



# Investor Communication Materials of Far East Horizon Limited

August 2021

# Disclaimer

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Note: Unless otherwise specified, all monetary amounts stated herein are denominated in RMB.



## 1 Results Overview

## 2 Business Analysis

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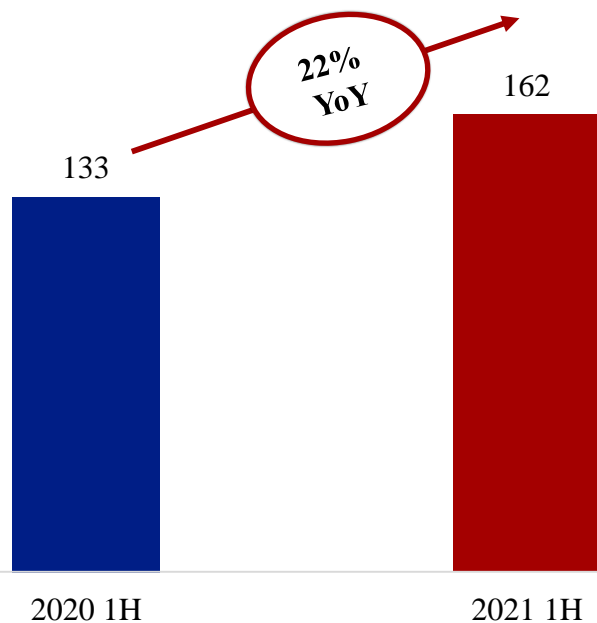
Note: Unless otherwise specified, the data in this report is as of 30 June 2021

## Faster growth in the first half of 2021

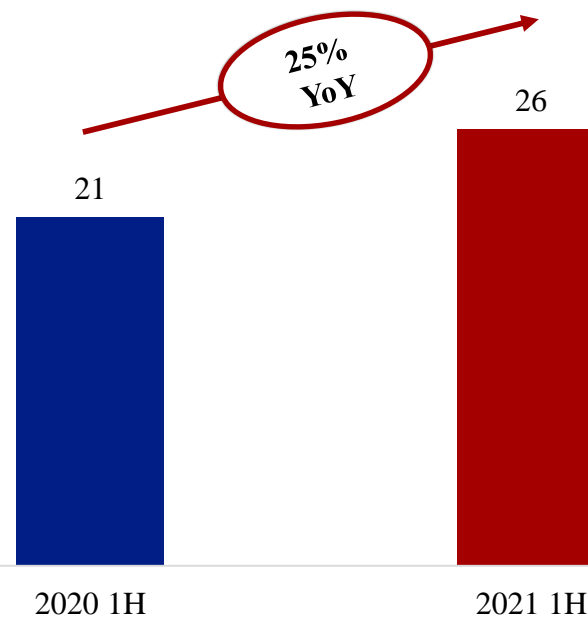


- In the first half of 2021, revenue and net profit attributable to parent were approximately RMB16.2 billion and approximately RMB2.6 billion respectively, representing a year-on-year increase of 22% and 25%
- The faster growth was mainly attributable to (1) the increase in interest-earning assets of financial leasing and new businesses with steady interest spread and stable asset quality; (2) the rapid growth in equipment operation business; and (3) the steady growth in hospital operation business with improved profitability

### Total revenue (RMB'00 million)



### Net profit attributable to parent (RMB'00 million)

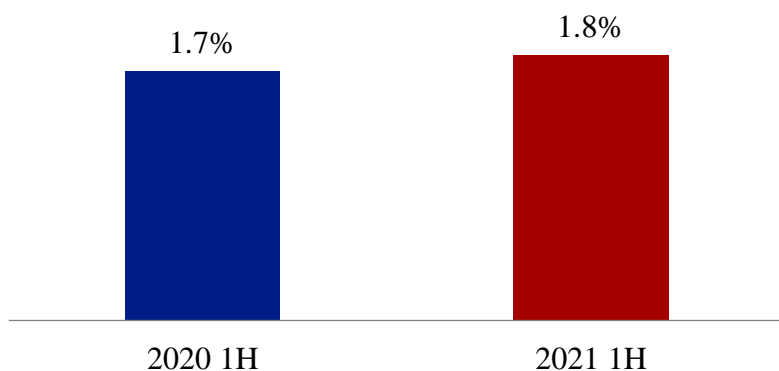


## Steady improvement in various profit indicators

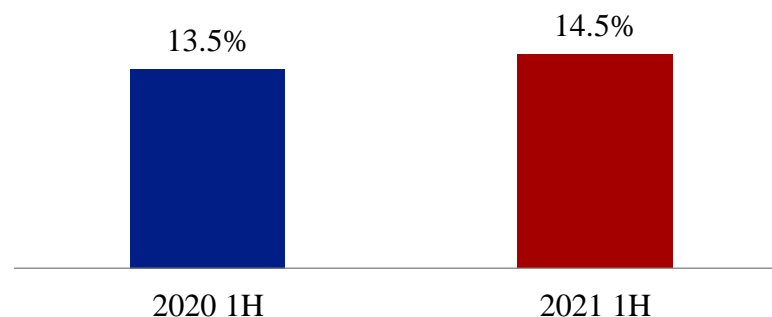


- Annualized ROA and annualized ROE was around 1.8% and around 14.5% respectively, which grew steadily as compared to the corresponding period of last year
- EPS amounted to RMB0.64, representing a year-on-year increase of approximately 19%; net asset per share amounted to RMB8.91, representing a year-on-year increase of approximately 14%

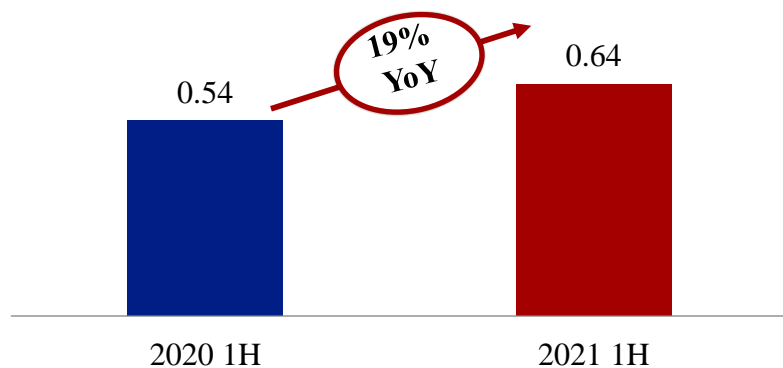
### ROA



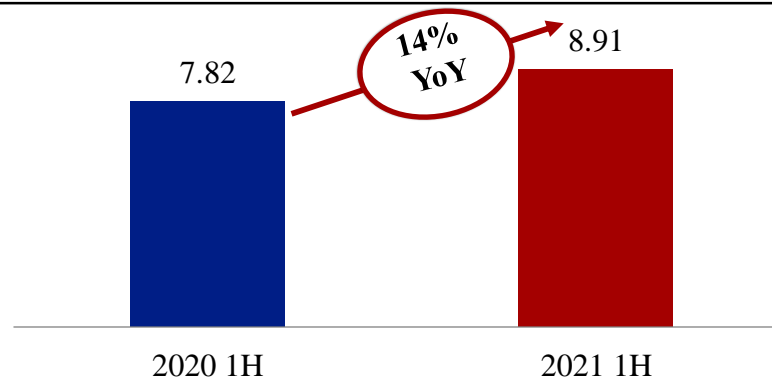
### ROE



### EPS (RMB/share)



### BVPS (RMB/share)



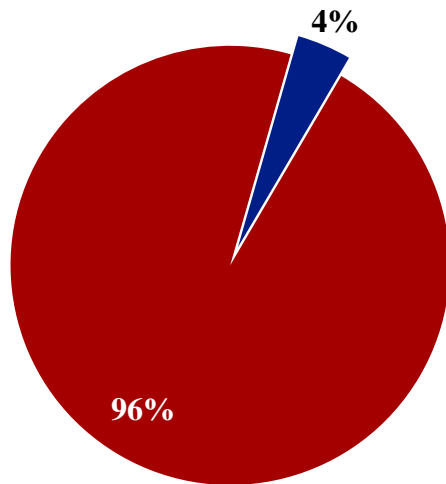
# Revenue structure continues to optimize while the contribution of industrial operation segment increases gradually



- Adhering to the operational strategy of “finance + industry”, the Company continuously optimized its revenue structure. The contribution of industrial operation segment increased gradually
- Compared to financial business, the capital utilization and output of industrial operation were higher, which will be beneficial for boosting overall profitability and long-term ROE of the Company

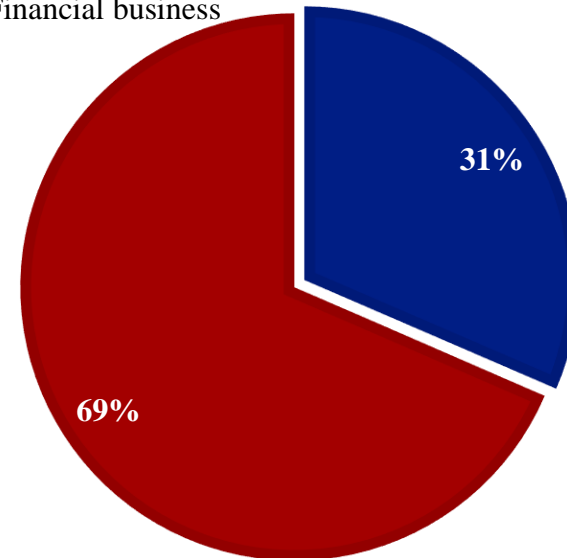
## Revenue structure at the time of listing (first half of 2011) \*

