



遠東宏信
FEHORIZON

2024 ANNUAL REPORT



Incorporated in Hong Kong with limited liability
Stock Code: 03360.hk



遠東宏信有限公司
FAR EAST HORIZON LIMITED



Accumulating Forces for New Exploration

Working Together for Long-term Success





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CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman and Executive Director

Mr. KONG Fanxing
(Chairman, Chief Executive Officer)

Executive Directors

Mr. WANG Mingzhe
(Chief Financial Officer)

Mr. CAO Jian
(Senior Vice President)

Non-Executive Directors

Mr. CHEN Shumin
(Vice Chairman)

Ms. WEI Mengmeng

Mr. LIU Haifeng David

Mr. KUO Ming-Jian

Mr. John LAW

Independent Non-executive Directors

Mr. HAN Xiaojing

Mr. LIU Jialin

Mr. YIP Wai Ming

Mr. WONG Ka Fai Jimmy

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. WONG Ka Fai Jimmy

Environmental, Social and Governance Committee

Mr. WONG Ka Fai Jimmy
(Chairman)

Mr. HAN Xiaojing

Mr. John LAW

COMPANY SECRETARY

Ms. YUEN Wing Yan Winnie

AUTHORISED REPRESENTATIVES

Mr. KONG Fanxing

Ms. YUEN Wing Yan Winnie

REGISTERED OFFICE

Units 6706B-6708A, 67/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

Units 6706B-6708A, 67/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)

(As the auditors for the financial year
since 2009)

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

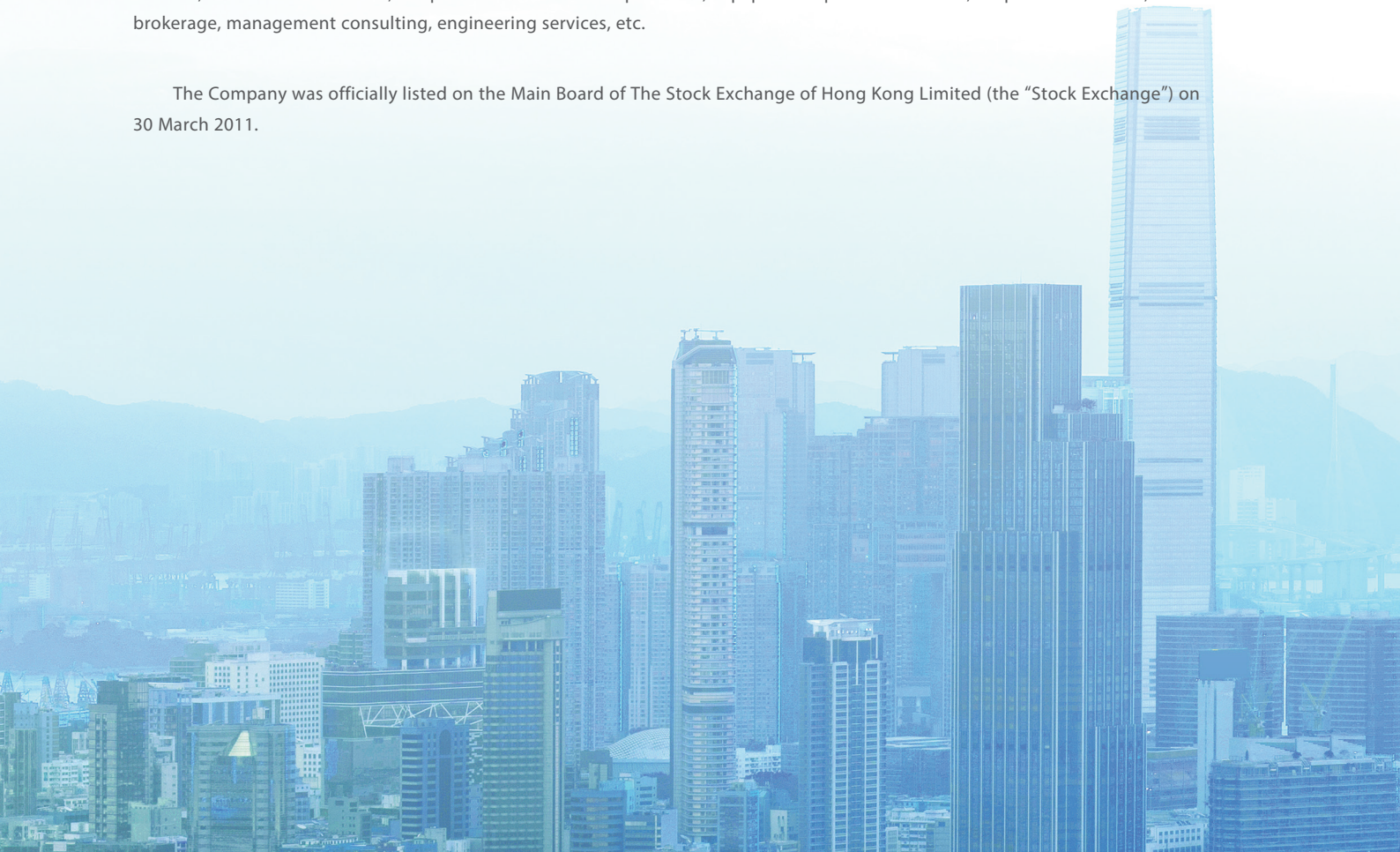
COMPANY PROFILE

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 endeavors 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 an integrated service provider 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, Tianjin and Guangzhou, 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 (the “Stock Exchange”) on 30 March 2011.



OFFICE LAYOUT NATIONWIDE



CHAIRMAN'S STATEMENT



KONG Fanxing
Chairman of the Board,
Executive Director and CEO
Far East Horizon Limited

In 2024, global economy entered a new stage featuring continuous structural adjustments, with simultaneous increase in revolution speed and complexity. Under the ever-changing environment and era, in face of new opportunities and challenges, the Group strived to maintain its resonance with environment, adhered to predetermined directions and core strategies, and iterated commercial models and business launch methods. Hence, various businesses progressed orderly, with overall operation remained steady. Highlights are as follow:

Continuous business structure optimization: Inclusive finance business experienced high-quality and effective development, while proportion of operating revenue generated from industrial operation exceeded 40% of total revenue, which effectively hedged industry fluctuation and ensured steady overall revenue.

Strong quality of operations: Attributable to stable business volume and strong asset quality in financial service segment, domestic businesses of Horizon Construction Development were integrated effectively, with preliminary results achieved in its overseas operations. The management modes of Horizon Healthcare have been enhancing, with significant improvement in profitability.

Significant increase in Shareholder returns: The Group completed the distribution of interim dividends for the first time since its listing. Cash dividends distributed during the year continued to rise to HK\$0.55 per share, with cash payout ratio exceeded 55%. In addition, the Group declared distribution of special dividend by way of distribution in specie of shares of Horizon Construction Development once again, greatly rewarding Shareholders for their support.

Achievements made in sustainable development works: The Group proactively set the "Far East Samples" for sustainable development. Focusing the "Five Key Areas of Finance", namely technology finance, green finance, inclusive finance, pension finance and digital finance, the Group successfully completed the issuance of the first asset-backed notes for equipment leasing of mirco, small and medium-sized enterprises with AAA-grade international rating in China. Moreover, the Group gained leading position among global enterprises in the 2024 S&P Global Corporate Sustainability Assessment (CSA) Score, and won several major ESG-related awards.

All of this would not have been possible without the hard work of all of the staff and the strong support of our Shareholders, creditors, customers and stakeholders. On behalf of the Board of Directors, the management and all of the staff, I would like to hereby express my heartfelt thanks to all of you.

CHAIRMAN'S STATEMENT

Looking back on 2024, the Group treated safe and stable operation as its top priority and prudently promoted business operation under its "finance + industry" development strategic framework.

In respect of financial services: Traditional business continuously iterated its service modes. By fully leveraging its advantages and capabilities in "marketization, internationalization and specialization", we provided customers with comprehensive, high-quality services. We also maintained stable business volume, safe and steady asset quality and favorable interest spread level by putting greater efforts in industry and customer risk identification in a prudent way. For inclusive finance business, we continued to explore markets in riverside and coastal area with developed economies. The business modes have been improving, with steady growth in asset scale and interest income. As at the end of 2024, net interest-earning assets of the Group amounted to RMB260.641 billion. Investments in asset were basically remained steady as compared to last year, and asset recovery accelerated orderly. Balance of non-performing assets remained stable, and the proportion of non-performing assets was 1.07%. The proportion of interest-earning assets overdue for more than 30 days further dropped to 0.90%. Net interest spread was 4.00% while net interest margin was 4.48%, both of which were at a high level.

In respect of industrial operation: This segment recorded total revenue of RMB16.181 billion during the year, representing a year-on-year increase of 9.78% as compared to the previous year. The proportion of revenue contribution further increased to 42.71% from 38.68%, which effectively mitigated cyclical and environmental impacts, thus achieving healthy and stable financial structure. In particular, Horizon Construction Development, as a leading comprehensive equipment operation service provider in China, continued to deeply develop its domestic operations. Through asset structure optimization and regional expansion, Horizon Construction Development explored new products and new markets, thus creating new growth momentum. Meanwhile, Horizon Construction Development continued to explore overseas markets. While accelerating the development of its existing Southeast Asia market, Horizon Construction Development also explored potential markets in the Middle East, thus realizing profits in its overseas operations and developing its towards the direction of "becoming a leading global comprehensive equipment operation service provider". As at the end of 2024, the number of aerial work platforms managed by Horizon Construction Development increased to 216,300 sets, ranking first in Asia and top three in the world. Horizon Construction Development managed approximately 2.14 million tons of materials assets in total, maintaining its leading position in China. It has 528 outlets in China (including Hong Kong) and 53 outlets in overseas markets, covering Malaysia, Vietnam, Indonesia, Thailand, Saudi Arabia, the UAE and Turkey. In 2024, the total revenue of Horizon Construction Development amounted to RMB11,581 million, representing an increase of 20.50% as compared to the corresponding period of the last year, and its profit for the year amounted to RMB896 million. Horizon Healthcare continued to optimize management modes and improve management efficiency. In 2024, Horizon Healthcare completed the acquisition of Yexian No.2 People's Hospital, and currently has 26 holding hospitals with improving profitability. In 2024, the total revenue of Horizon Healthcare amounted to RMB4,093 million. The profit for the year amounted RMB232 million, representing a year-on-year increase of 34.61% over last year.

As at the end of 2024, the total assets of the Group amounted to RMB360,390 million, representing an increase of 2.53% as compared to the end of last year. The revenue for the year amounted to RMB37,749 million, which remained stable as compared to last year. As affected by non-operating factors, the profit attributable to ordinary Shareholders for the year amounted to RMB3,862 million. Return on average equity reached 7.80%.

CHAIRMAN'S STATEMENT

In view of the stable debt ratio and the reduction in capital expenditure requirement, the Company increased its distributions to Shareholders. In the first half of 2024, the Company distributed cash dividends to Shareholders amounting RMB1,920 million, representing approximately 31.00% of the profit attributable to ordinary Shareholders of the Company for 2023. In October 2024, the Company distributed cash interim dividends to Shareholders amounting RMB953 million, and recommended distribution of a final cash dividend of HK\$0.30 per share (estimated to be equivalent to approximately RMB120 million in total) for the first half of 2025, representing approximately 55.75% of the profit attributable to ordinary Shareholders of the Company for 2024 in aggregate. Moreover, in June 2024, the Company distributed dividend by way of distribution of 799 million shares of Horizon Construction Development in specie, equivalent to approximately RMB2,555 million. Looking forward, the Company will continue the stability of its cash distribution policy on the basis of maintaining steady operation.

The Board of Directors of the Company took the entrustment of Shareholders as its duty, duly abided by its responsibilities, and constantly improved the governance structure to enhance the governance standards. In accordance with the requirements of the Corporate Governance Code of the Stock Exchange, the Company convened four regular Board meetings in 2024 to deliberate, review and approve matters related to its operation and management, and all decisions made were in line with the development needs of the Group and in the interests of all Shareholders. At the same time, the dedicated committees under the Board fully performed their respective rights and obligations delegated by the Board in various aspects such as improving and optimizing the remuneration and incentive systems and improving the level of internal risk control for the Company, and thus effectively safeguarded the interests of all Shareholders. They also continued to guide and promote the works on sustainable development of the Company.

Looking forward to 2025, the Group will adhere to the development strategy of "finance + industry" as always, facilitate innovative service and system iteration, and adapt itself to development and changes, striving to continuously create values for Shareholders, creditors, customers and stakeholders amid the complex external environment.

