%

As at 30 June 2022, Group's direct borrowings accounted for 44.38% of the total, which remained basically the same 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 2022, the total equity of the Group was RMB49,464,281,000, representing a decrease of RMB3,589,829,000 or 6.77% from the end of last year. In the first half of 2022, the Company maintained stable development, and the profit for the period continued to grow, ensuring the steady increase in the equity attributable to ordinary shareholders of the Company. The decrease in shareholders' equity was mainly due to the Company's redemption of perpetual bonds on schedule pursuant to relevant agreements, and the Group may issue additional equity securities such as perpetual securities in the future based on market conditions and the Group's financing needs.

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

	30 June 2022		31 December 2021		Change %
	RMB'000	% of total	RMB'000	% of total	
	(Unaudited)		(Audited)		
Share capital	13,051,792	26.39%	13,042,863	24.58%	0.07%
Equity component of convertible bonds	233,750	0.47%	233,750	0.44%	0.00%
Reserve	28,894,662	58.42%	28,245,937	53.25%	2.30%
Equity attributable to ordinary shareholders of the Company ⁽¹⁾	42,180,204	85.28%	41,522,550	78.27%	1.58%
Perpetual securities ⁽²⁾	3,197,294	6.46%	7,514,376	14.16%	-57.45%
Non-controlling interests	4,086,783	8.26%	4,017,184	7.57%	1.73%
Total Equity	49,464,281	100.00%	53,054,110	100.00%	-6.77%

Notes:

- (1) The following table sets forth the change in the equity attributable to the ordinary shareholders of the Company in the first half of 2022.

	Equity attributable to the ordinary shareholders of the Company
	(Unaudited)
31 December 2021	41,522,550
Profit for the period	2,842,245
Other comprehensive income	(501,705)
Dividend distribution	(1,505,444)
Other changes in equity	(177,442)
30 June 2022	42,180,204

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The final dividend of HK\$0.42 per share for the year ended 31 December 2021 was approved at the annual general meeting on 8 June 2022 and paid on 30 June 2022. As at 30 June 2022, the equity attributable to the ordinary shareholders of the Company was RMB42,180,204,000.

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

Type of perpetual securities	Date of issuance	Currency of issuance	Amount of issuance ('000)	Initial annual distribution rate	Basic term ^(iv)	Date of redemption
Perpetual capital securities ^(v)	14 June 2017	USD	300,000	4.35%	No fixed maturity date	14 June 2022
Renewable corporate bonds	6 July 2017	RMB	5,000,000	5.50%	3 years	6 July 2020
Perpetual capital securities ⁽ⁱ⁾	4 December 2017	USD	400,000	5.60%	No fixed maturity date	N/A
Perpetual trusted loans ⁽ⁱⁱ⁾	24 July 2019	RMB	49,850	6.0%	5 years	N/A
Perpetual trust securities existence (Pandemic Prevention and Control Securities) (phase one) ^(v)	18 February 2020	RMB	1,500,000	3.87%	2 years	18 February 2022
Perpetual trust securities (Pandemic Prevention and Control Securities) (phase one) ⁽ⁱⁱⁱ⁾	18 February 2020	RMB	500,000	4.13%	3 years	N/A
Perpetual trust securities (Pandemic Prevention and Control Securities) (phase two) ^(v)	18 June 2020	RMB	700,000	3.98%	2 years	20 June 2022
Perpetual trusted loans	25 December 2020	RMB	970,000	5.65%	1 year	23 December 2021

Notes:

- (i) 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. From 4 December 2037 onwards, the reset distribution rate shall be the sum of the initial spread and the US five-year treasury note rate and the incremental spread of 5.00% per annum.
- (ii) The interest rate of the perpetual trusted loans will be reset every 5 years from the date of issuance for 5 years (the starting date of resetting interest rate). From the starting date of resetting interest rate (inclusive), the interest rate is the prevailing benchmark interest rate plus the initial spread, and the reset interest rate from the date of issuance of 20 years (inclusive) is determined by the prevailing benchmark interest rate plus the initial spread plus 300 basis points. The initial spread is the difference between the initial interest rate and the initial benchmark interest rate. The prevailing benchmark interest rate is the one- to five-year loan interest rate announced and implemented by the People's Bank of China 5 working days before the date of resetting interest rate.
- (iii) The perpetual trust securities take the basic term as a cycle, and is reset once every cycle. The coupon rate of the first cycle is the initial benchmark interest rate plus the initial spread, and the coupon rate of subsequent cycles is adjusted to the prevailing benchmark interest rate plus the initial spread plus 300 basis points. The initial spread is the coupon rate for the first cycle minus the initial benchmark rate. The benchmark interest rate is the arithmetic mean of the yields of treasury bonds of the same term in the 250 working days before the date of resetting coupon rate.
- (iv) For the perpetual securities with a basic term, the Group is entitled to exercise its renewable option at the end of the stipulated basic term and at the end of each renewal period.
- (v) The Group redeemed these perpetual securities in the first half of 2022. On 5 July 2022, the Group completed the issuance of perpetual medium-term notes in an amount of RMB1,000,000,000 in the PRC. The basic term of the perpetual medium-term notes 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 a coupon distribution rate of 4.2% per annum. The Group may issue additional perpetual securities in the future based on market conditions and the Group's financing needs.

MANAGEMENT DISCUSSION AND ANALYSIS

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

As at 30 June 2022, the Group's outstanding convertible bonds include:

1. The bonds in the principal amount of US\$300,000,000 due 2025 issued by Universe Trek Limited, a wholly-owned subsidiary of the Company, on 8 July 2020 and guaranteed by the Company, convertible into fully paid ordinary shares in the issued and paid-up capital of the Company in accordance with relevant conditions, and bearing interest from and including the issue date at the rate of 2.5% per annum payable semi-annually. Based on the net proceeds from the issuance of such convertible bonds (after deducting the fees, commission and expenses) amounting to approximately US\$296.6 million, the net price of each conversion share of such convertible bonds amounted to approximately HK\$8.24 (at the predetermined exchange rate of US\$1.00 to HK\$7.7503). The convertible bonds were offered and sold to no less than six independent placees (who were independent individuals, corporates and/or institutional investors). The initial conversion price of the convertible bonds was HK\$8.33 per conversion share; the conversion price was adjusted to HK\$7.92 per conversion share on 31 July 2020 due to the payment of dividend; the conversion price was adjusted to HK\$7.58 per conversion share on 30 June 2021 due to the payment of dividend; the conversion price was further adjusted to HK\$7.11 per conversion share on 30 June 2022 due to the payment of dividend.

2. The bonds in the principal amount of US\$250,000,000 due 2026 issued by Universe Trek Limited, a wholly-owned subsidiary of the Company, on 15 June 2021 and guaranteed by the Company, convertible into fully paid ordinary shares in the issued and paid-up capital of the Company in accordance with relevant conditions, and bearing zero coupon. Based on the net proceeds from the issuance of such convertible bonds (after deducting the fees, commission and expenses) amounting to approximately US\$246 million, the net price of each conversion share of such convertible bonds amounted to approximately HK\$10.01 (at the predetermined exchange rate of US\$1.00 to HK\$7.7614). The convertible bonds were offered and sold to no less than six independent placees (who were independent individuals, corporates and/or institutional investors). The initial conversion price of the convertible bonds was HK\$10.20 per conversion share; the conversion price was adjusted to HK\$9.76 per conversion share on 30 June 2021 due to the payment of dividend; the conversion price was further adjusted to HK\$9.16 per conversion share on 30 June 2022 due to the payment of dividend.

The 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\$169.5 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.

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

MANAGEMENT DISCUSSION AND ANALYSIS

(I) Adjustment of Conversion Price of the Convertible Bonds

	Effective date of conversion price adjustment	Original conversion price	Adjusted conversion price	Disclosure date	Explanation of conversion price adjustment
Convertible bonds issued in June 2021	30 June 2022	HK\$9.76	HK\$9.16	24 June 2022	Adjust the conversion price based on the 2021 final dividend payment
Convertible bonds issued in July 2020	30 June 2022	HK\$7.58	HK\$7.11	24 June 2022	Adjust the conversion price based on the 2021 final dividend payment

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

As at 30 June 2022, no conversion into shares had occurred for the above convertible bonds. If the conversion rights attaching to the above convertible bonds were fully exercised in accordance with relevant conditions, the Company would have issued 538,845,479 shares, representing approximately 12.49% of the issued share capital of the Company as at 30 June 2022 and approximately 11.10% 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 2022 and assuming no further shares would be issued by the Company):

Name of shareholder	As of 30 June 2022		Immediately following the full conversion of all convertible bonds	
	Number of shares	Approximate percentage of total issued shares ⁽ⁱ⁾	Number of shares	Approximate percentage of total issued shares ⁽ⁱⁱ⁾
Sinochem Group Co., Ltd	919,914,440	21.31%	919,914,440	18.95%
KONG Fanxing ⁽ⁱ⁾	801,939,908	18.58%	801,939,908	16.52%
The holders of the Convertible Bonds issued on 8 July 2020	–	–	327,016,877	6.73%
The holders of the Convertible Bonds issued on 15 June 2021	–	–	211,828,602	4.36%
Other shareholders	2,593,567,708	60.10%	2,593,567,708	53.42%
Total	4,315,422,056	100.00%	4,854,267,535	100.00%

Notes:

(i) As at 30 June 2022, these interests include (i) 1,670,000 shares held by Mr. KONG Fanxing; (ii) 22,188,846 vested restricted shares; and (iii) 778,081,062 shares whose voting rights Idea Prosperous Limited were entrusted to exercise, and Idea Prosperous Limited is a wholly-owned company of Mr. KONG Fanxing.

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

Please refer to Note 8 to the financial statements for the impact on earnings per share as if the convertible bonds had been fully converted on 30 June 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

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

As at 30 June 2022, 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 2022, 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 2022 to 2025 were as below:

	As of 31 December			
	2022	2023	2024	2025
Share price of the convertible bonds issued on 8 July 2020 (HK\$)	7.11	7.11	7.11	N/A
Share price of the convertible bonds issued on 15 June 2021 (HK\$)	9.45	9.64	9.83	10.03

3.9 Events after the reporting period

On 5 July 2022, the Group completed the issuance of perpetual medium-term notes in the amount of RMB1,000,000,000 in the PRC with a basic term of 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 a coupon distribution rate of 4.2% per annum.

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 2022, 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 2022	31 December 2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Total assets (A)	358,485,070	335,880,288
Total liabilities (B)	309,020,789	282,826,178
Total equity	49,464,281	53,054,110
Gearing ratio (C=B/A)	86.20%	84.20%

In the first half of 2022, 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 2022, the Group's gearing ratio was 86.20%. With the improvement in the Group's operating efficiency and return on equity, the capital pressure faced by the Group could be alleviated mainly through organic growth. It is expected that the Group's gearing ratio will maintain a steady decrease.

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 and Insurance Regulatory Commission in June 2020, the total assets at risk of a financial leasing company must not exceed 8 times of the net assets.

As at 30 June 2022, the ratios of total assets at risk to net assets of International Far Eastern Financial Leasing Co., Ltd., Far Eastern Horizon (Tianjin) Financial Leasing Co., Ltd. and Far Eastern Horizon Financial Leasing Co., Ltd. were 6.34, 5.06 and 1.59 respectively, which were in compliance with the ratio of assets at risk 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 2022	31 December 2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Total assets	233,274,801	223,702,065
Less: Cash	8,774,493	11,581,180
Total assets at risk	224,500,308	212,120,885
Equity	35,390,259	36,503,070
Ratio of assets at risk to equity	6.34	5.81

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

	30 June 2022	31 December 2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Total assets	104,869,434	86,434,733
Less: Cash	4,476,599	3,855,840
Total assets at risk	100,392,835	82,578,893
Equity	19,829,970	18,633,566
Ratio of assets at risk to equity	5.06	4.43

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

	30 June 2022	31 December 2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Total assets	7,271,029	11,050,377
Less: Cash	100,915	588,093
Total assets at risk	7,170,114	10,462,284
Equity	4,504,064	4,198,400
Ratio of assets at risk to equity	1.59	2.49

MANAGEMENT DISCUSSION AND ANALYSIS

5. CAPITAL EXPENDITURES

The Group's capital expenditure was RMB3,029,155,000 in the first half of 2022, 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 2022, the international environment became more complex and severe. The conflict between Russia and Ukraine broke out unexpectedly. Global supply chain problems became prominent, and inflation intensified. On the one hand, affected by the spread of the pandemic, domestic consumption was sluggish and economic growth declined. On the other hand, China continued to build a "dual circulation" development pattern, which vigorously supported the real economy and demonstrated strong resilience. Investment in high-tech manufacturing grew rapidly. The upgrading and iteration of digital, intelligent and low carbon development in the manufacturing industry continued to accelerate.

In the face of complex situation brought about by the pandemic, the Company scattered operations with flexibility, so as to respond flexibly to mitigate the impact of the pandemic. Meanwhile, the Company continuously evaluated the internal and external environment, and accurately assessed the future situation, in order to adjust industry management strategies as needed. The Company adhered to reasonable diversification, continued to expand its business foundation, and strived to optimize asset allocation in multiple dimensions. By implementing professional credit review to achieve comprehensive and accurate identification and hedging of risks, the Company effectively ensured the safety of new assets. The Company also continued to consolidate accountability and strengthen supervision, in order to continuously improve the quality of project operations. Through system upgrades and tool iterations, the Company continued to enhance the efficiency of quality control personnel.

The operation of the Company maintained flexibility and order in the first half of 2022, with safe and well controlled assets while operation results achieved sustained and robust growth.

I. Scattered operation with flexibility so as to respond flexibly to mitigate the impact of the pandemic.

In the first half of 2022, sporadic resurgence of the pandemic occurred across the country, and the intensification of the pandemic in Shanghai led to local lockdown. In order to meet the needs of on-site tasks, the headquarters of the Company took precautions and flexibly deployed quality control personnel outside Shanghai. The Company made deployments at multiple points and scattered operations while actively carrying out project review, industry research and other tasks such that the risk control system has always been in a state of efficient operation, which effectively ensured the safety of assets. For certain customers with actual difficulties in reaching their sites, on the premise of ensuring safety and being under control, the Company flexibly arranged remote due diligence or review via videos to ensure orderly credit granting process as scheduled, thus the impact of the pandemic was minimized.

MANAGEMENT DISCUSSION AND ANALYSIS

During the pandemic, the Company encountered difficulties in delivering credit documents. The headquarters immediately arranged for regions outside Shanghai to undertake the delivery of documents, and scanned and converted the documents on the spot in the shortest possible time to generate electronic documents for quality control and credit review. The efficiency of collaboration was greatly improved. After the pandemic eased off, the tasks put on hold due to the pandemic was quickly addressed, with their quantity, quality and pace resuming to pre-pandemic level in a short period of time, forming a flexible operation capacity in different environment during and after the pandemic.

Despite being plagued by the pandemic, the Company managed to achieve positive year-on-year growth in the first half of 2022.

II. Continuously evaluated and accurately assessed, in order to adjust industry management strategies as needed.

The Company continued to evaluate changes in the internal and external environment, and continuously strengthened economic research and judgment and interpretation of major industries and regional policies, in order to seek certainty amid uncertainty and strive to identify its business direction while avoiding the risks caused by expected fluctuations.

In the first quarter of 2022, major infrastructure projects in China were launched ahead of schedule, which brought abundant opportunities for business. The Company actively cooperated with high-quality customers. Industries such as tourism, cinema and catering were severely impacted by the pandemic. For customers in such industries, the Company adopted prudent strategies, and developed a customer list system in stages. The conflict between Russia and Ukraine led to the rising importance of food security and energy security. To this end, the Company increased its effort in search of high-quality customers in the food and energy industries and its upstream and downstream industries. Prices of bulk commodities and raw materials remained high. Therefore, as to the industries with a high proportion of raw material costs, the Company continued to develop customers who can effectively pass their price pressure to downstream industries, and exercised prudence in determining the operating ability of those customers who cannot do so. In order to break through the technical “bottlenecks”, and at the same time continue to consolidate the global dominant position of China’s supply chain, domestic substitution in electronics, machinery, chemical and other industries has been accelerated, and the Company actively sought business opportunities and commenced business cooperation with leading domestic companies as an alternative to foreign companies.

In view of the increasing uncertainty in the external environment, the Company adjusted its industry management strategies as needed to ensure that its operation and management are in line with the external environment.

III. Reasonably diversified, expanded the foundation, and strived to optimize asset allocation in multiple dimensions.

Adhering to the principle of reasonable risk diversification, the Company strived to optimize asset allocation in multiple dimensions including industries, regions and customers.

