



Far East Horizon Limited

2023 Annual Results

March 2024



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Note: Unless otherwise specified, all monetary amounts stated herein are denominated in RMB and the data herein is as of 31 December 2023.



① **Results Overview**

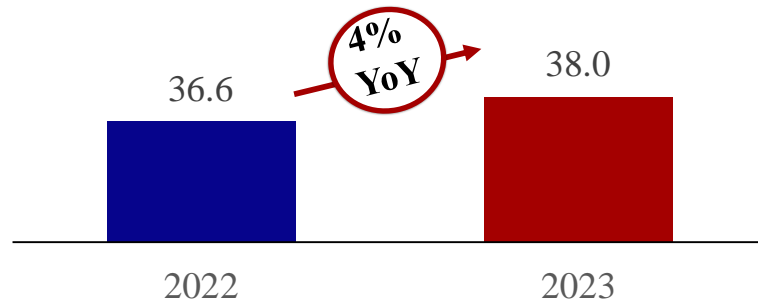
② **Business Analysis**



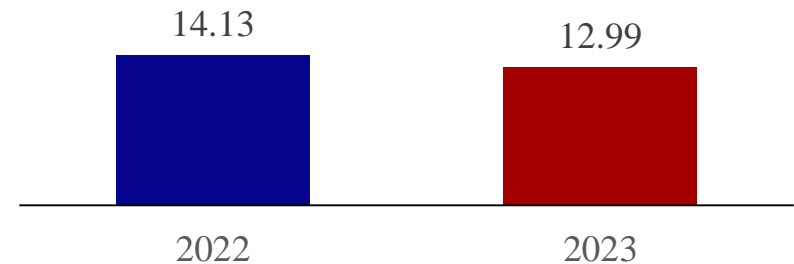
Performance maintained stable and business developed orderly

- In 2023, in response to the challenging environment, the Company adopted cautious strategy and promoted business steadily, achieving revenue of RMB38.0 billion and profit attributable to ordinary shareholders of RMB6.2 billion, representing an increase of 4% yoy and 1% yoy
- The performance was mainly attributable to (1) the financial services business* focused on asset quality and risk control, and the size of interest-earning assets and the net interest margin remained stable; (2) the equipment operation business actively explored overseas markets, new products and new business models to continue the growth trend, and (3) the hospital operation business was optimized and improved

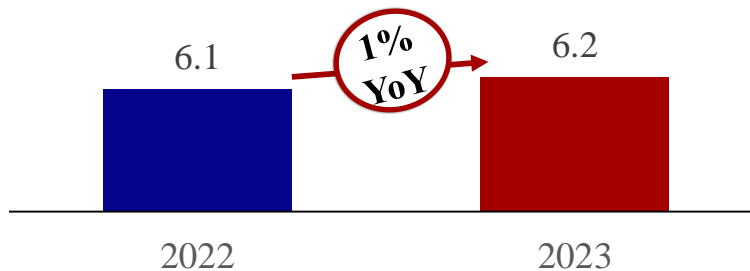
Revenue (RMB billion)



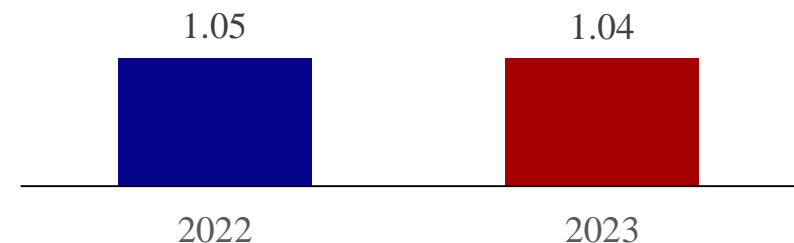
ROE (%)



Profit attributable to ordinary shareholders (RMB billion)



NPL (%)



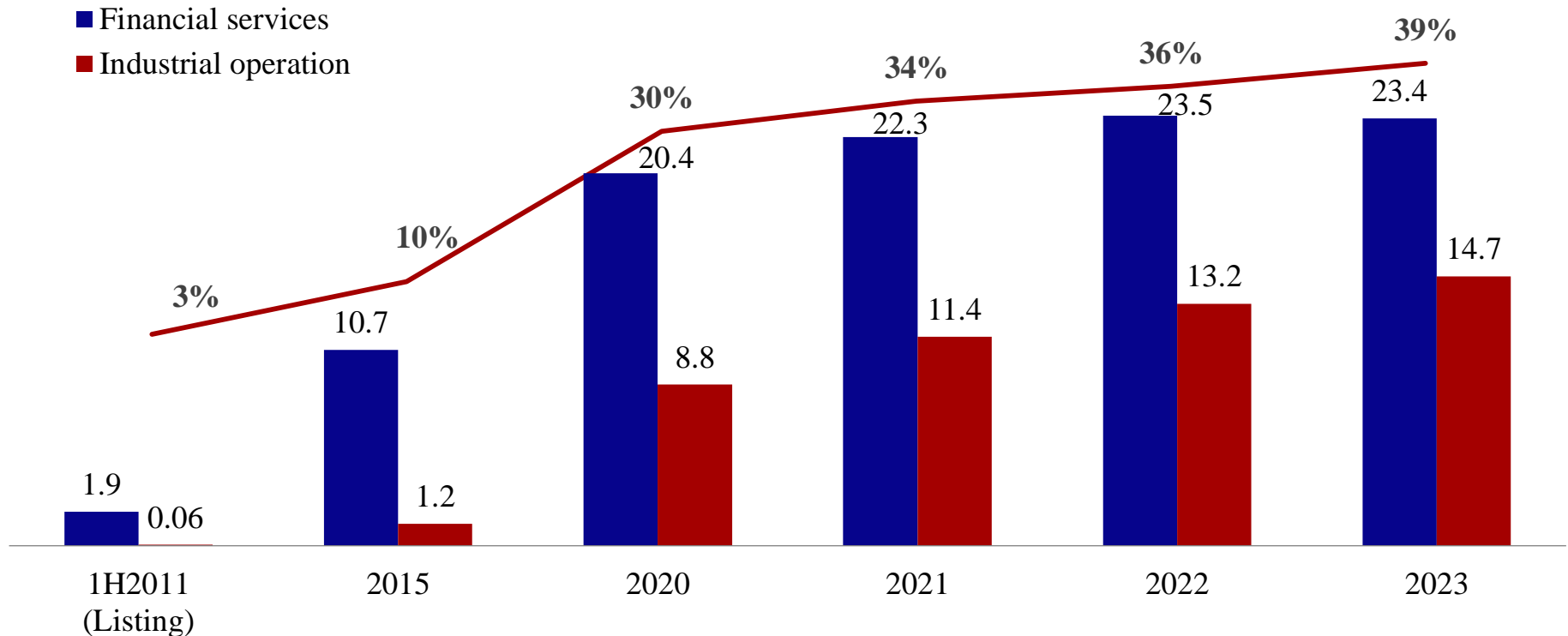
*Notes: "Financial services business" as referred to herein includes financial leasing business, as well as inclusive finance, commercial factoring, asset business and other new business directions



Revenue continued to grow with an optimized structure

- The two-wheel-driven strategy of “finance + industry” has achieved remarkable results. With the successful listing of Horizon Construction Development (HCD) and the improvement of operation of Horizon Healthcare, the proportion of revenue from industrial operation business increased from 3% in 2011 to 39% in 2023
- The rapid development of industrial operation business has effectively helped the Company to hedge against cyclical and environmental impacts and to achieve a healthy and stable financial structure

Segment revenue* and the proportion of revenue from industrial operation business (RMB billion)

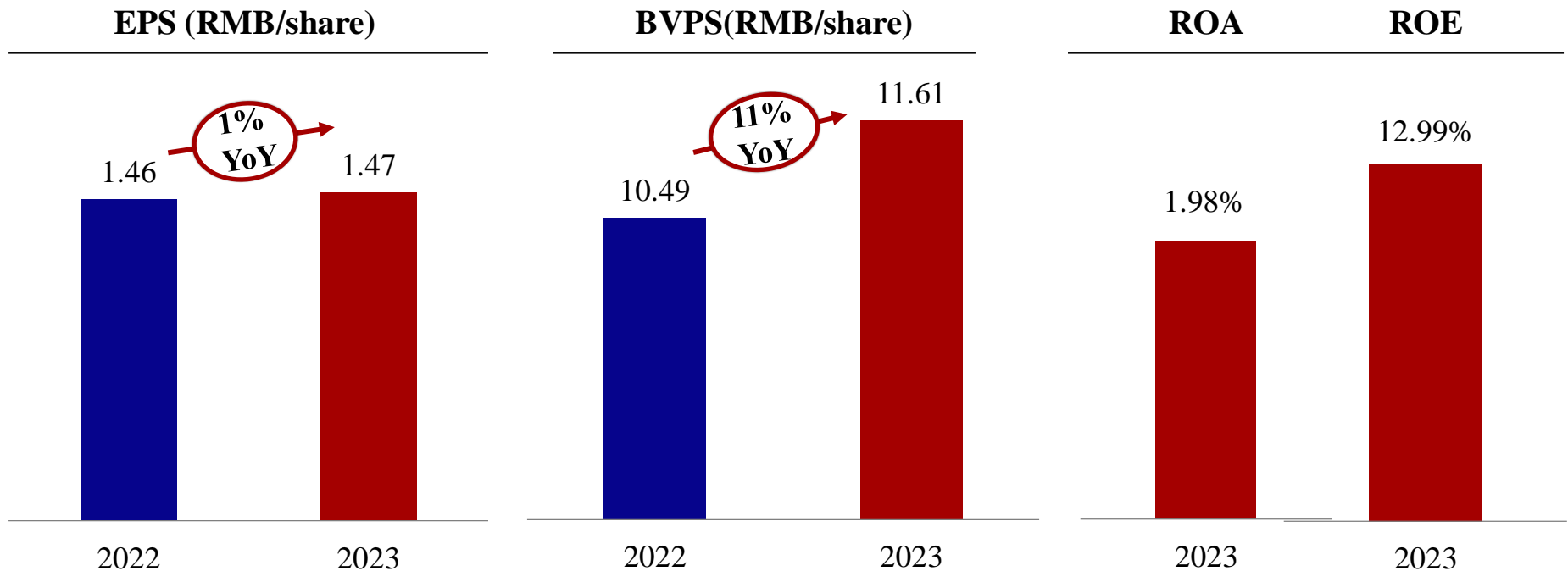


*Notes: Revenue above is all before taxes and surcharges, and the revenue of industrial operation in 1H 2011 mainly refers to revenue related to brokerage business and hospital construction and operation.



Steady improvement in profitability and shareholders' return

- EPS amounted to RMB1.47, representing an increase of 1% yoy. Net assets per share amounted to RMB11.61, representing an increase of 11% yoy
- The ROA was 1.98% and the ROE was 12.99%, of which the slight decline in ROE was mainly due to the increase of equity

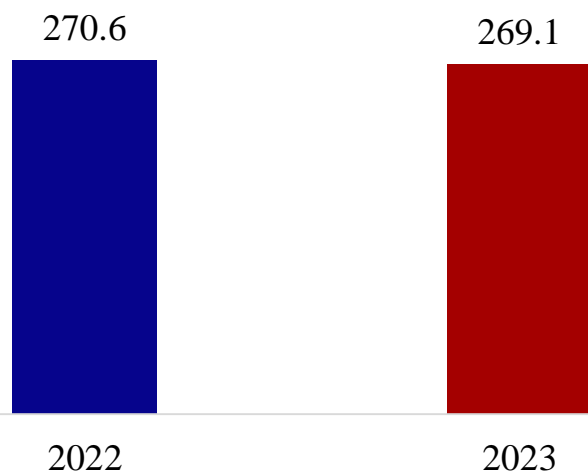


Financial services: The size of interest-earning assets remained stable and industry-leading service capabilities

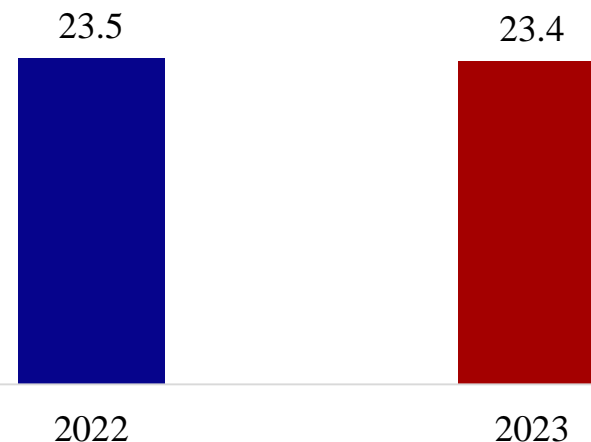


- The size of net interest-earning assets was RMB269.1 billion, and the revenue from financial services business was RMB23.4 billion, which remained stable from the end of the previous year
- It was mainly attributable to (1) deep industry knowledge and resource accumulation from long-term cultivation of the real industry, (2) solid foundation of high-quality customers in the industrial chain, (3) industry-leading professional service capabilities of financial leasing