KONG Fanxing

Chairman of the Board, executive Director and CEO

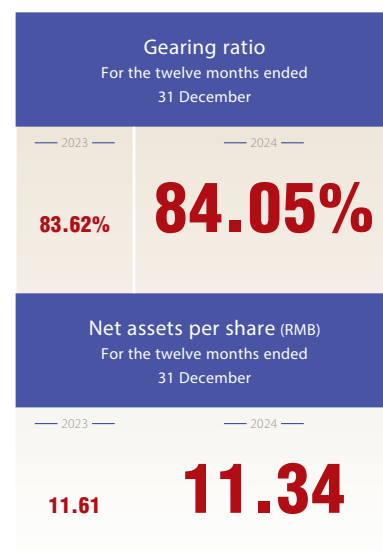
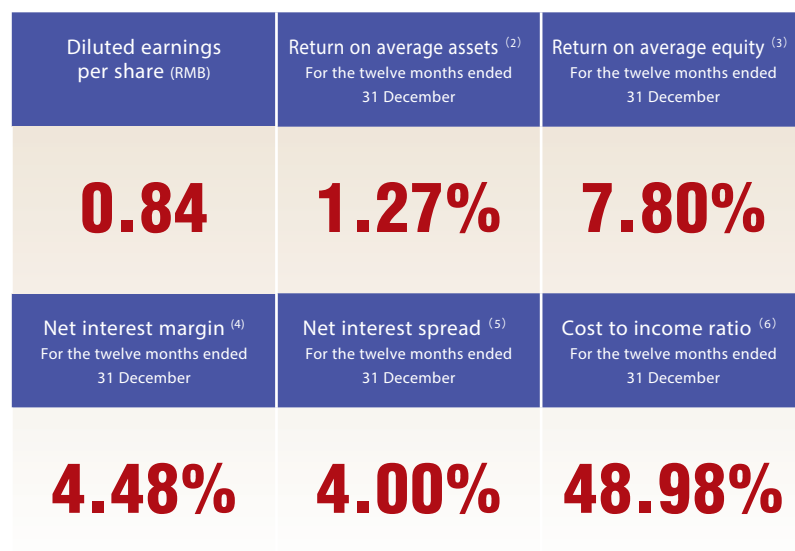
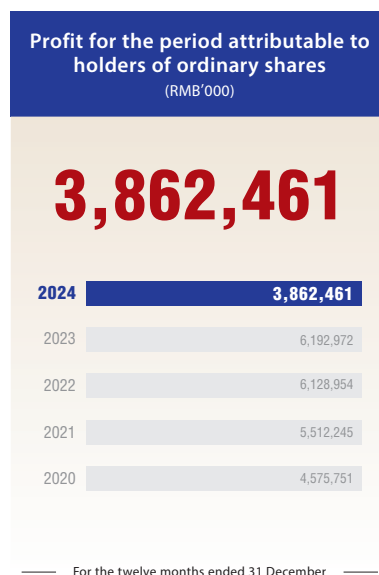
Far East Horizon Limited



BUSINESS OVERVIEW

For the year ended 31 December

2024



BUSINESS OVERVIEW

FOR THE YEAR ENDED 31 DECEMBER

2024

	For the year ended 31 December				
	2024	2023	2022	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Operating results					
Total revenue	37,749,156	37,959,798	36,585,722	33,643,923	29,041,801
Financial services (interest income)	21,182,108	22,467,103	21,677,501	19,168,370	16,521,643
Advisory services (fee income)	523,546	896,331	1,822,575	3,178,894	3,836,492
Revenue from industrial operation	16,180,581	14,739,271	13,232,942	11,434,721	8,811,129
Tax and surcharges	(137,079)	(142,907)	(147,296)	(138,062)	(127,463)
Cost of sales	(20,734,304)	(19,958,815)	(18,127,725)	(16,431,419)	(14,076,166)
Borrowing costs	(9,397,606)	(9,982,081)	(9,007,594)	(8,937,086)	(8,069,641)
Costs for industrial operation	(11,336,698)	(9,976,734)	(9,120,131)	(7,494,333)	(6,006,525)
Pre-provision operating profit ⁽¹⁾	9,275,587	10,614,851	12,438,003	13,143,618	11,248,938
Profit before tax	8,021,363	10,425,260	10,318,605	10,013,298	7,507,546
Profit for the year attributable to holders of ordinary shares of the Company	3,862,461	6,192,972	6,128,954	5,512,245	4,575,751
Basic earnings per share (RMB)	0.92	1.47	1.46	1.36	1.20
Diluted earnings per share (RMB)	0.84	1.33	1.33	1.25	1.16
Profitability indicators					
Return on average assets ⁽²⁾	1.27%	1.98%	1.93%	1.96%	1.80%
Return on average equity ⁽³⁾	7.80%	12.99%	14.13%	14.57%	14.24%
Net interest margin ⁽⁴⁾	4.48%	4.58%	4.67%	4.06%	3.83%
Net interest spread ⁽⁵⁾	4.00%	3.98%	3.94%	3.21%	2.85%
Cost to income ratio ⁽⁶⁾	48.98%	45.12%	36.79%	35.29%	33.88%

BUSINESS OVERVIEW

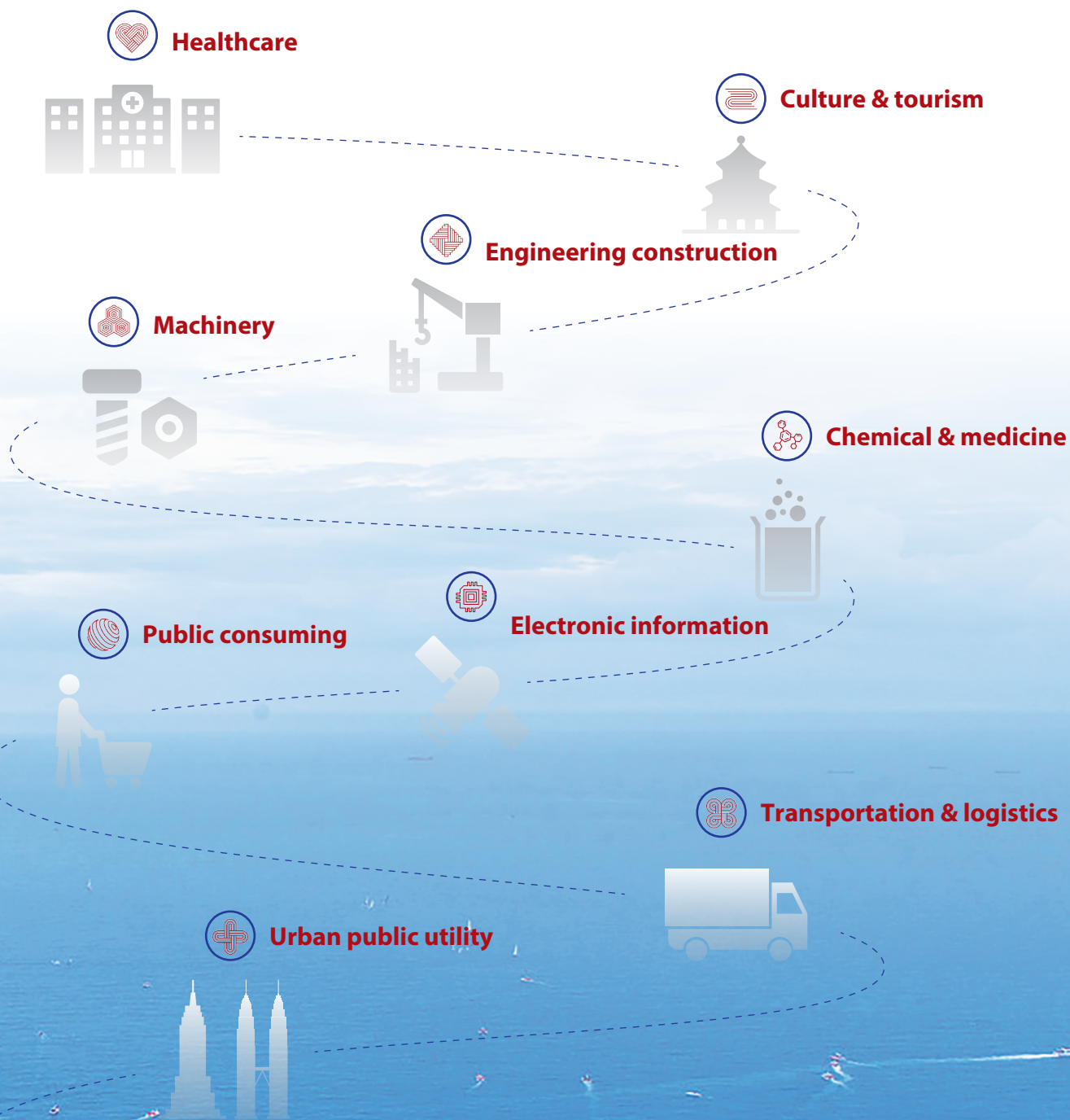
	31 December 2024	31 December 2023	31 December 2022	31 December 2021	31 December 2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and liabilities					
Total assets	360,390,000	351,483,236	346,995,497	335,880,288	299,926,788
Net interest-earning assets	260,641,331	269,084,739	270,600,890	258,378,834	235,414,093
Total liabilities	302,912,859	293,913,636	294,554,075	282,826,178	254,659,655
Interest-bearing bank and other borrowings	264,918,183	255,636,145	251,327,480	230,200,742	205,216,155
Gearing ratio	84.05%	83.62%	84.89%	84.20%	84.91%
Total equity	57,477,141	57,569,600	52,441,422	53,054,110	45,267,133
Equity attributable to holders of ordinary shares of the Company	48,990,316	50,099,369	45,248,875	41,522,550	34,119,452
Net assets per share (RMB)	11.34	11.61	10.49	9.63	8.58
Duration matching of assets and liabilities					
Financial assets	311,067,265	306,682,291	300,812,935	288,725,308	259,849,382
Financial liabilities	297,613,319	285,025,325	285,798,663	272,024,528	241,556,177
Quality of interest-earning assets					
Non-performing asset ratio ⁽⁷⁾	1.07%	1.04%	1.05%	1.06%	1.10%
Provision coverage ratio ⁽⁸⁾	227.78%	227.59%	239.97%	241.75%	252.20%
Write-off of non-performing assets ratio ⁽⁹⁾	40.70%	49.41%	50.14%	40.32%	52.92%
Overdue interest-earning assets (over 30 days) ratio ⁽¹⁰⁾	0.90%	0.91%	0.91%	0.94%	0.99%

BUSINESS OVERVIEW

Notes:

- (1) Pre-provision operating profit = profit before tax + provision for assets;
- (2) Return on average assets = profit for the year/average balance of assets at the beginning and end of the year;
- (3) Return on average equity = profit for the year 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 year;
- (4) Net interest margin = net interest income/average balance of interest-earning assets;
- (5) Net interest spread = average yield of interest-earning assets – average cost rate of interest-bearing liabilities;
- (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 year;
- (10) Overdue interest-earning assets (over 30 days) ratio = overdue interest-earning assets (over 30 days)/net interest-earning assets.





MANAGEMENT DISCUSSION AND ANALYSIS

1. ECONOMIC ENVIRONMENT

1.1 Macro-economy

In 2024, China's gross domestic product (GDP) was RMB134.91 trillion on a constant price basis, representing a year-on-year increase of 5.0%. On industry level, the added value of the primary industry was RMB9.14 trillion, representing a year-on-year increase of 3.5% and a contribution to economic growth of 4.8%; the added value of the secondary industry was RMB49.21 trillion, representing a year-on-year increase of 5.3% and a contribution to economic growth of 38.9%; and the added value of the tertiary industry was RMB76.56 trillion, representing a year-on-year increase of 5.0% and a contribution to economic growth of 56.3%. Taking into consideration the price factor, the GDP deflator recorded a year-on-year decrease of 0.73%, of which the primary industry deflator decreased by 0.95%, the secondary industry deflator decreased by 1.81%, and the tertiary industry deflator decreased by 0.01%.

On the demand side, in respect of investment in 2024, the investment in fixed assets (excluding rural households) nationwide amounted to RMB51.44 trillion, representing a year-on-year increase of 3.2%. In particular, private investment in fixed assets amounted to RMB25.76 trillion, representing a year-on-year decrease of 0.1%. In respect of consumption, the total sales of social consumer goods amounted to RMB48.79 trillion, representing a year-on-year increase of 3.5%, with the growth rate down by 3.7 percentage points from the previous year. In respect of exports, total import and export of goods amounted to RMB43.85 trillion, representing a year-on-year increase of 5.0%.