- Industrial operation
- Financial business



## Revenue structure in the first half of 2021

- Industrial operation
- Financial business



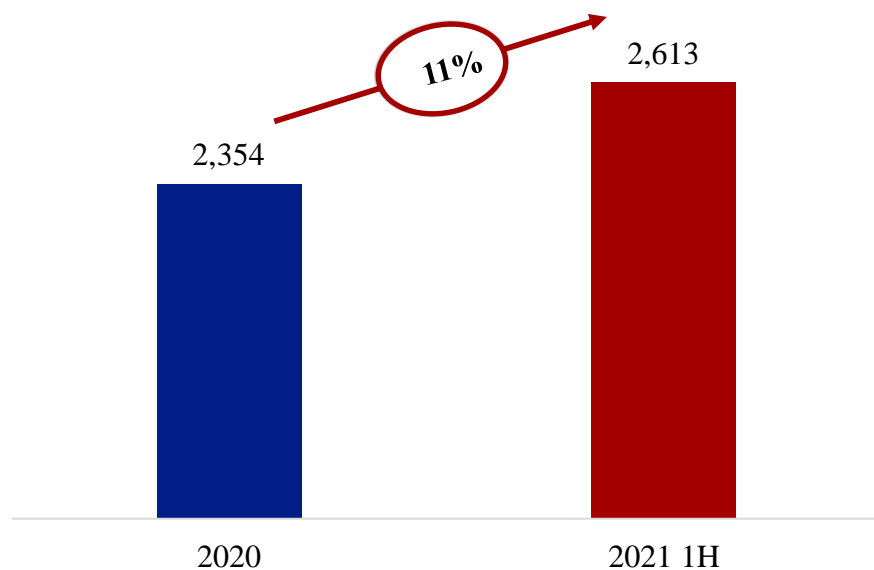
Note\*: Financial business mainly refers to financial leasing and advisory service; Industrial operation refers to revenue in relation to brokerage business and hospital construction and operation

## Financial leasing: Business scale continues to grow steadily

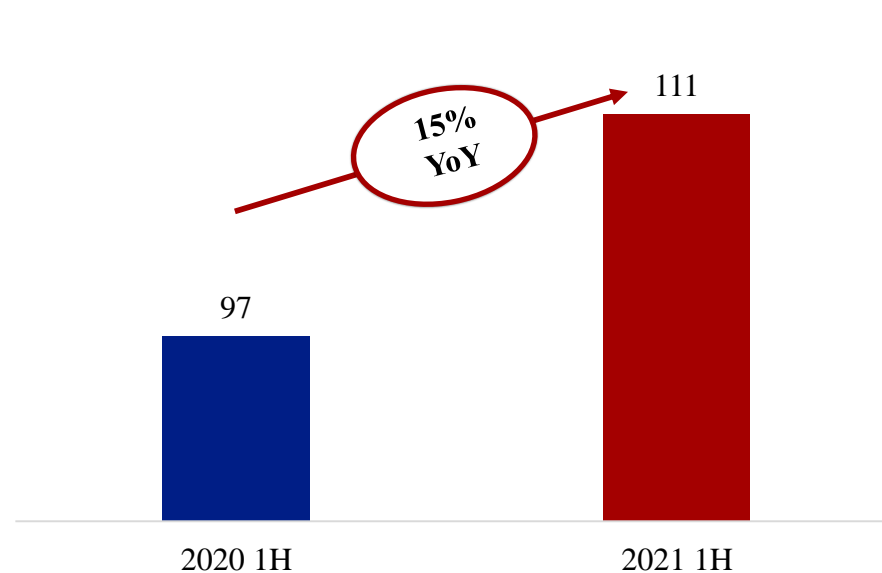


- The interest-earning asset increased to over RMB261.3 billion, with realized revenue of over RMB11.1 billion, representing a year-on-year increase of approximately 15%
- As benefiting from the continuous development in industrial fields and the efforts in expanding customer base, our financial leasing operation basically maintained its leading position. Meanwhile, the Company strives to develop new businesses such as inclusive financing, commercial factoring, PPP investment, overseas financing, asset operation and other new businesses, and offer customized financial services for corporate customers

### Net interest-earning assets (RMB'00 million)



### Revenue from financial leasing (RMB'00 million)



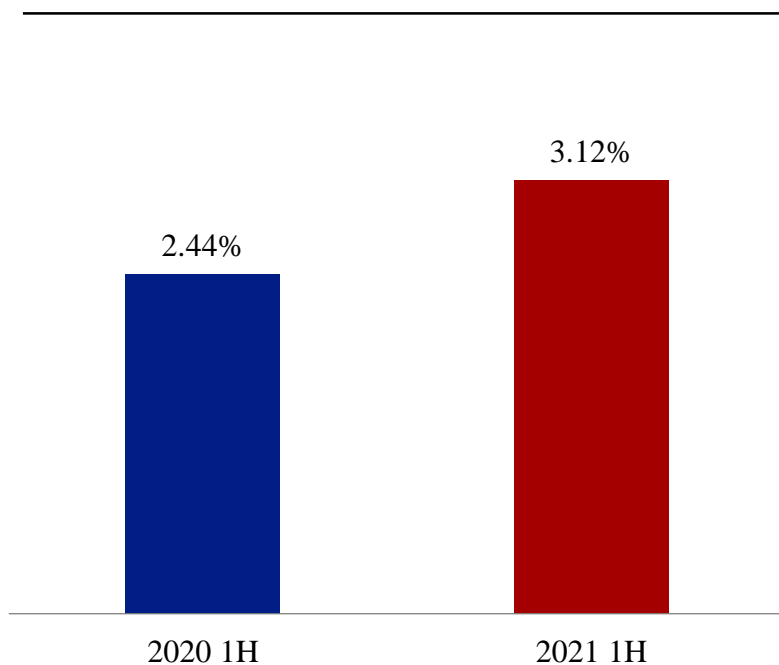
Note: The “financial leasing” in this presentation includes financial leasing business and new businesses such as inclusive finance, commercial factoring, PPP investment and asset operation

## Financial leasing: Rate of net return maintains steady growth

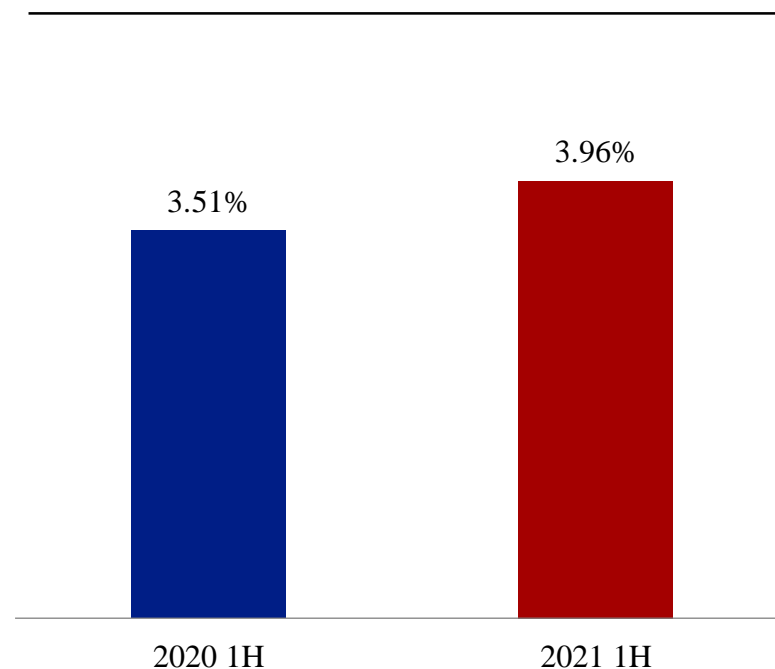


- The NIS of the Company was 3.12%, representing a year-on-year increase of 0.68 percentage point; the NIM was 3.96%, representing a year-on-year increase of 0.45 percentage point
- The increase was mainly attributable to the fact that (1) the asset structure was continuously optimized; (2) while meeting customers' demands on customized services, new businesses also boosted the rate of return on assets; and (3) the financing channels had further expanded, with effective cost control measures being implemented