Net interest-earning assets (RMB billion)



Revenue from financial services (RMB billion)

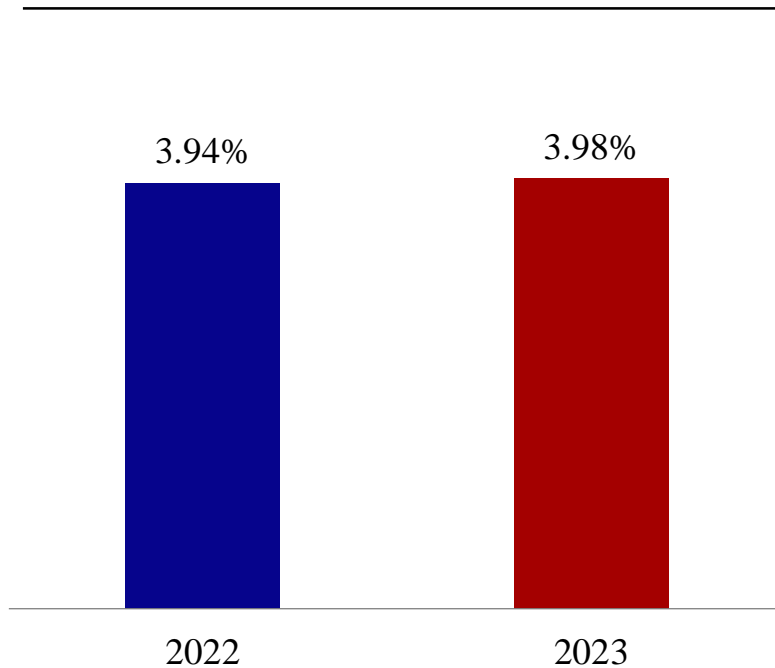




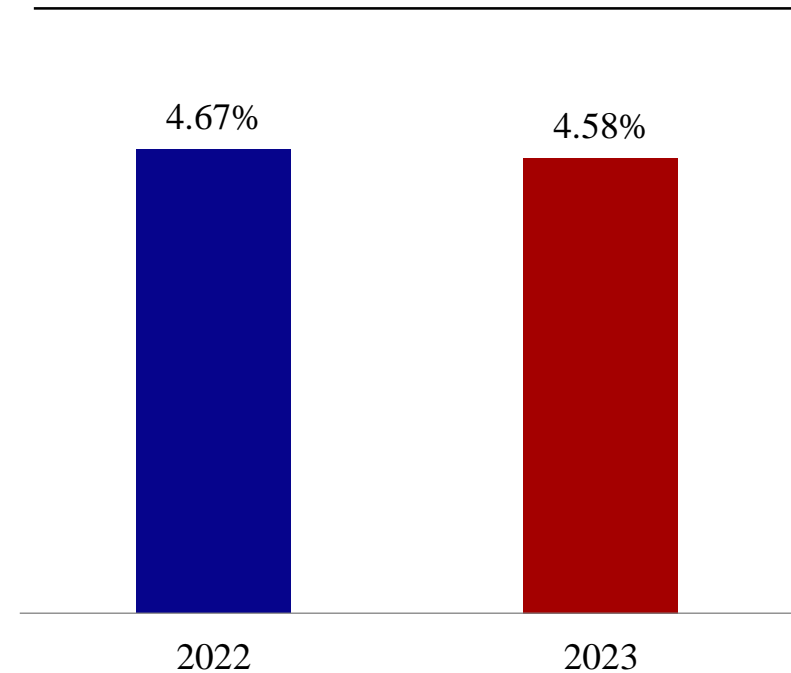
Financial Services: Interest spreads were stable due to the stability of pricing and cost

- The NIS was 3.98% and the NIM was 4.58%, representing an increase of 4 bps and a decrease of 9 bps respectively
- It was mainly attributable to (1) deeply cultivating high-quality industries and customers and maintaining an active customer coverage strategy to keep relatively stable price in terms of revenue, (2) leveraging the advantages of financing diversification and flexibly adjusting the financing structure to maintain stable financing costs

Net interest spread (NIS)



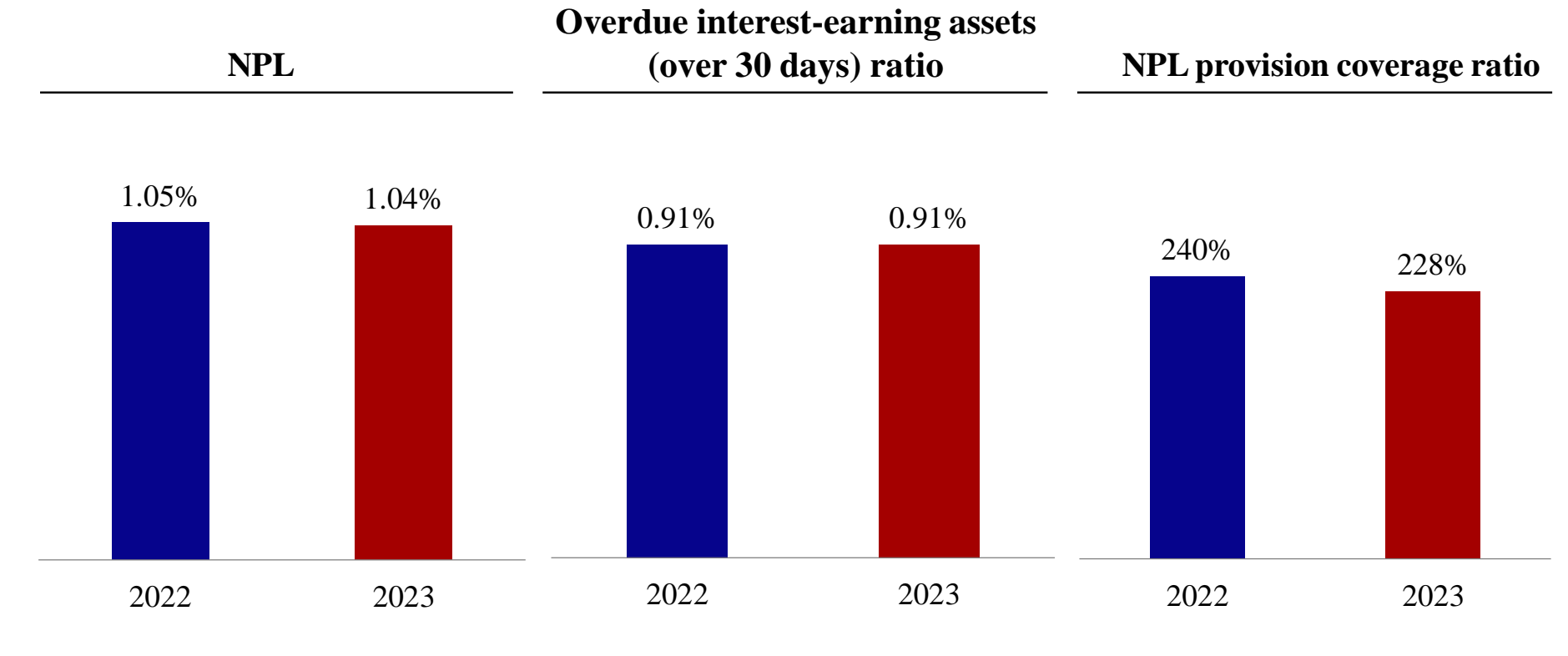
Net interest margin (NIM)





Financial services: Asset quality continued to improve with prudent accounting policy

- NPL declined to 1.04% and overdue interest-earning assets (over 30 days) ratio remained at 0.91%, showing the continued improvement in asset quality. NPL provision coverage ratio was 228% and the accounting policy remained prudent based on the positive trend of asset quality
- It was mainly attributable to (1) strengthening the control of the asset investment and continuing to develop the familiar industries, customers and products, (2) implementing a comprehensive risk management system and strengthening post-investment monitoring and disposal in terms of asset management



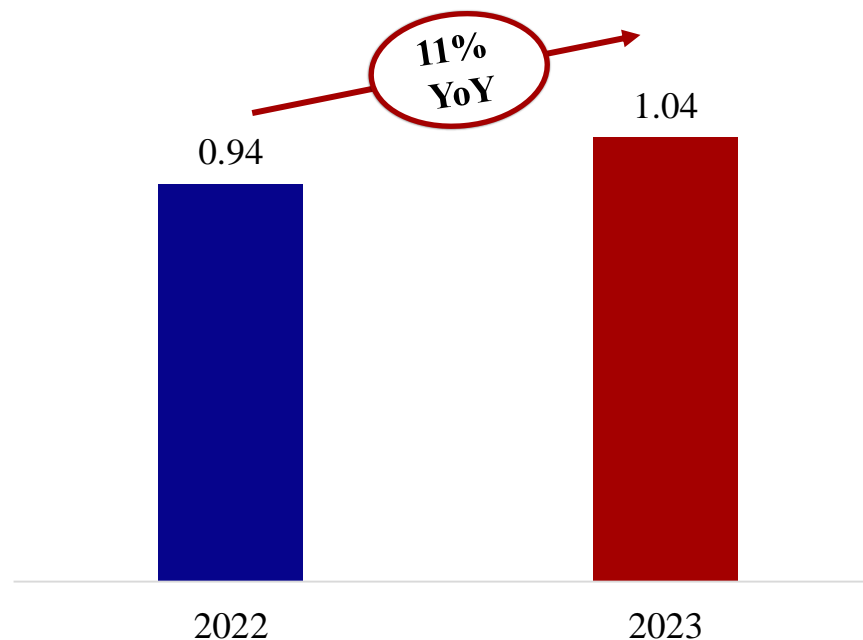
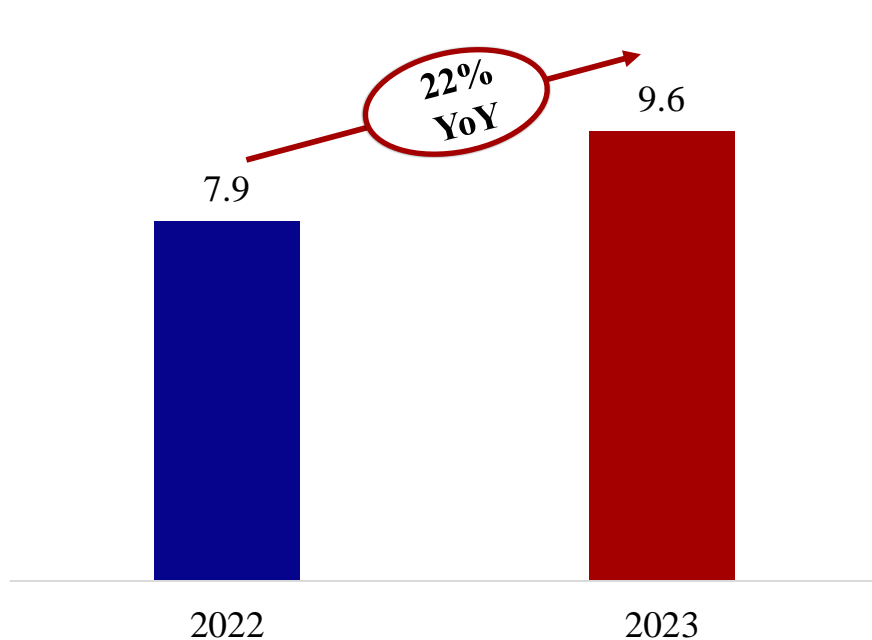
HCD: Maintained relatively fast growing and continuously expanded in overseas markets



- Strengthened refined management to improved operational efficiency, achieving revenue of RMB9.6 billion and adjusted net profit of RMB1.04 billion, representing an increase of 22% yoy and 11% yoy
- Actively explored new markets, new products and new business models, consolidated the leading position in terms of equipment scale, layout network, asset management and digitalization. The overseas business has been steadily promoted, with outlets covering Malaysia and Indonesia

Revenue (RMB billion)

Adjusted net profit* (RMB billion)