On the supply side, the industrial capacity utilization rate was 75.0% in 2024, representing a year-on-year decrease of 0.1 percentage point, which was a year-on-year decline for the third consecutive year. For the three major industries, the mining industry, the manufacturing industry, and the electricity, heat, gas and water production and supply industry reported a capacity utilization rate of 75.3%, 75.2% and 73.0%, respectively. Total profits of the industrial enterprises above a designated size amounted to RMB7.43 trillion, representing a year-on-year decrease of 3.3%. For the three major industries, the total profits from the mining industry, the manufacturing industry, and the electricity, heat, gas and water production and supply industry decreased by 10.0%, decreased by 3.9% and increased by 14.5% as compared to the previous year, respectively.

At the 2024 Central Economic Work Conference, it was highlighted that the adverse impacts brought about by the prevailing changes in the external environment have intensified, and economic operations are still subject to various difficulties and challenges, mainly due to the persistent potential risks arose from distressed employment and income generation in the society as insufficient domestic demand put some enterprises under strain in production and operation.



MANAGEMENT DISCUSSION AND ANALYSIS

In respect of fiscal policy, in 2024, the national general public budget was RMB28.46 trillion, increased by 3.6% as compared to last year. The increase was mainly driven by the expenses for agriculture, forestry and water affairs, urban and rural community affairs, science and technology, and social security and employment, which grew by 12.4%, 5.9%, 5.7% and 5.6%, respectively. The national general public budget was RMB21.97 trillion, increased by 1.3% as compared to last year. In particular, tax revenue amounted to RMB17.49 trillion, decreased by 3.4% as compared to last year. Non-tax revenue amounted to RMB4.47 trillion, increased by 25.4% as compared to last year.

In respect of monetary policy, the balance of the broad measure of money supply (M2) increased by 7.3% year on year in 2024, while the outstanding social financing increased by 8.0% year on year. In January, the People's Bank of China lowered the interest rates on agricultural and small business re-financing and re-discounting loans by 0.25 percentage point. In February, the People's Bank of China lowered the reserve requirement ratio by 0.50 percentage point. In July and September, the 7-day reverse repo rate in open market operations was reduced by a total of 0.3 percentage point, and the reserve requirement ratio was lowered by 0.5 percentage point. While lowering the reserve requirement ratio and interest rates, the People's Bank of China maintained market liquidity at a reasonable and sufficient level by making use of re-financing, medium-term lending facilities, open market operations and other means which may boost liquidity.

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

1.2 Regional Economy

In 2024, China's regional economy presented a diversified development trend, which was generally characterized by a pattern of "development driven by regions along rivers and coasts, with other regions following suit".

From the perspective of various regions served by the Group: The Eastern China region, as the core region of China's economy, exhibited strong economic vitality and resilience. In 2024, the GDP of the Eastern China region reached RMB43.0 trillion, accounting for 33.6% of the national total. Calculated at constant prices, the gross production values of Jiangsu, Anhui, Shandong, Zhejiang and Shanghai increased by 5.8%, 5.8%, 5.7%, 5.5% and 5.0% as compared to the previous year, respectively. The Central China region showed steady growth. Calculated at constant prices, the gross production values of Hubei, Henan, Jiangxi and Hunan in 2024 increased by 5.8%, 5.1%, 5.1% and 4.8% as compared to the previous year, respectively. The Southwest region diversified its economic growth. High-tech industries and the automotive industry in regions including Sichuan and Chongqing embraced rapid growth; regions including Guizhou and Xizang maintained stable economic growth; while Yunnan experienced a slowdown, with its GDP growth rate of only 3.3%. The Northern China region has created stronger impetus for growth. The industrial added value in the Beijing-Tianjin-Hebei region increased rapidly, with faster growth in the production of electronic computers, industrial robots and new energy vehicles. The Southern China region enjoyed favourable economic development, with coordinated growth across multiple sectors. Guangdong saw rapid growth in advanced manufacturing and high-tech manufacturing industries; Guangxi facilitated innovative development; and Hainan, driven by the construction of the free trade port, experienced rapid growth in tourism and modern services. The Northeast region lagged behind the national average for its growth rate. In 2024, Jilin's GDP grew by 4.3%, and Heilongjiang's GDP grew by 3.2%, indicating relatively slow development. The Northwest region maintained stable economic growth in general.

Source: National Bureau of Statistics of China

MANAGEMENT DISCUSSION AND ANALYSIS

1.3 Industry Environment

The economy sustained stability in general. However, the internal momentum remained sluggish with low demand. In 2024, the added value of the industrial enterprises with a designated size above nationwide increased by 5.8% over the previous year.

From the perspective of various industry sectors served by the Group, in respect of urban public utility, the investment demand to address shortcomings in people's livelihood remained relatively stable. In 2024, investment in water conservancy, environmental protection and public facility management grew by 4.2%. In respect of engineering construction, counter-cyclical adjustments in infrastructure investment continued. In 2024, the national infrastructure investment in electricity, heating and related sectors grew by 23.9%. In respect of culture & tourism, the tourism market continued to pick up. According to data from the Ministry of Culture and Tourism, in 2024, the number of domestic outbound tourist trips was 5.615 billion, increased by 724 million or 14.8% as compared to the previous year. Domestic tourists spent a total of RMB5.75 trillion on travel, increased RMB0.84 trillion by or 17.1% as compared to the previous year. In respect of healthcare, healthcare investment significantly reduced. In 2024, investment in the health sector decreased by 9.6% as compared to the previous year. In respect of transportation & logistics, cargo transportation remained stable in general, while passenger flow recovered to 97% of that in 2019. In 2024, China's freight volume grew by 3.9% as compared to last year, while passenger traffic grew by 8.5% as compared to last year. In respect of public consuming, among a variety of industry segments, the industries highly related to people's livelihood grew steadily. In 2024, the added value of the food manufacturing industry grew by 5.8% as compared to last year, and the added value of the alcohol, beverage and refined tea manufacturing industry grew by 4.8% as compared to last year. In respect of machinery manufacturing, 31,436,000 automobiles were sold in China in 2024, increased by 4.5% as compared to last year, driving a year-on-year increase of 7.5% in fixed asset investment in the automobile manufacturing industry. In respect of chemical & medicine, the fine chemical industry maintained growth, while pharmaceutical manufacturing was relatively weak. In 2024, the added value of chemical raw material and chemical product manufacturing industry grew by 8.9% as compared to last year. The added value of the pharmaceutical manufacturing industry grew by 3.6% as compared to last year. In respect of electronic information, the energy electronics industry declined from a high level, while the consumer electronics sector recovered. In 2024, the growth rate of fixed asset investment in electrical machinery and equipment related to new photovoltaic power was 5.1%, representing a decrease of 7.8 percentage points as compared to the same period last year; the growth rate of fixed asset investment in electronic equipment manufacturing was 11.8%, representing an increase of 8.4 percentage points as compared to the same period last year.

Source: National Bureau of Statistics of China, Ministry of Transport, Ministry of Culture and Tourism, General Administration of Customs, China Association of Automobile Manufacturers

MANAGEMENT DISCUSSION AND ANALYSIS

1.4 Leasing Industry

In 2024, on one hand, Tianjin, Shanghai, Guangzhou, Shenzhen and other cities published documents including the Implementation Plan for Equipment Renewals and Consumer Goods Trade-ins (“設備更新和消費品以舊換新實施方案”) and the Implementation Plan for Promoting High-Quality Development of Financial Leasing (“推動融資租賃高質量發展實施方案”), encouraging the financial leasing industry to fully leverage its business characteristics of “financing funds and assets” and provide specialized services for equipment renewals in key sectors such as industry, education, healthcare, and agriculture. These documents also outlined specific measures to create an environment conducive to the high-quality development of financial leasing enterprises. On the other hand, financial regulators further implemented stringent regulatory policies to strengthen daily supervision and inspection in all aspects, and also to enhance the effectiveness of off-site supervision. Special inspections were conducted on targeted institutions at risk with “close-proximity” supervision. A number of penalties were issued for illegal and non-compliant business activities, and financial regulatory authorities in various regions continued to check and clean up enterprises engaged in abnormal business operations. In general, with further clarified regulatory guidance, the operating environment of the industry will become more regulated and transparent. Industry-focused and leading financial leasing enterprises complying with the law will secure a good and stable room for development and continue to contribute to the high-quality and sustainable development of the real economy.

Source: China Leasing Union (中國租賃聯盟)

MANAGEMENT DISCUSSION AND ANALYSIS

1.5 Company's Solutions

In 2024, in response to a persistently complex and ever-changing external environment, the Group leveraged its advantages in internationalization, marketization and specialization, adhered to its mission of “Integrating global resources and promoting industry development”, adopted the “finance + industry” two-wheel drive development strategy, and focused on the “Five Key Areas of Finance”, in order to continuously innovate approaches and enrich its offerings to provide high-quality financial services for the real economy and social development.

In terms of financial services, the Group continued to advance its efforts in line with the two major directions of “serving the upgrading ambition of industries and cities”.

In serving industries, the Group focused on providing long-term, comprehensive services to resilient clients. On one hand, it extended its reach along the vertical industrial chain and horizontal regional networks, effectively identifying resilient enterprises that could guide industrial development and withstand economic cycles. On the other hand, it integrated internal and external resources, upgrading from solely addressing funding needs to offering diversified and comprehensive services. In the meantime, the Group maintained a mindset concerning long-term operations, continuously engaging with high-value clients to generate sustained and diversified outputs.

In serving cities, the Group closely aligned the market resources, marketing networks, service capabilities, business layouts, and resource systems of multiple departments to establish a service model based on comprehensive solutions. It provided services to address the diverse needs of customers in financial leasing, asset management, overseas operations, industrial investment, and industrial operations, further strengthening and deepening collaboration across business lines. The Group established supporting mechanisms for joint research on urban development topics, joint marketing for high-potential cities, and joint service delivery for comprehensive needs, achieving remarkable results.

Focusing on the “Five Key Areas of Finance”, the Group made significant progress in inclusive finance and green finance.

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In the area of inclusive finance, small-and-micro inclusive business is an indispensable and vital component of China's economy, playing an irreplaceable role in facilitating economic growth, promoting employment, and stimulating innovation. In 2024, FEHORIZON Inclusive further strengthened its support for customers engaged in small-and-micro inclusive business. By innovating business models, streamlining approval processes, and piloting a specialized telemarketing platform, it extended the coverage of long-tail customer base, and provided convenient financial services to micro, small and medium-sized enterprises. FEHORIZON Inclusive has served over 20,000 micro, small and medium-sized enterprises, granting loans of over RMB50 billion, which provided strong support for their development.

In the area of green finance, by fully integrating environmental, social, and governance (ESG) elements into its corporate management and business operations, the Group continuously optimized corporate governance, reinforced climate risk management, and established "dual carbon" targets while actively implementing carbon reduction measures. The Company incorporated ESG standards into its financial service system to promote sustainable economic and environmental development, and also supported real enterprises, promoted inclusive finance, and strengthened the diversified development and protection of rights and interests for its talents. The Company continued to lead in ESG ratings. In 2024, it ranked among the world's top financial and capital market services providers in the S&P CSA rating (54 points), was selected as an "Industry Mover" in the Sustainability Yearbook (China Edition) 2024, maintained a leading position in MSCI ESG ratings, and has been included in the FTSE4Good Index for consecutive years. Additionally, the Company enhanced its sustainable financial management system by upgrading the Green Financing Framework to the Sustainable Financing Framework, which was certified by Moody's Investors Service and Sustainable Fitch with second-party opinion reports. It also published the Sustainable Investment Policy, the Statement on Coal Investment and Financing, and the Statement on Unconventional Oil and Gas Investment and Financing, further refining the sustainable financial management system of the Group. With its proactive efforts in the research and disclosure on climate change impacts, the Company released its first Climate-related Information Disclosure Report in April 2024. With reference to the Global GHG Accounting and Reporting Standard for the Financial Industry issued by the Partnership for Carbon Accounting Financials (PCAF), it reviewed the carbon emissions from financial operations within the Group for the first time. In December 2024, it made a formal commitment to the Science-Based Targets (SBT) initiative, and became the first financial institution to commit to the initiative at the group level in mainland China.