### Net interest spread (NIS)



### Net interest margin (NIM)

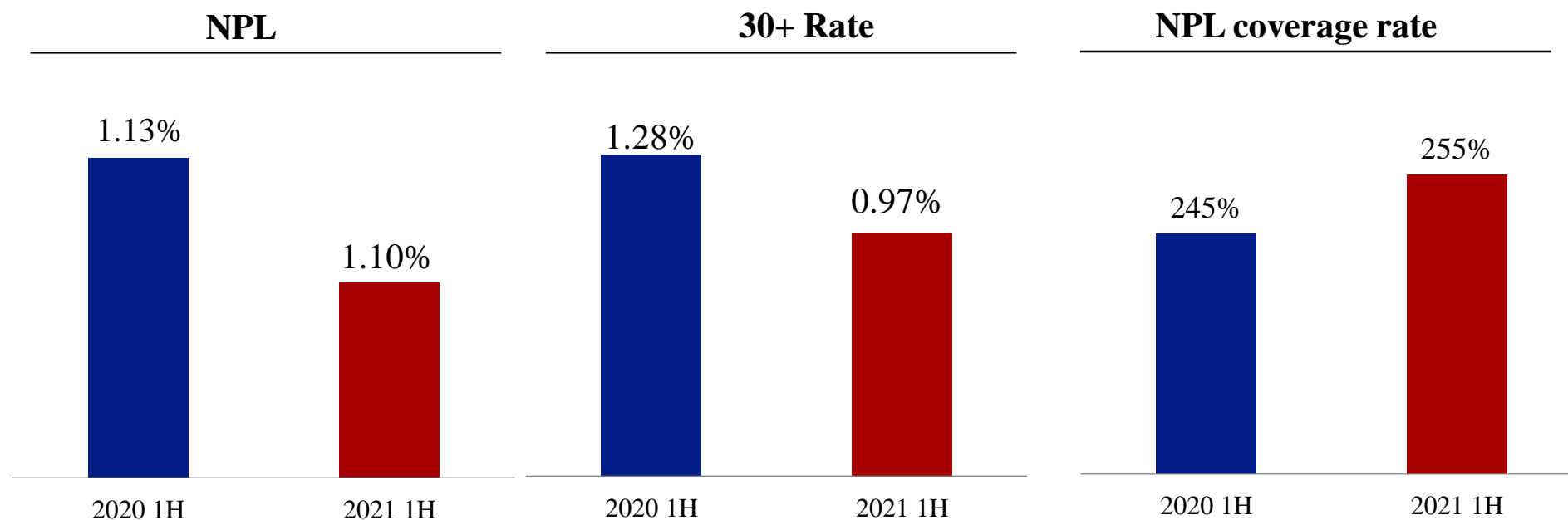




## Financial leasing: Asset quality remains healthy



- The NPL remained steady at 1.1%; and the proportion of interest-earning assets overdue for more than 30 days (“30+ Rate”) continuously declined to 0.97%, reflecting the strict risk control system and strong asset management capability of the Company
- The NPL coverage rate was around 255%, up by around 10 percentage points as compared to corresponding period of last year, reflecting the steady accounting policies of the Company

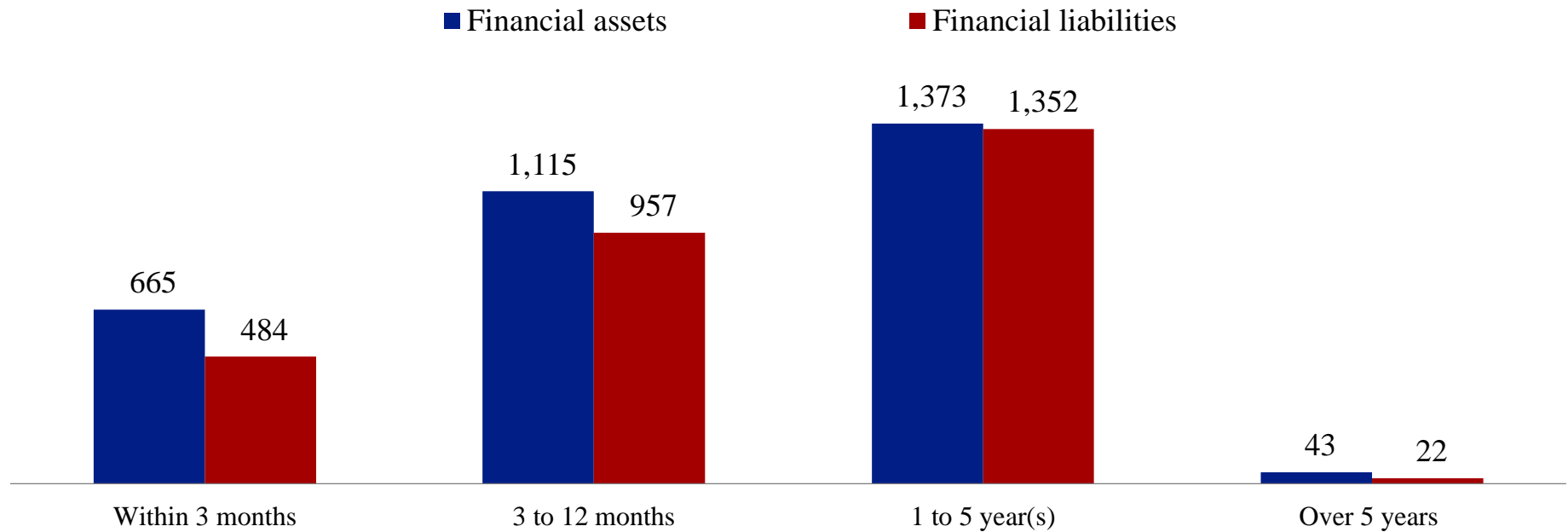


# Financial leasing: Reasonable match of asset and liability maturity, with acceptable level of security and efficiency



- To ensure liquidity safety and capital utilization efficiency, the match of asset and liability maturity was prudently managed

## Matching of asset and liabilities (RMB'00 million)

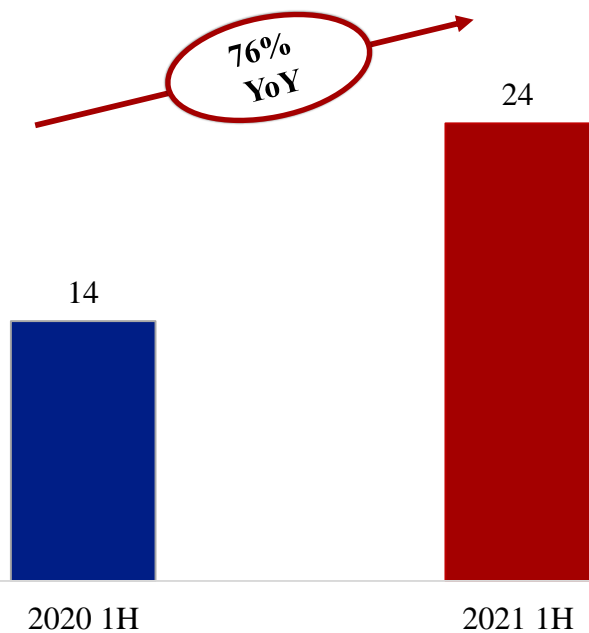


# Horizon Construction Development: rapid growth continues

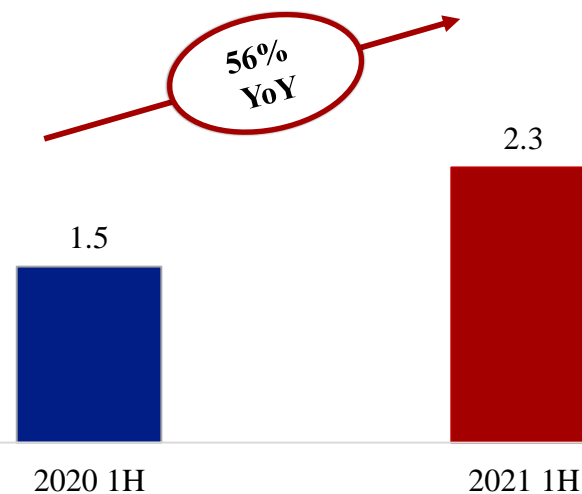


- Rapid growth was maintained with operating income and net profit of over RMB2.4 billion and over RMB230 million, representing a year-on-year increase of approximately 76% and 56% respectively
- As the industry leader, huge advantages in terms of equipment scale, network coverage, operation capability and efficiency realized rapid growth and continuous increase in market share

### Operating income (RMB'00 million)



### Net profit (RMB'00 million)



Note: HCD refers to Horizon Construction Development Limited

# HCD completes financing over US\$200 million with spin-off and separate listing progressing smoothly



- In April 2021, a strategic financing of over US\$200 million was completed with investors including strategic investors such as XCMG, Zoomlion, Dingli and LGMG, as well as Hillhouse Capital, CMB International and other well-known financial investors
- In June 2021, the spin-off and separate listing was approved, and a listing application to the Hong Kong Stock Exchange was submitted on 30 June