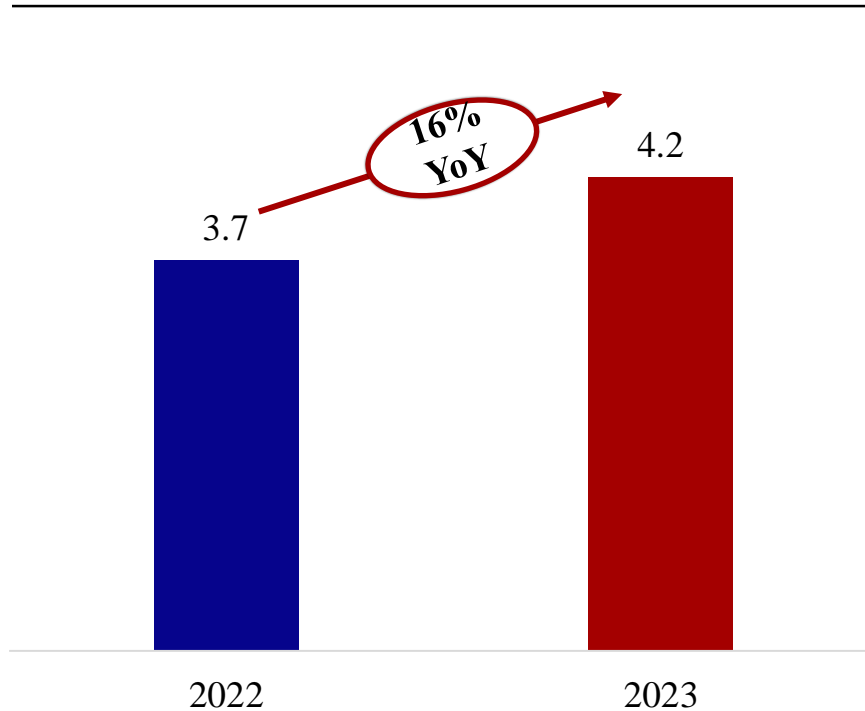
*Note: Adjusted net profit is calculated on the basis of net profit attributable to the Company, after restoring the interest expense on the redemption liability of common shares, net foreign exchange gains and losses and listing expenses 10

Horizon Healthcare: Operating environment recovered to normal and hospital layout continuously optimized

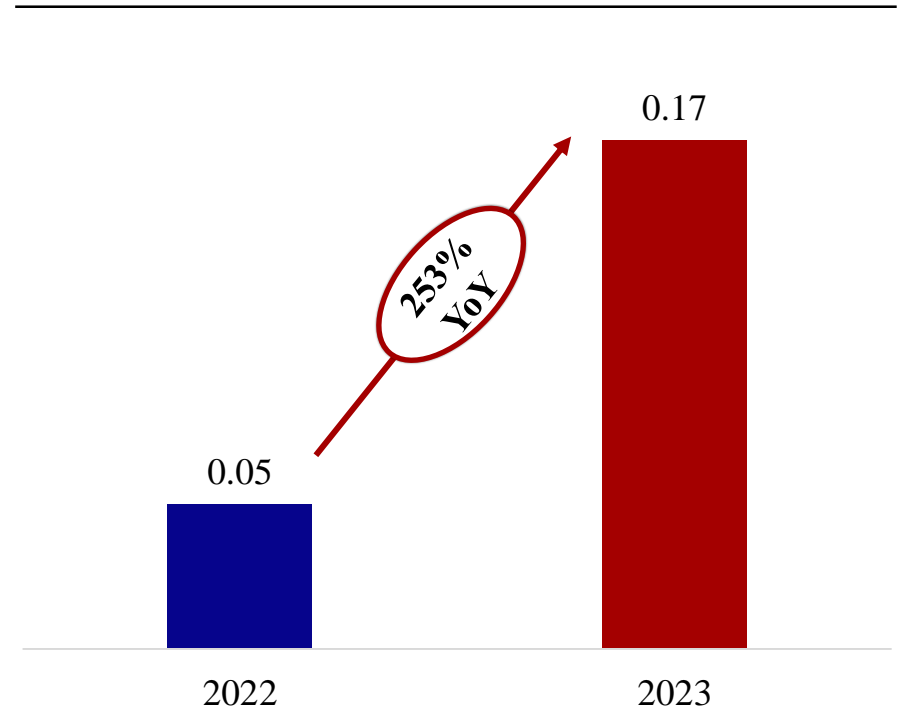


- With the operating environment of hospital returned to normal, Horizon Healthcare focused on improving the management efficiency, and took the initiative to withdraw 5 hospitals whose development trend did not meet the standard, achieving revenue of RMB4.2 billion and net profit of RMB0.17 billion, representing an increase of 16% yoy and 253% yoy

Revenue (RMB billion)



Net profit (RMB billion)



*Note: Revenue and net profit in 2022 are the data after excluding the withdrawal from hospitals

Appendix: Condensed Balance Sheet



RMB billion	31 December 2023	31 December 2022	Change
Total assets	351.48	347.00	1.29%
Interest-earning assets	269.08	270.60	-0.56%
Total liabilities	293.91	294.55	-0.22%
Total equity	57.57	52.44	9.78%
Equity attributable to ordinary shareholders	50.10	45.25	10.72%
Net assets per share (RMB/share)	11.61	10.49	10.68%

Appendix: Condensed Income Statement



RMB billion	2023	2022	Change
Total revenue	37.96	36.59	3.76%
Total pre-tax profit	10.43	10.32	1.03%
Consolidated net profit	6.92	6.60	4.80%
Net profit attributable to ordinary shareholders	6.19	6.13	1.04%
EPS (RMB/share)	1.47	1.46	0.68%
ROA	1.98%	1.93%	0.05pct
ROE	12.99%	14.13%	-1.14pct



1

Results Overview

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Business Analysis



Highlights

- 1. Leading position in industry and long-term stable performance**
- 2. Financial services: Long-term stable asset quality and interest spreads profit remained stable**
- 3. Industrial operation: Rapid expansion and multi-pole drivers helped to smooth growth curve**
- 4. Credit rating remained stable and ESG rating improved steadily**
- 5. Shareholders' returns continuously improved through multiple initiatives**
- 6. Long-term and stable management team with highly aligned interests**

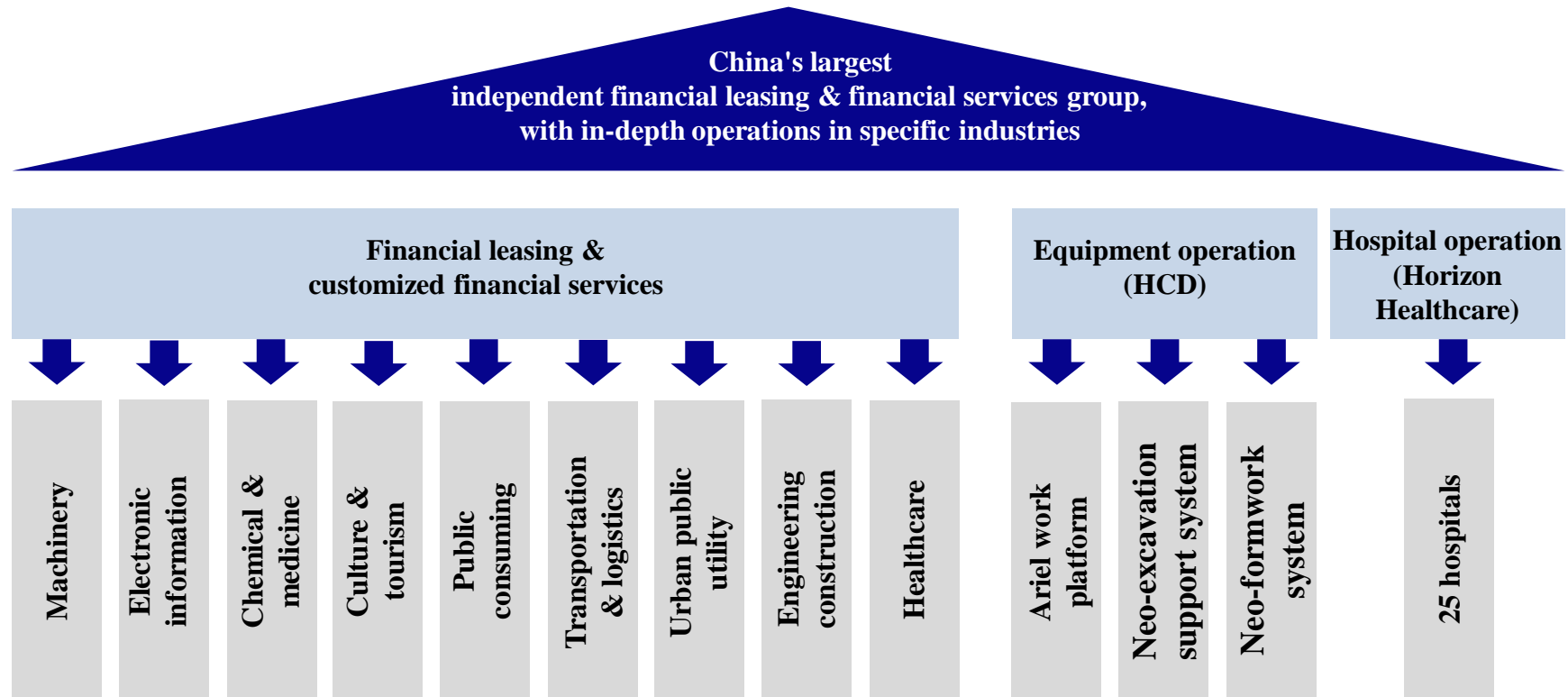
1. Leading position in industry and long-term stable performance

Largest independent financial leasing group in China and in-depth operation in specific industries



- **Financial leasing business:** Leading in the industry, ranking first in terms of profitability, with net interest-earning assets of RMB269.1 billion
- **Equipment operation business (HCD):** China's leading equipment operation service provider, ranking among the top in the world, with assets of about RMB31.2 billion
- **Hospital operation business (Horizon Healthcare):** A large-scale private medical group based in third, fourth and fifth tier cities, with 25 holding hospitals

Business Overview



*Note: The above ranking is collected and organized by the Company based on information from listed and other publicly disclosed financial leasing companies



The leading position in the industry is stable and widely recognized by the market



- Total assets: **RMB350+ billion**
- Net asset scale: **RMB50+ billion**
- Financial services customers: **30,000+**
- Cumulative investment: **RMB1+ trillion**



- Headquarters: **Hong Kong, China**
- Business operation centers: **Shanghai, Tianjin, Guangzhou**
- Independent offices: more than **30** core cities
- Overseas layout: operation outlets in **Malaysia and Indonesia**

Business Overview

Financial services leading in the industry

- Net assets ranked **No.1**
- Profitability ranked **No.1**

Industrial operation with significant advantages

- Equipment operation ranked the **14th** in IRN World's Top 100 Rental Companies
- Hospital operation located in a leading position in China



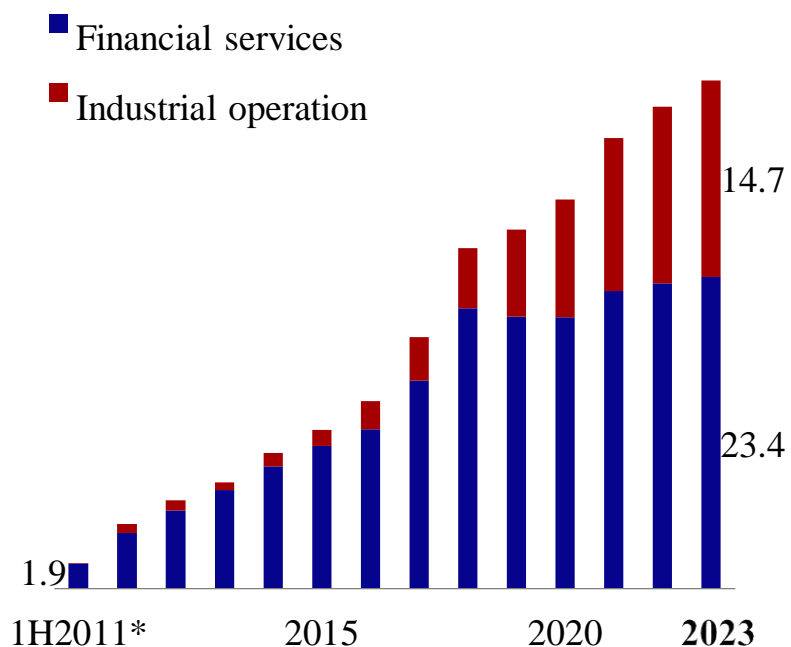
*Note: The above financial services industry rankings mainly refer to China's financing leasing industry, while the equipment operation industry rankings are sourced from the IRN 2023's Global Construction Machinery Leasing Rankings

Financial services developed steadily while industrial operation grew rapidly

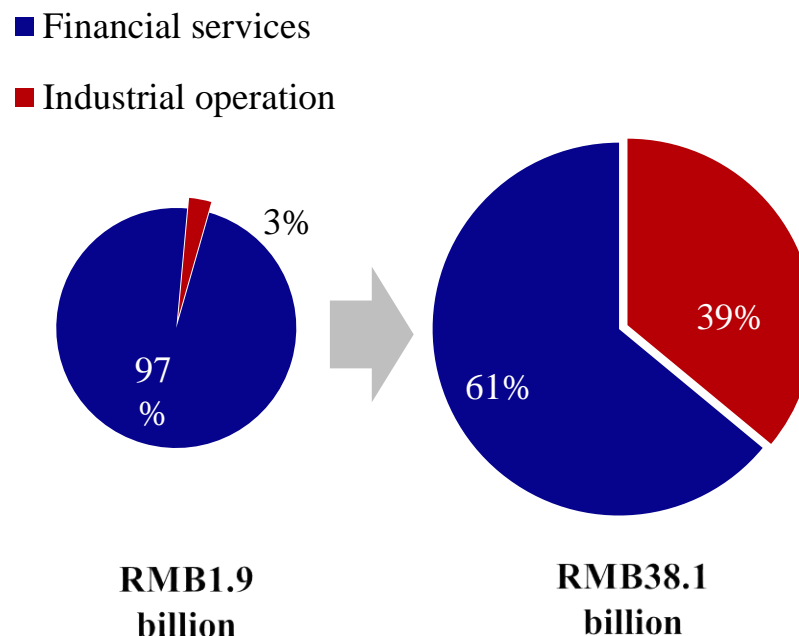


Segment revenue since listing (RMB billion)