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In terms of industrial operation, Horizon Construction Development and Horizon Healthcare gave full play to their own advantages, and achieved steady operations. Meanwhile, in line with the national vision of coordinated regional development and the building of a healthy China, they have been developing steadily with their respective focuses, and their operating contribution has been rising, forming a leading industrial group of national scale with social influence.

Horizon Construction Development adhered to a steady development approach and firmly executed its established strategies. Faced with a shrinking domestic market, Horizon Construction Development activated its business units through asset deployment, improved its operational efficiency by optimizing asset placement, and deepened its presence in untapped regions with an expanded network, thereby securing its domestic foothold and leading position in China. As at the end of the period, it had 528 outlets across over 220 cities in China (including Hong Kong). At the same time, it accelerated overseas market expansion, achieving large-scale operations in seven countries: Malaysia, Thailand, Vietnam, Indonesia, Saudi Arabia, the United Arab Emirates, and Turkey. As at the end of the period, the Company had 53 overseas outlets, and its international operations had turned profitable for the year. To adapt to domestic market adjustments and environmental changes, Horizon Construction Development continued to diversify its product offerings, providing customers with one-stop services such as mining equipment, glass installation vehicles, spider lifts, spider cranes, industrial coolers, forklifts, and crawler scissor lifts. Besides, it actively prospected for new industrial customers, with initial progress made in mining, shipbuilding and repair, and steel and petrochemical industries.

Striving to become a platform with distinctive specialty features and the largest healthcare service population at the county-level in China, Horizon Healthcare developed value-creation capability in various dimensions by switching its approach from disease-centered to health-centered, from strong reliance on medical insurance to non-medical insurance extension, and taking its affiliated hospitals as service platforms. In the face of tightening regulation on medical insurance, declining willingness of residents to pay, and intensified competition in the industry, Horizon Healthcare actively engaged in strategic upgrading, on the one hand, to strengthen the capacity building of its basic medical disciplines to enhance patient attraction and increase the number of patients to hedge against the pressure of controlled medical insurance expenses, and on the other hand, to actively expand non-medical insurance services to reduce reliance on medical insurance. In addition, by cutting labor costs, procurement costs for pharmaceuticals and consumables and logistics and property expenses to reduce the operating costs of hospitals, the overall profit level for the year maintained growth as compared to last year.

Source: IRN

MANAGEMENT DISCUSSION AND ANALYSIS

2. ANALYSIS OF FINANCIAL RESULTS

Facing a complex and volatile downturn environment, the Group continued to reinforce its operations and enhance management efficiency. By leveraging the resource integration advantages of “finance + industry”, the Group achieved overall steady development in its financial structure.

Against the backdrop of conforming to the environment, the Company has consistently adhered to stable operations. Firstly, in terms of financial business, it identified risks with caution, placed proactive control on leverages, and reduced the risk exposure of its assets. As at 31 December 2024, the Company had total assets of RMB360.390 billion, including interest-earning assets of RMB260.641 billion, representing a year-on-year decrease of 3.14%. Despite the proactive curtailment in response to a complex external environment, the non-performing assets and total provisions remained stable, while expecting a manageable trend. Besides, throughout 2024, the Company continued to increase the write-off of assets at risk, dispose of inefficient assets, and control long-term capital investment, sustaining a stable liquidity level as usual. As at 31 December 2024, the Company had a consolidated gearing ratio of 84.05% and a quick ratio⁽¹⁾ of 1.05, both within safe and stable ranges. In addition, the Company continued to reinforce its consistent prudent financial policies, such as duration matching, interest and exchange rate risk hedging, and asset risk provisions, ensuring a robust financial structure as a whole.

In terms of revenue, the Group’s comprehensive advantages in diversified operations have been fully demonstrated. In 2024, the Group’s consolidated revenue reached RMB37.749 billion, representing a slight decrease of 0.55% in general year on year. In particular, traditional financial business experienced a general contraction due to economic downturn and insufficient effective demand, reporting a year-on-year decline of 8.47%. However, the Company saw healthy and sustained growth in the inclusive finance segment, with a year-on-year increase of 50.90%. Meanwhile, industrial operation remained generally stable, effectively offsetting the impact of fluctuations in the principal business engaged in financial sector.

Note (1): Quick ratio = (unrestricted positions + loans and receivables due within 1 year)/current liabilities

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In terms of profitability, the financial business experienced a decline of 5.61% in its overall gross profit due to the narrowing of net interest margins, while the inclusive finance segment benefited from economies of scale, with the yield of interest-earning assets increasing by 1.16 percentage points. In industrial operation, Horizon Construction Development maintained stable operations, achieving a year-on-year growth of 20.5% in its revenue, but its operating costs increased due to the general downturn in the infrastructure industry, and thus its gross profit was on par with the profit for the previous year. Horizon Healthcare adhered to a differentiated strategy and optimized its management model. Although its revenue slightly decreased as compared to 2023, its gross profit from operations and profit for the year grew by 6.80% and 34.61% as compared to the previous year, respectively, indicating a significant improvement in operational efficiency. Driven by these factors, the Group's consolidated pre-provision operating profit was RMB9.276 billion, representing a decrease of 12.62%. Meanwhile, the Group consistently maintained a prudent policy to make adequate provisions, accelerated the write-off of non-performing assets, and kept the scale of non-performing assets stable, with the provision coverage ratio always staying above 220%. Accordingly, the Group recorded consolidated profit before tax of RMB8.021 billion, representing a year-on-year decrease of 23.06%.

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3. ANALYSIS OF PROFIT AND LOSS

3.1 Analysis of Profit and Loss (Overview)

The Group's revenues were generally stable, with a slight year-on-year decrease. As affected by the change in fair value of certain non-operating financial assets, as well as the one-off cross-border income tax, the profit attributable to holders of ordinary shares for the year was RMB3,862,461,000, representing a decrease of 37.63% as compared to the previous year. The following table sets forth the comparative figures with 2023.

For the year ended 31 December			
	2024	2023	
	RMB'000	RMB'000	Change %
Revenue	37,749,156	37,959,798	-0.55%
Cost of sales	(20,734,304)	(19,958,815)	3.89%
Gross profit	17,014,852	18,000,983	-5.48%
Other income/gains ⁽¹⁾	1,615,482	1,559,591	3.58%
Selling and administrative expenses	(8,333,844)	(8,121,968)	2.61%
Other expenses and losses ⁽¹⁾	(68,806)	(55,090)	24.90%
Finance costs	(1,213,009)	(1,037,956)	16.87%
Gains and loss on investment in joint ventures/associates	260,912	269,291	-3.11%
Pre-provision operating profit	9,275,587	10,614,851	-12.62%
Provision for assets	(1,254,224)	(189,591)	561.54%
Profit before tax	8,021,363	10,425,260	-23.06%
Income tax expense	(3,502,126)	(3,508,237)	-0.17%
Profit for the year	4,519,237	6,917,023	-34.66%
Attributable to:			
Holders of ordinary shares of the Company	3,862,461	6,192,972	-37.63%
Holders of perpetual securities	32,188	106,894	-69.89%
Non-controlling interests	624,588	617,157	1.20%

MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

- (1) There is a difference in terms of caliber 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 here is 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 is included in "other income and gains", and the loss on changes in fair value is included in "other expenses".

In 2024, as directly affected by the sluggish macro-economy, the Group's pre-provision operating profit decreased by 12.62%. At the same time, to sustain a robust asset structure, the Group intensified its efforts to mitigate risks and made a corresponding increase in provision for assets for the year, and thus its profit before tax decreased by 23.06%. In addition, to meet the needs of cross-border fund transfers such as dividend distribution, an additional RMB320 million in cross-border income tax was incurred in 2024, resulting in a year-on-year decrease of 34.66% in profit for the year. The reduction in the profit for the year attributable to holders of ordinary shares of the Company was further influenced by the dilutive effect of the distribution in specie of the shares of Horizon Construction Development. The specific changes in profit and loss are explained as follows:

- (i) Revenue and gross profit both experienced a year-on-year decline. Revenue and gross profit are primarily derived from two major segments: financial business and industrial operation. As these two segments have different contribution structures and gross margins, the Group's revenue remained unchanged in spite of a decreased gross profit. In terms of revenue structure, financial business and industrial operation contributed 57% and 43% of revenue, respectively. However, for the gross profit structure, financial business and industrial operation accounted for 72% and 28% of gross profit, respectively. The financial business was affected by the decrease in interest spreads, while the gross profit margin of industrial operation is lower than that of financial business by nature. As a result, the Group recorded a year-on-year decrease of 5.48% in its gross profit with an unchanged revenue level in general.
- (ii) Other factors affecting pre-provision operating profit primarily include the increase in selling and administrative expenses as well as the increase in finance costs. The increase in selling and administrative expenses was mainly due to the business expansion activities in response to the economic downturn. Selling and administrative expenses in relation to financial business recorded a year-on-year decrease of RMB143,573,000, mainly due to the year-on-year decrease of RMB55,317,000 in business travelling and office expenses as the Group put greater efforts on market expansion while reducing costs and improving efficiency, thus enhancing its operational efficiency. Selling and administrative expenses in relation to industrial operation recorded a year-on-year increase of RMB355,449,000, mainly due to the increase of RMB325,667,000 in equipment operation segment. Among which, labor cost increased by RMB127,365,000 due to the increase in number of employees as a result of overseas expansion. As the Group gradually put greater efforts on overseas market development and further increased the total number of outlets, the travelling and communication expenses and rent and property management service fees increased by RMB100,083,000. The research and development expenses on digital system increased by RMB53,046,000. The increase in finance costs during the year was mainly due to interest expenses of RMB222,793,000 in relation to infrastructure investment business recorded as finance costs, which previously recorded as selling expenses in 2023.
- (iii) The stronger influence of provision for assets on profit before tax reflects the consistent prudent strategy of the Group. In 2024, the Group continued to strengthen the elimination and write-off of assets at risk in order to safeguard assets. Provision for interest-earning assets amounted to RMB1,220,918,000, representing an increase of RMB225,730,000 as compared to the previous year, which was mainly due to the increase in provision for interest-earning assets under inclusive finance business of RMB168,224,000 during the year. To better reflect the operating results of inclusive finance business, the Group adopted a more prudent provision and write-off policy for non-performing assets under inclusive finance business since 2024, and fully written-off non-performing assets as at the end of the period, resulting in an increase in overall provision for interest-earning assets. In addition, reversal of bad debts after write-off amounted to RMB443,815,000, representing a year-on-year decrease of RMB194,449,000, which was due to the corresponding increase in asset provision as compared to last year as the reversal of bad debts after write-off represented the deduction of provisions. For industrial operation, provisions amounted to RMB477,121,000 in aggregate, representing a year-on-year increase of RMB644,454,000. Among which, provisions for fixed assets and investments in joint ventures/associates recorded a year-on-year increase of RMB512,860,000 and RMB261,606,000 respectively, which was mainly due to the inclusion of gains on asset write-off or asset impairment provision for prior operating cycle in the comparable amount for 2023, and the lower base for year-on-year comparison led to a greater impact on the profit and loss for 2024. Looking ahead, the Group will continue to seek subsequent disposal gains from written-off assets while safeguarding assets.
- (iv) Taking into account the above factors, the profit before tax of the Group for 2024 decreased as compared to the previous year.
- (v) In 2024, the effective tax rate of the Group's operating entities remained generally stable as compared to 2023. However, due to increased cross-border fund transfers for dividends distributed to overseas companies, the cross-border income tax increased, leading to a rise in the consolidated effective tax rate from 33.7% in 2023 to 43.7% in 2024. For a detailed analysis, please refer to item 3.11 of this section.
- (vi) Taking into account the above factors, the profit for the year of the Group for 2024 was RMB4,519,237,000, representing a year-on-year decrease of 34.66%. Besides, the Group distributed a dividend in specie of the shares of Horizon Construction Development, leading to a decrease in its shareholding in Horizon Construction Development from 71% at the end of 2023 to 42% at the end of 2024. Accordingly, the decrease in the profit for the year attributable to holders of ordinary shares of the Company was slightly larger than the decrease in the profit for the year.

MANAGEMENT DISCUSSION AND ANALYSIS

3.2 Revenue

In 2024, the Group realized revenue of RMB37,749,156,000, representing stability in general as compared with RMB37,959,798,000 of the previous year. In particular, revenue (before taxes and surcharges) of the financial and advisory segment was RMB21,705,654,000, accounting for 57.29% of the total revenue (before taxes and surcharges) and representing a decrease of 7.10% as compared to the previous year. The Group also continued to develop the industrial operation business with revenue derived from industrial operation growing by 9.78% as compared to the previous year.