## Initial external financing of US\$200 million by Horizon Construction Development

### Strategic investors



### Financial investors

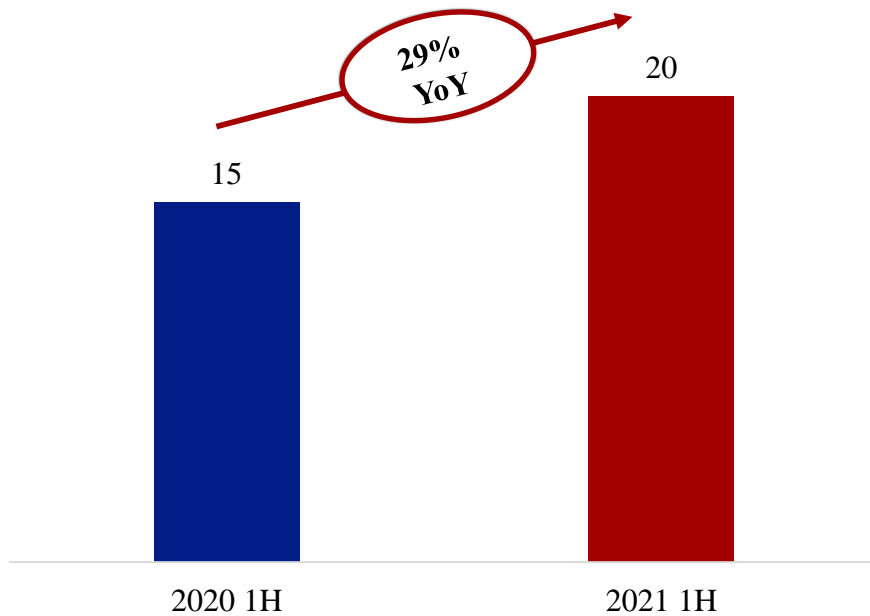


# Horizon Health: Revenue increases steadily, with significant enhancement in profitability

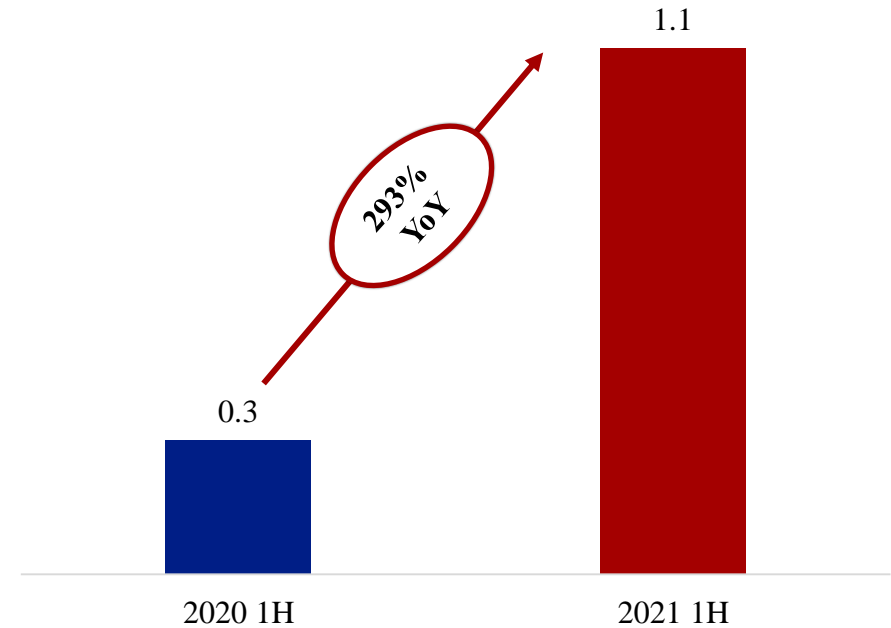


- Operating income and net profit amounted to approximately RMB2.0 billion and over RMB110 million, representing a year-on-year increase of over 29% and 293% respectively
- Internal hospital integration accelerated during the reporting period, covering medical discipline integration, centralized procurement and capital sharing, which continuously enhanced operating efficiency and profitability

### Operating income (RMB'00 million)



### Net profit (RMB'00 million)



## Condensed Balance Sheet



<b>Unit: RMB'00 million</b>	<b>30 June 2021</b>	<b>31 December 2020</b>	<b>Change</b>
<b>Total assets</b>	<b>3,336</b>	2,999	<b>11.2%</b>
<b>Interest-earning assets</b>	<b>2,613</b>	2,354	<b>11.0%</b>
<b>Total liabilities</b>	<b>2,852</b>	2,547	<b>12.0%</b>
<b>Total equity</b>	<b>484</b>	453	<b>6.9%</b>
<b>Equity attributable to ordinary shareholders</b>	<b>371</b>	341	<b>8.8%</b>
<b>Net assets per share (RMB/share)</b>	<b>8.91</b>	8.58	<b>3.9%</b>

# Condensed Income Statement



Unit: RMB'00 million	2021 1H	2020 1H	Change
Total income	<b>161.8</b>	132.8	<b>21.9%</b>
Total pre-tax profit	<b>42.1</b>	33.3	<b>26.4%</b>
Consolidated net profit	<b>28.9</b>	23.6	<b>22.6%</b>
Net profit attributable to ordinary shareholders	<b>25.7</b>	20.6	<b>25.2%</b>
EPS (RMB/share)	<b>0.64</b>	0.54	<b>18.5%</b>
ROA	<b>1.83%</b>	1.72%	<b>+0.11 pp</b>
ROE	<b>14.45%</b>	13.45%	<b>+1.00 pp</b>



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Results Overview

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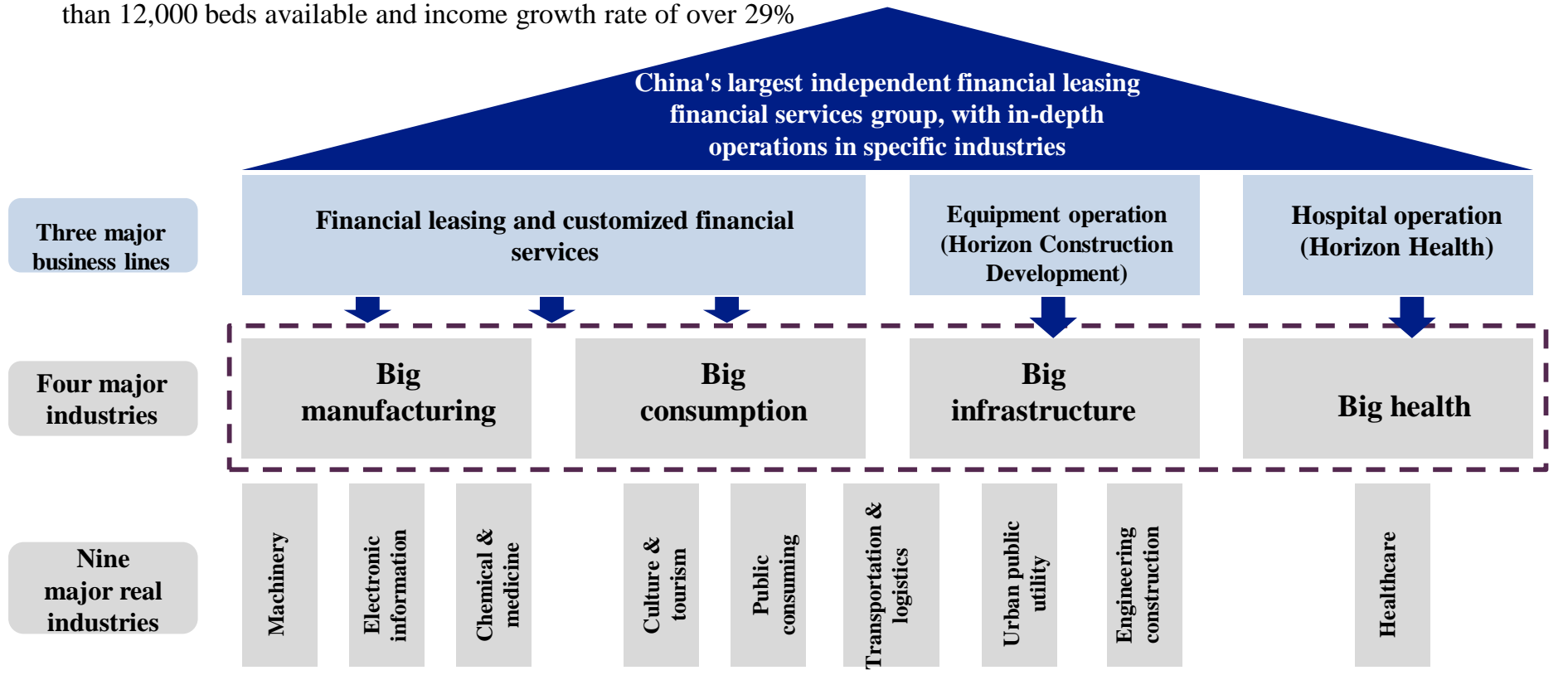
**Business Analysis**



# Far East Horizon: China's largest independent financial leasing financial services group, with in-depth operations in specific industries



- Far East Horizon is the largest independent financial leasing company in China, and offers comprehensive services centering nine major real industries for its corporate customers:
  - Being a leader in the financial leasing business, Far East Horizon serves more than 20,000 corporate customers and offers customized financial services, with interest-earning assets exceeding RMB261.3 billion
  - Horizon Construction Development, one of its subsidiaries, is a leading enterprise in equipment operation service industry, with an asset scale of over RMB22.7 billion and a growth rate of over 45%
  - Horizon Health, one of its subsidiaries, is the largest private medical service organization in fourth-to-fifth tier cities, with more than 12,000 beds available and income growth rate of over 29%





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# Financial Leasing

# Financial leasing: The largest independent financial leasing service group in China

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- The Company has the most leading financial leasing business in China, and offers customized financial services for corporate customers. Its interest-earning assets exceed RMB261.3 billion, serving more than 20,000 customers
- The Company's businesses cover urban public utility, healthcare, culture & tourism, engineering construction, transportation & logistics and other industries. All of them are industries that secure huge support from the government, with a solid operating foundation