At the industry level, the Company will continue to adhere to differentiated allocation among the industries under the encouraged, maintained, restricted and reduced categories, so as to achieve a combination of interception and guidance.

MANAGEMENT DISCUSSION AND ANALYSIS

Serving urban upgrading, the Company encouraged the deployment in industries related to “new infrastructure and new urbanization initiatives and major projects”, including new urbanization, new infrastructure construction and major infrastructure construction, and industries related to “safeguarding people’s livelihood”;

Serving industry upgrading, the Company encouraged the deployment in industries related to manufacturing and upgrading with the vision of “leading innovation, technology empowerment, intelligent upgrading and transformation”, and encouraged the deployment in industries related to basic consumption and consumption upgrading.

At the regional level, the Company closely followed the national and regional development strategies, focused on the key national and regional development strategies, provided service to the Yangtze River Delta, the Greater Bay Area, the Beijing-Tianjin-Hebei region, the Yangtze River Economic Belt, the Chengdu-Chongqing Economic Circle, etc., and selected quality regions and customers for cooperation to further optimize allocation.

At the customer level, the Company adhered to the development strategy which covers the entire industry chain and customer bases across large, medium and small levels, encouraged the development of new customers, controlled the scale of credit granting to repeat customers, continuously broadened customer coverage and deepened customer service, and continued to strengthen the foundation of operation.

In the first half of 2022, the Company continued to optimize its asset structure, and the allocation became more reasonable. The number of new customers grew significantly faster. The operating foundation was effectively consolidated and the scope of credit granting was expanded. Meanwhile, risk concentration could be reasonably and effectively controlled.

IV. Comprehensive, accurate and professional review to effectively ensure the safety of new assets.

The Company insisted on industry-specific risk management approach, adhered to the “all-round, full-process, multi-angle, and uninterrupted” quality control approach, and carried out comprehensive and accurate reviews of key projects to accurately identify core risks for hedging.

The Company integrated industry research and review practice, prepared industry mapping of various industries, and distinguished between the technology routes of different processes. The Company summarized the characteristics and risk perception of various industries, and formulated an industry management manual. The Company conducted special research and case analysis for customers in specific industries, developed an industry customer index database, clarified target customer portraits, strengthened the calibration of customer data to rating models, and improved quantitative recognition and accurate positioning of customers.

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For major, difficult and innovative projects, the Company arranged quality control personnel with high professional qualification, strong expertise and extensive experience in review to coordinate with the business department. Comprehensive research is conducted before granting credit. Quality control personnel would carry out on-site inspections in advance if necessary and participate in preliminary project review to enhance the comprehensiveness and depth of risk perception of customers. During credit granting, the expert review panel would conduct a joint centralized review to ensure complete perspective, uniform review standards, controlled credit limit and customer information sharing for customer review. After credit granting, the Company would undertake asset inspections, carry out re-examinations for large customers, and re-analyze risky cases, so as to continuously optimize the assessment methods and strive to acquire comprehensive and precise information about the sources of customers' credit risks, ensure no omission of major risks, and accurately focus on core risks for effective prevention and control.

V. Consolidated accountability and strengthened supervision in order to continuously improve the quality of project operations.

The Company continued to streamline and refine job responsibilities and operational requirements at both staff and management levels, further specified risk accountability at all levels, and ensured the implementation of risk accountability in every key process of credit management. The Company strengthened the transition towards online and transparency of operation and audit processes, and ensured traceability and accurate accounting for operational and management responsibilities. The Company continuously strengthened the awareness among management personnel in performing their duties and responsibilities, and strictly implemented the supervisory and management responsibilities of the management.

The Company strengthened the bottom line awareness, red line awareness and risk awareness among frontline personnel and accessors of professional capacity. The Company continuously improved the "Skynet Project (天網工程)" for entry-level employees and management, conducted regular examinations on them, and carried out regular monitoring of abnormal indicators and personnel. The Company improved the three mechanisms, namely self-inspection by the business department, supervision and inspection by the vertical job function, and internal control inspection, so that operational problems and related operators can be readily identified. The Company continuously carried out special training to improve operational skills and management level.

VI. Continued to enhance the efficiency of quality control personnel through system upgrades and tool iterations.

In the first half of 2022, the Company continuously pushed forward the system upgrade of core business, accelerated information, digital and intelligent transformation, and carried out effective iteration of existing system tools. In key areas such as target customer introduction, risk identification and monitoring, the Company further improved the application scenarios of financial technology, and enhanced the effectiveness and results of using big data, automatic recognition and comparison of graphics and text, intelligent classification and analysis of banking slips and intelligent Q&A robots.

In addition, the Company continued to broaden information sources, increased the density and frequency of cross-validation, and deepened risk analysis, thereby 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 of 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 2022	As of 31 December 2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Variable interest bearing assets	612,749	9,225,941
Variable interest bearing liabilities	(86,956,906)	(79,247,713)
Monetary funds and others	17,655,808	20,104,613
Derivative financial instruments	44,027,621	44,084,956
Net exposure	(24,660,728)	(5,832,203)

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

	Increase/(decrease) in profit before tax of the Group	
	As of 30 June 2022	As of 31 December 2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Change in basis points		
+ 100 basis points	(76,176)	24,974
- 100 basis points	81,939	(20,221)

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 2022, the Group's actual exposure to foreign exchange risk (excluding perpetual securities) approximately amounted to US\$5,878 million, hedges against foreign exchange exposure amounted to approximately US\$5,919 million with the hedge ratio (percentage of the aforesaid two items) of approximately 100.70% (approximately 99.13% as at 31 December 2021). The Group's actual exposure to foreign exchange risk is limited. As at 30 June 2022, the Group's foreign exchange risk exposure (including perpetual securities) was approximately US\$6,278 million and the hedge ratio was approximately 94.28% (approximately 89.38% as at 31 December 2021).

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.

	Change in RMB exchange rate	Increase/(decrease) in equity interest excluding perpetual securities of the Group	
		As of 30 June 2022	As of 31 December 2021
		RMB'000 (Unaudited)	RMB'000 (Audited)
Effect on the profit before tax	+1%	(2,730)	3,583
Direct effect of perpetual securities on the equity in the event of future redemption	+1%	26,846	44,630
		24,116	48,213

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.

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 30 June 2022							
Total financial assets	16,682,116	54,960,632	120,563,980	148,223,258	4,740,508	1,927,798	347,098,292
Total financial liabilities	495,852	53,987,022	118,184,795	123,791,491	3,798,117	–	300,257,277
Net liquidity gap	16,186,264	973,610	2,379,185	24,431,767	942,391	1,927,798	46,841,015
As at 31 December 2021							
Total financial assets	18,930,706	53,576,942	104,476,075	134,252,056	4,747,205	2,817,672	318,800,656
Total financial liabilities	755,679	50,513,131	106,136,759	122,209,936	4,035,022	–	283,650,527
Net liquidity gap	18,175,027	3,063,811	-1,660,684	12,042,120	712,183	2,817,672	35,150,129

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 RMB30,225,854,000, long-term receivables of RMB6,105,920,000, cash of RMB339,973,000, property, plant and equipment of RMB8,861,712,000 and right-of-use asset (the original prepaid land lease payments) of RMB831,446,000 as at 30 June 2022 in order to secure or pay the bank borrowings, cash of RMB1,984,688,000 was pledged for bank acceptances, letter of credit and etc.

8. MATERIAL INVESTMENTS, ACQUISITIONS AND DISPOSALS

In the first half of 2022, the number of hospitals controlled by the Group was 29 with the actual number of beds available amounting to approximately 11,000, 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 2022, the Group operated 7 kindergartens and 3 non-compulsory education schools. The Company insists on a high-quality positioning of school operations, and takes the responsibility of cultivating elites for the society. Its kindergartens have formed a good brand 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 80% 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.

In the first half of 2022, 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 2022, the Group had 23,013 full-time employees, an increase of 571 full-time employees as compared to 22,442 in the corresponding period of 2021.

The Group believes that it has a high quality work force with specialized industry expertise. As at 30 June 2022, approximately 41.9% of the Group's employees had bachelor's degrees or above, and approximately 7.6% had master's degrees or above.

9.1 Incentive Schemes

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

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

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

Grantee	Date of grant	Vesting period (Note 1)	Exercise period (Note 2)	Exercise price per share HK\$ (Notes 3 to 7)	Outstanding as at 1 January 2022	Number of share options				Outstanding as at 30 June 2022
						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
Mr. WANG Mingzhe, CFO and executive Director	11 July 2014	11 July 2016 - 11 July 2018	11 July 2016 - 11 July 2024	5.86	460,936	-	-	-	-	460,936
Mr. WANG Mingzhe, CFO and executive Director	3 July 2015	3 July 2017 - 3 July 2019	3 July 2017 - 3 July 2025	7.17	594,212	-	-	-	-	594,212
Mr. WANG Mingzhe, CFO and executive Director	15 June 2016	15 June 2018 - 15 June 2020	15 June 2018 - 15 June 2026	5.714	1,053,568	-	-	-	-	1,053,568
Mr. WANG Mingzhe, CFO and executive Director	20 June 2017	20 June 2019 - 20 June 2021	20 June 2019 - 20 June 2027	6.82	1,037,106	-	-	-	-	1,037,106
Mr. WANG Mingzhe, CFO and executive Director	18 July 2018	18 July 2020 - 18 July 2022	18 July 2020 - 18 July 2028	7.36	1,074,442	-	-	-	-	1,074,442
SUBTOTAL FOR DIRECTORS					17,389,863	-	-	-	-	17,389,863
Employees	11 July 2014	11 July 2016 - 11 July 2018	11 July 2016 - 11 July 2024	5.86	2,478,747	-	76,544	-	-	2,402,203
Employees	3 July 2015	3 July 2017 - 3 July 2019	3 July 2017 - 3 July 2025	7.17	5,527,694	-	28,055	-	28,055	5,471,584
Employees	15 June 2016	15 June 2018 - 15 June 2020	15 June 2018 - 15 June 2026	5.714	8,453,053	-	1,059,678	-	-	7,393,375
Employees	20 June 2017	20 June 2019 - 20 June 2021	20 June 2019 - 20 June 2027	6.82	10,278,490	-	110,653	-	49,825	10,118,012
Employees	18 July 2018	18 July 2020 - 18 July 2022	18 July 2020 - 18 July 2028	7.36	12,466,815	-	7,959	-	93,685	12,365,171
TOTAL					56,594,662	-	1,282,889	-	171,565	55,140,208

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

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

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

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

Note 8: The weighted average closing price of shares immediately before the dates on which the options were exercised by directors and employees is HK\$6.9821.

MANAGEMENT DISCUSSION AND ANALYSIS

9.1.2 2019 Share Option Scheme

During the reporting period, no options were granted under the 2019 Share Option Scheme. 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\$ (Notes 3 to 6)	Outstanding as at 1 January 2022	Number of share options				Outstanding as at 30 June 2022
						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
KONG Fanxing, CEO and executive Director	26 July 2021	26 July 2022 - 26 July 2024	26 July 2022 - 26 July 2031	8.40	4,164,656	-	-	-	-	4,164,656
WANG Mingzhe, CFO and executive Director	19 July 2019	19 July 2020 - 19 July 2022	19 July 2020 - 19 July 2029	7.618	996,458	-	-	-	-	996,458
WANG Mingzhe, CFO and executive Director	23 July 2020	23 July 2021 - 23 July 2023	23 July 2021 - 23 July 2030	6.70	1,614,388	-	-	-	-	1,614,388
WANG Mingzhe, CFO and executive Director	26 July 2021	26 July 2022 - 26 July 2024	26 July 2022 - 26 July 2031	8.40	2,357,201	-	-	-	-	2,357,201
SUBTOTAL FOR DIRECTORS					16,044,640	-	-	-	-	16,044,640
Employees	19 July 2019	19 July 2020 - 19 July 2022	19 July 2020 - 19 July 2029	7.618	12,361,899	-	7,381	-	131,026	12,223,492
Employees	23 July 2020	23 July 2021 - 23 July 2023	23 July 2021 - 23 July 2030	6.70	15,508,176	-	144,000	-	174,934	15,189,242
Employees	26 July 2021	26 July 2022 - 26 July 2024	26 July 2022 - 26 July 2031	8.40	26,557,802	-	-	-	261,912	26,295,890
TOTAL					70,472,517	-	151,381	-	567,872	69,753,264

Note 1: Subject to the rules of the 2019 Share Option Scheme, the options granted on 19 July 2019 will be vested to the grantees at the first, second and third anniversary of the date of grant at an average amount.

Note 2: According to the 2019 Share Option Scheme, the options shall be exercised within the Option Period. "Option Period" shall mean, in respect of any particular option, a period (which may not be later than 10 years from the offer date of that option) to be determined and notified by the Board or the administration committee to the grantee thereof and, in the absence of such determination, from the offer date to the earlier of (i) the date on which such option lapses; and (ii) 10 years from the offer date of that option. There is no minimum period for which any vested option must be held before it can be exercised and no performance target which 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: The exercise price is not less than the higher of (i) the closing price of HK\$6.480 per share on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on 23 July 2020 (i.e. the grant date) and (ii) the average closing price of HK\$6.700 per share on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding 23 July 2020. The Share does not carry nominal value.

Note 5: The exercise price is not less than the higher of (i) the closing price of HK\$8.202 per share on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on 26 July 2021 (i.e. the grant date) and (ii) the average closing price of HK\$8.40 per share on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding 26 July 2021. The Share does not carry nominal value.

Note 6: The weighted average closing price of shares immediately before the dates on which the options were exercised by directors and employees is HK\$6.9821.

Note 7: During the year ended 31 December 2021, the aggregated fair value of the share options granted on 26 July 2021 under the 2019 Share Option Scheme was RMB53,598,000. The estimated value of the share options granted on that date to Mr. KONG Fanxing, Mr. WANG Mingzhe and other eligible employees was RMB6,595,000, RMB3,733,000 and RMB43,270,000, respectively.

Grantee	Date of grant	Total number granted	Fair value of share options granted
			RMB'000
KONG Fanxing	26 July 2021	4,164,656	6,595
WANG Mingzhe	26 July 2021	2,357,201	3,733
Employees	26 July 2021	27,326,075	43,270
Total		33,847,932	53,598

As at 30 June 2022, 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. As at 30 June 2022, the Company granted an aggregate of 334,512,097 Shares thereunder. The 2014 Restricted Share Award Scheme does not constitute a share option scheme or an arrangement which is 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 2022, 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 2022	As at 31 December 2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Legal proceedings:		
Claimed amounts	62,785	83,686

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 2022	As at 31 December 2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Contracted, but not provided for:		
Capital expenditure for acquisition of property, plant and equipment	234,193	224,729
Irrevocable credit commitments ⁽¹⁾	6,580,441	14,124,845

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 second half of 2022, the risk of stagflation in the global economy is on the rise. Various uncertainties remain in domestic economic recovery, but China's economy is still characterized by strong resilience, great potential and large room for maneuver, and has positive fundamentals that will not change in the long term. With a series of policies and measures to stabilize growth taking effect, economic operation is expected to gradually improve and remain within a reasonable range. This also provides sufficient market space and good external conditions for the Group to achieve sustainable and steady development.

In the future, on top of paying a high degree of attention to changes in the pandemic and economic dynamics, the Group will continue to uphold the vision of "vigorously building excellent enterprises", and commit to create value continuously and effectively. In the second half of the year, the Group will reinforce its strategic focus and operational efficiency, focus closely on the real economy, use finance as the major means to provide service, enrich service forms, enhance service capabilities, strengthen strategic synergies, and connect domestic and overseas markets, so as to lay a solid foundation for the Company's sustainable development.

In the direction of financial business, the Group will further strengthen the in-depth development of industries, and seek opportunities in sub-sectors with reference to the industrial development patterns and regional economic characteristics. To enhance the operational flexibility, the Group will improve the operation network by optimizing the layout of operation centers, asset centers and offices. The Group will make full use of the empowerment from information technology to prepare more refined industry mapping, customer mapping, regional mapping and channel mapping to enhance the precision of marketing and promote the conversion of business opportunities. At the same time, at the operational level, the Group will update the marketing management methods, strengthen operational process monitoring, and upgrade risk control strategies, aiming at further improving operational quality and efficiency.

In the direction of industrial operation, further being on par with its top international peers, Horizon Construction Development will continue to improve asset efficiency through digital upgrading and management enhancement. As to network layout, it will further optimize the service outlet network, strengthen regional collaboration, and expand the coverage in the regions where key customers operate. At the same time, it will step up efforts to explore overseas markets and new business directions, which will become the second curve of growth of Horizon Construction Development. Horizon Healthcare will stay focused on prime regions, along with elements such as construction of advantageous disciplines and supply chain management, to continuously consolidate the advantages of group operation, and promote the exploration and development of medical and health care integration.