HCD: 38% CAGR from 2018 to 2023
Horizon Healthcare: 25% CAGR from 2016 to 2023



Changes in the revenue structure since listing

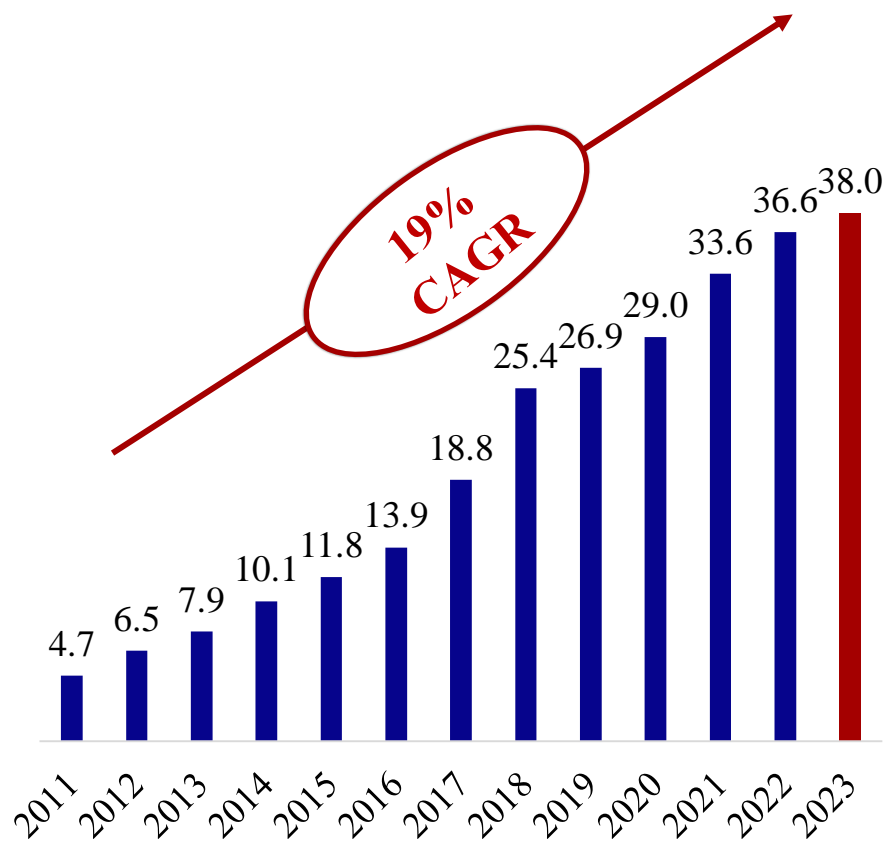


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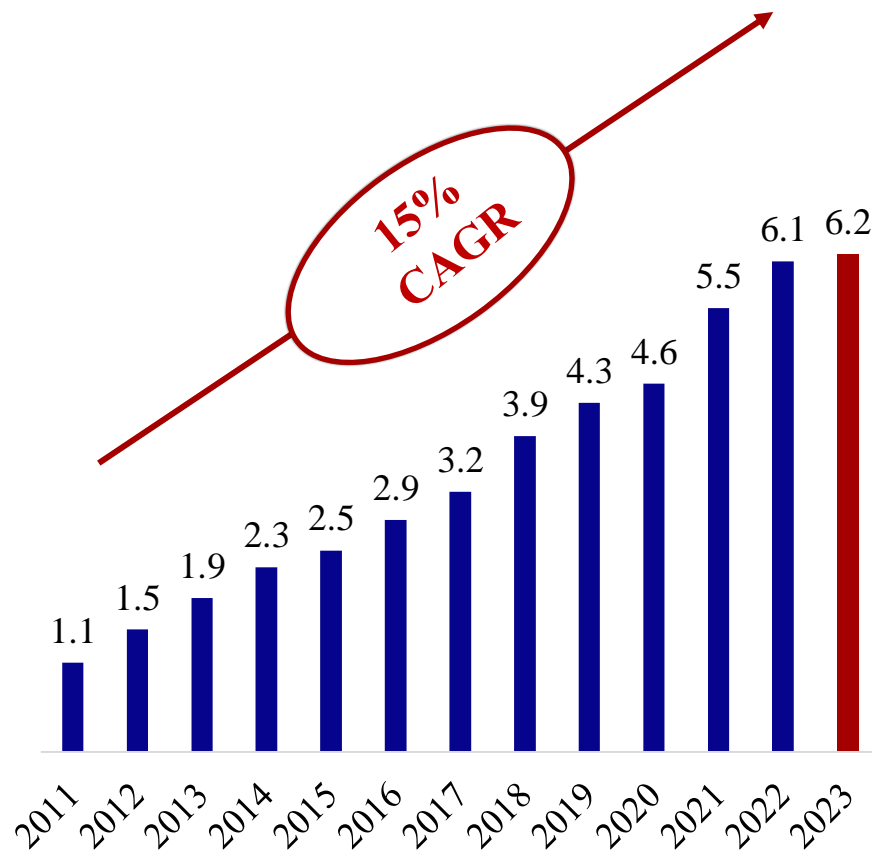
Performance has maintained steady growth across cycles and the development model has been effectively verified



Revenue since listing (RMB billion)



Profit attributable to ordinary shareholders since listing (RMB billion)



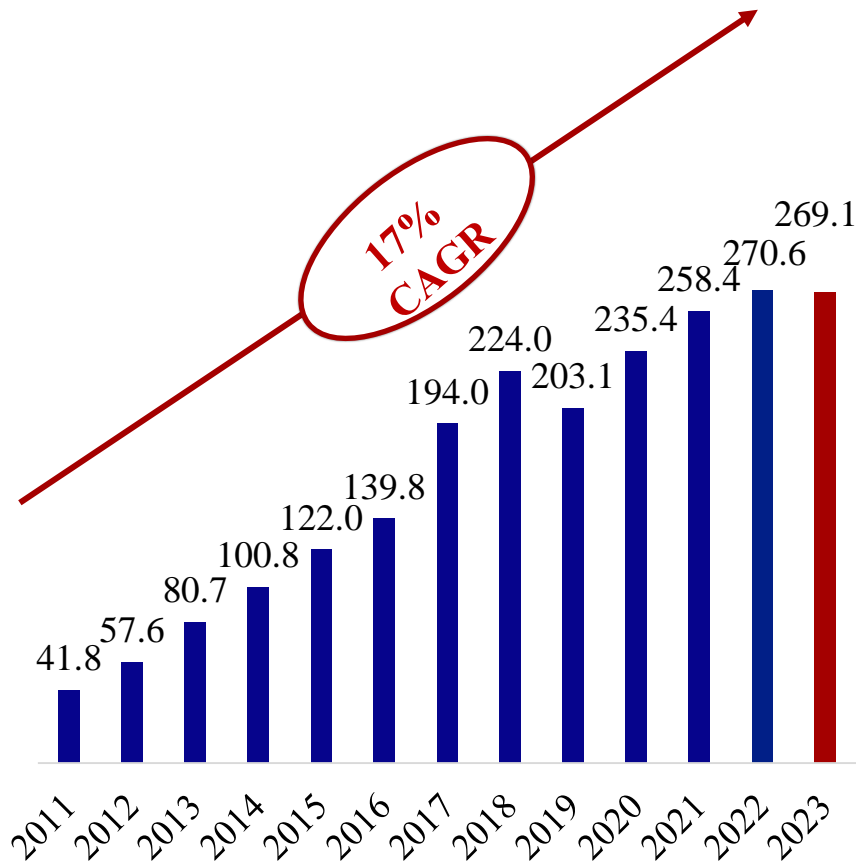
2. Financial services:

Long-term stable asset quality and interest spreads profit remained stable

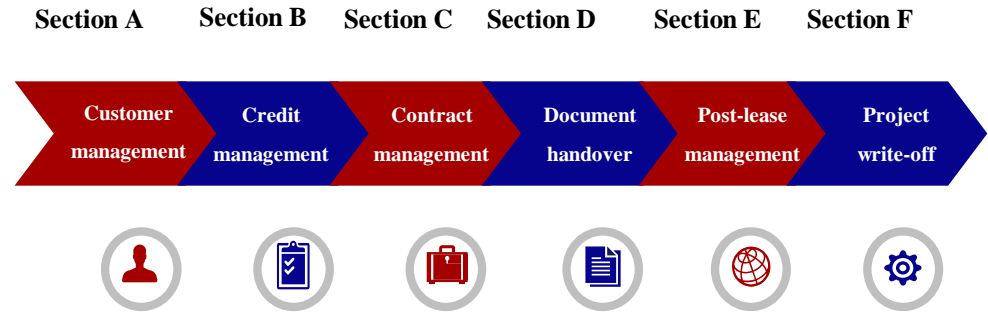
Financial services: Steady growth in performance across cycles and the business model shows strong vitality



Net interest-earning assets (RMB billion)



First-ever A-F section operation & management process



Leading industry development & gaining wide recognition



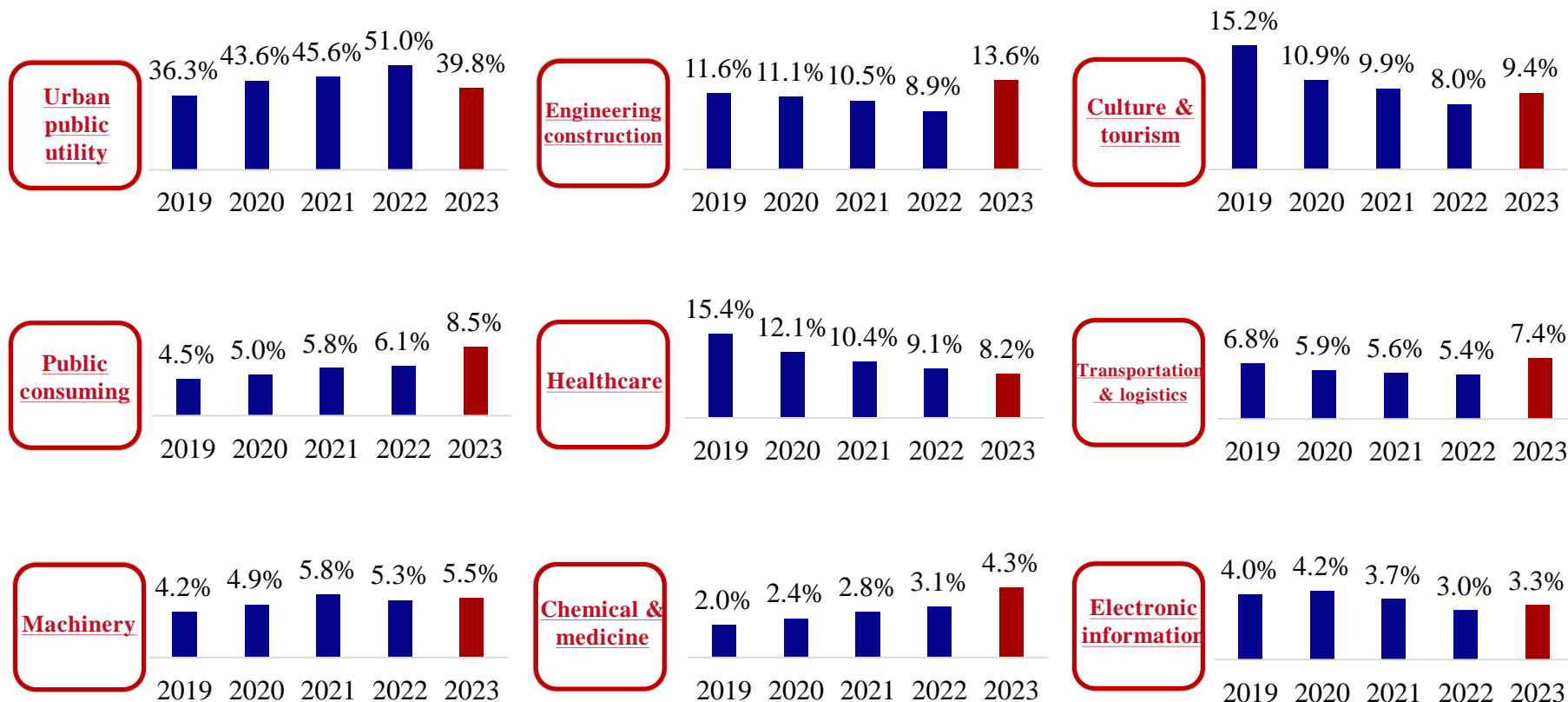
- Best Listed Leasing Company at the China Financial Leasing Soaring Award
- Leading Enterprise in Financial Leasing Industry - Golden Tripod Award
- Best Business Mode Innovation Award in China's Financial Leasing Industry
- Top 10 Enterprises in China's Financial Leasing Industry
- Top 10 Influential Brands in China's Financial Leasing Industry