## Business overview

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**RMB261.3 billion**  
Interest-earning assets

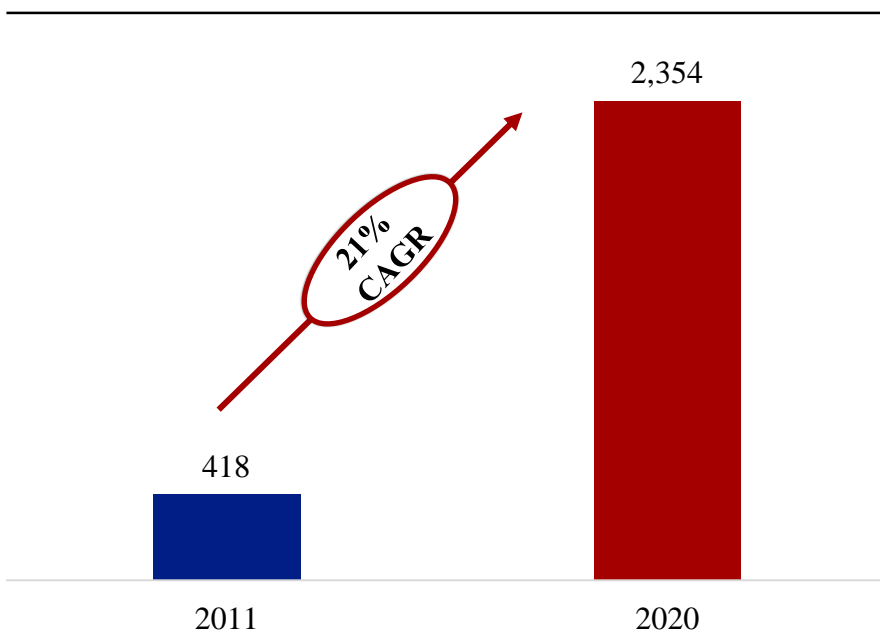
**1.10%**  
NPL

## Financial leasing: Achieved long-term, steady growth

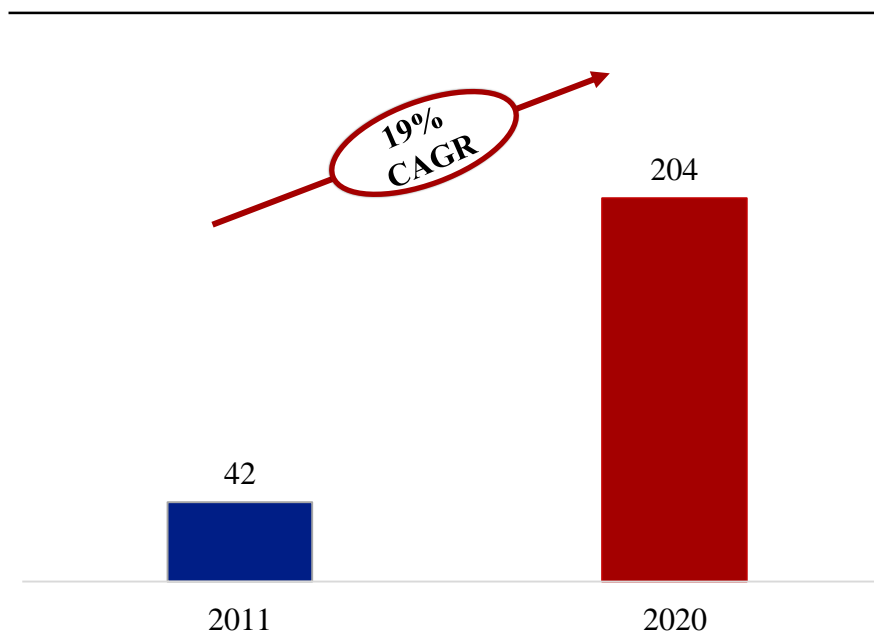


- From 2011 to 2020, the interest-earning assets of the Company increased to RMB235.4 billion from RMB41.8 billion, while revenue increased to RMB20.4 billion from RMB4.2 billion, representing CAGR of over 21% and 19% respectively
- As the largest independent financial leasing service group in China, under the continuous upward trend of financial leasing penetration rate, the Company will continue to achieve long-term, steady growth
- The unique, industry-orientated business mode of the Company has been tested throughout economic cycles, and showed its vitality

Interest-earning assets (RMB'00 million)



Revenue (RMB'00 million)

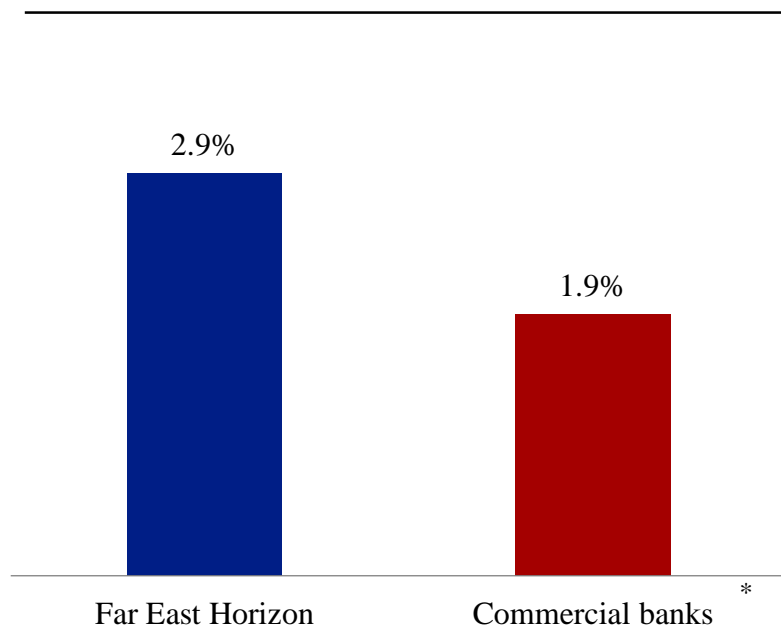


## Financial leasing: Rate on return remained at high level

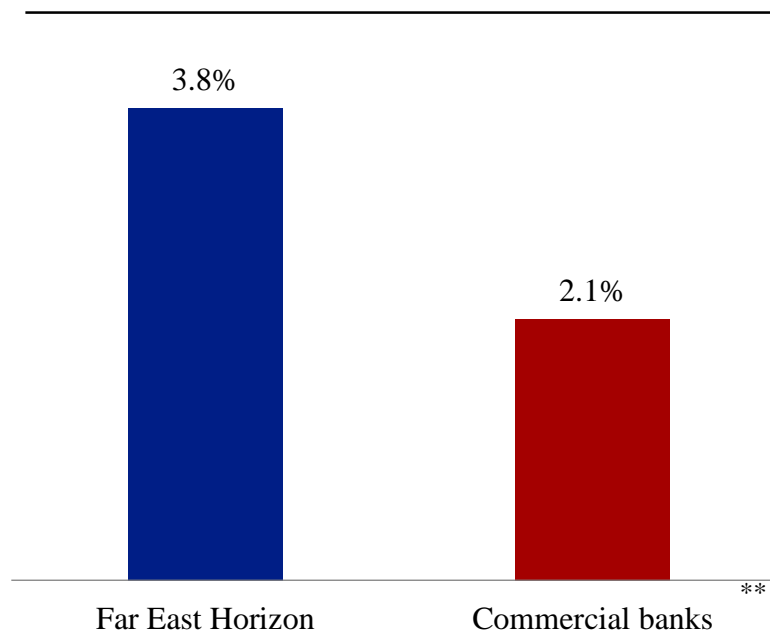


- The Company continued to optimize the structure of interest-earning assets, thus maintaining net interest spread and net interest margin at high level
- The Company realized better asset structure and higher rate on return through in-depth industry research, comprehensive customer service and innovative product design

### Net interest spread (NIS) for 2020



### Net interest margin (NIM) for 2020



Note \*: Based on the average value of main state owned listed banks

Note \*\*: Data sourced from major regulatory indicators for commercial banks of CBIRC

## Financial leasing: Implements prudent management and strict risk control to ensure asset security

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- Adhering to prudent management, the Company has established strict risk control system and conducted due diligent investigation and screening on leased projects, so as to ensure asset security at source
- In addition, the Company has established strong asset management network, with nationwide coverage through 10 regional centers and over 200 asset management personnel. Relevant personnel can arrive on-site within 3 hours to act in response to emergency events so as to ensure asset security

### Strong asset management network

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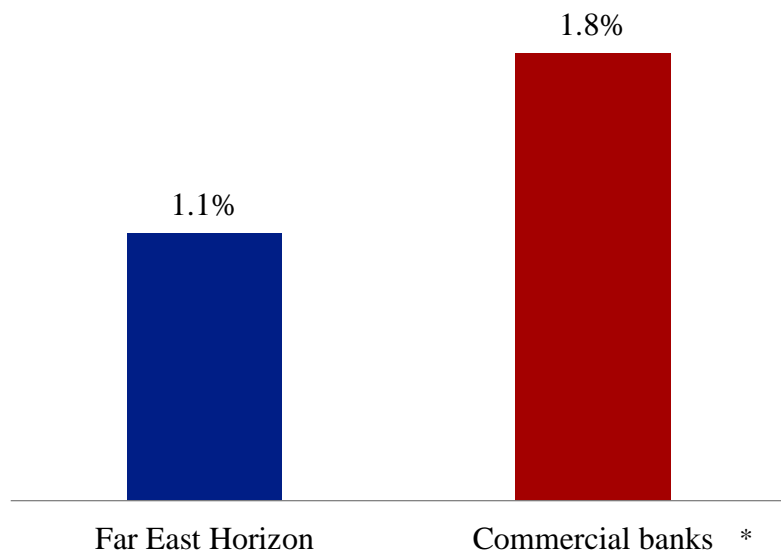