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		
	2022	2021	Change %
	RMB million	RMB million	
	(Unaudited)	(Unaudited)	
Total revenue	3,565.17	2,429.70	
Revenue from operating lease ⁽¹⁾	2,305.75	1,729.78	33.30%
Revenue from engineering and technical services ⁽²⁾	1,055.10	655.35	61.00%
Revenue from platforms and others ⁽³⁾	204.32	44.57	358.42%
Total Cost	(2,194.49)	(1,365.70)	60.69%
Cost of operating lease ⁽¹⁾	(1,206.65)	(871.92)	38.39%
Cost of engineering and technical services ⁽²⁾	(834.00)	(458.58)	81.87%
Cost of platforms and others ⁽³⁾	(153.84)	(35.20)	337.05%
Gross profit	1,370.68	1,064.00	28.82%
Gross profit of operating lease ⁽¹⁾	1,099.10	857.86	28.12%
Gross profit of engineering and technical services ⁽²⁾	221.10	196.77	12.36%
Gross profit of platforms and others ⁽³⁾	50.48	9.37	438.74%
Administrative and selling expenses	(609.93)	(467.90)	30.35%
Provision for assets	(80.35)	(27.72)	189.86%
Other profit	79.40	(20.50)	-487.32%
Profit before interest and tax	759.80	547.88	38.68%
Finance costs	(390.06)	(229.82)	69.72%
Profit before tax	369.74	318.06	16.25%
Income tax expense	(82.69)	(71.73)	15.28%
Profit for the period	287.05	246.33	16.53%

MANAGEMENT DISCUSSION AND ANALYSIS

12.2 Asset Analysis of Equipment Operation Segment

	30 June 2022	31 December 2021	
	RMB million	RMB million	Change %
	(Unaudited)	(Audited)	
Monetary fund and short-term bank wealth management	1,120.74	657.04	70.57%
Accounts receivables, bill and contract assets	5,370.00	4,955.26	8.37%
Prepayments and other receivables	2,249.74	2,176.17	3.38%
Inventories	290.66	291.37	-0.24%
Fixed assets and other intangible assets	19,659.56	18,282.67	7.53%
Right-of-use assets	297.59	321.21	-7.35%
Deferred income tax assets	299.53	263.86	13.52%
Other assets	11.47	13.03	-11.97%
Total assets	29,299.29	26,960.61	8.67%

Notes:

Horizon Construction Development is a leading equipment operation service provider in China established by the Group, with diversified equipment and strong service capabilities. Building on its rich equipment categories and scientific management system, Horizon Construction Development is committed to providing customers with multi-functional, multi-latitude and full-cycle comprehensive services, and has been consistently creating value for customers leveraging its national network layout, which forms nation-wide operation network and comprehensive operation capabilities with synergetic nature. At present, the main business scope of Horizon Construction Development includes equipment operation services in the fields of aerial work platforms, neo-excavation support systems, neo-formwork systems, 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 June 2022, Horizon Construction Development jumped to the 14th place in IRN World's Top 100 Rental Companies (24th place in the same period last year), which is awarded by KHL Group, one of the world's largest international building information providers, and ranked third 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.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2022, Horizon Construction Development, a leader in the equipment operation service market for aerial work platforms, neo-excavation support systems, neo-formwork systems and other equipment, owned over 110,000 pieces of aerial work platform equipment and approximately 2,150,000 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 neo-excavation support systems consist of temporary steel structures for construction purpose such as steel support, Larsen pile and structural steel, which are widely used in fields such as civil construction, municipal pipelines, subways and bridge infrastructures. The neo-formwork systems mainly consist of socket type scaffolding, mainly used in fields such as industrial construction, municipal construction, housing construction and traffic construction. The pavement equipment consists of paving machines, road rollers and milling machines, which are used in the construction and maintenance of asphalt concrete pavements such as high-grade roads, airport runways, test-drive tracks and municipal roads. The electric power equipment consists of generators and load boxes, which are mainly used in temporary power supply for engineering construction, large-scale exhibitions, advertising campaigns, marine engineering, urban construction, field engineering, and mining.

As at 30 June 2022, Horizon Construction Development had 4 major bases and 322 service outlets in 198 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 120,000 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 165 authorized patents, including 13 invention patents and 60 software copyrights.

As at 30 June 2022, the total income of Horizon Construction Development was RMB3,565 million, representing an increase of 46.73% over the previous year. The main reasons were:

- (1) With the synergy between its product lines and service offerings, Horizon Construction Development comprehensively enhanced its market competitiveness and customer loyalty. Leveraging its years of in-depth development in the industry, Horizon Construction Development has established a diverse, stable and high-quality customer base. Despite the impact of the sudden pandemic in the first half of the year, Horizon Construction Development managed to maintain reasonable asset utilization efficiency and achieved total revenue from operating lease of RMB2,305 million, representing an increase of 33.3% over the previous year.
- (2) 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 first half of 2022, road engineering technology gradually gained strength, which provided one-stop solutions across the whole cycle alongside with neo-excavation support systems and neo-formwork systems. In the first half of 2022, Horizon Construction Development achieved revenue of RMB1,055 million from engineering and technical services, with year-on-year growth of 61%.
- (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. With years of experience in asset operation and management, 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 2022 reached RMB204 million, representing year-over-year growth of 358.4%.

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		
	2022	2021	Change %
	RMB million	RMB million	
	(Unaudited)	(Unaudited)	
Total revenue	2,067.03	1,986.54	4.05%
Revenue from hospital operation ⁽¹⁾	2,057.32	1,960.41	4.94%
Other relevant revenue from hospital operation	9.71	26.13	-62.84%
Total cost	(1,752.14)	(1,605.01)	9.17%
Cost from hospital operation ⁽²⁾⁽³⁾	(1,747.91)	(1,601.73)	9.13%
Other cost	(4.23)	(3.28)	28.96%
Gross profit	314.89	381.53	-17.47%
Gross profit from hospital operation	319.12	384.81	-17.07%
Other cost	(4.23)	(3.28)	28.96%
Labor cost ⁽³⁾	(63.99)	(69.41)	-7.81%
Other administrative and selling expenses ⁽³⁾	(100.54)	(99.42)	1.13%
Provision for assets	(30.49)	(49.66)	-38.60%
Other profit	20.55	0.85	2,317.65%
Profit before tax	140.42	163.89	-14.32%
Income tax expense	(49.83)	(43.12)	15.56%
Profit for the year	90.59	120.77	-24.99%

Notes:

- (1) In the first half of 2022, the number of hospitals controlled by the Group was 29 with the actual number of beds available amounting to approximately 11,000. 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, 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.

The revenue from hospital operation of the Group mainly comprises revenues from outpatient, inpatient and medical checkups and other revenues. In 2022, sporadic resurgence of the pandemic was frequent and became increasingly common. The regions where certain hospitals under the Group were located were affected to a certain extent and were unable to provide daily medical services and admit patients. The hospitals under the Group actively responded to the call of the government, and were fully committed to support pandemic prevention and control. The Group fully utilized its advantages as a group, forged ahead with internal collaboration and developed advantageous disciplines to overcome the adverse impacts from the external environment. By virtue of their locations at the county level, the member hospitals exerted their functions as a supplementary medical service provider in the local medical market, maintaining stable operations as a whole and sustaining growth in revenue over the same period.

MANAGEMENT DISCUSSION AND ANALYSIS

- (2) The costs of hospital operation shown in the Group's consolidated financial statements of the first half of 2022 increased from approximately RMB1,602 million of the first half of 2021 to RMB1,748 million. Cost of hospital operation of the Group, which primarily includes labor costs, pharmaceutical supplies, inspection costs and other costs, increased comparing to the same period last year as the volume and size grew. During the period, the member hospitals actively devoted resources to support pandemic prevention and control in different regions and bore the corresponding costs in line with government actions. In the second half of 2021, as the new hospital areas of Siping Cancer Hospital, Nayong Xinli Hospital, and Zhongjiang Branch of Deyang No. 5 Hospital have been put into use, the medical team was expanded, and the overall operating cost increased.
- (3) The Group continued to strengthen the construction of medical teams, improve the professional quality of medical staff, enhance the integrated management level, optimize management structure and support development of clinical business, resulting in a certain level of decrease in the labor expenses. At the same time, the Group proactively promote expense controls to lower costs and boost efficiency, but other administrative and selling expenses overall increases due to the new hospital areas being put in use in the second half of 2021 and the expand of the Group's properties scale and operation scale.
- (4) This profit statement analysis of hospital operation segment has not taken into account the impact of shareholders' borrowings and goodwill.

13.2 Asset Analysis of Hospital Operation Segment

	30 June 2022		31 December 2021		Change %
	RMB million	% of total	RMB million	% of total	
	(Unaudited)		(Audited)		
Monetary fund	226.49	3.30%	125.90	1.76%	79.90%
Amount of the Group's cash pool	557.14	8.12%	523.34	7.33%	6.46%
Accounts receivables	615.62	8.97%	509.34	7.13%	20.87%
Prepayments ⁽¹⁾	89.29	1.30%	58.06	0.81%	53.79%
Other receivables	105.89	1.54%	678.74	9.50%	-84.40%
Entrusted loans	220.32	3.21%	159.22	2.23%	38.37%
Inventories	192.62	2.81%	182.53	2.56%	5.53%
Fixed assets and Intangible assets ⁽²⁾	3,823.81	55.73%	3,877.80	54.29%	-1.39%
Goodwill ⁽³⁾	369.46	5.38%	369.46	5.17%	0.00%
Investments in joint ventures/associates ⁽⁴⁾	42.20	0.62%	45.01	0.63%	-6.24%
Deferred income tax assets	69.52	1.01%	66.26	0.93%	4.92%
Right-of-use assets ⁽⁵⁾	542.60	7.92%	538.78	7.54%	0.71%
Other assets	6.36	0.09%	8.80	0.12%	-27.73%
Total assets	6,861.32	100.00%	7,143.24	100.00%	-3.95%

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 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 2022, the interests or short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), to be notified to the Company and the Stock Exchange, were detailed as follows:

Name of director	Name of corporation	Capacity/nature of interest	Total number of ordinary shares ⁽¹⁾	Approximate percentage of interest in the Company
KONG Fanxing	The Company	Beneficial owner	62,459,251(L) ⁽²⁾	1.44%
		Interest in a controlled corporation	778,081,062(L) ⁽³⁾	18.03%
WANG Mingzhe	The Company	Beneficial owner	23,040,216(L) ⁽⁴⁾	0.53%
LIU Haifeng David	The Company	Interest in a controlled corporation	365,842,100(L) ⁽⁵⁾	8.47%
LIU Jialin	The Company	Beneficial owner	125,000(L)	0.00%
		Interest of spouse	125,000(L)	0.00%

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, 11,076,593 underlying shares in respect of the share options granted pursuant to the Company's 2019 Share Option Scheme and 36,543,059 underlying shares in respect of the awarded shares granted pursuant to the Company's 2014 Restricted Share Award Scheme. In addition to the share interest in respect of the share options and awarded shares granted, to the best of the directors' knowledge, information and belief, having made all reasonable enquiries, Mr. Kong Fanxing is interested in 1,670,000 ordinary shares of the Company as at 30 June 2022. For details of those schemes, please refer to the 2021 annual report of the Company.
- (3) The interest includes 272,237,062 shares held directly by Idea Delicacy Limited, 40,726,000 shares held directly by Powerful Force HK Limited, 159,670,000 shares held directly by Will of Heaven HK Limited, 107,503,000 shares held directly by Swallow Gird HK Limited and 197,945,000 shares held directly by Energon HK 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, 4,968,047 underlying shares in respect of the share options granted pursuant to the Company's 2019 Share Option Scheme and 13,265,905 underlying shares in respect of the awarded shares granted pursuant to the Company's 2014 Restricted Share Award Scheme. In addition to the share interest in respect of the share options and awarded shares granted, to the best of the directors' knowledge, information and belief, having made all reasonable enquiries, Mr. Wang Mingzhe is interested in 586,000 ordinary shares of the Company as at 30 June 2022. For details of those schemes, please refer to the 2021 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) 314,775,100 ordinary shares of the Company held directly by Capital Rise Limited; and (3) 50,000,000 ordinary shares of the Company held directly by Capital Lead Limited. Capital Bridge Limited holds the entire share capital of Capital Rise Limited and Capital Lead Limited respectively. Capital Bridge Limited is 100% controlled by DCP Capital Partners L.P., which is 100% controlled by DCP General Partner, Ltd, which in turn is 100% controlled by DCP Partners Limited. DCP Partners Limited is 100% controlled by DCP, Ltd., which is 50% controlled by Mr. Julian Juul Wolhardt and 50% controlled by Mr. Liu Haifeng David.

Save as disclosed above, as at 30 June 2022, 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 2022 (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 2022, the entities or individuals who had interests or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company under section 336 of the SFO or had otherwise notified to the Company were as follows:

Name of shareholder	Capacity/nature of interest	Number of ordinary Shares ⁽¹⁾	Approximate percentage of interest
Sinochem Capital Investment Management (Hong Kong) Limited ⁽²⁾	Beneficial owner	919,914,440(L)	21.31%
Sinochem Capital Investment Management Limited ⁽²⁾	Interest in a controlled corporation	919,914,440(L)	21.31%
Sinochem Corporation ⁽²⁾	Interest in a controlled corporation	919,914,440(L)	21.31%
Sinochem Group Co., Ltd ⁽²⁾	Interest in a controlled corporation	919,914,440(L)	21.31%
The State-owned Assets Supervision and Administration Commission of the State Council ⁽²⁾	Interest in a controlled corporation	919,914,440(L)	21.31%
KONG Fanxing	Beneficial owner	62,459,251(L) ⁽³⁾	1.44%
	Interest in a controlled corporation	778,081,062(L) ⁽⁴⁾	18.03%
Idea Prosperous Limited ⁽⁴⁾	Entrusted to exercise voting rights	778,081,062(L)	18.03%
JPMorgan Chase & Co. ⁽⁵⁾	Interest in a controlled corporation	83,636,854(L)	1.93%
		65,719,333(S)	1.52%
	Person having a security interest in shares	26,893,654(L)	0.62%
	Approved lending agent	325,932,991(P)	7.55%
Cathay Financial Holding Co., Ltd. ⁽⁶⁾	Beneficial owner	318,400,000(L)	7.37%
Aim Future Limited ⁽⁷⁾	Interest in a controlled corporation	505,844,000(L)	11.72%
Gold Stone Enterprise Limited ⁽⁷⁾	Interest in a controlled corporation	505,844,000(L)	11.72%
Cantrust (Far East) Limited ⁽⁷⁾	Trustee	505,844,000(L)	11.72%
UBS Group AG ⁽⁸⁾	Interest in a controlled corporation	445,362,090(L)	10.32%
Sunshine Trust Company Limited ⁽⁹⁾	Trustee	272,237,062(L)	6.30%
LIU Haifeng David	Interest in a controlled corporation	365,842,100(L) ⁽¹⁰⁾	8.47%
Capital Rise Limited ⁽¹⁰⁾	Beneficial owner	314,775,100(L)	7.29%

DISCLOSURE OF INTERESTS

Name of shareholder	Capacity/nature of interest	Number of ordinary Shares ⁽¹⁾	Approximate percentage of interest
Capital Bridge Limited ⁽¹⁰⁾	Interest in a controlled corporation	364,775,100(L)	8.45%
DCP Capital Partners L.P. ⁽¹⁰⁾	Interest in a controlled corporation	364,775,100(L)	8.45%
DCP General Partner, Ltd ⁽¹⁰⁾	Interest in a controlled corporation	364,775,100(L)	8.45%
DCP, Ltd. ⁽¹⁰⁾	Interest in a controlled corporation	364,775,100(L)	8.45%
Julian Juul WOLHARDT ⁽¹⁰⁾	Interest in a controlled corporation	364,775,100(L)	8.45%
HSBC Holdings plc ⁽¹¹⁾	Interest in a controlled corporation	6,842,204(L)	0.15%
	Trustee	505,546,637(L)	11.71%
	Custodian (other than an exempt custodian interest)	5,525,932(L)	0.12%

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 13 June 2022 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 25 March 2022 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.
- (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 15 June 2022 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 to the Listing Rules.

The Company has complied with the code provisions of the CG Code throughout the period from 1 January 2022 to 30 June 2022, except for Code Provision F.2.2 as explained below.