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

For the year ended 31 December					
	2024		2023		
	RMB'000	% of total	RMB'000	% of total	Change %
Financial and advisory segment	21,705,654	57.29%	23,363,434	61.32%	-7.10%
Financial services (interest income)	21,182,108	55.91%	22,467,103	58.97%	-5.72%
Advisory services (fee income)	523,546	1.38%	896,331	2.35%	-41.59%
Industrial operation segment	16,180,581	42.71%	14,739,271	38.68%	9.78%
Total	37,886,235	100.00%	38,102,705	100.00%	-0.57%
Tax and surcharges	(137,079)		(142,907)		-4.08%
Revenue (after taxes and surcharges)	37,749,156		37,959,798		-0.55%

In 2024, the Group realized revenue of RMB37,749,156,000, representing stability in general as compared with RMB37,959,798,000 of the previous year. Facing the complex environment, the Group has placed a greater emphasis on the quality of operations since 2024, insisting on taking safe and stable operations as its top priority and prudently pushing ahead various operational initiatives. In particular, the development of financial services became steadier and more prudent with stricter pre-lease reviews, maintaining a high quality customer base as well as safe and sound assets. At the same time, the Group regarded the industrial operation segment as a key driver of maintaining stable performance in general to fully make use of its advantages in industrial operations and to further expand the market size and business contribution of the industrial operation segment.

Revenue (before taxes and surcharges) from the financial and advisory segment was RMB21,705,654,000, accounting for 57.29% of the total revenue (before taxes and surcharges). In particular, interest income contribution from the inclusive finance business amounted to RMB1,572 million (2023: RMB1,042 million), representing 4.16% of the total revenue (2023: 2.74%). For details, please refer to the discussion and analysis in item 15 of this section. Revenue derived from advisory services decreased by 41.59%, mainly due to the active adjustment and continuous optimization of the Company's service structure in response to customers' needs after changes in the external operating environment.

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Revenue from the industrial operation segment sustained continuous growth. The industrial operation segment, which comprises Horizon Construction Development, Horizon Healthcare and others, realized a total revenue of RMB16,181 million, representing an increase of 9.78% over the previous year. Of which, Horizon Construction Development realized a revenue of RMB11,581 million, representing an increase of 20.50% over the previous year; Horizon Healthcare realized a revenue of RMB4,093 million, representing a decrease of 3.43% over the previous year.

In 2024, the Group's non-interest income accounted for 44.09% of the total revenue (before taxes and surcharges), representing an increase from 41.03% of the previous year. In particular, revenue from the industrial operation segment accounted for 42.71% (2023: 38.68%) of the total revenue.

3.2.1 Financial Services (Interest Income)

The interest income (before taxes and surcharges) from the financial and advisory segment of the Group decreased by 5.72% from RMB22,467,103,000 for 2023 to RMB21,182,108,000 for 2024, accounting for 55.91% 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 for the periods indicated.

For the year ended 31 December						
	2024			2023		
	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	%
Interest-earning assets	262,853,227	21,182,108	8.06%	272,824,125	22,467,103	8.24%

Notes:

- (1) Calculated based on the average balance of interest-earning assets at the beginning, middle and end of the years indicated.
- (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.
- (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.

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Analysis according to average balance of interest-earning assets

The average balance of interest-earning assets of the Group decreased by 3.65% from RMB272,824,125,000 for 2023 to RMB262,853,227,000 for 2024. Nonetheless, the inclusive finance business segment achieved steady growth, and its average balance of interest-earning assets increased from RMB10,817 million at the end of 2023 to RMB14,561 million at the end of 2024, representing a year-on-year increase of 34.62%.

The decrease in the balance of interest-earning assets was generally in line with the prudent business strategy adopted by the Group in response to its evaluation on the macroeconomic environment. By focusing on whitelisted customers, shortening asset duration, accelerating capital turnover, among other business initiatives, the Group reduced the risk exposure of its assets.

Analysis according to average yield

In 2024, the average yield of the Group was 8.06%, representing a slight decrease from 8.24% in the last year, which was mainly due to the combination of the following: (i) due to the sluggish macro-economy, declined demand for investment and financing in the society, and sustained low interest rates, the yield of the financial business of the Group decreased; (ii) in response to a complex business environment, the Group strategically opted for safer and more reliable whitelisted customers. Despite the decrease in direct yield, both customer base and asset quality improved, which strengthened the ability to sustain stable operations for overall assets; (iii) the Group's inclusive finance business exhibited a higher asset yield in general with its emphasis on the markets in lower-tier cities, diversified risks, and rapid asset turnover. However, it has not made a significant contribution to the overall financial business of the Group with its small proportion at present.

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

For the year ended 31 December				
	2024		2023	
	RMB'000	% of total	RMB'000	% of total
Northeast China	628,711	2.97%	860,571	3.83%
Northern China	2,409,817	11.38%	2,452,097	10.91%
Eastern China	8,798,711	41.54%	8,471,175	37.70%
Southern China	1,201,746	5.67%	1,442,239	6.42%
Central China	3,685,250	17.40%	3,986,421	17.74%
Northwest China	1,486,761	7.02%	1,561,581	6.95%
Southwest China	2,971,112	14.02%	3,693,019	16.45%
Total	21,182,108	100.00%	22,467,103	100.00%

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3.2.2 Revenue from the Industrial Operation Segment

Revenue from the industrial operation segment (before taxes and surcharges) of the Group increased by RMB1,441,310,000 from RMB14,739,271,000 for 2023 to RMB16,180,581,000 for 2024, accounting for 42.71% of the total revenue of the Group (before taxes and surcharges).

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

For the year ended 31 December					
	2024		2023		
	RMB'000	% of total	RMB'000	% of total	Change %
Revenue from the industrial operation segment	16,180,581	100.00%	14,739,271	100.00%	9.78%
Of which:					
Revenue from equipment operation ⁽¹⁾	11,581,062	71.57%	9,610,581	65.20%	20.50%
Revenue from hospital operation ⁽²⁾	4,092,550	25.29%	4,237,960	28.75%	-3.43%

Notes:

(1) For details of revenue from equipment operation, please refer to the discussion and analysis in item 13 of this section;

(2) For details of revenue from hospital operation, please refer to the discussion and analysis in item 14.1 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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3.3 Cost of Sales

In 2024, cost of sales of the Group increased by 3.89% from RMB19,958,815,000 in the previous year to RMB20,734,304,000, of which the cost of the financial and advisory segment was RMB9,397,606,000, accounting for 45.32% of the total cost and representing a decrease of 5.86% from RMB9,982,081,000 in the previous year. The cost of the industrial operation segment was RMB11,336,698,000, accounting for 54.68% of the total costs and representing an increase of 13.63% from RMB9,976,734,000 in the previous year.

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

For the year ended 31 December					
	2024		2023		
	RMB'000	% of total	RMB'000	% of total	Change %
Cost of the finance and advisory segment	9,397,606	45.32%	9,982,081	50.01%	-5.86%
Cost of the industrial operation segment	11,336,698	54.68%	9,976,734	49.99%	13.63%
Cost of sales	20,734,304	100.00%	19,958,815	100.00%	3.89%

MANAGEMENT DISCUSSION AND ANALYSIS

3.3.1 Cost of the Financial and Advisory Segment

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

For the year ended 31 December						
	2024			2023		
	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	%
Interest-bearing liabilities	231,251,506	9,397,606	4.06%	234,089,521	9,982,081	4.26%

Notes:

(1) Calculated as the average balance of the interest-bearing liabilities at the beginning, middle and end of the year.

(2) Calculated by dividing interest expense by the average balance of interest-bearing liabilities.

The cost of sales of the financial and advisory segment decreased by RMB584,475,000 from RMB9,982,081,000 for 2023 to RMB9,397,606,000 for 2024. The average cost rate of the Group decreased to 4.06% for 2024 as compared to that for 2023, mainly due to:

(i) the principle of 2023 monetary policy with a moderately accommodative stance continued in 2024, and domestic financing costs slightly decreased. New domestic financing withdrawals caused an average cost rate to decrease by 0.04 percentage point as compared to 2023; (ii) while entering an interest rate cut cycle, relatively high interest rates in overseas markets continued, and new overseas withdrawals caused an average cost rate to increase by 0.05 percentage point as compared to 2023; (iii) in 2024, domestic bond market continued to improve, and the Company successively completed the issuance of various products such as corporate bonds, medium-term notes, super-short financial bonds and asset securitization, which caused the average cost rate to decrease by 0.03 percentage point as compared to 2023; and (iv) the decrease in stock cost. Due to the expiry of certain previously borrowed loans with high costs in 2024, the average cost rate decreased by 0.18 percentage point as compared with that of 2023.

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3.3.2 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 for the periods indicated.

For the year ended 31 December					
	2024		2023		
	RMB'000	% of total	RMB'000	% of total	Change %
Cost of the industrial operation segment	11,336,698	100.00%	9,976,734	100.00%	13.63%
Of which:					
Cost of equipment operation ⁽¹⁾	7,806,466	68.86%	5,849,180	58.63%	33.46%
Cost of hospital operation ⁽²⁾	3,275,340	28.89%	3,472,780	34.81%	-5.69%

Notes:

(1) For details of cost of equipment operation, please refer to the discussion and analysis in item 13 of this section;

(2) For details of cost of hospital operation, please refer to the discussion and analysis in item 14.1 of this section.

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3.4 Gross Profit

The gross profit of the Group for 2024 decreased by RMB986,131,000 or 5.48% to RMB17,014,852,000 from RMB18,000,983,000 in the previous year. In 2024 and 2023, the gross profit margin of the Group was 45.07% and 47.42%, respectively.

3.4.1 Gross Profit of the Financial and Advisory Segment

The gross profit margin of the financial and advisory segment was affected by the change of net interest income and net interest margin. The following table sets forth the interest income, interest expense, net interest income, net interest spread and net interest margin of the Group for the periods indicated.

For the year ended 31 December			
	2024	2023	
	RMB'000	RMB'000	Change %
Interest income ⁽¹⁾	21,182,108	22,467,103	-5.72%
Interest expense ⁽²⁾	9,397,606	9,982,081	-5.86%
Net interest income	11,784,502	12,485,022	-5.61%
Average yield of interest-earning assets	8.06%	8.24%	-0.18%
Average cost rate of interest-bearing liabilities	4.06%	4.26%	-0.20%
Net interest spread ⁽³⁾	4.00%	3.98%	0.02%
Net interest margin ⁽⁴⁾	4.48%	4.58%	-0.10%

Notes:

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

(2) Interest expense refers to the borrowing cost of the financial segment 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. The average cost rate is calculated by dividing interest expense by the average balance of the interest-bearing liabilities.

(4) Calculated by dividing net interest income by the average balance of interest-earning assets.

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Net interest spread of the Group for 2024 increased by 2 basis points to 4.00% as compared with the previous year, which was primarily because the decrease in average cost rate of interest-bearing liabilities outpaced the average yield of interest-earning assets for the same period. In 2024, the average cost rate of interest-bearing liabilities of the Group's financial business decreased by 20 basis points, surpassing the decline of 18 basis points in the average yield of interest-earning assets. Looking back, the net interest spread of the Group remained relatively stable at around 3.95% over the past three years, demonstrating the comprehensive control capabilities of the Group in managing both assets and liabilities.

In 2024, under the Group's strategy of prudent operation and risk control, the balances of both interest-earning assets and interest-bearing liabilities in the financial business decreased. However, as the proactive reduction in assets outpaced interest-bearing liabilities, the debt ratio of the financial business increased. As a result, the net interest margin experienced a slight year-on-year decline despite an improved net interest spread.

3.4.2 Gross Profit of the Industrial Operation Segment

	For the year ended 31 December				
	2024		2023		Change %
	RMB'000	% of total	RMB'000	% of total	
Gross profit of the industrial operation segment	4,843,883	100.00%	4,762,537	100.00%	1.71%
Of which:					
Gross profit of equipment operation ⁽¹⁾	3,774,596	77.93%	3,761,401	78.98%	0.35%
Gross profit margin of equipment operation	32.59%		39.14%		-6.55%
Gross profit of hospital operation ⁽²⁾	817,210	16.87%	765,180	16.07%	6.80%
Gross profit margin of hospital operation	19.97%		18.06%		1.91%

Notes:

(1) For details of gross profit of equipment operation, please refer to the discussion and analysis in item 13 of this section;

(2) For details of gross profit of hospital operation, please refer to the discussion and analysis in item 14.1 of this section.