## Financial leasing: Long-term steady asset quality

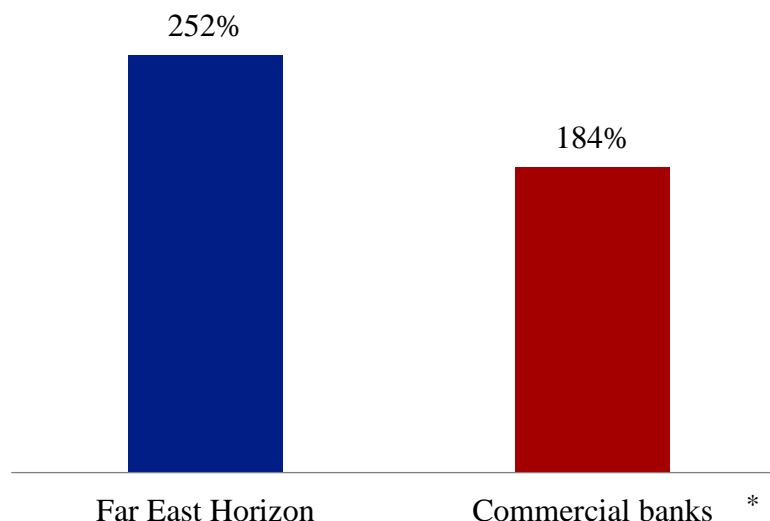


- Asset quality of the Company remained steady for a long period of time. Meanwhile, the Company adopted prudent accounting policy on provision, thus realizing higher profit level
- The Company has maintained NPL at a relatively low level, attributable to its unique industry vision, strict target screening, efficient risk control system, strong asset management and other comprehensive capabilities

### NPL for 2020



### NPL coverage for 2020



Note \*: Data sourced from major regulatory indicators for commercial banks of CBIRC

# Horizon Construction Development



# HCD: Largest equipment operation service platform with the strongest comprehensive capabilities in China

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- Horizon Construction Development is the largest comprehensive operation service provider of construction equipment in China
  - The equipment covers the full cycle of project construction and is suitable for numerous operating scenarios. The cumulative number of customers served has exceeded 60,000
  - Over 230 service outlets covering 151 cities across China, which is the largest in terms of both number of outlets and coverage
  - The most professional operation team in the industry creates leading service capabilities
- Assets exceed RMB22.7 billion, ranking top in domestic industry in terms of the equipment volume owned of aerial work platform, neo-excavation support system and neo-formwork system

## Business overview of Horizon Construction Development

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**Ranked TOP**  
in terms of  
equipment volume of  
aerial work platform

**Ranked TOP**  
in terms of  
equipment volume of  
neo-excavation  
support system

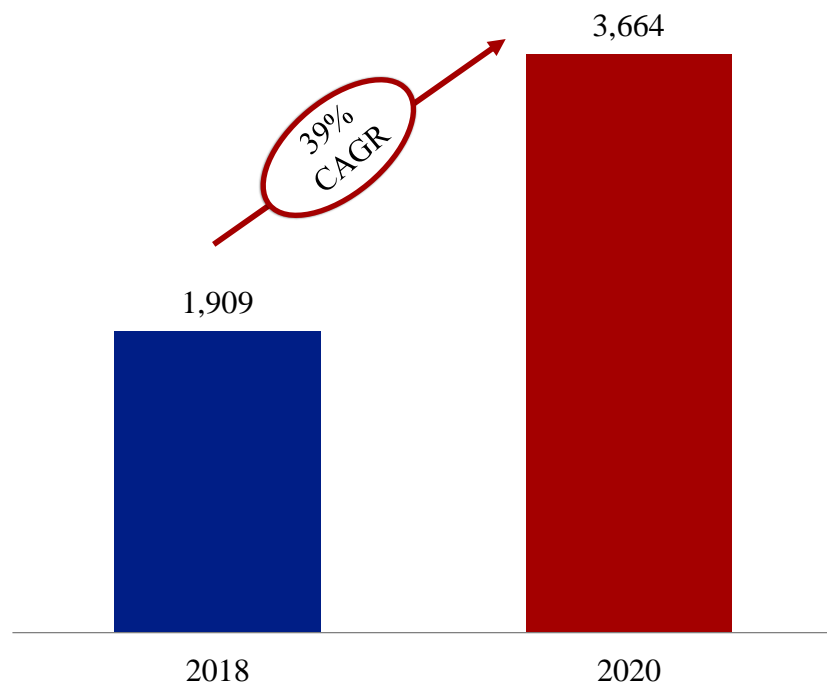
**Ranked TOP**  
in terms of  
equipment volume of  
neo-formwork  
system

# HCD: Maintained rapid growth in operating performance

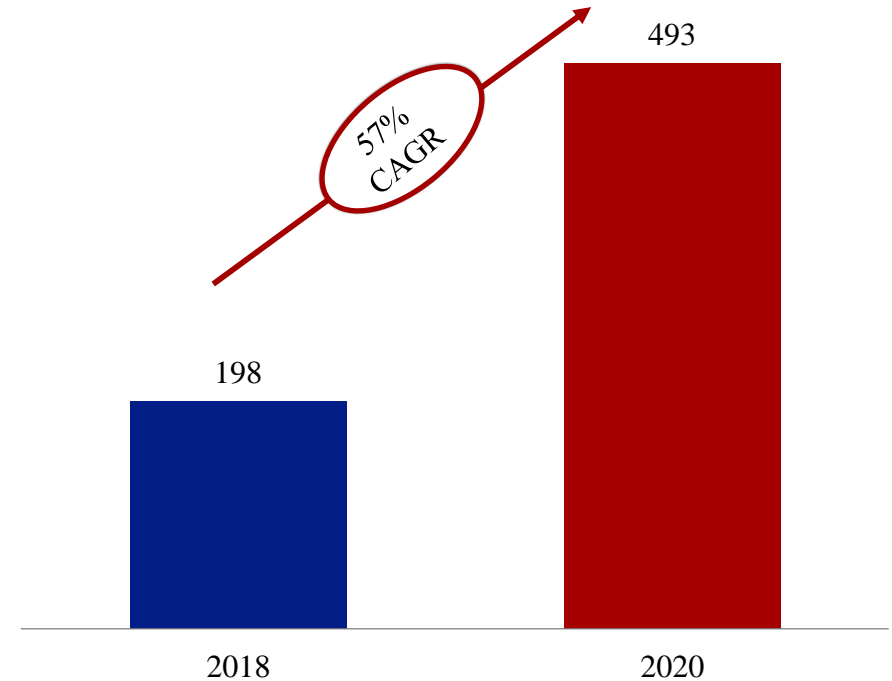


- In the past three years, its CAGR for operating income and net was 39% and 57% respectively
- As the industry leader, It has significant competitive advantages in terms of equipment volume, network coverage, operating capability and efficiency, with continuous growth in market share