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

At the annual general meeting of the Company held on 8 June 2022 (the “2022 AGM”), Mr. Ning Gaoning (Chairman of the Board), Mr. Liu Jialin (Chairman of the Remuneration and Nomination Committee), Mr. Yip Wai Ming (Chairman of the Audit and Risk Management Committee), Mr. Liu Haifeng David (Chairman of the Strategy and Investment Committee) and Mr. Cai Cunqiang (Chairman of the Environmental, Social and Governance Committee) were unable to be present due to other work commitments or travelling restrictions under the COVID-19 outbreak. In order to ensure smooth holding of the 2022 AGM, Mr. Kong Fanxing (Vice Chairman of the Board) chaired the 2022 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 2022.

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

No incident of non-compliance with the Employees Written Guidelines by the employees was noted by the Company for the six months ended 30 June 2022.

CORPORATE GOVERNANCE

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the period from 1 January 2022 to 30 June 2022, 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 2022 of the Group, including the accounting principles and practices adopted by the Group.

OTHER INFORMATION

IMPLEMENTATION OF DISTRIBUTION OF 2021 FINAL DIVIDEND

According to the proposal in relation to dividend distribution, which was considered and passed at the 2022 AGM on 8 June 2022, the Group has paid a dividend of HK\$0.42 per share to shareholders whose names appear on the register of members of the Company on 17 June 2022, thereby resulting in a total dividend payment amount of HK\$1,751,228,697.96.

INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2022.

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 2022.

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
YANG Lin	<p>Ceased to act as the chief financial officer of Sinochem Holdings Corporation Ltd. (中國中化控股有限責任公司) and a director and chief financial officer of Sinochem Corporation (中國中化股份有限公司) with effect from 17 May 2022.</p> <p>Resigned as a non-executive director of China Jinmao Holdings Group Limited (中國金茂控股集團有限公司) (a company listed on the Stock Exchange, stock code: 0817) with effect from 15 June 2022.</p> <p>Appointed as the chief accounting officer of Syngenta Group Ltd. (先正達集團股份有限公司) with effect from 1 July 2022.</p> <p>Resigned as a non-executive director of Sinochem International Corporation (中化國際(控股)股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 600500) with effect from 13 July 2022.</p>
YIP Wai Ming	<p>Resigned as an independent non-executive director of Poly Culture Group Corporation Limited (保利文化集團股份有限公司) (a company listed on the Stock Exchange, stock code: 3636) with effect from 21 June 2022.</p>
NING Gaoning	<p>Ceased to act as the chairman and the secretary of the Party Leadership Group of Sinochem Holdings Corporation Ltd. (中國中化控股有限責任公司) with effect from 26 August 2022.</p>

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 2022 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Ernst & Young
Certified Public Accountants
Hong Kong
29 August 2022

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

For the six months ended 30 June			
		2022	2021
		(Unaudited)	(Unaudited)
	Notes	RMB'000	RMB'000
Interest Income	4	10,517,904	9,358,025
Revenue from operating leases	4	2,305,748	1,729,783
Revenue from contracts with customers	4	4,970,675	5,161,551
Tax and surcharges		(78,473)	(65,202)
Cost of sales		(8,808,716)	(7,972,570)
Other income and gains	4	1,995,919	960,777
Selling and distribution costs		(1,894,811)	(1,501,515)
Administrative expenses		(2,040,102)	(1,778,813)
Impairment losses on financial and contract assets		(1,032,217)	(1,048,671)
(Losses)/gains on derecognition of financial assets measured at amortised cost		(1,489)	47,428
Other expenses		(989,169)	(439,948)
Finance costs		(557,143)	(385,221)
Share of net profits of: Associates		208,140	168,799
Share of net losses of: Joint ventures		(36,986)	(27,006)
PROFIT BEFORE TAX	5	4,559,280	4,207,417
Income tax expense	6	(1,431,488)	(1,316,039)
PROFIT FOR THE PERIOD		3,127,792	2,891,378
Attributable to:			
Ordinary shareholders of the Company		2,842,245	2,572,885
Holders of perpetual securities	22	139,525	187,891
Non-controlling interests		146,022	130,602
		3,127,792	2,891,378
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8	RMB	RMB
Basic			
– Earnings per share		0.68	0.64
Diluted			
– Earnings per share		0.62	0.60

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 2022

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
PROFIT FOR THE PERIOD	3,127,792	2,891,378
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	1,083,204	(357,855)
Reclassification adjustment for losses included in the consolidated statement of profit or loss	(1,451,095)	554,220
Income tax effect	12,587	(34,685)
	(355,304)	161,680
Exchange differences:		
Exchange differences on translation of foreign operations	(146,401)	(10,170)
Reclassification adjustments for a foreign operation disposed of during the period	-	14,580
	(146,401)	4,410
Net other comprehensive income that will be reclassified to profit or loss in subsequent periods	(501,705)	166,090
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	(501,705)	166,090
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2,626,087	3,057,468
Attributable to:		
Ordinary shareholders of the Company	2,340,540	2,738,975
Holders of perpetual securities	139,525	187,891
Non-controlling interests	146,022	130,602
	2,626,087	3,057,468

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

		30 June 2022	31 December 2021
		(Unaudited)	(Audited)
	Notes	RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	25,877,901	24,530,838
Right-of-use assets		1,819,090	1,865,058
Goodwill		373,982	373,982
Other intangible assets		74,792	72,228
Investments in joint ventures	12	2,712,593	2,604,136
Investments in associates	13	5,317,598	5,216,146
Financial assets at fair value through profit or loss	15	9,323,147	9,490,218
Derivative financial instruments	11	691,935	21,874
Loans and accounts receivables	10	130,259,238	118,618,025
Prepayments, other receivables and other assets		1,623,672	4,614,212
Deferred tax assets	19	6,037,143	5,394,566
Total non-current assets		184,111,091	172,801,283
CURRENT ASSETS			
Inventories		589,046	559,020
Loans and accounts receivables	10	149,593,283	133,599,982
Contract assets		390,606	276,859
Prepayments, other receivables and other assets		3,436,542	4,774,712
Debt investments at fair value through other comprehensive income		622,357	699,039
Financial assets at fair value through profit or loss	15	2,044,019	3,270,140
Derivative financial instruments	11	67,151	457
Restricted deposits	14	3,878,497	4,239,760
Cash and cash equivalents	14	13,752,478	15,659,036
Total current assets		174,373,979	163,079,005
CURRENT LIABILITIES			
Trade and bills payables	16	16,140,680	13,890,322
Other payables and accruals		15,174,417	16,795,266
Derivative financial instruments	11	436,235	1,077,111
Interest-bearing bank and other borrowings	17	144,618,532	122,694,483

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

		30 June 2022	31 December 2021
		(Unaudited)	(Audited)
	Notes	RMB'000	RMB'000
Lease liabilities		158,786	163,638
Income tax payable		1,161,181	2,172,065
Total current liabilities		177,689,831	156,792,885
NET CURRENT (LIABILITIES)/ASSETS		(3,315,852)	6,286,120
TOTAL ASSETS LESS CURRENT LIABILITIES		180,795,239	179,087,403
NON-CURRENT LIABILITIES			
Convertible bonds – host debts	18	3,538,345	3,321,086
Interest-bearing bank and other borrowings	17	113,713,617	104,185,173
Lease liabilities		368,465	443,377
Derivative financial instruments	11	499,287	1,291,753
Deferred tax liabilities	19	426,408	386,850
Other payables and accruals		8,854,083	9,960,457
Deferred revenue		241,028	1,465,194
Other non-current liabilities		3,689,725	4,979,403
Total non-current liabilities		131,330,958	126,033,293
Net assets		49,464,281	53,054,110
EQUITY			
Equity attributable to ordinary shareholders of the parent			
Share capital	20	13,051,792	13,042,863
Equity component of convertible bonds		233,750	233,750
Reserves	21	28,894,662	28,245,937
		42,180,204	41,522,550
Holders of perpetual securities	22	3,197,294	7,514,376
Non-controlling interests		4,086,783	4,017,184
Total equity		49,464,281	53,054,110

Kong Fanxing
Director

Wang Mingzhe
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to ordinary shareholders of the parent													
	Equity component of		Shares held for the share		Share-based		Exchange		Non-		Total equity			
	Share capital	convertible bonds	Capital reserve	award scheme	compensation reserve	Special reserve	Reserve fund	Hedging reserve	fluctuation reserve	Retained profits		Total securities	controlling interests	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022	13,042,863	233,750	1,566,318	(731,556)	346,167	46,173	121,913	(41,971)	837,099	26,101,794	41,522,550	7,514,376	4,017,184	53,054,110
Profit for the period	-	-	-	-	-	-	-	-	-	2,842,245	2,842,245	139,525	146,022	3,127,792
Other comprehensive income for the period:														
Cash flow hedges, net of tax	-	-	-	-	-	-	(355,304)	-	-	-	(355,304)	-	-	(355,304)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	(146,401)	-	(146,401)	-	-	(146,401)
Total comprehensive income	-	-	-	-	-	-	(355,304)	(355,304)	(146,401)	2,842,245	2,340,540	139,525	146,022	2,626,087
Final 2021 dividend declared (net of dividends received from shares held for the share award scheme) (Note 7)	-	-	-	-	-	-	-	-	-	(1,505,444)	(1,505,444)	-	-	(1,505,444)
Distribution paid to holders of perpetual securities	-	-	-	-	-	-	-	-	-	-	-	(218,437)	-	(218,437)
Purchase of shares under restricted share award scheme	-	-	-	(182,229)	-	-	-	-	-	-	(182,229)	-	-	(182,229)
Transfer of share option reserve upon exercise of share options	8,929	-	-	-	(1,840)	-	-	-	-	-	7,089	-	-	7,089
Recognition of equity-settled share-based payments	-	-	-	-	149,839	-	-	-	-	-	149,839	-	-	149,839
Special reserve – safety fund appropriation	-	-	-	-	-	14,030	-	-	-	(17,332)	(3,302)	-	3,302	-
Capital injection by non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	29,594	29,594
Purchase of non-controlling interests	-	-	(46,616)	-	-	-	-	-	-	-	(46,616)	-	12,281	(34,335)
Share of other reserves of investments accounted for using the equity method	-	-	(26,375)	-	-	-	-	-	-	-	(26,375)	-	-	(26,375)
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(8,245)	(8,245)
Dividends declared to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	(79,655)	(79,655)
Redemption of perpetual securities (Note 22)	-	-	22,710	-	-	-	-	-	-	22,710	22,710	(4,238,170)	-	(4,215,460)
Put option granted to non-controlling shareholders	-	-	(98,558)	-	-	-	-	-	-	-	(98,558)	-	(33,700)	(132,258)
At 30 June 2022 (Unaudited)	13,051,792	233,750	1,417,419*	(913,785)*	494,166*	60,203*	121,913*	(397,273)*	690,698*	27,421,263*	42,180,204	3,197,294	4,086,783	49,464,281

* These reserve accounts comprise the consolidated reserves of RMB28,894,662,000 (31 December 2021: RMB28,245,937,000) in the consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to ordinary shareholders of the parent											
	Share capital	Equity component of convertible bonds	Shares held for the share award scheme	Special reserve	Reserve fund	Hedging reserve	Exchange fluctuation	Retained profits	Total	Perpetual securities	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	10,397,104	338,050	1,303,120	(866,947)	379,223	24,914	121,913	(254,289)	753,819	21,922,545	8,478,063	45,267,133
Profit for the period	-	-	-	-	-	-	-	-	-	2,572,885	187,891	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	187,891	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
Recognition of equity-settled share-based payments	-	-	-	92,396	-	-	-	-	-	-	-	92,396
Special reserve – safety fund appropriation	-	-	-	-	-	9,213	-	-	-	(11,381)	-	-2,168
Capital injection by non-controlling shareholders	-	-	488,393	-	-	-	-	-	-	-	851,136	1,339,529
Purchase of non-controlling interests	-	-	1,467,611	-	-	-	-	-	-	-	1,938	1,469,549
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	51,602	51,602
Dividends declared to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	(22,432)	(22,432)
Issue of convertible bonds (Note 18)	-	75,594	-	-	-	-	-	-	-	-	-	75,594
Issue of shares upon conversion of convertible bonds (Note 18)	1,292,281	(179,894)	-	-	-	-	-	-	-	-	-	1,112,387
Put option granted to non-controlling shareholders	-	-	(478,497)	-	-	-	-	-	-	-	-	(478,497)
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	8,477,791	48,378,887

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

				For the six months ended 30 June	
				2022	2021
				(Unaudited)	(Unaudited)
				RMB'000	RMB'000
	Notes				
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax			4,559,280		4,207,417
Adjustments for:					
Finance costs and bank charges			4,972,341		4,809,091
Bank interest income	4		(101,430)		(93,559)
Share of net profits of associates			(208,140)		(168,799)
Share of net losses of joint ventures			36,986		27,006
Gains on wealth management product	4		(54,349)		(57,471)
Gains on disposal of property, plant and equipment, net			(126,701)		(9,826)
Gains on disposal of subsidiaries	4		(5,148)		(48,602)
Loss on disposal of a joint venture	5		1,740		–
Depreciation of property, plant and equipment			1,346,838		871,374
Depreciation of right-of-use assets			90,079		108,525
Provision for impairment of loans and accounts receivables	5		1,040,925		1,055,944
Impairment of prepayments, other receivables and other assets	5		19,584		(4,366)
Impairment of property, plant and equipment	5		(46,442)		–
Impairment of credit commitments	5		(28,292)		(2,907)
Amortisation of intangible assets and other assets	5		10,324		12,673
Equity-settled share-based payment expenses	5		149,839		92,396
Foreign exchange loss, net	5		120,342		40,867
Interest expense on lease liabilities			10,476		19,556
Interest income from continuing involvement in transferred assets			(21,726)		(195,907)
Realised gains on derecognition of financial assets at fair value through profit or loss			(146,870)		(20,501)
Fair value loss from financial liabilities at fair value through profit or loss			5,688		129,683
Fair value losses/(gains) from financial assets at fair value through profit or loss			251,836		(106,834)
Dividends of financial assets at fair value through profit or loss	4		(6,501)		(7,290)
			11,870,679		10,658,470

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

				For the six months ended 30 June	
				2022	2021
				(Unaudited)	(Unaudited)
				RMB'000	RMB'000
	Notes				
Increase in inventories			(29,508)	(72,687)	
(Increase)/decrease in contract assets			(113,747)	43,556	
Increase in loans and accounts receivables			(26,810,823)	(26,130,275)	
Decrease/(increase) in prepayments, other receivables and other assets			2,580,154	(654,331)	
Decrease/(increase) in restricted cash			633,668	(1,623,011)	
Increase in trade and bills payables			2,155,845	4,715,802	
Decrease in other payables and accruals			(2,677,776)	(1,107,574)	
Decrease in other liabilities			(1,224,166)	(442,766)	
Net cash flows used in operating activities before tax and interest			(13,615,674)	(14,612,816)	
Interest paid			(4,772,418)	(4,323,420)	
Interest received			101,430	93,559	
Income tax paid			(3,034,922)	(2,300,757)	
Net cash flows used in operating activities			(21,321,584)	(21,143,434)	
CASH FLOWS FROM INVESTING ACTIVITIES					
Gains on wealth management product	4		54,349	52,217	
Proceeds from disposal of property, plant and equipment			175,313	71,796	
Purchase of items of property, plant and equipment, intangible assets and other long-term assets			(2,765,094)	(5,241,623)	
Proceeds from disposal of associates			12,502	12,500	
Purchase of shareholdings for joint ventures			(264,061)	(127,255)	
Purchase of shareholdings for associates			-	(52,339)	
Dividend received from joint ventures			120,000	61,228	
Dividend received from associates			66,812	26,333	
Dividend received from financial assets at fair value through profit or loss			6,501	7,290	
Proceeds from disposal of financial assets at fair value through profit or loss			1,845,847	3,932,184	
Loss from disposal of a joint venture	5		(1,740)	-	
Disposal of subsidiaries			18,387	61,541	
Purchase of financial assets at fair value through profit or loss			(1,951,046)	(3,939,732)	
Net cash flows used in investing activities			(2,682,230)	(5,135,860)	

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Notes	For the six months ended 30 June	
		2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received from exercise of share options		7,089	31,084
Capital injection from non-controlling shareholders		363,210	1,473,825
Purchase of shares under share award scheme		(182,229)	–
Cash received from borrowings		109,247,615	104,296,921
Repayments of borrowings		(79,591,362)	(77,650,088)
Principal portion of lease payments/finance lease rental payments		(134,348)	(116,542)
Increase in pledged deposits		(272,405)	(363,610)
Distribution paid to holders of perpetual securities	22	(218,437)	(238,163)
Redemption of perpetual capital securities		(4,238,170)	–
Dividends paid to non-controlling shareholders		(67,454)	(27,463)
Realised fair value (losses)/gains from derivative financial instruments in hedges for borrowings		(1,339,379)	36,362
Issue of convertible bonds		–	1,584,131
Dividends paid		(1,505,444)	(1,205,585)
Net cash flows provided by financing activities		22,068,686	27,820,872
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(1,935,128)	1,541,578
Cash and cash equivalents at beginning of period		15,659,036	11,877,235
Effect of exchange rate changes on cash and cash equivalents		28,570	(39,705)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	14	13,752,478	13,379,108

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

1. CORPORATE INFORMATION

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

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial information for the six months ended 30 June 2022 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 2021.