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3.5 Other Income/Gains

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

For the year ended 31 December			
	2024	2023	
	RMB'000	RMB'000	Change %
Income from the holdings of off-balance-sheet assets ⁽¹⁾	128,599	342,111	-62.41%
Bank interest income	134,206	215,923	-37.85%
Gains from structured financial products	41,081	10,872	277.86%
Government grants ⁽²⁾	262,595	225,377	16.51%
Equity and debt investment income ⁽³⁾	575,111	507,929	13.23%
Of which: financial investments related to private equity funds	(81,247)	95,895	N/A
Other income ⁽⁴⁾	473,890	257,379	84.12%
Total	1,615,482	1,559,591	3.58%

Notes:

- (1) For the holdings of off-balance-sheet assets of the Group, the income of the year was recognized according to the expected yield and expected loss rate of such holdings. For the changes in respect of the off-balance-sheet assets of the Group, please refer to the discussion and analysis in item 4.3 of this section.
- (2) The Group's government grants for the period mainly consisted of gains on additional VAT tax credit, special funds for corporate development and financial refunds of Horizon Construction Development of approximately RMB150 million.
- (3) The Group's equity and debt investment income was mainly gain on change in fair value of and transfer of equity and debt investment. Starting from 2024, the infrastructure investment projects have been transferred from long-term receivables to financial assets at fair value through profit or loss, with a corresponding gain from change in fair value of RMB390 million.
- (4) The Group's other income for the period mainly consisted of gains from disposal of subsidiaries of RMB130 million and gains from disposal of fixed assets of RMB80 million.

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3.6 Selling and Administrative Expenses

Selling and administrative expenses of the Group in 2024 were RMB8,333,844,000, representing an increase of RMB211,876,000 or 2.61% from the previous year. The increase in selling and administrative expenses was mainly due to the increase in exhibition activities in response to economic downturn. Selling and administrative expenses in relation to financial business recorded a year-on-year decrease of RMB143,573,000, mainly due to the year-on-year decrease of RMB55,317,000 in business travelling and office expenses as the Group put greater efforts on market expansion while reducing costs and improving efficiency, thus enhancing its operational efficiency. Selling and administrative expenses in relation to industrial operation recorded a year-on-year increase of RMB355,449,000, mainly due to the increase of RMB325,667,000 in equipment operation segment. Among which, labor cost increased by RMB127,365,000 due to the increase in number of employees as a result of overseas expansion. As the Group gradually put greater efforts on overseas market development and further increased the total number of outlets, the travelling and communication expenses and rent and property management service fees increased by RMB100,083,000. The research and development expenses on digital system increased by RMB53,046,000.

Cost to income ratio of the Group in 2024 was 48.98%, which increased as compared to 45.12% in the previous year.

3.7 Other Expenses and Losses

Other expenses and losses of the Group in 2024 amounted to RMB68,806,000, representing an increase of 24.90% as compared to RMB55,090,000 in the previous year, which was mainly due to the loss on disposal of fixed assets and the increase in other incidental expenses.

3.8 Finance Costs

Finance costs of the Group in 2024 amounted to RMB1,213,009,000, representing an increase of 16.87% as compared to RMB1,037,956,000 of the previous year. The increase in finance costs during the year was mainly due to interest expenses of RMB222,793,000 in relation to infrastructure investment business being recorded as finance costs, which were previously recorded as selling expenses in 2023.

3.9 Pre-provision Operating Profit

Pre-provision operating profit of the Group in 2024 amounted to RMB9,275,587,000, representing a decrease of RMB1,339,264,000 or 12.62% as compared to the previous year.

The Group will continue to proactively adopt prudent and stable development strategies. It is expected that with the gradual stabilization of the external market environment in the future, the gradual expansion of the size of industrial operation, and the improvement in internal operating efficiency, the pre-provision operating profit of the Group will maintain steady growth.

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3.10 Provision for Assets

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

For the year ended 31 December					
	2024		2023		
	RMB'000	% of total	RMB'000	% of total	Change %
Provision for interest-earning assets ⁽¹⁾	1,220,918	97.35%	995,188	524.91%	22.68%
Reversal of interest-earning assets after write-off ⁽¹⁾	(443,815)	-35.39%	(638,264)	-336.65%	-30.47%
Provision for accounts receivable ⁽²⁾	274,463	21.88%	253,732	133.83%	8.17%
Provision for other receivables ⁽²⁾	50,620	4.04%	121,571	64.12%	-58.36%
Provision for fixed assets ⁽³⁾	1	0.00%	(512,860)	-270.51%	N/A
Provision for investment in joint ventures/associates ⁽⁴⁾	194,875	15.54%	(66,731)	-35.20%	N/A
Provision for credit commitments ⁽⁵⁾	(48,275)	-3.85%	14,431	7.61%	N/A
Other provisions	5,437	0.43%	22,524	11.89%	-75.86%
Total	1,254,224	100.00%	189,591	100.00%	561.54%

Notes:

- (1) In view of the shrinking interest-earning assets and a stable non-performing asset scale, the Group continued to strengthen the elimination and write-off of assets at risk in order to safeguard assets during 2024. Provision for interest-earning assets amounted to RMB1,220,918,000, representing an increase of RMB225,730,000 as compared to the previous year, which was mainly due to the increase in provision for interest-earning assets under inclusive finance business of RMB168,224,000 during the year. To better reflect the operating results of inclusive finance business, the Group adopted a more prudent provision and write-off policy for non-performing assets under inclusive finance business since 2024, and fully written-off non-performing assets as at the end of the period, resulting in an increase in overall provision for interest-earning assets. For details of inclusive finance business, please refer to the discussion and analysis under section 15 of this section. In addition, reversal of bad debts after write-off amounted to RMB443,815,000, representing a year-on-year decrease of RMB194,449,000, which was due to the corresponding increase in asset provision as compared to last year as the reversal of bad debts after write-off represented the deduction of provisions.
- (2) 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.
- (3) Provision for fixed assets is mainly the impairment provisions made by the Group for the vessel assets and fixed assets of subsidiaries in the industrial operation segment it owns. In 2023, the Group disposed of some hospitals and reversed provisions of approximately RMB270 million made in previous years. At the same time, as the pandemic came to an end, the demand in the shipping market picked up, and the factors leading to the impairment of vessel assets were eliminated, resulting in a reversal of provisions of RMB280 million.
- (4) In 2024, the Group disposed of its equity in a provincial asset management company and made provisions of approximately RMB130 million based on the consideration of the transfer.
- (5) 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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3.11 Income Tax Expense

Income tax expense of the Group in 2024 was RMB3,502,126,000, representing a decrease of RMB6,111,000 or 0.17% from the previous year.

Effective income tax rate of the Group in 2024 was 43.7%, which increased as compared to the previous year, primarily due to an increase in the cross-border business withholding tax of the Group. The following table sets forth a breakdown of the income tax rate of the Group for the periods indicated:

For the year ended 31 December			
	2024	2023	Change %
Domestic statutory tax rate	25.0%	25.0%	–
Cross-border business withholding tax ⁽¹⁾	4.6%	0.6%	4.0%
Of which: income tax actually paid on cross-border dividends	4.1%	–	4.1%
Others	14.1%	8.1%	6.0%
Total	43.7%	33.7%	10.0%

Note:

- (1) Cross-border business withholding tax is mainly the relevant withholding income tax burden arising from dividend distribution to overseas companies by domestic companies of the Group based on regulatory requirements and the Group's overseas capital needs. As the Group distributed large cross-border dividends in 2024, the income tax on cross-border business increased significantly.

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3.12 Profit for the Year Attributable to Holders of Ordinary Shares of the Company

Based on the above discussion and analysis, profit for the year attributable to holders of ordinary shares of the Company was RMB3,862,461,000, which decreased by RMB2,330,511,000 or 37.63% from the previous year.

3.13 Basic Earnings per Share

Basic earnings per share for the period amounted to RMB0.92, representing a decrease of RMB0.55 or 37.90% from the previous year.

For the year ended 31 December			
	2024	2023	Change %
Profit for the year attributable to holders of ordinary shares of the Company (RMB'000)	3,862,461	6,192,972	-37.63%
Weighted average number of ordinary shares outstanding during the year (share)	4,217,939,930	4,200,089,498	0.43%
Basic earnings per share (RMB)	0.92	1.47	-37.90%

As a result of the increase in the number of ordinary shares of the Company, the decrease in the Group's basic earnings per share for 2024 as compared to that of the previous year was slightly higher than the decrease in profit for the year.

It is expected that the Group will maintain the safe and steady development of the traditional financial businesses and achieve robust growth in the industrial operation and new financial business by following economic development trends and enriching its services, which will lead to a steady increase in the Group's return on average equity.

MANAGEMENT DISCUSSION AND ANALYSIS

4. ANALYSIS OF FINANCIAL POSITION

4.1 Assets (Overview)

As at 31 December 2024, the total assets of the Group increased by RMB8,906,764,000 or 2.53% from the end of the previous year to RMB360,390,000,000. Net interest-earning assets decreased by RMB8,443,408,000 or 3.14% from the end of the previous year to RMB260,641,331,000.

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

	31 December 2024		31 December 2023		
	RMB'000	% of total	RMB'000	% of total	Change %
Loans and accounts receivable	260,648,717	72.32%	270,766,843	77.04%	-3.74%
Of which: interest-earning assets	251,601,912	69.81%	259,510,752	73.83%	-3.05%
Cash and cash equivalents	19,786,521	5.49%	18,852,540	5.36%	4.95%
Restricted deposits	10,708,516	2.97%	3,149,062	0.90%	240.05%
Holding of asset-backed securities/notes	140,240	0.04%	369,172	0.11%	-62.01%
Assets with continuing involvement	140,240	0.04%	369,172	0.11%	-62.01%
Prepayment and other accounts receivable	5,154,740	1.43%	4,374,919	1.24%	17.82%
Deferred tax assets	6,051,263	1.68%	6,052,352	1.72%	-0.02%
Property, plant and equipment	26,547,204	7.37%	23,513,055	6.69%	12.90%
Investment in joint ventures/associates	8,603,000	2.39%	9,105,237	2.59%	-5.52%
Financial assets at fair value through profit or loss	15,759,270	4.37%	8,841,595	2.52%	78.24%
Of which: interest-earning assets	2,683,979	0.74%	3,219,255	0.92%	-16.63%
Financial assets at fair value through other comprehensive income	453,246	0.13%	372,228	0.11%	21.77%
Derivative financial instruments	1,756,740	0.49%	2,133,982	0.61%	-17.68%
Inventories	476,752	0.13%	409,681	0.12%	16.37%
Contract assets	753,848	0.21%	383,863	0.11%	96.38%
Goodwill	194,737	0.05%	171,523	0.05%	13.53%
Right-of-use assets	2,403,192	0.67%	2,388,496	0.66%	0.62%
Investment property	100,177	0.03%	107,767	0.03%	-7.04%
Other assets	711,597	0.19%	121,749	0.03%	484.48%
Total assets	360,390,000	100.00%	351,483,236	100.00%	2.53%

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

	31 December 2024		31 December 2023		Change %
	RMB'000	% of total	RMB'000	% of total	
1) Financial business					
Interest-earning assets	254,285,891	70.56%	255,184,519	72.60%	-0.35%
Of which: inclusive finance	17,003,156	4.72%	12,186,911	3.47%	39.52%
2) Industrial operation					
Equipment operation segment	36,434,181	10.11%	31,236,775	8.89%	16.64%
Hospital operation segment	6,550,250	1.82%	6,390,850	1.82%	2.49%
3) Other public assets of the Group (excluding industrial operation)					
Cash and cash equivalents	17,894,593	4.97%	16,593,282	4.72%	7.84%
Restricted deposits	10,698,598	2.97%	3,149,048	0.90%	239.74%
Infrastructure investment projects ⁽¹⁾	7,662,040	2.13%	7,545,488	2.15%	1.54%
Deferred tax assets	5,581,245	1.55%	5,601,742	1.59%	-0.37%
Property, plant and equipment and right-of-use assets	1,771,814	0.49%	2,734,048	0.78%	-35.19%
Investment in investees, associates and joint ventures ⁽²⁾	11,852,510	3.29%	13,010,529	3.70%	-8.90%
Derivative financial instruments such as interest rate and foreign exchange swaps	1,756,740	0.49%	2,133,982	0.61%	-17.68%
Other assets ⁽³⁾	5,902,138	1.62%	7,902,973	2.24%	-25.32%
Total assets	360,390,000	100.00%	351,483,236	100.00%	2.53%

Note 1: In December 2023, taking into comprehensive account of the changes in policies and adjustments to its own business plans, the Group decided not to pursue held-to-maturity infrastructure investment projects with characteristics such as long payback periods in the future, and accelerated and took the initiative to dispose of such existing assets. Pursuant to the relevant HKAS provisions, from 1 January 2024, the Group has reclassified the abovementioned financial assets measured at amortized cost into financial assets at fair value through profit or loss, which ceased to be accounted for as interest-earning assets out of prudence.