Financial services: Deeply cultivate and flexibly allocate in nine major industries



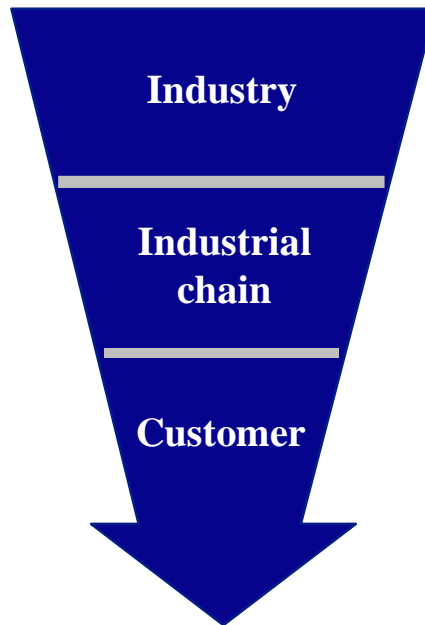
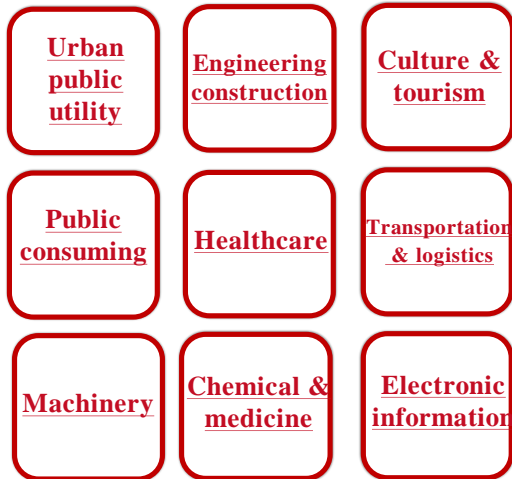
Proportion of net interest-earning assets in the nine major industries





The whole process, all-round, multi-angle, uninterrupted comprehensive risk management system

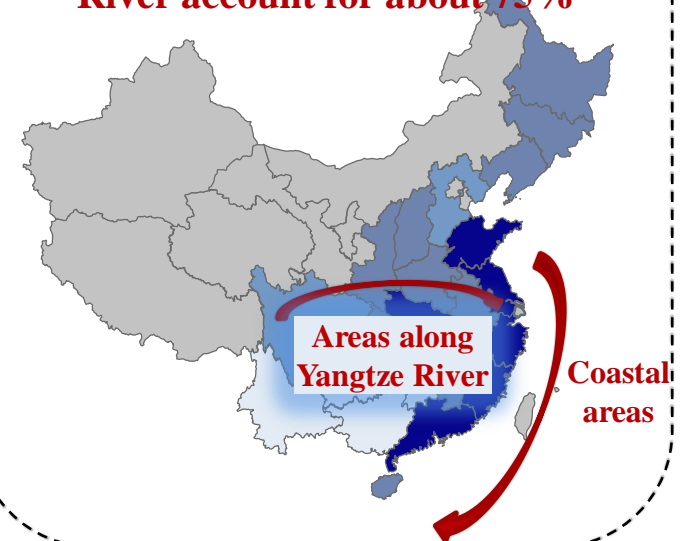
Operated according to division of labor among the industries



Industry control
customer evaluation
Product matching
Asset management

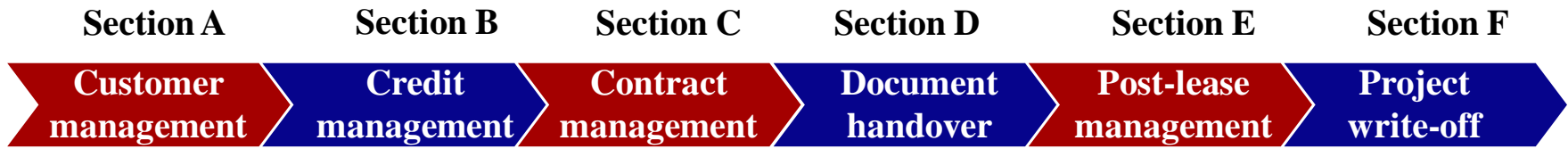
Focused on core regions in coastal areas along the Yangtze River

Interest-earning assets in coastal areas and areas along the Yangtze River account for about 75%



*Note: The coastal areas and areas along the Yangtze River mainly include East China, Central China, South China, and Sichuan and Chongqing, and the detailed data can be found on page 28 of this material

Financial services: Clear division of labor in each business process with extensive coverage and sufficient resources



• Business Development Department

expand customers

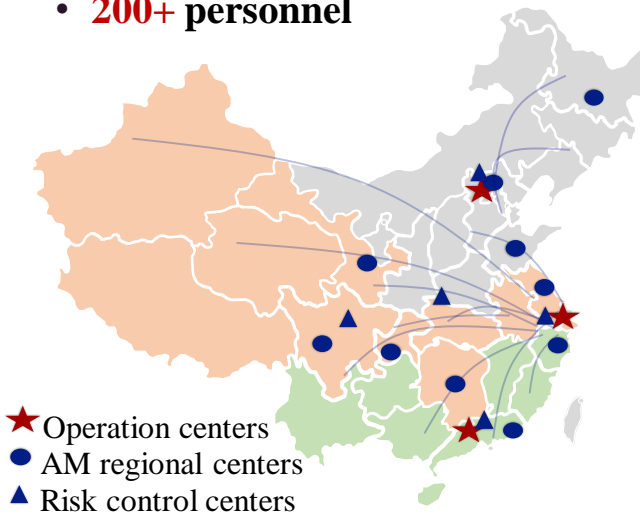
- **133 outlets**
- **1800+ personnel**

The front and middle end work by industries

• Risk Control Department

Credit evaluation

- **5 regional centers**
- **200+ personnel**



- ★ Operation centers
- AM regional centers
- ▲ Risk control centers

• Asset management department

Post-lease management

- **10 regional centers and almost 200 personnel ready to quickly arrive on-site**

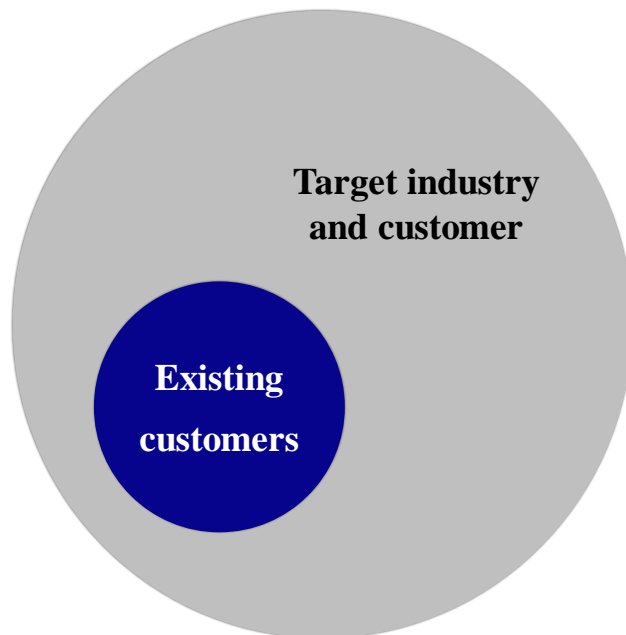
Backend work by region



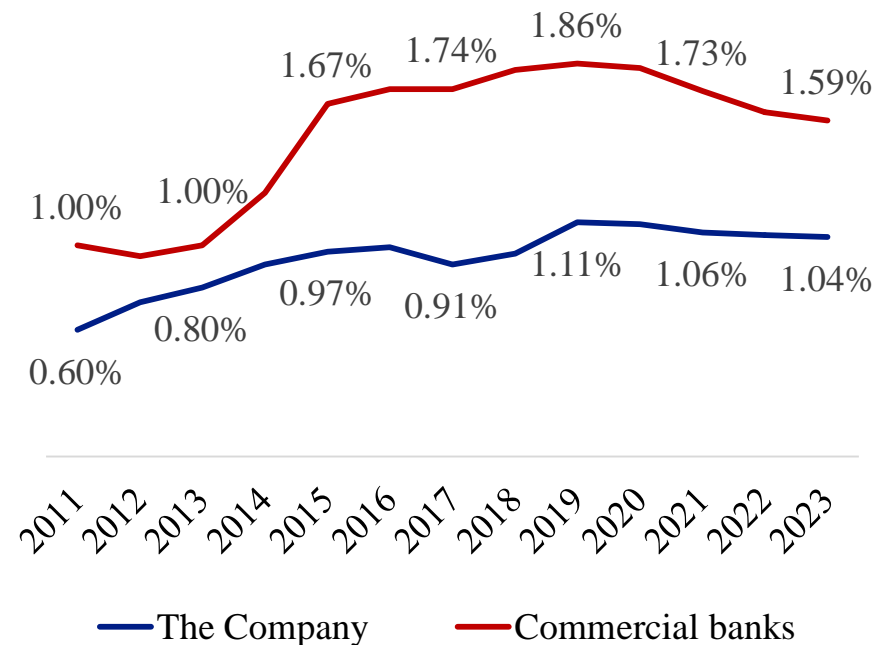
Financial services: Intensive cultivation and more selective asset investment

- The asset size is still small compared to the target industry and customer base, and there is more room for choice and adjustment
- The Company will continue to strengthen professional service capabilities in the industry, and have a stronger grasp and faster response speed for customers and assets
- The Company has maintained a stable level of asset quality over long time

Huge room to choose and adjust



NPL has remained stable for a long time since listing

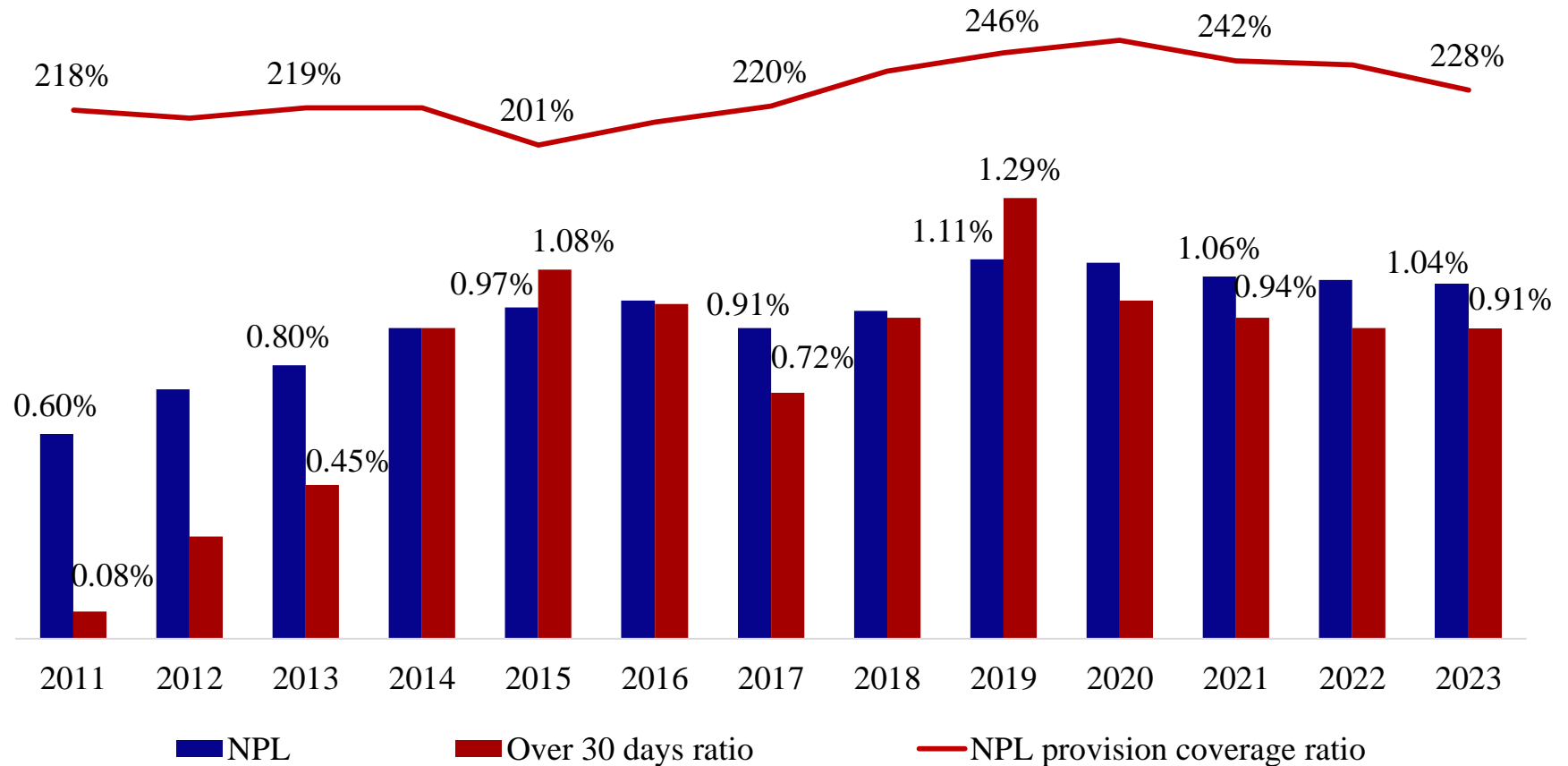


*Note: The source of NPL data for commercial banks is the website of the State Administration of Financial Supervision and Administration