The financial information relating to the year ended 31 December 2021 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 2021 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 2021. 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 2022

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 2021, 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 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

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

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies and disclosures (continued)

- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:
- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
 - HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

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 2022

3. OPERATING SEGMENT INFORMATION (continued)

As at and for the six months ended 30 June 2022 (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	15,122,095	2,593,759	–	17,715,854
Intersegment sales	84,971	13,734	(98,705)	–
Cost of sales	(6,674,310)	(2,134,406)	–	(8,808,716)
Other income and gains	1,335,305	702,248	(41,634)	1,995,919
Selling and distribution costs and administrative expenses	(3,694,488)	(257,510)	17,085	(3,934,913)
Other expenses	(170,218)	(818,951)	–	(989,169)
Finance costs	(563,270)	(117,127)	123,254	(557,143)
Impairment losses on financial and contract assets	(1,001,527)	(30,690)	–	(1,032,217)
Losses on disposal of financial assets measured at amortised cost	(1,489)	–	–	(1,489)
Share of profits of associates	202,342	5,798	–	208,140
Share of profits/(losses) of joint ventures	32,540	(69,526)	–	(36,986)
Profit before tax	4,671,951	(112,671)	–	4,559,280
Income tax expense	(1,333,863)	(97,625)	–	(1,431,488)
Profit after tax	3,338,088	(210,296)	–	3,127,792
Segment assets	355,448,019	17,209,687	(14,172,636)	358,485,070
Other segment information:				
Impairment losses recognised in the statement of profit or loss	1,004,567	(18,792)	–	985,775
Depreciation and amortisation	1,213,177	234,064	–	1,447,241
Capital expenditure	2,609,210	419,945	–	3,029,155

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

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)
Gains 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 2022

3. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Mainland China	17,526,946	16,049,985
Hong Kong	63,722	46,698
Other countries or regions	125,186	87,474
	17,715,854	16,184,157

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

(b) Non-current assets

	30 June 2022	31 December 2021
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Mainland China	36,036,704	36,087,982
Hong Kong	870,100	809,833
	36,906,804	36,897,815

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

Information about major customers

There was no single customer from whom the revenue derived amounted to 10% or more of the total revenue of the Group during the period (six months ended 30 June 2021: Nil).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

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

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

				For the six months ended 30 June	
				2022	2021
				(Unaudited)	(Unaudited)
		Note	RMB'000	RMB'000	
Interest Income					
Interest income from finance leases, factoring and loans			10,321,100	9,227,452	
Interest income from financial assets at fair value through profit or loss			196,804	130,573	
Revenue from operating leases			2,305,748	1,729,783	
Revenue from contracts with customers		(i)	4,970,675	5,161,551	
Tax and surcharges			(78,473)	(65,202)	
			17,715,854	16,184,157	

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

For the six months ended 30 June 2022

	Financial, lease and advisory	Industrial operation and management	Total
Segments	RMB'000	RMB'000	RMB'000
Types of goods or services			
Sale of goods	168,007	217,426	385,433
Construction services	1,055,105	–	1,055,105
Service fee income	1,078,481	–	1,078,481
Healthcare service income	–	2,057,319	2,057,319
Education service income	–	89,515	89,515
Chartering and brokerage income	–	160,101	160,101
Other income	74,775	69,946	144,721
Total revenue from contracts with customers	2,376,368	2,594,307	4,970,675
Geographical markets			
Hong Kong	11,198	38,612	49,810
Mainland China	2,361,473	2,434,206	4,795,679
Other countries or regions	3,697	121,489	125,186
Total revenue from contracts with customers	2,376,368	2,594,307	4,970,675
Timing of revenue recognition			
Goods or services transferred at a point in time	952,943	1,108,656	2,061,599
Services transferred over time	1,423,425	1,485,651	2,909,076
Total revenue from contracts with customers	2,376,368	2,594,307	4,970,675

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

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

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4. INTEREST INCOME, REVENUE FROM OPERATING LEASES, REVENUE FROM CONTRACTS WITH CUSTOMERS AND 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 2022

Segments	Financial, lease and advisory RMB'000	Industrial operation and management RMB'000	Total RMB'000
Revenue from contracts with customers			
External customers	2,376,368	2,594,307	4,970,675
Intersegment sales	2,808	14,300	17,108
Intersegment adjustments and eliminations	(2,808)	(14,300)	(17,108)
Total revenue from contracts with customers	2,376,368	2,594,307	4,970,675

For the six months ended 30 June 2021

Segments	Financial, lease and advisory RMB'000	Industrial operation and management RMB'000	Total 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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

				For the six months ended 30 June	
				2022	2021
				(Unaudited)	(Unaudited)
		Note	RMB'000	RMB'000	
Other income and gains					
Bank interest income			101,430	93,559	
Gains on wealth management product			54,349	57,471	
Gains on disposal of property, plant and equipment			128,255	10,011	
Government grants		4a	88,087	41,908	
Gains on disposal of subsidiaries			5,148	48,602	
Interest income from continuing involvement in transferred assets			824,484	329,986	
Fair value gains from financial assets at fair value through profit or loss			297,401	274,091	
Fair value gains from financial liabilities at fair value through profit or loss			251,717	–	
Dividends of financial assets at fair value through profit or loss			6,501	7,290	
Realised gains on derecognition of financial assets at fair value through profit or loss			146,870	20,501	
Others			91,677	77,358	
			1,995,919	960,777	

4a. GOVERNMENT GRANTS

				For the six months ended 30 June	
				2022	2021
				(Unaudited)	(Unaudited)
			RMB'000	RMB'000	
Government special subsidies			88,087	41,908	

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	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cost of borrowings included in cost of sales	4,425,675	4,443,427
Cost of inventories sold	314,911	280,527
Cost of construction contracts	834,000	458,581
Cost of operating leases	1,206,655	871,919
Cost of chartering	95,818	79,038
Cost of healthcare service	1,747,908	1,583,446
Cost of education service	67,279	116,729
Cost of others	116,470	138,903
Depreciation of property, plant and equipment		
Current year expenditure	132,634	135,006
Less: Government grants released*	(586)	(586)
	132,048	134,420
Depreciation of right-of-use assets	79,265	100,289
Amortisation of intangible assets and other assets	10,324	12,673
Auditors' remuneration – other services	4,060	3,310
Employee benefit expense (including directors' remuneration)		
– Wages and salaries		
Current year expenditure	4,464,891	2,676,501
Less: Government grants released*	(1,559,130)	(461,317)
	2,905,761	2,215,184
– Equity-settled share-based payment expenses	149,839	92,396
– Pension scheme contributions	93,577	72,605
– Other employee benefits	152,936	130,490
	3,302,113	2,510,675

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	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Impairment of loans and accounts receivables (Note 10)	1,040,925	1,055,944
Impairment of financial assets included in prepayments, other receivables and other assets	19,584	(4,366)
Impairment of credit commitments	(28,292)	(2,907)
Impairment of property, plant and equipment	(46,442)	–
Lease payments not included in the measurement of lease liabilities	21,190	5,225
Entertainment expenses	41,530	26,229
Business travelling expenses	67,440	107,398
Consultancy fees	69,701	84,212
Office expenses	11,783	25,064
Advertising and promotion expenses	14,908	14,131
Transportation expenses	55,270	32,368
Communication expenses	18,386	13,411
Litigation expenses	14,585	16,162
Other miscellaneous expenses:		
Current year expenditure	140,201	200,256
Less: Government grants released*	(1,449)	(5,495)
	138,752	194,761
Losses on disposal of property, plant and equipment	1,554	185
Donation	12,333	1,473
Bank commission expenses	42,329	69,314
Foreign exchange losses, net:		
Cash flow hedges (transfer from equity to offset foreign exchange)	(1,794,915)	426,503
Others	1,915,257	(385,636)
	120,342	40,867

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

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	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Losses on disposal of a joint venture	1,740	–
Fair value losses from financial assets at fair value through profit or loss	549,237	167,257
Fair value losses from financial liabilities at fair value through profit or loss***	257,405	129,683
Other expenditure	4,229	31,169
Finance costs	557,143	385,221
Losses/(gains) on derecognition of loans and accounts receivables measured at amortised cost	1,489	(47,428)
Bank interest income	(101,430)	(93,559)
Interest income from continuing involvement in transferred assets	(824,484)	(329,986)
Fair value gains from financial assets at fair value through profit or loss	(297,401)	(274,091)
Fair value gains from financial liabilities at fair value through profit or loss**	(251,717)	–
Realised gains on derecognition of financial assets at fair value through profit or loss	(146,870)	(20,501)

* Government grants have been received by subsidiaries of the Company from the local government for the 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 gains from a financial liability at fair value through profit or loss are accounted for the fair value change linked to the investments by Limited Partners other than the Group in several Investment Limited Partnerships that are classified as financial liabilities in the consolidated financial statements of the Group.

*** The fair value losses from a forward contract of RMB257,405,000 were related to a future payment of the Company's irrevocable contract to purchase the subordinated tranche of a fund at a pre-determined price.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

6. INCOME TAX

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current – Hong Kong		
Charge for the period	76,607	53,397
Current – Mainland China		
Charge for the period	1,945,121	1,465,519
Deferred tax (Note 19)	(590,240)	(202,877)
Total tax charge for the period	1,431,488	1,316,039

Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2021: 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 2021: 25%) on the estimated assessable profits for the period, based on the existing legislation, interpretations and practices in respect thereof.

The State Administration of Taxation announced that enterprises of encouraged industries in the Western Region of the PRC could use a preferential tax rate of 15% from 1 January 2011 to 31 December 2030. Deyang The Fifth Hospital Co., Ltd., Chongqing Yudong Hospital Co., Ltd., Nayong Xinli Hospital Co., Ltd. and Chengdu Jinsha Hospital Co., Ltd. were recognised to fulfil the aforesaid preferential taxation policy and thus have enjoyed a preferential tax rate of 15% since 2016. Zhaotong Renan Hospital Co., Ltd. and Qiaojia Renan Hospital Co., Ltd. were recognised to fulfil the aforesaid preferential taxation policy and thus have enjoyed a preferential tax rate of 15% since 2017. Qinghai Kangle Hospital Company Ltd. was recognised to fulfil the aforesaid preferential taxation policy and thus has enjoyed a preferential tax rate of 15% since 2020.

On 30 October 2015, Shanghai Horizon Equipment & Engineering Co., Ltd. was recognised as a high-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 2022

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	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Profit before tax	4,559,279	4,207,417
Tax at the statutory income tax rates	1,279,910	1,168,794
Expenses not deductible for tax	255,432	132,304
Income not subject to tax	(153,069)	(105,877)
Adjustment on current income tax in respect of prior years	10,098	27,065
Utilisation of previously unrecognised tax losses	(111,522)	(8,479)
Unrecognised tax losses and deductible temporary differences	97,285	57,048
Effect of withholding tax on interest on intra-group balances	53,354	45,184
Income tax expense reported in the interim condensed consolidated statement of profit or loss	1,431,488	1,316,039

The share of tax attributable to associates and joint ventures amounting to approximately RMB69,380,000 (six months ended 30 June 2021: RMB56,266,000) and a credit amount of RMB15,088,000 (six months ended 30 June 2021: a credit amount of RMB27,756,000) 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	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Dividends	1,505,444	1,205,585

Pursuant to a resolution passed at the general meeting on 8 June 2022, the Company declared a final dividend of HK\$0.42 per share in respect of the year ended 31 December 2021 to its shareholders whose names appear on the register of members of the Company on 17 June 2022. Based on the total number of outstanding ordinary shares of 4,169,592,138 (excluding the 145,803,918 shares held for the share award scheme), cash dividends declared of approximately HK\$1,751,229,000 (equivalent to RMB1,505,444,000) 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 2022 (six months ended 30 June 2021: 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 2022 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 4,184,273,603 (30 June 2021: 4,006,548,100) 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

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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	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	2,842,245	2,572,885
Interest on the host debt component of convertible bonds	65,901	44,169
Profit attributable to ordinary equity holders of the parent, before the above impact arising from convertible bonds	2,908,146	2,617,054

Shares

	Number of shares	
	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares outstanding during the period, used in the basic earnings per share calculation	4,184,273,603	4,006,548,100
Effect of dilution – weighted average number of ordinary shares:		
Share options	2,638,778	11,082,319
Convertible bonds	538,845,479	343,326,902
Weighted average number of ordinary shares for diluted earnings per share	4,725,757,860	4,360,957,321

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired items of property, plant and equipment at a total cost of RMB2,765,176,000 (six months ended 30 June 2021: RMB5,081,982,000), including those through acquisition of subsidiaries.

Property, plant and equipment with a net book value of RMB105,345,000 were disposed of by the Group during the six months ended 30 June 2022 (six months ended 30 June 2021: RMB61,970,000), resulting in a net gain of disposal of RMB126,701,000 (six months ended 30 June 2021: a net loss of RMB9,826,000).

As at 30 June 2022, the Group has not obtained the property ownership certificates for six buildings (31 December 2021: six) with a net book value of RMB723,094,000 (31 December 2021: RMB737,197,000).

The Group was in the process of applying for the property ownership certificates for the above buildings as at 30 June 2022.

As at 30 June 2022, property, plant and equipment with a net carrying amount of RMB8,861,712,000 (31 December 2021: RMB6,413,799,000) were pledged to secure general banking facilities granted to the Group (see Note 17(c)).