Note 2: Investment in investees, associates and joint ventures primarily include equity investment in funds and provincial asset management companies, among others, made by the Group to enhance its comprehensive financial service capabilities.

Note 3: Other assets mainly include goodwill and other miscellaneous assets.

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4.2 Interest-earning Assets

The main component of the Group's assets was interest-earning assets, which accounted for 70.55% of the Group's total assets as at 31 December 2024. In 2024, the Group dynamically adjusted the development strategies 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 its interest-earning assets at a basically stable size.

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

	31 December 2024		31 December 2023		
	RMB'000	% of total	RMB'000	% of total	Change %
Net interest-earning assets					
Included in loans and accounts receivable	257,923,977	98.96%	265,834,404	98.79%	-2.98%
Included in financial assets at fair value through profit or loss	2,717,354	1.04%	3,250,335	1.21%	-16.40%
Total net interest-earning assets	260,641,331	100.00%	269,084,739	100.00%	-3.14%
Provision for loans and accounts receivables	(6,322,065)		(6,323,652)		-0.03%
Provision for financial assets at fair value through profit or loss	(33,375)		(31,080)		7.38%
Less: total provision for interest-earning assets	(6,355,440)		(6,354,732)		0.01%
Net interest-earning assets	254,285,891		262,730,007		-3.21%

4.2.1 Loans and Accounts Receivable

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

	31 December 2024		31 December 2023		
	RMB'000	% of total	RMB'000	% of total	Change %
Net interest-earning assets included in loans and accounts receivable	251,601,912	96.53%	259,510,752	95.84%	-3.05%
Others ⁽¹⁾	9,046,805	3.47%	11,256,091	4.16%	-19.63%
Net loans and accounts receivable	260,648,717	100.00%	270,766,843	100.00%	-3.74%

Note:

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

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4.2.2 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⁾.

	31 December 2024		31 December 2023		Change %
	RMB'000	% of total	RMB'000	% of total	
Healthcare	17,135,261	6.57%	21,925,524	8.15%	-21.85%
Culture & tourism	30,883,568	11.85%	25,263,239	9.39%	22.25%
Engineering construction	37,625,877	14.44%	36,703,882	13.64%	2.51%
Machinery	16,316,344	6.26%	14,813,080	5.50%	10.15%
Chemical & medicine	14,784,848	5.67%	11,553,955	4.29%	27.96%
Electronic information	9,996,224	3.84%	8,893,903	3.31%	12.39%
Public consuming	26,035,387	9.99%	22,788,579	8.47%	14.25%
Transportation & logistics	19,788,025	7.59%	20,000,073	7.43%	-1.06%
Urban public utility	88,075,797	33.79%	107,142,504	39.82%	-17.80%
Total	260,641,331	100.00%	269,084,739	100.00%	-3.14%

Notes:

- (1) Interest-earning assets for culture & tourism, chemical & medicine, public consuming and other industries among the target industries of the Group maintained faster growth in 2024, 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 31 December 2024, 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 31 December 2024, the net interest-earning assets of the Group's inclusive finance business amounted to RMB17,248 million, which maintained stable growth as compared to RMB12,476 million as at 31 December 2023. For the details of the inclusive finance business, please refer to the discussion and analysis in item 15 of this section.

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4.2.3 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.

	31 December 2024		31 December 2023	
	RMB'000	% of total	RMB'000	% of total
Northeast China	6,111,443	2.34%	7,582,575	2.82%
Northern China	28,093,522	10.78%	26,582,312	9.88%
Eastern China	120,034,593	46.05%	112,032,722	41.63%
Southern China	15,132,328	5.81%	16,675,126	6.20%
Central China	41,100,816	15.77%	45,507,907	16.91%
Northwest China	16,387,159	6.29%	18,277,483	6.79%
Southwest China	33,781,470	12.96%	42,426,614	15.77%
Total	260,641,331	100.00%	269,084,739	100.00%

The table below sets forth net interest-earning assets of the urban public utility industry by region as of the dates indicated.

	31 December 2024		31 December 2023	
	RMB'000	% of total	RMB'000	% of total
Northeast China	579,734	0.66%	965,455	0.90%
Northern China	7,712,993	8.76%	9,212,842	8.60%
Eastern China	41,482,363	47.10%	43,657,780	40.75%
Southern China	3,667,008	4.16%	5,402,237	5.04%
Central China	13,095,154	14.87%	18,562,531	17.33%
Northwest China	5,556,056	6.31%	7,388,908	6.90%
Southwest China	15,982,489	18.14%	21,952,751	20.48%
Total	88,075,797	100.00%	107,142,504	100.00%

MANAGEMENT DISCUSSION AND ANALYSIS

4.2.4 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.

	31 December 2024		31 December 2023		Change %
	RMB'000	% of total	RMB'000	% of total	
Net interest-earning assets					
Within 1 year	169,539,104	65.05%	153,089,508	56.89%	10.75%
1 to 2 years	55,240,004	21.19%	65,854,541	24.47%	-16.12%
2 to 3 years	23,088,664	8.86%	29,562,786	10.99%	-21.90%
3 years and beyond	12,773,559	4.90%	20,577,904	7.65%	-37.93%
Total	260,641,331	100.00%	269,084,739	100.00%	-3.14%

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 31 December 2024, net interest-earning assets within one year as set out in the table above represented 65.05% of net interest-earning assets of the Group, which increased as compared to the end of the previous year, indicating that the Group still maintained steady flows of interest-earning assets.

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4.2.5 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.

	31 December 2024		31 December 2023		
	RMB'000	% of total	RMB'000	% of total	Change %
Maturity date					
Within 1 year	151,621,015	58.17%	163,709,067	60.84%	-7.38%
1 to 2 years	76,577,311	29.38%	69,286,837	25.75%	10.52%
2 to 3 years	27,410,804	10.52%	26,339,847	9.79%	4.07%
3 years and beyond	5,032,201	1.93%	9,748,988	3.62%	-48.38%
Total	260,641,331	100.00%	269,084,739	100.00%	-3.14%

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 at 31 December 2024, the proportion of net interest-earning assets due within 1 year decreased and the proportion of those due in 1 to 3 years increased among net interest-earning assets due within the respective periods as set forth in the table above, which was mainly due to the fact that the Group gradually reduced the proportion of long-term projects and increased the proportion of medium-term projects during the year in the face of the changes in the external environment.

4.2.6 Asset Quality of Net Interest-earning Assets

4.2.6.1 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 in a focused manner to effectively implement measures on category management, and have strengthened risk anticipation and the relevance of risk prevention to improve the ability to control asset risks.

Classification criteria

In determining the classification of the interest-earning assets portfolio, the Group applies a series of criteria that is derived from its own internal regulations regarding the management of lease assets. These criteria are designed to assess the possibility of repayment by the borrower and the collectability of principal and interest on our interest-earning assets. The interest-earning assets classification criteria focus on a number of factors, if applicable. The asset classifications of the Group include:

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

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

Substandard. The debtor's ability to pay is in question as it is unable to make its payments in full with its operating revenues, and we are likely to incur losses notwithstanding the enforcement of any guarantees underlying the contract. 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.

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

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

Asset management measures

Against a complex and ever-changing internal and external environment, in 2024, the Group adhered to its core philosophy of prudent operation as always, took the initiative to seek changes, and actively explored ways to adjust and optimize its management approaches. Through the redesign of its organizational structure in charge of asset matters and the systematic optimization and innovation of its post-lease management system, the Group successfully established a scientific, rigorous, and efficient risk prevention and control system, achieving effective management and control over various risks. During the reporting period, the Group experienced a slight decline in its total interest-earning assets, but its asset quality was not undermined. By taking effective asset disposal and risk prevention measures, the internal and external environments with complexities and uncertainties did not have a significant impact on the asset security of the Group, and the overall asset quality remained sound.

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Redesigning the organizational structure in charge of asset matters in all aspects to lay a solid foundation

In 2024, the Group took decisive action on redesigning the organizational structure in charge of asset matters with a deep insight into the complex landscape of asset management. The Group established a new form of organizational structure that is flat and de-administered to ensure a streamlined and efficient decision-making chain as well as firm and strong execution. In this context, customer monitoring and disposal of assets at risk are divided into two separate yet synergistic segments. The customer monitoring department focuses on the detection, assessment, and early warning of risk signals, building a comprehensive risk prevention system through in-depth industry research and analysis. Meanwhile, the asset disposal department brings together elites and experts from various parties who are specialized in disposal, and is dedicated to the targeted tackling of distressed assets, thereby unswervingly pushing forward the strategic objectives of “disposal, recovery and mitigation for real”. Redesigning the organizational structure not only strengthened the core competence of customer monitoring and asset disposal, but also laid a solid foundation for the stable asset quality of the Group.

Implementing innovative disposal strategies to optimize asset management and maximize value

In 2024, the Group made remarkable progress in asset disposal based upon its new organizational structure in charge of asset matters. The Group actively explored and successfully implemented various innovative disposal strategies, including but not limited to the effective disposal of collaterals and pledges, the disposal of accounts receivable, the strategy to “initiate legal actions before negotiations, and facilitate negotiations through legal actions” using legal means, and the in-depth investigation of property clues to execute seizure and other initiatives. The implementation of these innovative measures not only accelerated the process of eliminating non-performing assets, but also effectively isolated risks, achieving optimization of asset management and maximization of value.

Strengthening the risk prevention system to continuously improve risk identification capabilities

In 2024, the Group newly established the asset monitoring department. The department developed a set of scientific, comprehensive and standardized rules on customer monitoring to optimize the entire chain of management norms from pre-incident preparation, in-process operations, to post-incident feedback, and issued guidelines for customer monitoring practices, which effectively enhanced the on-site risk identification capabilities of asset personnel and the quality of customer monitoring. Meanwhile, focusing on risk prediction, the asset monitoring department actively conducted special inspections in key industries. Leveraging the profound professional knowledge, extensive industry experience and keen market insight of its team, the department accurately located risks, promptly identified potential risk points, and effectively predicted the development trends of these risks. This laid a solid foundation for the early detection and disposal of assets at risk, and acted as an effective guarantee for the safety and stability of the assets of the Group.

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

	31 December 2024		31 December 2023		31 December 2022		31 December 2021	
	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total
Pass	243,298,013	93.35%	250,225,686	92.99%	248,827,143	91.95%	234,737,048	90.85%
Special mention	14,553,198	5.58%	16,066,847	5.97%	18,942,410	7.00%	20,890,374	8.09%
Substandard	1,091,725	0.42%	1,484,565	0.55%	1,410,969	0.52%	1,541,604	0.60%
Doubtful	1,698,395	0.65%	1,307,641	0.49%	1,420,368	0.53%	1,209,808	0.46%
Loss	–	–	–	–	–	–	–	–
Net interest-earning assets	260,641,331	100.00%	269,084,739	100.00%	270,600,890	100.00%	258,378,834	100.00%
Non-performing assets	2,790,120		2,792,206		2,831,337		2,751,412	
Non-performing asset ratio	1.07%		1.04%		1.05%		1.06%	

The Group has established a prudent asset quality control policy and adhered to a stringent and conservative asset classification policy. As at 31 December 2024, the Group's assets under special mention accounted for 5.58% of its net interest-earning assets, representing a decrease of 0.39 percentage point from 5.97% at the end of 2023. During the reporting period, the quality of assets continued to be further optimized.

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The assets under special mention in the urban public utility industry accounted for 37.41% of the total assets under special mention. The proportion of assets under special mention in the segment was 6.18%, which was slightly higher than the proportion of the overall assets under special mention of the Company, but the size of assets under special mention slightly decreased as compared with the previous year, maintaining stable performance as a whole. The segment involves various infrastructure sectors, with a wide range of customer groups and rigid demand, making its operation highly stable. However, project construction requires a large amount of upfront capital investment and has a long payback cycle, coupled with the ongoing market-oriented reform which encourages investment from the private sector, market competition has been increasingly intense. At the same time, by virtue of rapid technological development, the application of intelligent and digital technologies has become more extensive in the urban public utility sector. The traditional public utility companies urgently need technological innovation and strategic transformation to adapt to the new development trend, which requires enormous financial and human resources. Some customers continued to maintain normal repayments, but they may encounter periodic financial constraints. The Group prudently adjusted more of the assets of the segment to assets under special mention.