Financial services: Adhere to the business strategy of putting asset quality first, and the asset safety has been tested in cycles



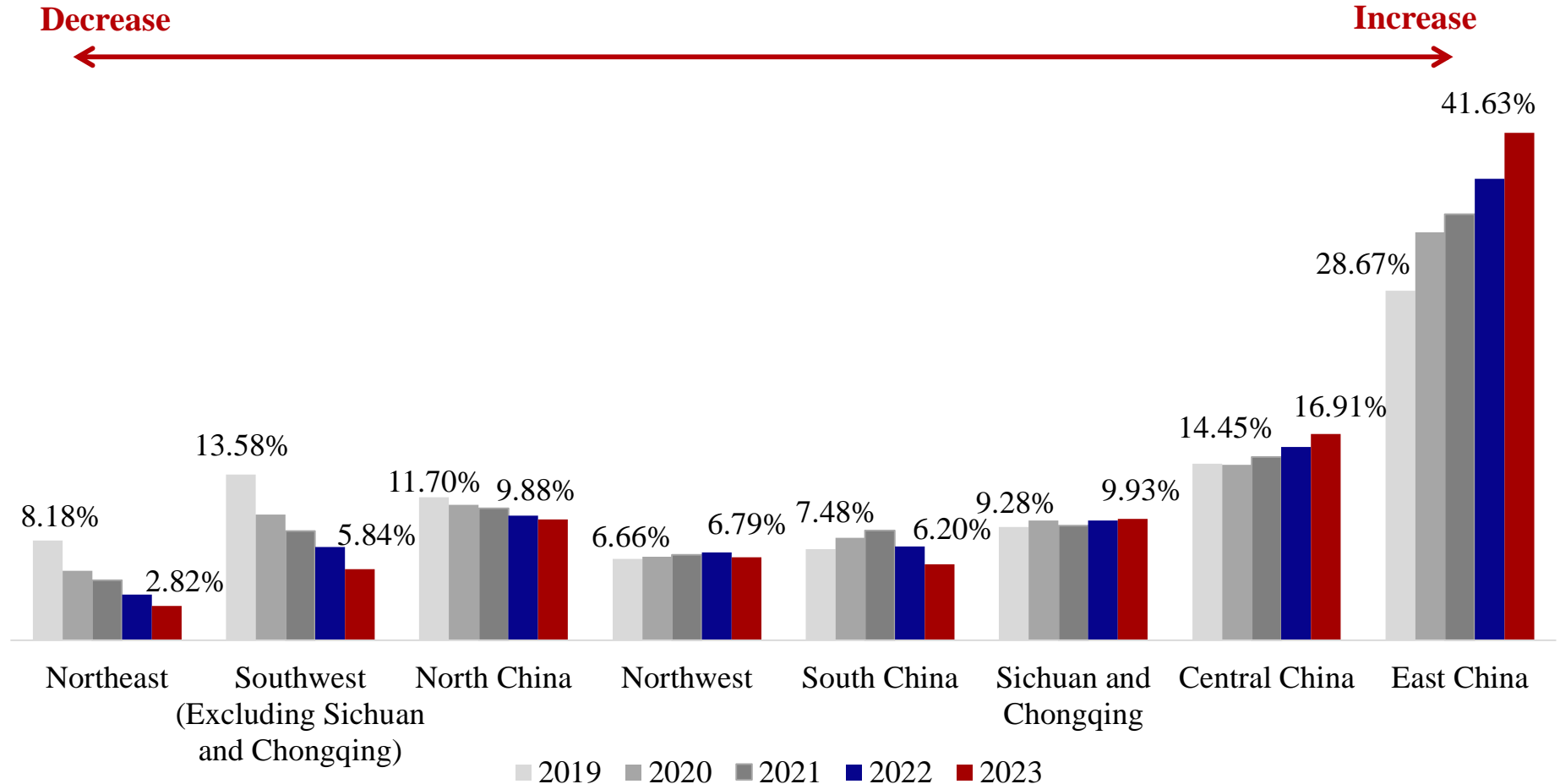
NPL, Over 30 days ratio and NPL provision coverage ratio remained stable for a long term since listing



Financial Services: Focus has shifted from high growth to asset safety and returns and continued to adjust asset delivery strategy



Regional distribution of interest-earning asset balances in the past five years



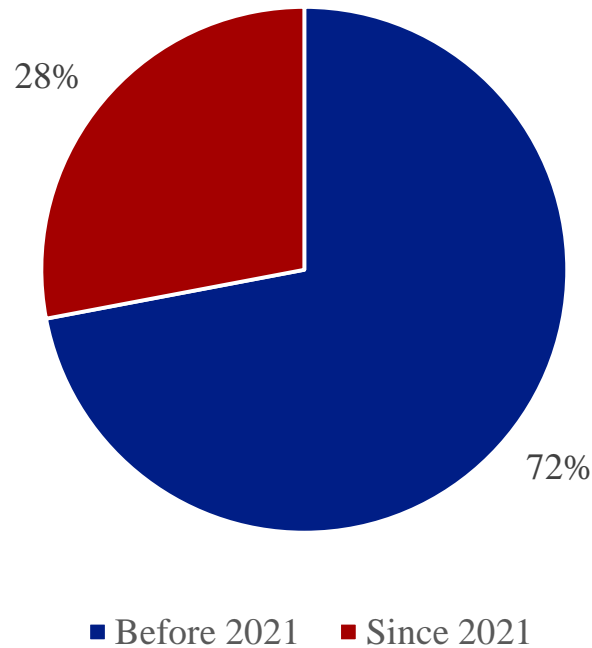
*Note: The data is sourced from internal statistics

Financial services: The quality of newly invested assets performed well and strong asset management capabilities mitigated risks



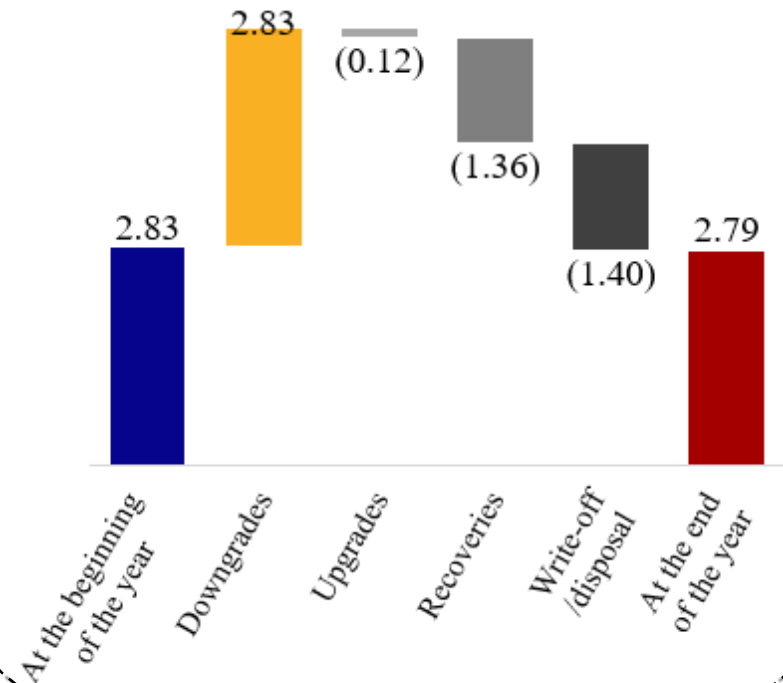
- The quality of new assets got better performance
- Only 28% of NPL was newly invested from 2021
- The stock of NPL continued to be resolved

NPL by time of investment



- In the face of challenges, the Company's strong asset management capabilities continued to mitigate risks
- NPL remained stable

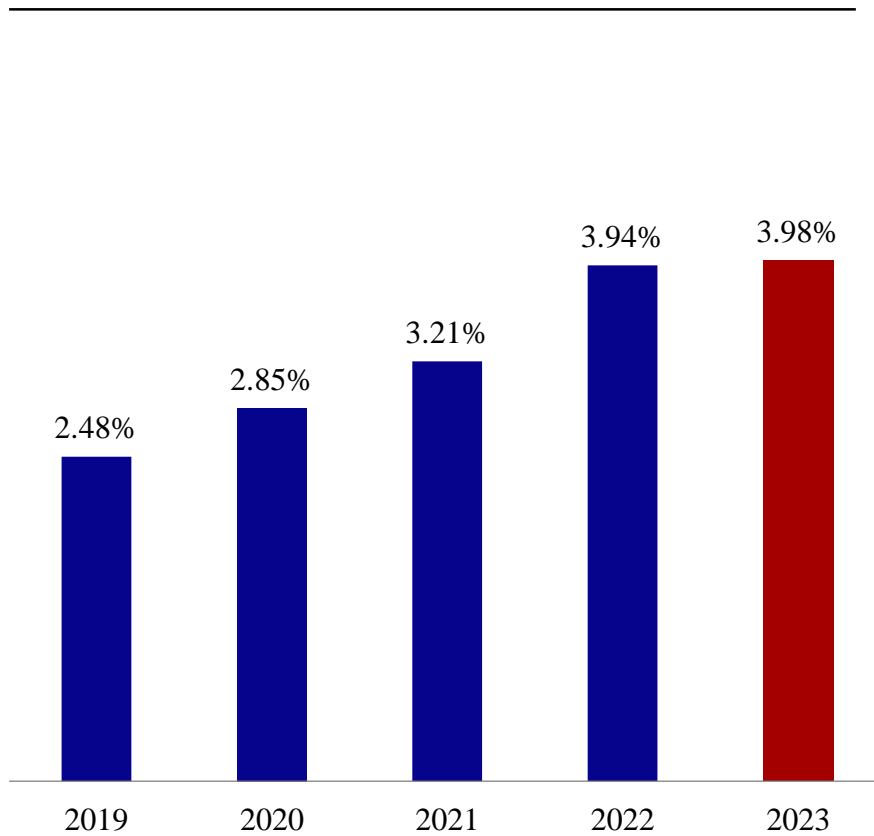
Changes of NPL in 2023 (RMB billion)



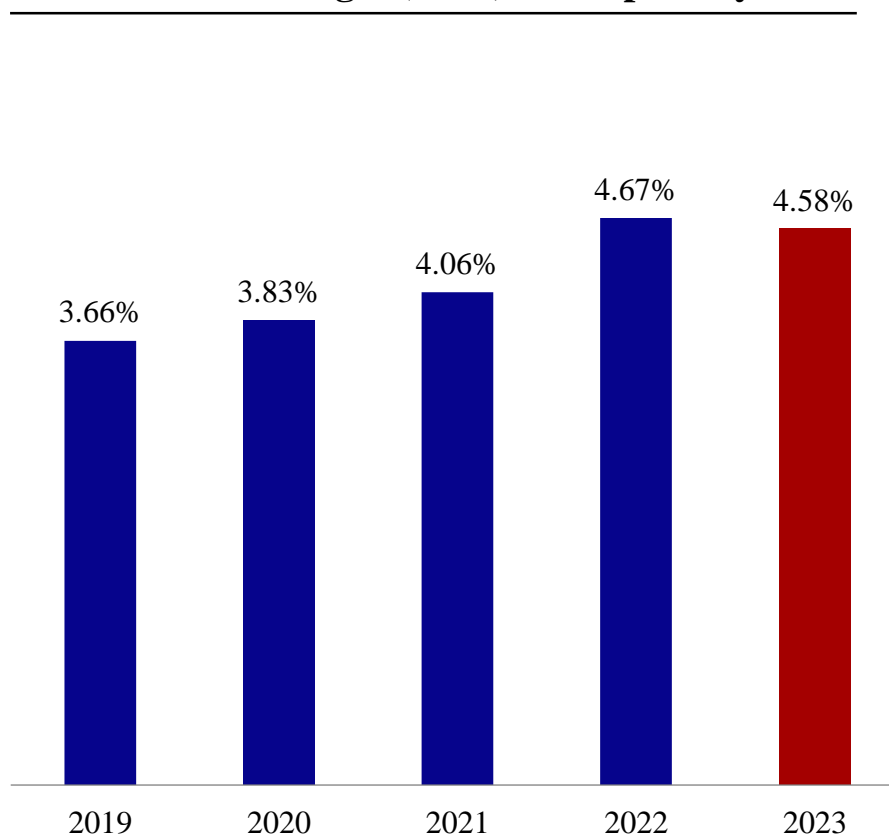
Financial services: Long-term advantages in asset returns and stable interest spreads