10. LOANS AND ACCOUNTS RECEIVABLES

	30 June 2022	31 December 2021
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Loans and accounts receivables due within 1 year	149,674,283	133,599,982
Loans and accounts receivables due after 1 year	130,178,238	118,618,025
	279,852,521	252,218,007

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

10. LOANS AND ACCOUNTS RECEIVABLES (continued)

10a. Loans and accounts receivables by nature

	30 June 2022	31 December 2021
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Lease receivables (Note 10b)*	273,412,559	244,898,337
Less: Unearned finance income	(26,216,171)	(22,354,849)
Net lease receivables (Note 10b)	247,196,388	222,543,488
Interest receivables*	2,562,323	2,031,502
Factoring receivables (Note 10g)	9,147,471	8,779,387
Entrusted loans (Note 10h)*	1,776,386	1,801,306
Long-term receivables*	18,665,220	17,035,590
Secured loans	382,674	429,355
Subtotal of interest-earning assets (Note 10c)**	279,730,462	252,620,628
Less:		
Provision for lease receivables	(6,365,776)	(5,920,029)
Provision for factoring receivables	(173,976)	(172,191)
Provision for entrusted loans	(116,942)	(142,715)
Provision for long-term receivables	(368,039)	(302,650)
Provision for secured loans	(6,226)	(6,088)
Provision for interest-earning assets (Note 10d)**	(7,030,959)	(6,543,673)
Notes receivable	1,738,627	1,111,631
Accounts receivable (Note 10e)*	6,606,332	6,175,030
Provision for accounts receivable (Note 10f)	(1,191,941)	(1,145,609)
Total of loans and accounts receivables	279,852,521	252,218,007

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

** 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 2022

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 2022	31 December 2021
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Lease receivables:		
Within 1 year	154,988,491	137,396,849
1 to 2 years	67,404,202	60,391,373
2 to 3 years	26,009,652	15,028,134
3 to 5 years	25,010,214	32,081,981
Total	273,412,559	244,898,337

	30 June 2022	31 December 2021
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Net lease receivables:		
Within 1 year	138,703,841	123,989,595
1 to 2 years	61,887,074	55,407,716
2 to 3 years	23,943,908	13,880,505
3 to 5 years	22,661,565	29,265,672
Total	247,196,388	222,543,488

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

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 2022	31 December 2021
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Lease receivables:		
Due within 1 year	148,141,753	132,141,234
Due in 1 to 2 years	76,653,463	70,377,956
Due in 2 to 3 years	33,629,851	29,088,851
Due in 3 to 5 years	14,044,508	12,211,061
Due after 5 years	942,984	1,079,235
Total	273,412,559	244,898,337

	30 June 2022	31 December 2021
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Net lease receivables:		
Due within 1 year	132,069,420	118,272,479
Due in 1 to 2 years	69,977,283	64,717,422
Due in 2 to 3 years	31,243,273	27,117,948
Due in 3 to 5 years	13,050,832	11,426,671
Due after 5 years	855,580	1,008,968
Total	247,196,388	222,543,488

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 2022, the Group's lease receivables pledged or charged as security for the Group's bank and other borrowings amounted to RMB30,225,854,000 (31 December 2021: RMB22,510,700,000) (see Note 17(a)).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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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 2022				
Interest-earning assets	258,736,065	17,974,065	3,020,332	279,730,462
Allowance for impairment losses	(3,858,754)	(2,020,389)	(1,151,816)	(7,030,959)
Interest-earning assets, net	254,877,311	15,953,676	1,868,516	272,699,503

	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 2021				
Interest-earning assets	232,267,394	17,601,822	2,751,412	252,620,628
Allowance for impairment losses	(3,684,601)	(1,704,522)	(1,154,550)	(6,543,673)
Interest-earning assets, net	228,582,793	15,897,300	1,596,862	246,076,955

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 assets, parameters for measuring ECLs and forward-looking information.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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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 covid-19 pandemic to support their immediate cash flows and liquidity by offering principal moratoriums or tenor extensions. Because of the relief measures, the Group may not have the same level of credit risk information about repayment records as compared to the past. Therefore, the Group expended effort obtaining additional information for credit assessment, including sectors which are more vulnerable to the covid-19 pandemic. 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 2022			
	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 period	3,684,601	1,704,522	1,154,550	6,543,673
Impairment losses for the period	293,566*	341,258	324,378	959,202
Disposal	(56,462)	–	–	(56,462)
Conversion to Stage I	–	–	–	–
Conversion to Stage II	(62,781)	80,172	(17,391)	–
Conversion to Stage III	–	(105,563)	105,563	–
Write-off	–	–	(500,105)	(500,105)
Recoveries of interest-earning assets previously written off	–	–	84,821	84,821
Exchange differences	(170)	–	–	(170)
At end of period	3,858,754	2,020,389	1,151,816	7,030,959

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

10. LOANS AND ACCOUNTS RECEIVABLES (continued)

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

	Year ended 31 December 2021			
	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 year	3,753,371	1,707,979	1,070,237	6,531,587
Impairment losses for the year	167,774*	25,385	632,594	825,753
Disposal	(235,123)	–	(218,440)	(453,563)
Conversion to Stage I	5,158	(5,158)	–	–
Conversion to Stage II	(5,966)	65,950	(59,984)	–
Conversion to Stage III	–	(89,634)	89,634	–
Write-off	–	–	(825,876)	(825,876)
Recoveries of interest-earning assets previously written off	–	–	466,385	466,385
Exchange differences	(613)	–	–	(613)
At end of year	3,684,601	1,704,522	1,154,550	6,543,673

* This includes RMB1,672,171,000 (31 December 2021: RMB2,915,402,000) of loss allowances provided for newly originated interest-bearing assets, and RMB1,378,605,000 (31 December 2021: RMB2,747,628,000) 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 assets, so the finance leases are similar to secured lending. Among these interest-bearing assets, 81% (31 December 2021: 85%) 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 securities and constitute the main source of collection of impaired assets.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

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 2022	31 December
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Within 1 year	5,754,292	5,172,577
More than 1 year	852,040	1,002,453
Total	6,606,332	6,175,030

10f. Movements in provision for accounts receivable

	30 June 2022	31 December 2021
	(Unaudited)	(Audited)
	RMB'000	RMB'000
At beginning of period/year	1,145,609	899,279
Charge for the period/year	81,723	337,519
Write-off	(35,391)	(91,189)
At end of period/year	1,191,941	1,145,609

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

30 June 2022

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 2022

	Ageing				Total
	Within 1 year	1-2 years	2-3 years	3-5 years	
Gross carrying amount (RMB'000)	5,754,293	509,867	173,096	169,076	6,606,332
Expected credit loss (RMB'000)	876,817	148,165	77,457	89,502	1,191,941
Average expected credit loss rate	15.24%	29.06%	44.75%	52.94%	

As at 31 December 2021

	Ageing				Total
	Within 1 year	1-2 years	2-3 years	3-5 years	
Gross carrying amount (RMB'000)	5,172,577	564,114	256,324	182,015	6,175,030
Expected credit loss (RMB'000)	769,243	168,111	109,804	98,451	1,145,609
Average expected credit loss rate	14.87%	29.80%	42.84%	54.09%	

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

	30 June 2022	31 December 2021
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Within 1 year	6,134,533	6,158,935
More than 1 year	3,012,938	2,620,452
Total	9,147,471	8,779,387

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

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 2022	31 December 2021
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Entrusted loans:		
Within 1 year	1,171,170	888,794
1 to 2 years	197,918	278,107
2 to 3 years	45,000	46,350
3 to 5 years	362,298	588,055
Total	1,776,386	1,801,306

10h(2). The table below illustrates the amounts of entrusted loans which the Group expects to receive in the following five or more than five consecutive accounting years:

	30 June 2022	31 December 2021
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Entrusted loans:		
Due within 1 year	788,552	906,606
Due in 1 to 2 years	544,170	478,465
Due in 2 to 3 years	238,856	213,285
Due in 3 to 5 years	204,808	202,950
Total	1,776,386	1,801,306

10i. Long-term receivables

As at 30 June 2022, the carrying value of long-term receivables pledged or charged as collateral for the Group's borrowings amounted to RMB6,105,920,000 (31 December 2021: RMB6,478,340,000) (Note 17(a)).

10j. Account receivables

As at 30 June 2022, the carrying value of account receivables pledged or charged as collateral for the Group's borrowings amounted to RMB66,589,000 (31 December 2021: Nil) (Note 17(a)).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

10. LOANS AND ACCOUNTS RECEIVABLES (continued)

10k. Balances with related parties

		30 June 2022	31 December 2021
		(Unaudited)	(Audited)
		RMB'000	RMB'000
Joint ventures:			
– Guangzhou Kangda Industrial Technology Co., Ltd.			
Long-term receivables	(ii)	180,000	135,000
Interest receivables		1,023	575
– Kunming Broadhealthcare (Group) Co., Ltd.			
Entrusted loan	(i)	50,000	50,000
Lease receivables	(iii)	32,992	32,456
Interest receivables		4,522	2,336
– Suzhou Gaoxin Rehabilitation Hospital Co., Ltd.			
Entrusted loan	(i)	76,963	76,963
Interest receivables		–	4
– Fengyang Qianmen Hospital Co., Ltd.			
Accounts receivable		4,372	4,372
Associates:			
– Hangzhou Guoya Stomatological Hospital Co., Ltd.			
Lease receivables	(iii)	12,869	12,289
Interest receivables		76	50
Subsidiaries of the ultimate holding company of the shareholder with significant influence:			
– BlueStar New Chemical Materials Guangxi Branch			
Lease receivables	(iii)	3,184	6,904
Interest receivables		1	3
– Shenyang Chemical Co., Ltd.			
Lease receivables	(iii)	80,303	102,938
Interest receivables		610	796
Provision		(16,832)	(15,197)
		430,083	409,489

(i) Balances of entrusted loans earn interest at annual interest rates ranging from 6.18% to 8% (31 December 2021: from 6.18% to 9%).

(ii) Balances of long-term receivables earn interest at annual interest rates ranging from 4.80% to 5.81% (31 December 2021: from 4.80% to 5.81%).

(iii) Balances of lease receivables earn interest at annual interest rates ranging from 3.73% to 9.35% (31 December 2021: 3.45% to 5.95%).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

11. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2022		31 December 2021	
	(Unaudited)		(Audited)	
	RMB'000		RMB'000	
	Assets	Liabilities	Assets	Liabilities
Cross-currency interest rate swaps	708,120	(608,513)	11,596	(2,267,431)
Forward currency contracts	14,432	(43,548)	–	(86,806)
Interest rate swaps	36,534	(26,056)	10,735	(14,627)
Forward contract	–	(257,405)	–	–
Total	759,086	(935,522)	22,331	(2,368,864)
Portion classified as non-current				
Cross-currency interest rate swaps	655,401	(474,042)	11,596	(1,216,574)
Forward currency contracts	–	(3,059)	–	(60,842)
Interest rate swaps	36,534	(22,186)	10,278	(14,337)
	691,935	(499,287)	21,874	(1,291,753)
Current portion	67,151	(436,235)	457	(1,077,111)
Total	759,086	(935,522)	22,331	(2,368,864)

Cash flow hedges under HKFRS 9

At 30 June 2022, the Group designated 76 (2021: 83) cross-currency interest rate swap contracts, 12 (2021: 11) forward currency contracts and 34 (2021: 29) interest rate swap contracts as hedges of future cash flows arising from foreign currency borrowings, details of which are as follows:

At 30 June 2022, the Group had 28 (2021: 19) cross-currency interest rate swaps in place with a notional amount of HK\$16,732,400,000 (2021: HK\$10,795,760,000) whereby the Group receives floating rates of interest on the HK\$ notional amount at HKD-HIBOR-HKAB and pays fixed rates of interest on the RMB notional amount at 4.00% to 4.96% (2021: 3.15% to 4.38%) per annum. The swaps are being used to hedge the foreign currency and interest rate exposures of 28 floating rate long-term borrowings denominated in HK\$ with the total face value of HK\$16,732,400,000 (2021: HK\$10,795,760,000).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedges under HKFRS 9 (continued)

At 30 June 2022, the Group had 1 (2021: 0) cross-currency interest rate swap in place with a notional amount of HK\$490,846,000 (2021: 0) whereby the Group receives a fixed rate of interest on the HK\$ notional amount at 1.50% (2021: 0) per annum and pays a fixed rate of interest on the RMB notional amount at 4.00% (2021: 0) per annum. The swap is being used to hedge the foreign currency exposure of 1 fixed rate long-term borrowing denominated in HK\$ with the total face value of HK\$490,846,000 (2021: 0).

At 30 June 2022 the Group had 32 (2021: 49) cross-currency interest rate swaps in place with a notional amount of US\$2,281,871,000 (2021: US\$3,475,666,000) whereby the Group receives floating rates of interest on the US\$ notional amount at USD-LIBOR-BBA and pays fixed rates of interest on the RMB notional amount at 3.89% to 4.36% (2021: 2.72% to 4.36%) per annum. The swaps are being used to hedge the foreign currency and interest rate exposures of 32 floating rate long-term borrowings denominated in US\$ with the total face value of US\$2,281,871,000 (2021: US\$3,475,666,000).

At 30 June 2022, the Group had 14 (2021: 14) cross-currency interest rate swaps in place with a notional amount of US\$1,180,958,000 (2021: US\$1,200,000,000) whereby the Group receives fixed rates of interest on the US\$ notional amount at 2.63% to 4.38% (2021: 2.63% to 4.38%) per annum and pays fixed rates of interest on the RMB notional amount at 4.50% to 5.99% (2021: 4.50% to 5.99%) per annum. The swaps are being used to hedge the foreign currency exposures of 14 fixed rate long-term borrowings denominated in US\$ with the total face value of US\$1,180,958,000 (2021: US\$1,200,000,000).

At 30 June 2022, the Group had 1 (2021: 1) cross-currency interest rate swap in place with a notional amount of JPY6,500,000,000 (2021: JPY6,500,000,000) whereby the Group receives floating rates of interest on the JPY notional amount at JPY-TONA and pays a fixed rate of interest on the RMB notional amount at 3.83% (2021: 3.83%) per annum. The swap is being used to hedge the foreign currency and interest rate exposures of 1 floating rate long-term borrowing denominated in JPY with the total face value of JPY6,500,000,000 (2021: JPY6,500,000,000).

At 30 June 2022, the Group had 12 (2021: 11) forward currency contracts with a total notional amount of US\$213,500,000 (2021: US\$245,490,000) as hedges of future cash flows arising from foreign currency borrowings with the total face value of US\$213,500,000 (2021: US\$245,490,000) which will be settled in US\$.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedges under HKFRS 9 (continued)

At 30 June 2022, the Group had 1 (2021: 1) interest rate swap in place with a notional amount of US\$100,000,000 (2021: US\$100,000,000) whereby the Group receives floating rates of interest on the US\$ notional amount at USD-LIBOR-BBA and pays a fixed rate of interest on the US\$ notional amount at 0.45% (2021: 0.45%) per annum. The swap is being used to hedge interest rate exposure of 1 floating rate long-term borrowing denominated in US\$ with the total face value of US\$100,000,000 (2021: US\$100,000,000).

At 30 June 2022, the Group had 33 (2021: 28) interest rate swaps in place with a total notional amount of RMB12,565,263,000 (2021: RMB11,557,550,000) whereby the Group receives interest at variable rates equal to the Loan Prime Rate on the notional amount and pays fixed rates of interest on the RMB notional amount at 3.68% to 4.20% (2021: 3.70% to 4.20%) per annum. The swaps are being used to hedge interest rate exposure of 33 floating rate long-term borrowings denominated in RMB with the total face value of RMB12,565,263,000 (2021: RMB11,557,550,000).

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 impacting the fair value movements of the hedging instruments and hedged items differently

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

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 2022							
Cross-currency interest rate swap contracts							
Notional amount (in RMB'000)	335,156	87,556	1,254,850	–	13,493,840	7,708,807	22,880,209
Average forward exchange rate (US\$/RMB)	7.0779	7.0045	6.3376	–	6.6280	6.5711	
Notional amount (in RMB'000)	–	–	–	–	8,014,106	6,673,724	14,687,830
Average forward exchange rate (HK\$/RMB)	–	–	–	–	0.8536	0.8522	
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)	–	–	992,112	134,260	329,363	–	1,455,735
Average forward exchange rate (US\$/RMB)	–	–	6.6617	6.7197	6.7217	–	
Interest rate swaps							
Notional amount (in RMB'000)	–	569,808	2,277,189	1,255,280	3,381,390	5,752,736	13,236,403
Average forward exchange rate	–	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 2022

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 2021							
Cross-currency interest rate swap contracts							
Notional amount (in RMB'000)	3,101,000	4,415,472	335,156	175,113	7,113,630	15,518,079	30,658,450
Average forward exchange rate (US\$/RMB)	7.0187	7.0187	7.0779	7.0045	6.7400	6.5411	
Notional amount (in RMB'000)	356,502	396,325	–	–	2,996,371	5,017,736	8,766,934
Average forward exchange rate (HK\$/RMB)	0.9130	0.9035	–	–	0.8832	0.8372	
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)	631,322	412,888	–	–	627,747	–	1,671,957
Average forward exchange rate (US\$/RMB)	6.7313	6.6066	–	–	6.9532	–	
Interest rate swaps							
Notional amount (in RMB'000)	10,000	1,000,000	–	1,010,983	7,802,971	2,371,166	12,195,120
Average forward exchange rate	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 2022

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 2022				
Forward currency contracts	445,623	12,531	Derivative financial instruments (assets)	12,089
Forward currency contracts	1,010,112	(43,548)	Derivative financial instruments (liabilities)	26,199
Cross-currency interest rate swaps	19,108,708	708,120	Derivative financial instruments (assets)	668,679
Cross-currency interest rate swaps	18,887,681	(605,555)	Derivative financial instruments (liabilities)	368,924
Interest rate swaps	2,311,640	36,534	Derivative financial instruments (assets)	25,798
Interest rate swaps	10,924,763	(26,056)	Derivative financial instruments (liabilities)	(18,485)

	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 2021				
Forward currency contracts	1,671,957	(86,806)	Derivative financial instruments (liabilities)	(103,846)
Cross-currency interest rate swaps	1,267,520	11,596	Derivative financial instruments (assets)	(115,298)
Cross-currency interest rate swaps	38,586,214	(2,260,523)	Derivative financial instruments (liabilities)	(673,908)
Interest rate swap	4,503,675	10,735	Derivative financial instruments (assets)	(8,423)
Interest rate swap	7,691,445	(14,627)	Derivative financial instruments (liabilities)	29,759

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

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 2022		
Foreign currency bank loans amounting to RMB equivalent 40,392,988,000	1,083,204	(397,275)

	Change in fair value used for measuring hedge ineffectiveness for the year	Cash flow hedge reserve
	RMB'000	RMB'000
As at 31 December 2021		
Foreign currency bank loans amounting to RMB equivalent 41,200,196,000	(871,716)	(41,971)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedges under HKFRS 9 (continued)

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

	Total hedging gain/(loss) recognised in other comprehensive income			Hedged ineffectiveness recognised in profit or loss	Line item in the statement of profit or loss	Amount reclassified from other comprehensive income to profit or loss			Line item (gross amount) loss in the statement of profit or loss
	Gross amount	Tax effect	Total			Gross amount	Tax effect	Total	
For the six months ended 30 June 2022	RMB'000	RMB'000	RMB'000	RMB'000		RMB'000	RMB'000	RMB'000	
Forward currency contracts	38,288	(9,572)	28,716	-	N/A	(58,571)	14,643	(43,928)	Cost of sales/other expenses
Cross-currency interest rate swaps	1,037,603	258	1,037,861	-	N/A	(1,400,022)	4,711	(1,395,311)	Cost of sales/other expenses
Interest rate swaps	7,313	4,543	11,856	-	N/A	7,498	(1,996)	5,502	Cost of sales/other expenses
Total	1,083,204	(4,771)	1,078,433	-	N/A	(1,451,095)	17,358	(1,433,737)	

	Total hedging gain/(loss) recognised in other comprehensive income			Hedged ineffectiveness recognised in profit or loss	Line item in the statement of profit or loss	Amount reclassified from other comprehensive income to profit or loss			Line item (gross amount) loss in the statement of profit or loss
	Gross amount	Tax effect	Total			Gross amount	Tax effect	Total	
For the six months ended 30 June 2021	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	

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Derivative financial instruments – transactions not qualifying as hedges:

As at 30 June 2022, forward currency contracts with a total nominal amount of USD6,764,000 and cross-currency interest rate swaps with a total nominal amount of USD28,191,000 (as at 31 December 2021: cross-currency interest rate swaps with a total nominal amount of USD29,757,000) were not designated for hedge purposes and were measured at fair value through profit or loss.