## Operating income (RMB million)



## Net profit (RMB million)



# HCD: Huge room for industry development



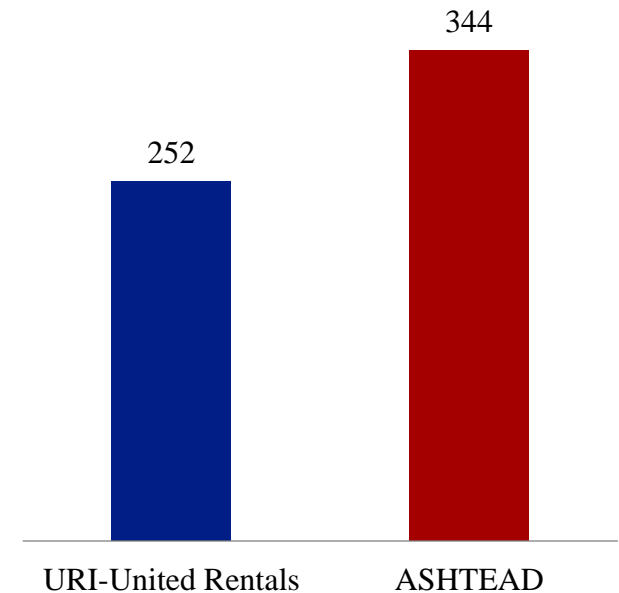
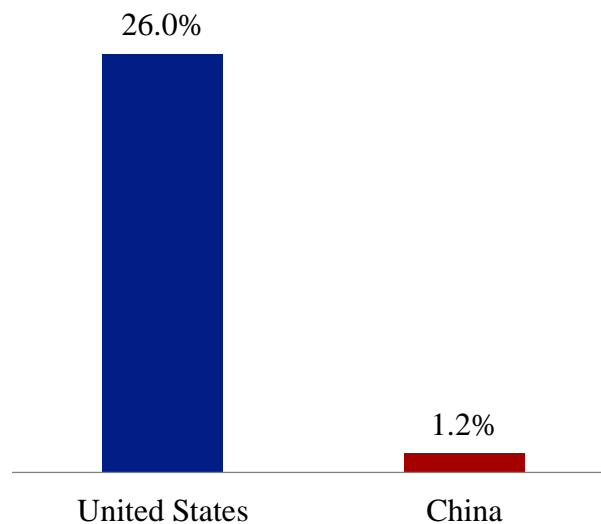
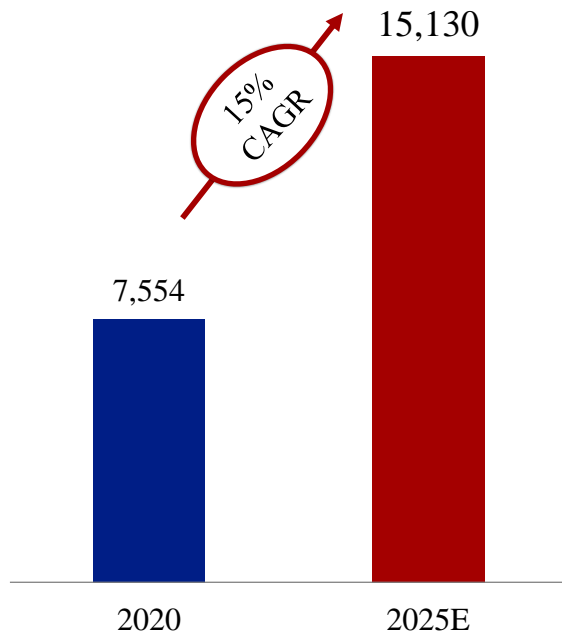
- The equipment leasing industry is huge in China, with market value expected to exceed RMB1.5 trillion in 2025
- At the same time, the concentration of equipment leasing industry in China is low. As the industry leader, Horizon Construction Development has huge opportunities for market integration

**Market value of equipment leasing market in China (RMB'00 million)**

**Equipment leasing market in China is highly fragmented, with huge room for integration**

**Comparison of market capitalization (US\$'00 million)**

**Mark share of Top 3 equipment operators**



Source: Frost and Sullivan, MOHURD, U.S. URI Annual Report and Wind

Horizon Health

# Horizon Health: A large medical institution funded by social capital in China

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- Horizon Health, a large medical institution funded by social capital in China, owns 29 controlled hospital with more than 12,000 beds, thus forming a nationwide hospital networking covering Eastern China, Southern China, Southwestern China, Northeastern China and other regions
- Utilizing resources of the Group, Horizon Health continued to acquire leading, profitable hospitals in third- and fourth-tier cities so as to maintain rapid growth
- Adhering to the mode of “one system, one network, one hospital” for future operation, Horizon Health unified its operating management mode, created unique administration offices (orthopedics, tumors, kidney diseases, etc.) and continued to enhance the core competitiveness of hospitals, thus achieving increase in revenue

## Business overview of Horizon Health

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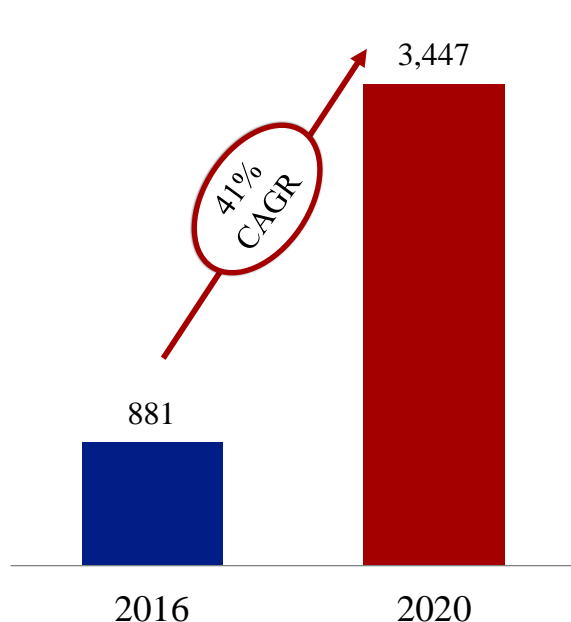


# Horizon Health: Maintained rapid growth in operating performance

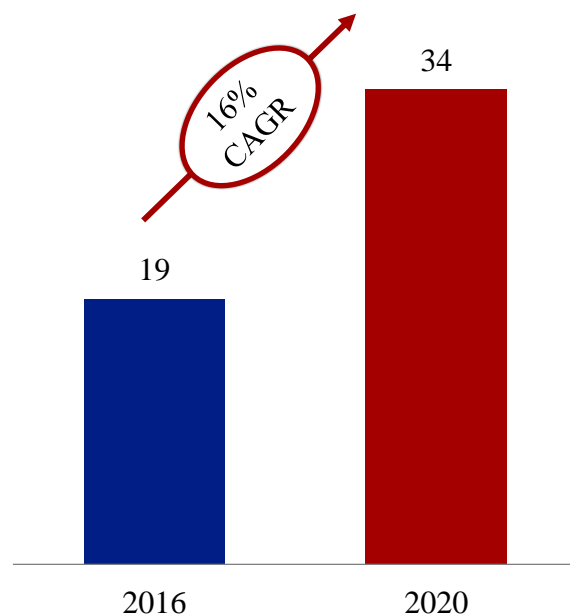


- From 2016 to 2020, the CAGR for operating income and income per bed of Horizon Health was around 41% and 16%, respectively; from 2016 to 2019, the CAGR for net profit exceeded 46%
- Its business scale has been expanding steadily. Through integrated management of internal hospitals, Horizon Health continued to enhance operational efficiency. Hence, income, net profit and income per bed maintained rapid growth

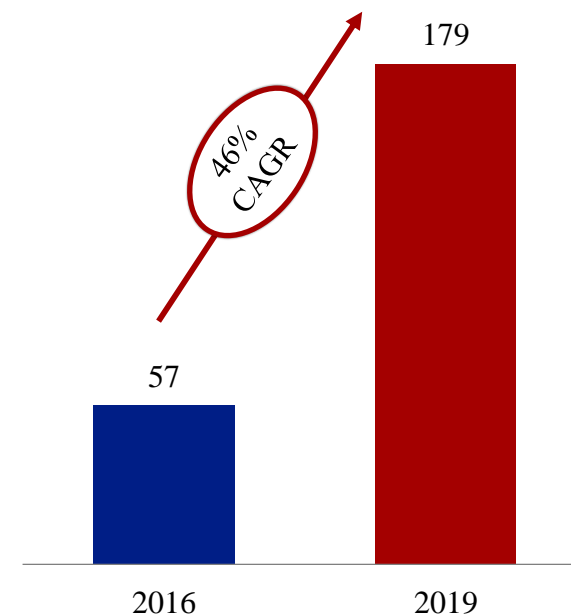
### Operating income (RMB million)



### Income per bed (RMB'0000)



### Net profit (RMB million)

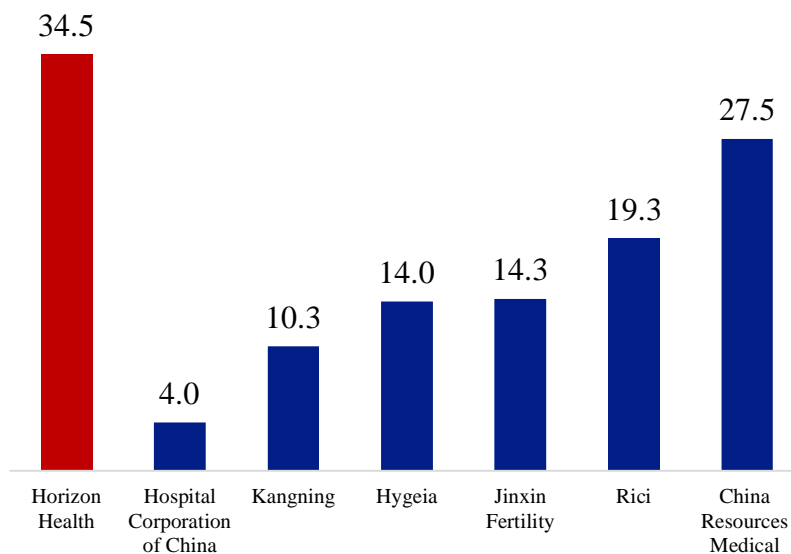


# Horizon Health: Significant competitive advantages in terms of scale and asset, with huge room for potential appreciation in long run