Net interest spread (NIS) in the past 5 years

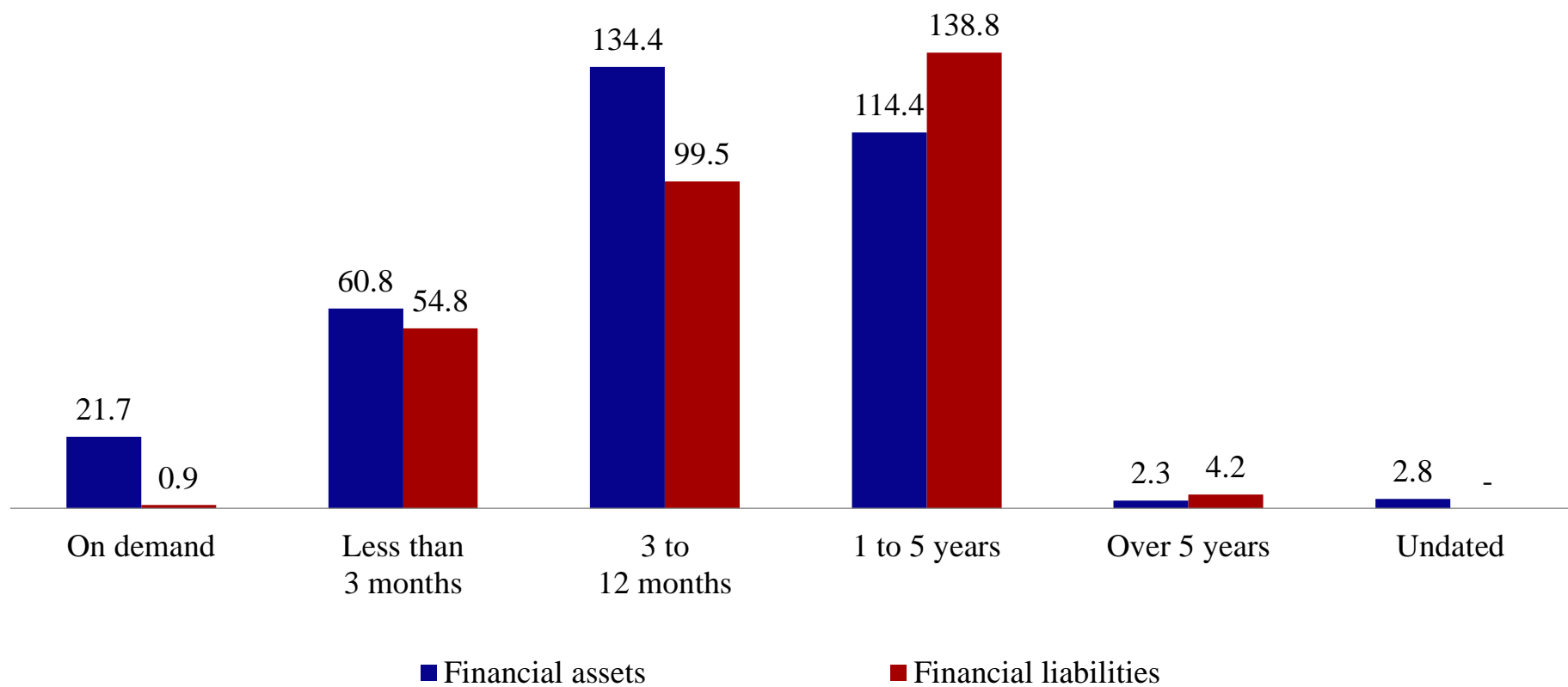


Net interest margin (NIM) in the past 5 years





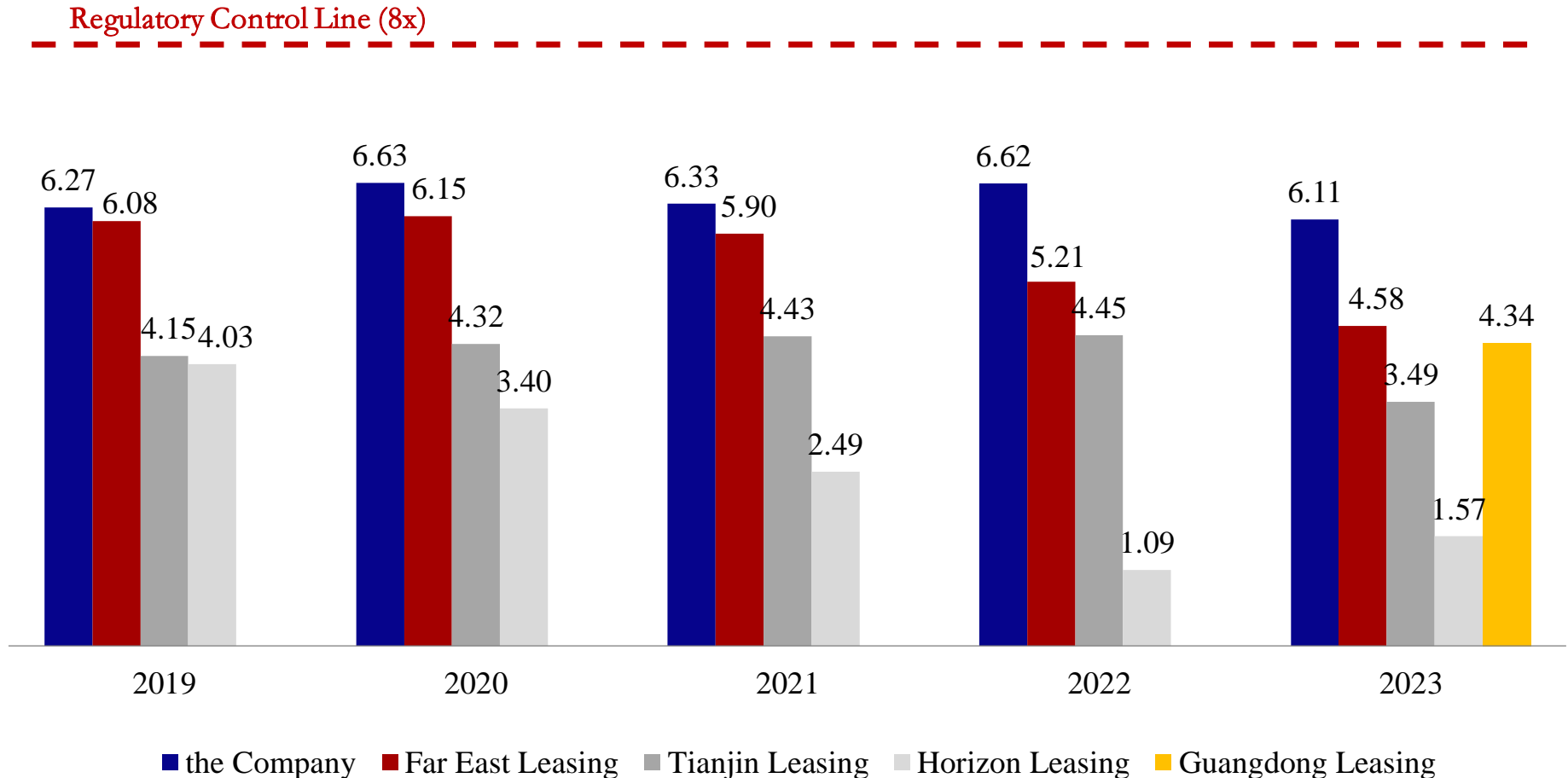
Matching of financial asset and financial liabilities (RMB billion)



Financial services: Leverage has been maintained at a reasonable level and risks have been well controlled



The leverage level of the Company and main financial leasing business entities



*Note: The Company's main financial leasing business entities include International Far Eastern Financial Leasing Co., Ltd.(Far East Leasing), Far Eastern Horizon (Tianjin) Financial Leasing Co., Ltd.(Tianjin Leasing) , Far Eastern Horizon Financial Leasing Co., Ltd.(Horizon Leasing) and Far East Horizon Financial Leasing (Guangdong) Co., Ltd. (Guangdong Leasing). The leverage ratio of the company=total assets/net assets, and the leverage ratio of domestic operating entities=risk assets/net assets

3. Industrial operation:

Rapid expansion and multi-pole drivers helped to smooth growth curve



HCD: A leading equipment operation service provider in China

- Total assets: **RMB31.2+ billion**
- Customers served: **232,000+**
- Outlets: **490** domestic+**4** overseas
- Ranked the **14th** in IRN World's Top 100 Rental Companies
- Ranking **No.3** in ACCESS Global Top 50 Aerial Machinery Leasing
- The first domestic **AAA** enterprise credit rating in the industry

Multi-category one-stop integrated operational services

Aerial work platform

- **178** thousand units, rich and diverse categories and product lines
- **No.1** in Asia and **No.3** in Globally*

Neo-excavation support system

- **1556** thousand tons, **8** categories and **27** models
- **No.1** in China

Neo-formwork system

- **721** thousand tons, **12** categories and **3,400+** models
- **No.1** in China

Other products

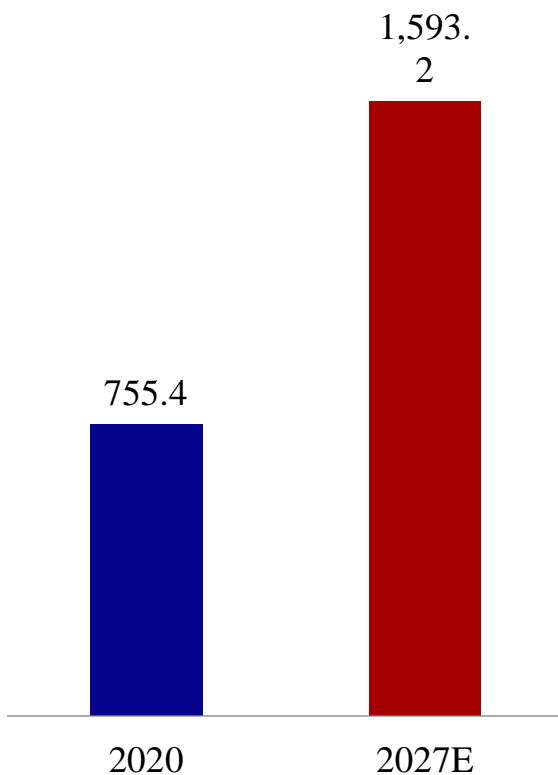
- Gradually develop and introduce **more equipment categories** to meet the needs of various comprehensive scenarios such as warehousing and logistics, shipbuilding and marine engineering, energy construction and transportation construction etc.