As at 30 June 2022, a forward contract of RMB257,405,000 was related to a future payment of the Company's irrevocable contract to purchase the sub-ordinated tranche of a fund at a pre-determined price.

12. INVESTMENTS IN JOINT VENTURES

	30 June 2022	31 December 2021
	RMB'000	RMB'000
Share of net assets	2,965,435	2,856,978
Excess of consideration over share of net assets acquired	17,844	17,844
Impairment losses	(270,686)	(270,686)
	2,712,593	2,604,136

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 (Group) Co., Ltd (昆明博健醫療(集團)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\$570,000,000	PRC/Mainland China	60*	60	Development and construction

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

12. INVESTMENTS IN JOINT VENTURES (continued)

Name	Particulars of issued shares held	Place of registration and business	Percentage of		Principal activities
			Ownership interest	Profit sharing	
Kunming Boyue Maternal and Infant Care Co., Ltd. (昆明博悅母嬰護理有限責任公司)	Registered capital of RMB5,555,600	PRC/Mainland China	28.36	28.36	Medical service
Grand Flight Holdings Co.,Ltd. (遠翼控股有限公司)	Authorised capital of US\$50,000	British Virgin Islands	70*	70	Investment holding
Grand Flight Hooyoung Investment Management Co., Ltd. (遠翼宏揚投資管理有限公司)	Authorised capital of US\$50,000	Cayman Islands	70*	70	Investment holding
Grand Flight Hooyoung Investment L.P. (遠翼宏揚投資有限合夥)	US\$73,329,460.54	Cayman Islands	55*	55	Investment holding
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	78*	78**	Investment holding

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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12. INVESTMENTS IN JOINT VENTURES (continued)

Name	Particulars of issued shares held	Place of registration and business	Percentage of		Principal activities
			Ownership interest	Profit sharing	
Tianjin Yuanyi Kaiyuan Asset Management Centre (Limited Partnership) ("Yuanyi Kaiyuan") (天津遠翼開元資產管理中心(有限合夥))	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
Shanghai Xiangyun Enterprise Management Partnership (Limited Partnership) (上海襄雲企業管理合夥企業(有限合夥))	Registered capital of RMB350,010,000	PRC/Mainland China	51.9985*	51.9985	Management consulting
Wuhan Hongye Construction Development Co., Ltd. (武漢泓冶建設發展有限公司)	Registered capital of RMB328,000,000	PRC/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

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12. INVESTMENTS IN JOINT VENTURES (continued)

Name	Particulars of issued shares held	Place of registration and business	Percentage of		Principal activities
			Ownership interest	Profit sharing	
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
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
Yantai Yuanxin Zhongda Investment Co., Ltd. (煙台遠信中達投資有限公司)	Registered capital of RMB260,000,000	PRC/Mainland China	67*	67	Infrastructure construction
Nanchang Xintie City Construction Investment Co., Ltd. (南昌市新鐵城建設有限公司)	Registered capital of RMB50,000,000	PRC/Mainland China	45	45	Infrastructure construction

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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12. INVESTMENTS IN JOINT VENTURES (continued)

Name	Particulars of issued shares held	Place of registration and business	Percentage of		Principal activities
			Ownership interest	Profit sharing	
Deyang Hongbo Construction Investment Co., Ltd. (德陽宏博建設投資有限公司)	Registered capital of RMB371,825,488.1	PRC/Mainland China	87*	87	Infrastructure construction
Qingdao Huizhu Zhouji Equity Investment Partnership (Limited Partnership) (青島匯鑄周濟股權投資合夥企業 (有限合夥))	Registered capital of RMB500,000,000	PRC/Mainland China	50	50	Investment management

* 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.

** Pursuant to the interest sharing arrangement for one of the investors in the articles of association, the profit-sharing percentage of the Group is no lower than 78%, with specific sharing amount being based on the actual profits generated by the RMB fund (referring to the two RMB funds managed by the investee as the general partner).

The Group's loans and accounts receivable balances due from the joint ventures are disclosed in Note 10k to the financial statements. There was no recent history of default and past due amounts for loans to joint ventures. As at 30 June 2022 and 31 December 2021, the loss allowance was assessed to be minimal.

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

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 Kangda adjusted for any differences in accounting policies and reconciled to the carrying amount of the net assets in the financial statements.

	30 June 2022	31 December 2021
	RMB'000	RMB'000
Cash and cash equivalents	170,153	562,665
Other current assets	2,821,839	2,196,049
Current assets	2,991,992	2,758,714
Non-current assets	128,376	72,627
Other payables and accruals	(679,232)	(825,169)
Current liabilities	(679,232)	(825,169)
Non-current liabilities	(380,000)	(220,000)
Net assets	2,061,136	1,786,172
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	1,236,682	1,071,703
Cumulative impairment	(120,000)	(120,000)
Carrying amount of the investment	1,116,682	951,703

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Revenue	201,622	477,795
Cost of sales	(61,068)	(236,821)
Administrative expenses	(12,708)	(9,188)
Other expenses	(38,777)	(126,240)
Other income	652	32
Gain and total comprehensive income for the period	89,721	105,578

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 2022	31 December 2021
	RMB'000	RMB'000
Cash and cash equivalents	8,926	18,887
Other current assets	1,047,573	1,257,818
Current assets	1,056,499	1,276,705
Net assets	1,056,499	1,276,705
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	415,429	498,740
Carrying amount of the investment	415,429	498,740

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Other expenses	(220,282)	(464,201)
Other income and gains	75	178,653
Loss and total comprehensive income for the period	(220,207)	(285,548)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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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	
	2022	2021
	RMB'000	RMB'000
Share of the joint ventures' gain for the period	(3,053)	24,179
Aggregate carrying amount of the Group's investments in the joint ventures	1,180,482	989,486

13. INVESTMENTS IN ASSOCIATES

	30 June 2022	31 December 2021
	RMB'000	RMB'000
Share of net assets	4,742,692	4,641,240
Excess of consideration over share of net assets acquired	574,906	574,906
	5,317,598	5,216,146

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	15	15	Medical service

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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13. INVESTMENTS IN ASSOCIATES (continued)

As at 30 June 2022, 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, RMB5,717,805,000, RMB1,000,000,000 and RMB3,000,000,000, respectively. The percentages of ownership interest and profit sharing of the Group in these companies are 27.20%, 19.50%, 8.5011%, 11.47%, 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	
	2022	2021
	RMB'000	RMB'000
Share of the associates' profit for the period	17,330	5,433

	30 June 2022	31 December 2021
	RMB'000	RMB'000
Aggregate carrying amount of the Group's investments in the associates	444,305	480,092

The Group's loans and accounts receivable balances due from the associates are disclosed in Note 10k 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 2022	31 December 2021
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Cash and bank balances	17,620,975	19,888,796
Time deposits	10,000	10,000
	17,630,975	19,898,796
Less:		
Pledged deposits	2,324,661	2,052,256
Restricted bank deposits related to asset-backed securitisations	1,525,937	2,175,550
Restricted bank deposits related to single fund trusts	16,975	–
Restricted bank deposits related to a bank account	10,924	11,954
Cash and cash equivalents	13,752,478	15,659,036

At 30 June 2022, the cash and bank balances of the Group denominated in Renminbi (“RMB”) amounted to RMB16,994,922,000 (31 December 2021: RMB18,804,358,000). 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 2022, cash of RMB339,973,000 (31 December 2021: RMB271,782,000) was pledged for bank and other borrowings (see Note 17(b)).

As at 30 June 2022, cash of RMB1,984,688,000 (31 December 2021: RMB1,780,474,000) was pledged for bank acceptances, letters of credit and others.

As at 30 June 2022, cash of RMB105,302,000 (31 December 2021: RMB254,127,000) 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 2022	31 December 2021
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Unlisted equity investments, at fair value	2,306,593	2,069,218
Listed equity investments, at fair value	150,567	228,965
Unlisted debt investments, at fair value	8,910,006	10,462,175
	11,367,166	12,760,358
Analysed into:		
Current portion	2,044,019	3,270,140
Non-current portion	9,323,147	9,490,218

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 2022	31 December 2021
		(Unaudited)	(Audited)
	Note	RMB'000	RMB'000
Current:			
Bills payable		11,956,264	10,946,041
Trade payables		4,181,926	2,942,356
Due to related parties	16a	2,490	1,925
		16,140,680	13,890,322

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 2022	31 December 2021
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Within 1 year	16,014,911	13,767,048
1 to 2 years	54,180	51,180
2 to 3 years	12,050	14,036
3 years and beyond	59,539	58,058
	16,140,680	13,890,322

16a. BALANCES WITH RELATED PARTIES

	30 June 2022	31 December 2021
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Due to related parties:		
Associate:		
Shanghai Yijia Construction Development Co., Ltd.	2,490	1,925
	2,490	1,925

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 2022 (Unaudited)			31 December 2021 (Audited)		
	Effective annual interest rate (%)	Maturity	RMB'000	Effective annual interest rate (%)	Maturity	RMB'000
Current:						
Bank loans – secured	4.30~5.50	2023	58,500	4.30~5.50	2022	26,000
Current portion of long-term bank loans – secured	2.65~5.15	2023	5,903,182	2.65~6.41	2022	5,180,588
Bank loans – unsecured	1.18~5.55	2023	24,208,328	0.98~5.50	2022	17,073,622
Loans from subsidiaries of the ultimate holding company of a shareholder with significant influence – unsecured	3.60	2023	600,000	–	–	–
Current portion of long-term bank loans – unsecured	1.00~4.98	2023	35,299,477	0.82~5.35	2022	33,382,941
Other loans – secured	4.50	2023	3,269,503	2.97~5.75	2022	3,332,088
Other loans – unsecured	0.98~5.50	2023	1,404,837	5.90	2022	4,043,613
Bonds – secured	3.35~5.80	2023	12,845,260	3.15~5.37	2022	11,136,443
Bonds – unsecured	2.00~5.19	2023	61,029,445	2.87~5.19	2022	48,519,188
			144,618,532			122,694,483
Non-current:						
Bank loans – secured	2.65~5.15	2023~2042	8,414,493	2.65~5.50	2023~2041	6,781,403
Bank loans – unsecured	1.30~5.75	2023~2031	58,053,499	1.00~5.35	2023~2031	48,195,647
Other loans – secured	4.50~4.70	2023~2025	5,080,938	2.97~5.75	2023~2025	4,130,118
Other loans – unsecured	5.25~8.00	2023~2027	3,362,086	5.55~5.63	2023~2024	1,322,701
Bonds – secured	3.35~5.37	2023~2026	4,907,509	3.15~5.37	2023~2024	4,439,882
Bonds – unsecured	2.63~4.70	2023~2026	33,895,092	2.63~5.19	2023~2026	39,315,422
			113,713,617			104,185,173
Convertible bonds – host debts (Note 18)	3.21~4.45	2025~2026	3,538,345	3.21~4.45	2025~2026	3,321,086
			261,870,494			230,200,742

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

	30 June 2022	31 December 2021
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	65,469,486	55,663,151
In the second year	38,704,376	29,884,530
In the third to fifth years, inclusive	25,696,722	23,522,319
Beyond five years	2,066,895	1,570,201
	131,937,479	110,640,201
Loans from subsidiaries of the ultimate holding company of a shareholder repayable:		
Within one year or on demand	600,000	–
Other borrowings repayable:		
Within one year or on demand	78,548,646	67,031,332
In the second year	36,578,867	37,388,274
In the third to fifth years, inclusive	14,205,502	15,140,935
	129,333,015	119,560,541
	261,870,494	230,200,742

- (a) As at 30 June 2022, the Group's bank and other borrowings secured by the pledge of or the transfer of certain of the Group's lease receivables, long-term receivables and account receivables amounted to RMB28,891,360,000 (31 December 2021: RMB24,124,737,000), RMB5,317,258,000 (31 December 2021: RMB5,029,352,000), and RMB8,500,000 (31 December 2021: Nil), respectively.
- (b) As at 30 June 2022, the Group's bank and other borrowings amounting to RMB247,113,000 (31 December 2021: RMB108,836,000) were secured by the pledge of cash.
- (c) As at 30 June 2022, the Group's bank and other borrowings secured by the Group's leasehold land, and property, plant and equipment amounted to RMB6,279,754,000 (31 December 2021 RMB5,872,434,000). The Group had not provided any guarantees for other entities (31 December 2021: 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 and then to HK\$7.11 per share with effect from 30 June 2021 and 30 June 2022 respectively as a result of the declaration of the final dividend for the year ended 31 December 2020 and 31 December 2021. 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 convertible notes of the 300 million 2.5 percent Bonds 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 each year.

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, and was further adjusted from HK\$9.76 per share to HK\$9.16 per share with effect from 30 June 2022 as a result of the declaration of the final dividend for the year ended 31 December 2021. 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 convertible notes of the 250 million Zero Coupon Bonds not converted will be redeemed on 15 June 2026 at 110.46 per cent of its principal amount.

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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 2022 (Audited)	394,256	1,045,233	92,182	2,418,823	1,382,534	51,610	9,274	34,395	5,428,307
(Charged)/credited to the statement of profit or loss during the period	152,284	(145,955)	37,200	310,277	140,661	20,408	-	81,182	596,057
Charged to reserve	-	-	-	-	-	-	12,587	-	12,587
Exchange differences	-	-	-	169	-	23	-	-	192
Gross deferred tax assets at 30 June 2022 (Unaudited)	546,540	899,278	129,382	2,729,269	1,523,195	72,041	21,861	115,577	6,037,143

	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 2021	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 year	156,250	90,189	(49,830)	119,674	16,394	(121,077)	-	19,020	230,620
Charged to reserve	-	-	-	-	-	-	(44,857)	-	(44,857)
Exchange differences	-	-	-	(75)	-	(10)	-	-	(85)
Gross deferred tax assets at 31 December 2021	394,256	1,045,233	92,182	2,418,823	1,382,534	51,610	9,274	34,395	5,428,307

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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 2022 (Audited)	137,253	220,245	21,155	41,938	420,591
(Credited)/charged to the statement of profit or loss during the period	1,555	35,461	3,542	(34,741)	5,817
Gross deferred tax liabilities at 30 June 2022 (Unaudited)	138,808	255,706	24,697	7,197	426,408

	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	142,516	83,046	9,385	108,859	343,806
(Credited)/charged to the statement of profit or loss during the year	(5,263)	137,199	11,770	(66,921)	76,785
Gross deferred tax liabilities at 31 December 2021	137,253	220,245	21,155	41,938	420,591

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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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 2022	31 December 2021
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	6,037,143	5,394,566
Net deferred tax liabilities recognised in the consolidated statement of financial position	426,408	386,850

As at 30 June 2022, the Group had tax losses arising in Hong Kong of RMB143,001,000 (31 December 2021: RMB27,631,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose and the Group had tax losses arising in Mainland China of RMB159,786,000 (31 December 2021: RMB154,208,000) 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 2022, the Group did not recognise deferred tax assets arising in Mainland China and Hong Kong in respect of unutilised tax losses of RMB2,646,795,000 (31 December 2021: RMB2,510,731,000) and RMB934,037,000 (31 December 2021: RMB1,283,506,000), 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 subsidiaries in Mainland China from 2018 onwards shall be limited to the direct investment in subsidiaries in 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 2022, the aggregate amount of unrecognised deferred tax liabilities (i.e. withholding taxes relating to such temporary differences) was approximately RMB1,611,709,000 (31 December 2021: RMB1,487,911,000).