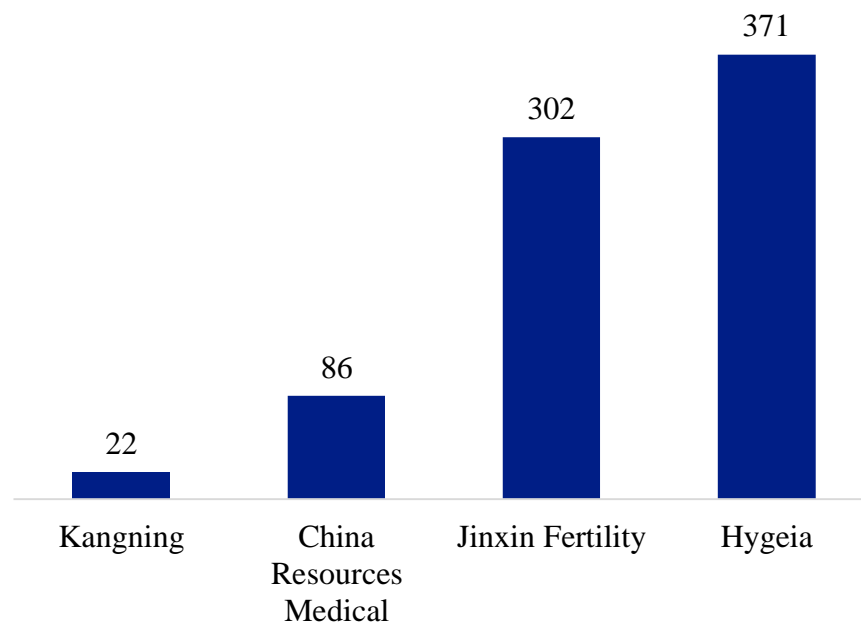
- Comparing to other listed comprehensive hospitals, Horizon Health has the largest business scale. Centering on the “big integration + unique medical discipline” strategy, Horizon Health gradually improved its long-term growth and profitability
- With reference to the P/E ratio of comparable listed hospitals, Horizon Health has a greater potential for valuation appreciation

## Revenue of companies operating hospitals in China (RMB'00 million)



Note: Data from 2020 annual reports

## Market capitalization of comparable companies (RMB'00 million)



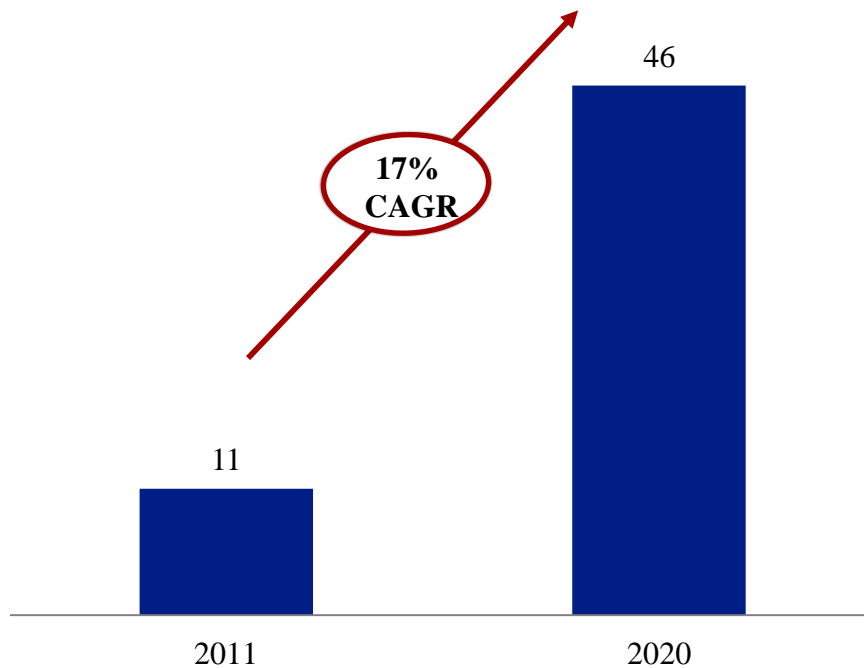
Note: Sourced from AASTOCKS.com (27 August 2021)

# The Company created long-term, successive and cross-cycle promising returns for shareholders

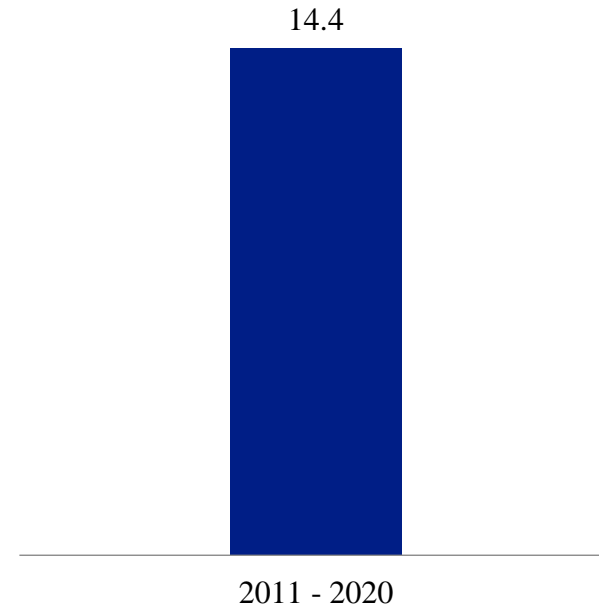


- Over the past decade, Far East Horizon achieved more than 4 times growth in net profit attributable to the parent, with CAGR of over 17% and average ROE of over 14.4%
- The Company has distributed dividends of approximately HK\$7.92 billion in aggregate, and continued to bringing returns to shareholders

**Net profit attributable to the parent (RMB'00 million)**



**Average ROE in the past decade (%)**





# Experienced management team with its interests highly linked with that of the Company



- The management team possesses the expertise and vision as management of a state-owned enterprise. Our management team has established market-orientated incentive system, and is fully capable for corporate management
- The management team is a substantial shareholder of the Company, with its interests highly linked with that of the Company, which is extremely rare among Chinese financial enterprises

## Core management team of the Company

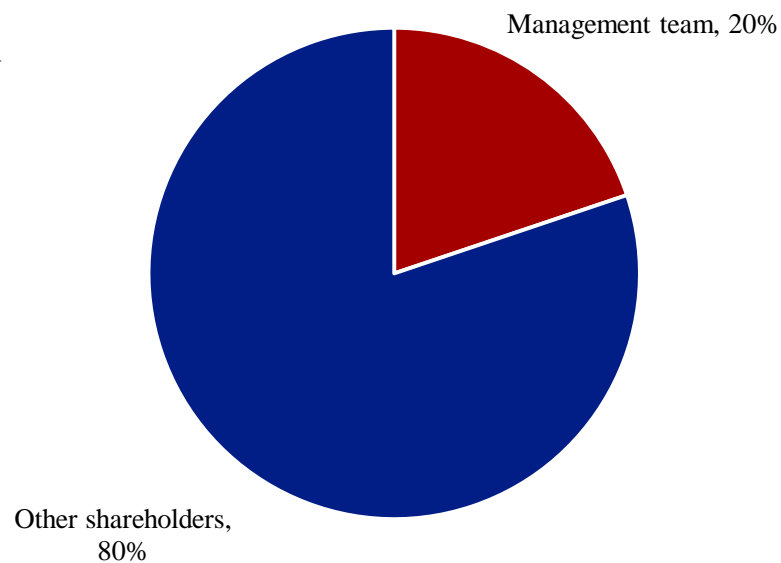


Vice Chairman of the Board  
Chief Executive Officer  
**KONG Fanxing**



Executive Director  
Chief Financial Officer  
**WANG Mingzhe**

## Shareholding structure of the Company



# Valuation of the Company is clearly underestimated, thus there will be greater room for appreciation



- The Company maintained ROE level of around 14% for a long period of time. The share price of the Company as at 30 June 2021 (HK\$8.12) represented 0.79x 20A PB and 5.63x 20A PE, which is underestimated
- The average target price set by security firms is around HK\$12, reflecting a 47% potential appreciation as compared to share price as of 30 June 2021
- Even though the PB valuation of the Company remained unchanged, the annual ROE of over 14% can still offer an IRR of 14% for investors
- The values of equipment operation and hospital operation, which experienced rapid growth, have not yet been reflected in the market value of the Company

**ROE for 2021 1H (%)**

14.5



2021 1H

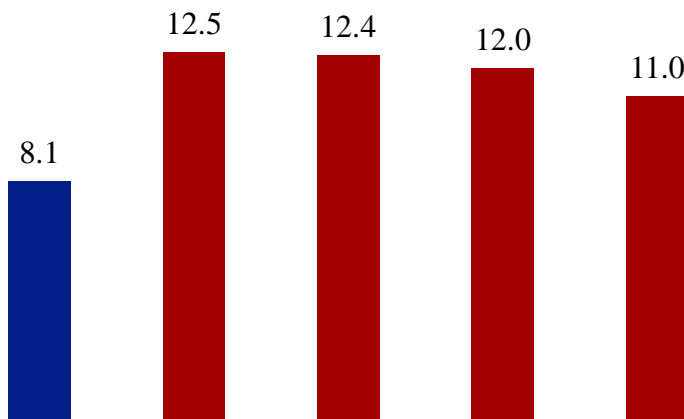
**P/B for 2021 1H**

0.8x



2021 1H

**Greater scope for share price appreciation (HK\$)**



Closing price as of 30 June    Target price stated in DBS April Research Report    Target price stated in UBS May Research Report    Target price stated in GTJA August Research Report    Target price stated in CICC July Research Report

Note: The above target prices are sourced from research reports of investment banks, and the average target price is calculated by these companies



## Far East Horizon



<http://www.fehorizon.com/>

[ir@fehhorizon.com](mailto:ir@fehhorizon.com)

## Horizon Construction Development



<http://www.hongxinjianfa.com/>

## Horizon Health