*Note: According to the "2023 Access 50 of Global Aerial Work Machinery Leasing" issued by international industry evaluation agency, KHL Group

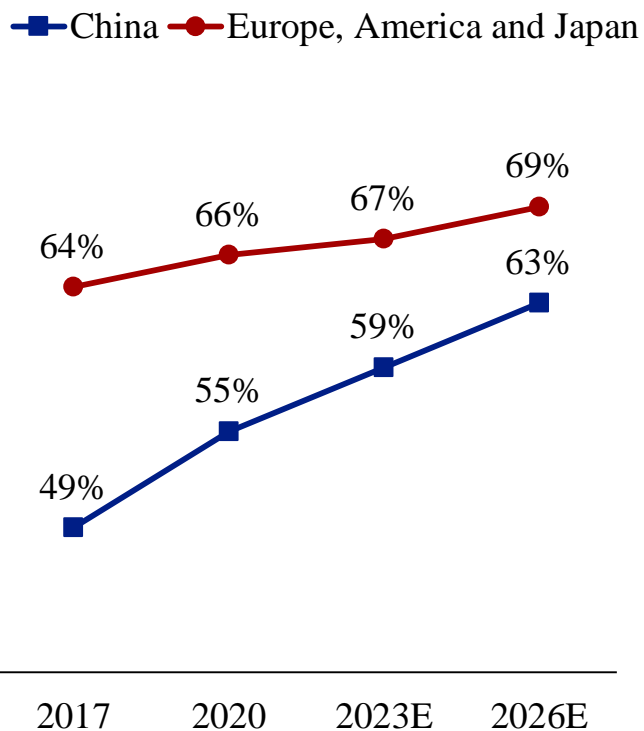
HCD: Huge room for future industry development and continued growth in business results



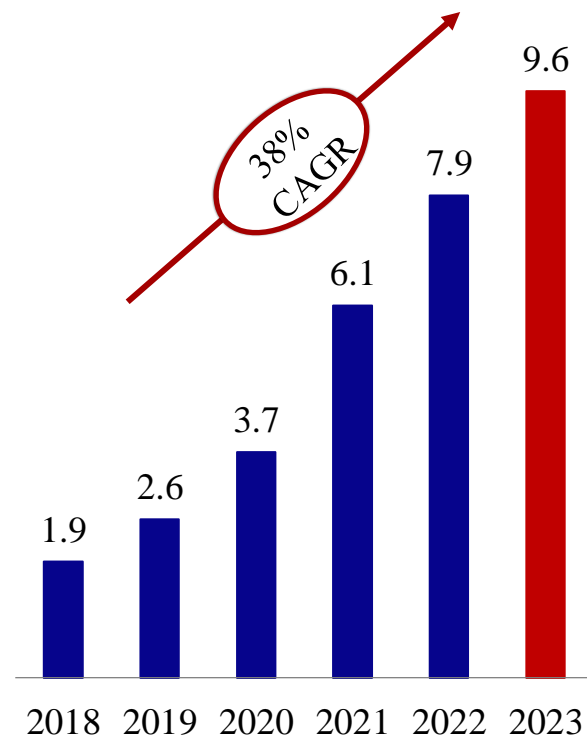
Market value of equipment operation market in China (RMB billion)



Penetration of equipment rental services



Revenue of HCD (RMB billion)



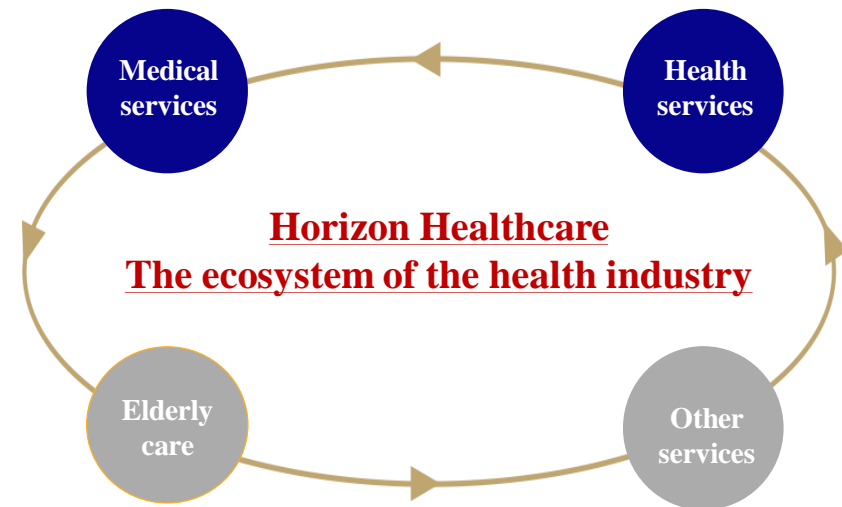
Note: The information comes from Frost & Sullivan and MOHURD



Horizon Healthcare: China's largest social capital medical service organization

- **25** holding hospitals
- About **10,000** beds available
- Annual outpatient visits exceed **4,000,000+**
- Effective supplementation of the public healthcare system
- Layout in third, fourth, and fifth tier cities and counties
- Adhering to the operation mode of “one system, one network, one hospital”

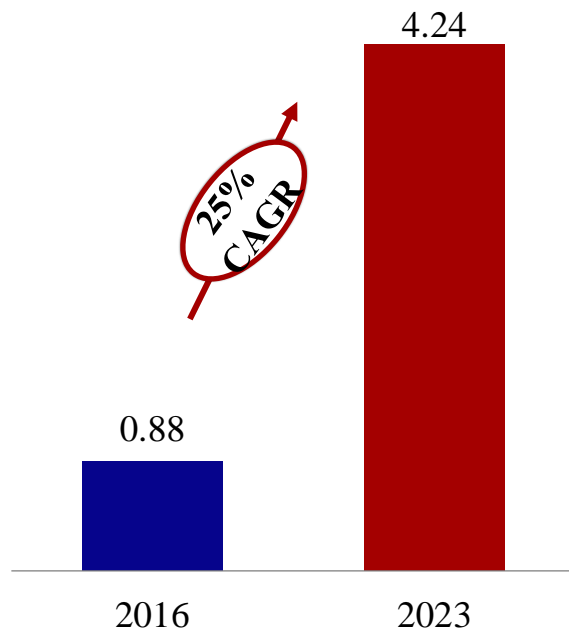
Business overview of Horizon Healthcare



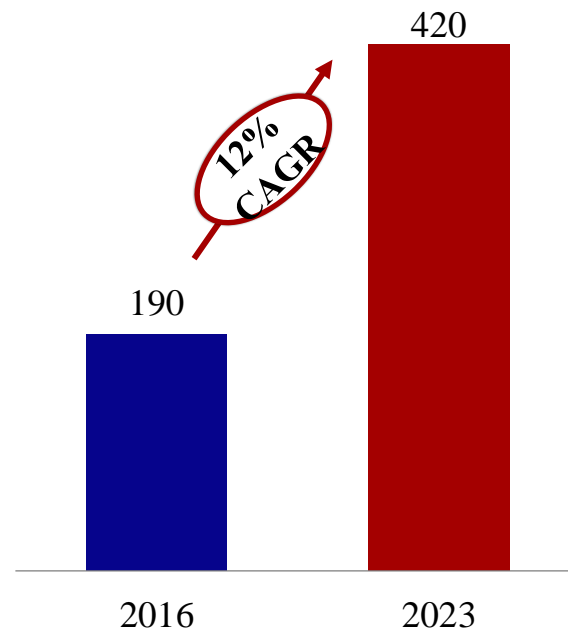
Horizon Healthcare: Steady growth in operating performance and continuous improvement in operational efficiency



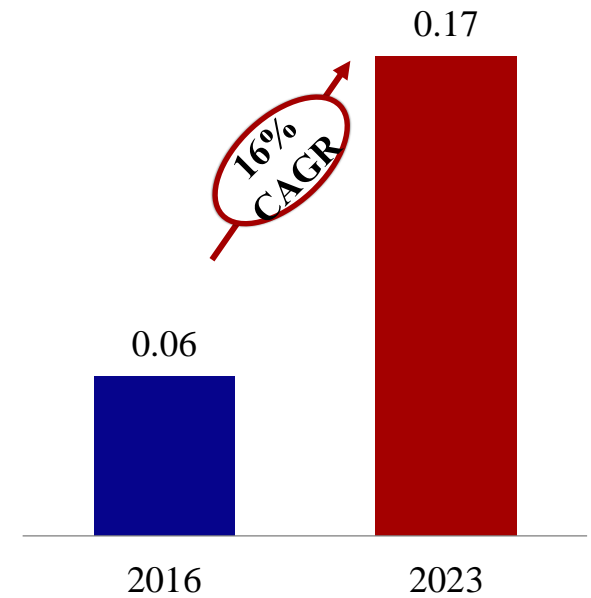
Revenue (RMB billion)



Revenue per bed (RMB thousand)



Net profit (RMB billion)



4. Credit rating remained stable and ESG rating improved steadily

Obtained S&P BBB- rating and industry-leading ESG rating



Credit rating maintain stable and
SACP by S&P raised to bbb-

ESG rating are all in the forefront of
the domestic financial industry

Global
Rating

BBB- By S&P

**STANDARD
& POOR'S**



Maintained **A** since 2022, ranked in the
forefront of financial institutions in China



Raised to **B**-grade in 2023, above the
industry average

Domestic
Rating

AAA By CCXI, Brilliance and
United Credit Ratings



FTSE4Good

Selected for **7** consecutive years by the
FTSE Social Responsibility Index Series



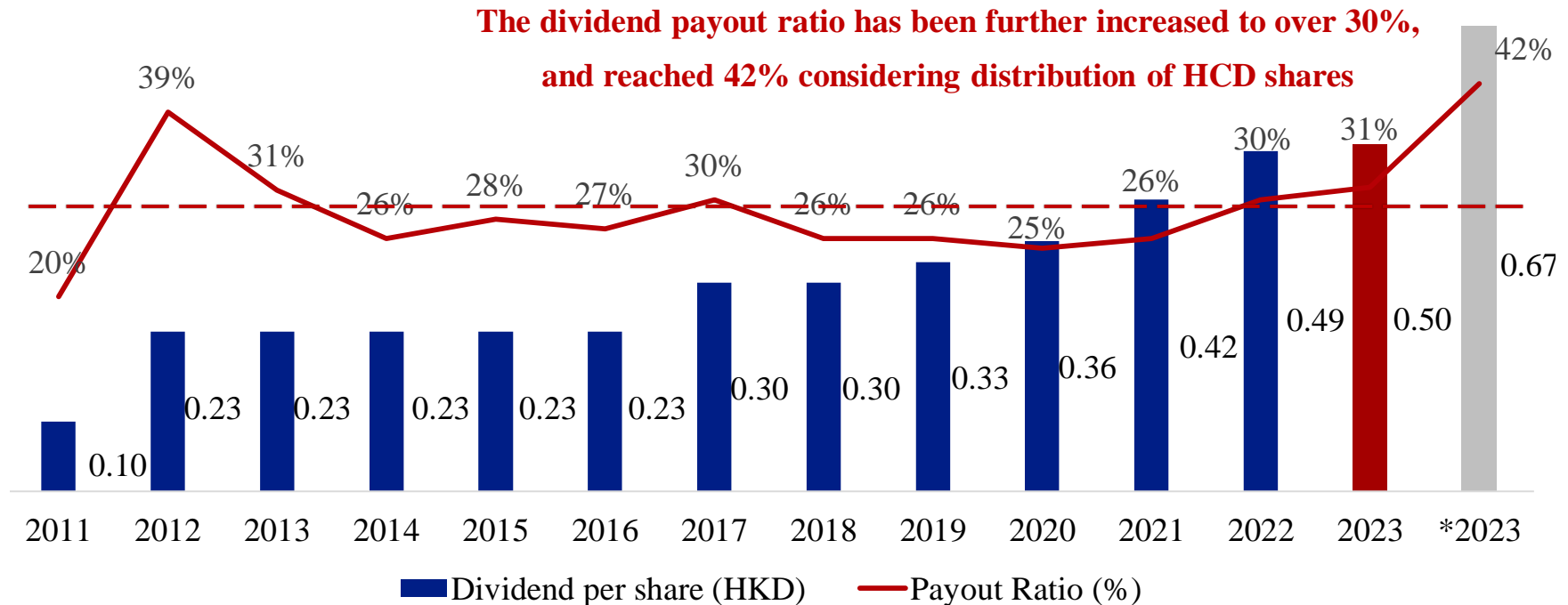
CSA rating score was **41** in 2023,
exceeding the average of the industry

**5. Shareholders' returns continuously improved
through multiple initiatives**

Stable dividend payout since listing and continuously improving shareholder returns through multiple initiatives



- Cumulative dividends since listing reached HKD14.26 billion, exceeding the amount of fund from IPO and post-listing public equity financing
- Cash dividends payout ratio steadily increased to over 30%
- Further increase shareholders' returns through repurchases of shares, distribution of HCD shares, etc
- Based on the current share price, the dividend yield for 2023 is 11% (including distribution of HCD shares), and there is room for further improvement in the future as the business grows



*Note: Based on the closing price of HCD shares as of December 31, 2023, the special dividend is approximately HKD 0.17 per share

6. Long-term and stable management team with highly aligned interests

Long-term and stable management with highly aligned interests achieved excellent performance



The core management team has joined the Company for more than 20 years and lead the Company to sustainable development



KONG Fanxing

Chairman of the board, executive director and CEO, joined in 2001



WANG Mingzhe

Executive director and CFO, joined in 1995



CAO Jian

Executive director and Senior Vice President joined in 2002

Managed the Company to achieve long-term excellent performance

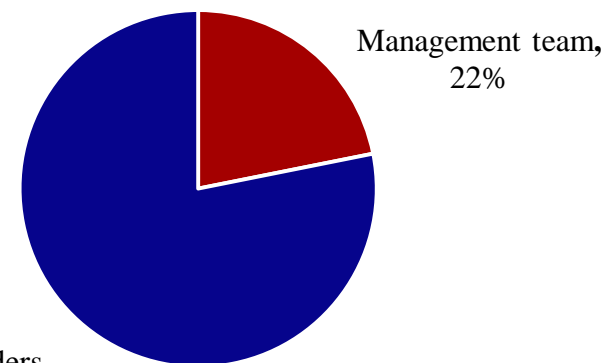
Since listed in 2011
CAGR of key metrics

Revenue 19%

Profit attributable to ordinary shareholders 15%

As for now
Position in industry
Net Asset Size No.1
Profitability No.1

The interests of management are highly aligned with other shareholders



Other shareholders,
78%

*Note: The above ranking is collected and organized by the Company based on information from listed and other publicly disclosed financial leasing companies

Q & A

Far East Horizon



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Horizon Construction Development



Horizon Health