20. SHARE CAPITAL

	Number of shares	Amounts HK\$
Issued and fully paid ordinary shares:		
At 31 December 2021 (Audited) (Note (i))	4,313,987,786	16,404,418,000
At 30 June 2022 (Unaudited) (Note (i))	4,315,422,056	16,415,117,000

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 HK\$'000	Share capital equivalent to RMB'000
At 1 January 2022 and 31 December 2021	4,313,987,786	16,404,418	13,042,863
Share options exercised (Note (ii))	1,434,270	10,699	8,929
As at 30 June 2022 (Unaudited)	4,315,422,056	16,415,117	13,051,792

Notes: (continued)

- (ii) The subscription rights attaching to 76,544, 28,055, 1,059,678, 110,653, 7,959, 7,381 and 144,000 share options were exercised at the subscription prices of HK\$5.86, HK\$7.17, HK\$5.714, HK\$6.82, HK\$7.36 HK\$7.618 and HK\$6.7 per share, respectively, resulting in the issue of 1,434,270 shares for a total cash consideration, before expenses, of HK\$8,539,000. An amount of HK\$2,160,000 was transferred from the share option reserve to share capital upon the exercise of the share options.

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 subsidiaries, Shanghai Horizon Construction Engineering Equipment Co., Ltd. and Shanghai Hongjin Equipment & Engineering Co., Ltd. set aside funds mainly for construction service activities at prescribed rates. These funds can be used for maintenance and/or improvements of safety of these activities, and are not available for distribution to shareholders.

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 been fully redeemed on 14 June 2022.

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 of 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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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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 (A) for the period 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. The Variety One of the Renewable Corporate Bonds (Phase One) have been fully redeemed on 18 February 2022.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

22. PERPETUAL SECURITIES (continued)

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. The Renewable Corporate Bonds (Phase Two) have been fully redeemed on 20 June 2022.

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

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

For the six months ended 30 June 2022, the profits attributable to the holders of the Perpetual Capital Securities, the Guaranteed Perpetual Securities, the Perpetual Loans and the Renewable Corporate Bonds (collectively the “Perpetual Securities”) based on the applicable distribution rates were RMB40,988,000 (six months ended 30 June 2021: RMB42,386,000), RMB72,867,000 (six months ended 30 June 2021: RMB72,459,000), RMB1,419,000 (six months ended 30 June 2021: RMB1,419,000) and RMB24,251,000 (six months ended 30 June 2021: RMB45,726,000), respectively, and the distribution made by the Group to the holders of Perpetual Securities was RMB218,437,000 (six months ended 30 June 2021: RMB238,163,000).

23. CONTINGENT LIABILITIES

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

	30 June 2022	31 December 2021
	RMB'000	RMB'000
Claimed amounts	62,785	83,686

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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24. PLEDGE OF ASSETS

Details of the Group's pledged assets 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 2022	31 December 2021
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Contracted, but not provided for:		
Capital expenditure for acquisition of property, plant and equipment	234,193	224,729

(b) Credit commitments

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

	30 June 2022	31 December 2021
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Irrevocable credit commitments	6,580,441	14,124,845

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:

The ultimate holding company of a shareholder with significant influence

Sinochem Group

A shareholder with significant influence

Greatpart Limited

Subsidiaries of the ultimate holding company of a shareholder with significant influence

Sinochem Hong Kong (Group) Company Limited (“Sinochem Hong Kong”)

Sinochem Finance Co., Ltd.

China Jin Mao Group Co., Ltd.

Beijing Chemsunny Property Co., Ltd.

Jin Mao (Shanghai) Property Management Service Co., Ltd.

Sinochem Jinmao Property Management (Beijing) Co., Ltd.

Sinochem Corporation

BlueStar New Chemical Materials Guangxi Branch

Shenyang Chemical Co., Ltd.

Sinochem International Tendering Co., Ltd. (“Sinochem Tendering”)

Joint ventures

Guangzhou Kangda Industrial Technology Co., Ltd.

Kunming Broadhealthcare (Group) 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.

Guixi Hongye Infrastructure Investment Co., Ltd.

Yantai Yuanxin Zhongda Investment Co., Ltd.

Deyang Hongbo Construction Investment Co., Ltd.

Associates

Tianjin FIS Asset Management Co., Ltd.

Shanghai Yijia Construction Development Co., Ltd.

Hangzhou Guoya Stomatological Hospital Co., Ltd.

* No longer jointly controlled by the Group since 6 June 2022

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

*** Formerly known as Kunming Broadhealthcare Investment Co., Ltd.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

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 2022	31 December 2021
	(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	–	17,782
Teamway Shipping Limited	–	20,461
Fengyang Qianmen Hospital Co., Ltd.	565	565
Suzhou Gaoxin Rehabilitation Hospital Co., Ltd.	681	398
Guixi Hongyu Infrastructure Investment Co., Ltd.	251	–
Guixi Hongye Infrastructure Investment Co., Ltd.	3	–
Yantai Yuanxin Zhongda Investment Co., Ltd.	190	–
Deyang Hongbo Construction Investment Co., Ltd.	38	–
Shanghai Yijia Construction Development Co., Ltd.	2,667	878
	7,063	42,752

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

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 2022	31 December 2021
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Due to related parties		
Shenyang Chemical Co., Ltd.	10,000	10,000
Fengyang Qianmen Hospital Co., Ltd.	268	268
Kunming Broadhealthcare (Group) Co., Ltd.	951	1
Suzhou Gaoxin Rehabilitation Hospital Co., Ltd.	5,105	7,498
Grand Flight Investment Management Co., Ltd.	26,232	43,272
Tian Jin Grand Flight Hooyoung Asset Management Co., Ltd.	63	2,053
Yantai Yuanxin Zhongda Investment Co., Ltd.	-	154
Hangzhou Guoya Stomatological Hospital Co., Ltd.	-	750
Sinochem Finance Co., Ltd.	600	-
Guangzhou Kangda Industrial Technology Co., Ltd.	30	-
	43,249	63,996

Except for the amounts due to Fengyang Qianmen Hospital Co., Ltd., Kunming Broadhealthcare (Group) Co., Ltd., Grand Flight Investment Management Co., Ltd., Tian Jin Grand Flight Hooyoung Asset Management Co., Ltd., Suzhou Gaoxin Rehabilitation Hospital Co., Ltd. which bear interest at an interest rate of 1.485%, and Guangzhou Kangda Industrial Technology Co., Ltd. which bears interest at an interest rate of 4.8% to 5.81%, amounts due to other related parties are unsecured and non-interest-bearing.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

26. RELATED PARTY TRANSACTIONS (continued)

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

(i) Interest income from cash at banks

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Sinochem Finance Co., Ltd.	1,012	1,940

The interest was charged at rates ranging from 0.35% to 1.495% per annum (31 December 2021: 0.35% to 1.495%).

(ii) Service fee income

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Kunming Broadhealthcare (Group) Co., Ltd.	-	189
Suzhou Gaoxin Rehabilitation Hospital Co., Ltd.	266	989
Hangzhou Guoya Stomatological Hospital Co., Ltd.	-	296
	266	1,474

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

(iii) Interest expenses on borrowings

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Sinochem Finance Co., Ltd.	1,260	3,243

The interest expenses were charged at a rate of 3.60% per annum (31 December 2021: 3.80% to 4.185%).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

26. RELATED PARTY TRANSACTIONS (continued)

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

(iv) Interest expenses on other payables

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Grand Flight Investment Management Co., Ltd.	183	137
Tian Jin Grand Flight Hooyoung Asset Management Co., Ltd.	6	14
Suzhou Gaoxin Rehabilitation Hospital Co., Ltd.	36	41
	225	192

The interest expenses were charged at a rate of 1.485% per annum(31 December 2021:1.485%).

(v) Rental as a lessee

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Beijing Chemsunny Property Co., Ltd.	6,109	4,070
Sinochem Jinmao Property Management (Beijing) Co., Ltd.	421	281
	6,530	4,351

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

(vi) Maintenance expense

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Shanghai Yijia Construction Development Co., Ltd.	3,961	–

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

26. RELATED PARTY TRANSACTIONS (continued)

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

(vii) Consultancy fee

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Sinochem Finance Co., Ltd.	–	94
Suzhou Gaoxin Rehabilitation Hospital Co., Ltd.	5	–
	5	94

(viii) Interest income from loans and accounts receivables

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Guangzhou Kangda Industrial Technology Co., Ltd.	2,300	13,045
Kunming Broadhealthcare (Group) Co., Ltd.	2,798	1,754
Tianjin FIS Asset Management Co., Ltd.	–	19,880
Suzhou Gaoxin Rehabilitation Hospital Co., Ltd.	2,920	2,369
Shanghai Shengjiang Investment Management Co., Ltd.	–	389
Hangzhou Guoya Stomatological Hospital Co., Ltd.	379	125
BlueStar New Chemical Materials Guangxi Branch	145	–
Shenyang Chemical Co., Ltd.	2,372	–
	10,914	37,562

c. Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Employee benefits	80,017	52,903

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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27. FINANCIAL INSTRUMENTS BY CATEGORY

	As of 30 June 2022	As of 31 December 2021
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Financial assets as per the statement of financial position		
Financial assets at amortised cost:		
Loans and accounts receivables	279,852,521	252,218,007
Financial assets included in prepayments, other receivables and other assets	1,629,622	3,126,777
Restricted deposits	3,878,497	4,239,760
Cash and cash equivalents	13,752,478	15,659,036
Financial assets at fair value through profit or loss:		
Financial assets at fair value through profit or loss	11,364,829	12,760,358
Derivative financial instruments	1,901	–
Financial assets at fair value through other comprehensive income:		
Debt investments at fair value through other comprehensive income	622,357	699,039
Hedging instruments designated in cash flow hedges:		
Derivative financial instruments designated as hedging instruments in cash flow hedges	757,185	22,331
Total	311,859,390	288,725,308

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

27. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

	As of 30 June 2022	As of 31 December 2021
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Financial liabilities as per the statement of financial position		
Financial liabilities at amortised cost:		
Trade and bills payables	16,140,680	13,890,322
Financial liabilities included in other payables and accruals	19,250,942	22,140,683
Interest-bearing bank and other borrowings	258,332,149	226,879,656
Convertible bonds – host debts	3,538,345	3,321,086
Lease liabilities	527,251	607,015
Financial liabilities at fair value through profit or loss:		
Other non-current liabilities	1,532,388	1,453,931
Derivative financial instruments	2,959	6,908
Forward contract	257,405	–
Hedging instruments designated in cash flow hedges:		
Derivative financial instruments designated as hedging instruments in cash flow hedges	675,158	2,361,956
Total	300,257,277	270,661,557

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

28. FAIR VALUE HIERARCHY

Financial instruments not measured at fair value

Financial assets and liabilities not presented at 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 instruments 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

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

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

All of the restricted deposits and interest-bearing bank and other borrowings, except for bonds issued and short-term borrowings, are substantially on floating rate terms and bear interest at prevailing market interest rates and their carrying values approximate to their fair values. For loans and accounts receivables with long-term remaining maturities, the applied interest rates approximate to prevailing market interest rates and their carrying values approximate to their fair value.

Bonds issued and convertible bonds – host debts

The fair values of the bonds and 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 amortised cost of RMB1,495,229,000 as at 30 June 2022. Its fair value of RMB1,432,542,000 has been calculated by discounting the expected future cash flows using a rate of 9.9812%, which was currently available for instruments with same currency, similar terms and remaining maturities as well as considering the Group's own non-performance risk (Level 3).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

28. FAIR VALUE HIERARCHY (continued)

Financial instruments not measured at fair value (continued)

Other non-current liabilities (continued)

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	31 December	30 June	31 December
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities				
Bonds issued	112,677,306	103,410,935	113,414,474	104,632,682
Convertible bonds – host debts	3,538,345	3,321,086	3,688,778	3,499,704
Other non-current liabilities	1,495,229	1,362,971	1,432,542	1,357,130

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

The fair values of the non-current portion of financial assets included in prepayments, deposits and other receivables and the 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.

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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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28. FAIR VALUE HIERARCHY (continued)

Financial instruments measured at fair value (continued)

Financial assets at fair value through profit or loss (continued)

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 2022.

Description	Fair value at 30 June 2022	Valuation technique	Unobservable input	Relationship of unobservable inputs to fair value
RMB'000				
Financial investments at fair value through profit or loss	3,377,679	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 2021	Valuation technique	Unobservable input	Relationship of unobservable inputs to fair value
RMB'000				
Financial investments at fair value through profit or loss	2,694,057	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

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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 2022

	Level 1 Quoted prices in active markets	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Cross-currency interest rate swaps – assets	–	708,120	–	708,120
Forward currency contracts – assets	–	14,432	–	14,432
Interest rate swaps – assets	–	36,534	–	36,534
Cross-currency interest rate swaps – liabilities	–	(608,513)	–	(608,513)
Forward currency contracts – liabilities	–	(43,548)	–	(43,548)
Interest rate swaps – liabilities	–	(26,056)	–	(26,056)
Forward contract – liabilities	–	–	(257,405)	(257,405)
Financial assets at fair value through profit or loss	462,267	7,527,220	3,377,679	11,367,166
Debt investments at fair value through other comprehensive income	–	622,357	–	622,357
Other non-current liabilities	–	(1,532,388)	–	(1,532,388)

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28. FAIR VALUE HIERARCHY (continued)

Assets and liabilities measured at fair value (continued)

As at 31 December 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	–	11,596	–	11,596
Interest rate swaps – assets	–	10,735	–	10,735
Cross-currency interest rate swaps – liabilities	–	(2,260,523)	–	(2,260,523)
Forward currency contracts – liabilities	–	(86,806)	–	(86,806)
Interest rate swaps – liabilities	–	(14,627)	–	(14,627)
Financial assets at fair value through profit or loss	789,665	9,276,636	2,694,057	12,760,358
Debt investments at fair value through other comprehensive income	–	699,039	–	699,039
Other non-current liabilities	–	(1,453,931)	–	(1,453,931)

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

	For the six months ended 30 June 2022	Year ended 31 December 2021
	RMB'000	RMB'000
Financial assets at fair value through profit or loss		
Carrying amount at 1 January 2022	2,694,057	1,770,807
Changes in fair value recognised in profit or loss	3,037	650,074
Additions	678,493	273,251
Exchange differences	2,092	(75)
Carrying amount at 30 June 2022	3,377,679	2,694,057

During the six months ended 30 June 2022, 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 2021: Nil).

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

As at 30 June 2022

	Level 1 Quoted prices in active markets	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Forward contract – liabilities	–	–	257,405	257,405
Bonds issued	–	113,414,474	–	113,414,474
Convertible bonds – host debts	–	3,688,778	–	3,688,778
Other non-current liabilities	–	1,432,542	–	1,432,542

As at 31 December 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	–	104,632,682	–	104,632,682
Convertible bonds – host debts	–	3,499,704	–	3,499,704
Other non-current liabilities	–	1,357,130	–	1,357,130

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29. EVENTS AFTER THE REPORTING PERIOD

In July 2022, the board of directors (the “Board”) announced that, the Company has resolved to grant certain qualified participants (the “Grantees”) share options (the “Options”) under the share option scheme (the “Share Option Scheme”) of the Company adopted on 5 June 2019 to subscribe to a total of 33,847,932 ordinary shares in the capital of the Company, 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 2022, the Board resolved to grant certain qualified participants (the “Selected Grantees”) 50,771,897 restricted shares (the “Restricted Shares”) 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, the restricted shares (the “Restricted Shares”) will be held in the form of trust for the Selected Grantees until such Restricted Shares are vested to the Selected Grantees in accordance with the rules of the Award Scheme.

On 5 July 2022, the Group completed the issuance of perpetual medium-term notes in the amount of RMB1,000,000,000 in the PRC with a basic term of 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 a coupon distribution rate of 4.2% per annum.

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 29 August 2022.