The assets under special mention in the cultural & tourism industry accounted for 16.97% of the total assets under special mention. The proportion of assets under special mention in the segment was 8.00%, which was higher than the proportion of the overall assets under special mention of the Company, but was lower than the proportion of the total assets under special mention in the segment as compared with last year. In light of the improvement in people's living standards and increase in the demand for cultural consumption, the segment has extensive development prospects and potential. However, the segment has huge capital needs. As domestic cultural tourism projects are mostly government-funded at present, their funding is subject to certain restrictions. At the same time, the tourism industry is susceptible to holidays and policies. The economy is facing the pressure of consumption downgrading, and the average consumer spending on trips has reduced, so some customers may face financial strain. 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 13.38% of the total assets under special mention. The proportion of assets under special mention in the segment was 11.36%, which was higher than the proportion of the overall assets under special mention of the Company. With the intensification of population aging, the enhancement of public health awareness, and the advancement of medical technologies, there is consistent growth in the demand for healthcare products and services. However, it is important to consider that the reform of medical insurance payment methods has led to a decline in medical service revenues for some hospitals. Both domestic and international companies have been actively expanding their presence in the healthcare sector, resulting in fierce market competition. The phenomenon of homogenization in some medical products and services is evident, lacking differentiated competitive advantages, which leads to unhealthy competitive practices such as price wars, affecting the profitability of enterprises and the healthy development of the industry. Accordingly, in order to pay further attention to the subsequent operation and development of the segment, the Group prudently adjusted more of the assets of the segment to assets under special mention.

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The assets under special mention in the engineering construction industry accounted for 11.75% of the total assets under special mention. The proportion of assets under special mention in the segment was 4.54%, which was lower than the proportion of the overall assets under special mention of the Company. The segment, serving as a crucial pillar of the national economy, encompasses a wide range of fields including construction, municipal works, transportation, and water conservancy, boasting a vast industrial scale. In recent years, there has been a continuous stream of policy-driven stimuli and an increase in infrastructure investment. However, as market confidence is still in the process of being gradually rebuilt, issues such as previous industry shocks and the debt pressure on local governments still need to be addressed and resolved over time. Meanwhile, engineering projects typically require substantial upfront capital, have long cycles of occupying funds, and suffer from untimely project payments, which may lead to short-term liquidity difficulties for some enterprises. 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 as of the dates indicated.

	31 December 2024		31 December 2023	
	RMB'000	% of total	RMB'000	% of total
Healthcare	1,947,346	13.38%	1,919,083	11.94%
Culture & tourism	2,469,198	16.97%	2,553,524	15.89%
Engineering construction	1,709,770	11.75%	2,725,642	16.96%
Machinery	596,070	4.10%	554,452	3.45%
Chemical & medicine	389,683	2.68%	370,822	2.31%
Electronic information	659,570	4.53%	372,936	2.32%
Public consuming	574,950	3.95%	501,377	3.12%
Transportation & logistics	760,853	5.23%	1,103,719	6.87%
Urban public utility	5,445,758	37.41%	5,965,292	37.14%
Total	14,553,198	100.00%	16,066,847	100.00%

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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.

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

	31 December 2024	31 December 2023	31 December 2022	31 December 2021
	% of total	% of total	% of total	% of total
Pass	0.01%	0.00%	0.07%	0.27%
Special mention	31.09%	46.28%	51.64%	52.99%
Substandard	6.75%	5.37%	4.98%	2.42%
Doubtful	7.99%	1.42%	2.35%	0.96%
Loss	3.09%	5.58%	3.69%	2.71%
Recovery	51.07%	41.35%	37.27%	40.65%
Total	100.00%	100.00%	100.00%	100.00%

As at 31 December 2024, the size of non-performing assets was RMB2,790 million, which remained stable as compared with the end of last year, and the non-performing asset ratio was 1.07%, which slightly increased as compared with the end of last year due to a decline in total interest-earning assets. The overall asset quality remained safe and under control. For the non-performing assets of the inclusive finance business of the Group, please refer to the discussion and analysis in item 15 of this section.

The non-performing assets of the urban public utility industry accounted for 48.73% of the total non-performing assets. The proportion of non-performing assets in the segment was 1.54%. The overall size of the segment declined as compared with last year, while the size of non-performing assets slightly increased as compared with last year. Changes in the global economic environment, in particular the slowdown in regional economic growth, as well as adjustments in government policies, all posed challenges to the operating environment and profitability of the segment. Meanwhile, the rapid development of new technologies, such as new energy and intelligent management, caused an impact on some of the traditional urban public utility enterprises, putting them under pressure to transform and upgrade. For example, some customers failed to attract investment as expected in high-tech construction projects such as "smart cities" or urban infrastructure projects, but they had invested a large amount of upfront capital, and it took a long time for capital return. As such, they encountered periodic financial constraints and were unable to push ahead project construction, leading to overdue loans. But the overall asset quality is stable at present. The Group prudently reclassified the assets of the segment into substandard and doubtful assets.

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The non-performing assets of the healthcare industry accounted for 14.92% of the total non-performing assets. The proportion of non-performing assets in the segment was 2.43%. Despite that the overall asset quality of the segment did not significantly deteriorate, the non-performing asset ratio of the segment presented an upward trend. Customers in the segment have stable operations in general, but they are not immune to the influences of macroeconomic fluctuations and policy adjustments. In the context of the general healthcare reform, the decline in medical revenues for some public general hospitals has been particularly pronounced. The proportion of medical insurance settlements has decreased, and payment periods have been extended, causing hospitals to indirectly bear the brunt of public welfare deficits, which in turn has led to liquidity challenges. The Group prudently reclassified the assets of the segment into substandard and doubtful assets.

The non-performing assets of the transportation & logistics industry accounted for 12.18% of the total non-performing assets. The proportion of non-performing assets in the segment was 1.72%, which was higher than the proportion of non-performing assets as compared with last year. Fluctuations in the global economic cycle and increased uncertainty due to trade frictions have led to a slowdown in the growth of transportation and logistics demand. Affected by the downturn in the cross-border logistics industry, some customers are experiencing periodic financial strain. Besides, rising oil prices and increased labor costs have driven up operating costs, squeezing the profit margins of enterprises. As a result, some customers have overdue debts and tight cash flows. 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 11.89% of the total non-performing assets. The proportion of non-performing assets in the segment was 1.07%. The non-performing asset ratio of the segment was on par with the overall non-performing assets of the Company, and significantly decreased as compared with the non-performing asset ratio of the previous period. With the improvement in people's living standards and the change of leisure concepts, the culture & tourism industry continued to pick up, and the operations of some customers with non-performing assets have gradually recovered, leading to progressive rental repayments. However, the impact of the COVID-19 pandemic on the tourism sector has not yet been fully mitigated, and some companies are still facing financial constraints. Meanwhile, competition in the education market has been increasingly intense, with some educational institutions grappling with government policy adjustments in the education sector and insufficient student resources, which triggered the risk of loan defaults. The Group prudently reclassified the assets of the segment into substandard and doubtful assets.

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

	31 December 2024		31 December 2023	
	RMB'000	% of total	RMB'000	% of total
Healthcare	416,386	14.92%	328,650	11.77%
Culture & tourism	331,883	11.89%	425,997	15.26%
Engineering construction	162,488	5.82%	388,711	13.92%
Machinery	81,444	2.92%	177,741	6.37%
Chemical & medicine	7,065	0.25%	18,265	0.65%
Electronic information	59,038	2.12%	–	0.00%
Public consuming	32,545	1.17%	62,366	2.23%
Transportation & logistics	339,798	12.18%	262,764	9.41%
Urban public utility	1,359,473	48.73%	1,127,712	40.39%
Total	2,790,120	100.00%	2,792,206	100.00%

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

	31 December 2024		31 December 2023	
	RMB'000	% of total	RMB'000	% of total
Healthcare	206,125	18.88%	269,428	18.15%
Culture & tourism	213,625	19.57%	38,686	2.61%
Engineering construction	139,891	12.81%	84,368	5.68%
Machinery	76,319	6.99%	103,793	6.99%
Chemical & medicine	4,008	0.37%	6,440	0.43%
Electronic information	13,855	1.27%	–	0.00%
Public consuming	-	0.00%	20,463	1.38%
Transportation & logistics	112,431	10.30%	83,230	5.61%
Urban public utility	325,471	29.81%	878,157	59.15%
Total	1,091,725	100.00%	1,484,565	100.00%

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

	31 December 2024		31 December 2023	
	RMB'000	% of total	RMB'000	% of total
Healthcare	210,261	12.38%	59,222	4.53%
Culture & tourism	118,258	6.96%	387,311	29.62%
Engineering construction	22,597	1.33%	304,343	23.27%
Machinery	5,125	0.30%	73,948	5.66%
Chemical & medicine	3,057	0.18%	11,825	0.90%
Electronic information	45,183	2.66%	–	0.00%
Public consuming	32,545	1.92%	41,903	3.20%
Transportation & logistics	227,367	13.39%	179,534	13.73%
Urban public utility	1,034,002	60.88%	249,555	19.09%
Total	1,698,395	100.00%	1,307,641	100.00%

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

	31 December 2024		31 December 2023	
	RMB'000	% of total	RMB'000	% of total
Healthcare	-	-	-	-
Culture & tourism	-	-	-	-
Engineering construction	-	-	-	-
Machinery	-	-	-	-
Chemical & medicine	-	-	-	-
Electronic information	-	-	-	-
Public consuming	-	-	-	-
Transportation & logistics	-	-	-	-
Urban public utility	-	-	-	-
Total	-	-	-	-

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

	31 December 2024	31 December 2023	31 December 2022
	RMB'000	RMB'000	RMB'000
At the beginning of the year	2,792,206	2,831,337	2,751,412
Downgrades ⁽¹⁾	3,147,845	2,831,194	3,103,634
Upgrades	(1,393)	(116,055)	(950,021)
Recoveries	(2,012,188)	(1,355,168)	(694,035)
Write-off/disposal	(1,136,350)	(1,399,102)	(1,379,653)
At the end of the year	2,790,120	2,792,206	2,831,337
Non-performing assets ratio	1.07%	1.04%	1.05%
Non-performing loan formation ratio ⁽²⁾	0.43%	0.51%	0.57%

Notes:

- (1) Represents downgrades of interest-earning assets classified as pass or special mention at the end of prior year and interest-earning assets newly classified in the year to non-performing categories;
- (2) Non-performing loan formation ratio = (the balance of non-performing loan at the end of year – the balance of non-performing loan at the beginning of year + write-off/disposal of non-performing loan for the year)/(net pass interest-earning assets at the beginning of year + net interest-earning assets under special mention at the beginning of year). As new write-off policy has been adopted, the bad debt write-off of inclusive finance business amounted to RMB412,679,000 in 2024 (2023: RMB49,686,000), with non-performing loan formation ratio of 1.90% (2023: 1.70%), which was higher than the overall level of the Group. For details of inclusive finance business, please refer to the discussion and analysis under section 15 of this section.

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4.2.6.2 Interest-earning Assets Provisions

The following table sets forth the analysis of the provisions under our assessment methodology as of the dates indicated.

	31 December 2024		31 December 2023		31 December 2022		31 December 2021	
	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total
Interest-earning assets provisions:								
Provision for non-performing assets	1,866,617	29.37%	1,683,143	26.49%	1,460,084	21.49%	1,154,550	17.36%
Provision for pass and special mention assets	4,488,823	70.63%	4,671,589	73.51%	5,334,328	78.51%	5,496,973	82.64%
Total	6,355,440	100.00%	6,354,732	100.00%	6,794,412	100.00%	6,651,523	100.00%
Non-performing assets	2,790,120		2,792,206		2,831,337		2,751,412	
Provision coverage ratio	227.78%		227.59%		239.97%		241.75%	
Credit cost ratio ⁽¹⁾	0.30%		0.13%		0.51%		0.37%	

Note:

- (1) Credit cost ratio = provision for interest-earning assets for the year/average balance of interest-earning assets. In 2024, the credit cost ratio of the Group's inclusive finance business was 2.41% (2023: 2.06%), which was higher than the overall level of the Group. This was mainly due to the Group prudently made relative high provision to ensure safe and stable asset quality as its inclusive finance business focused on sinking customers in long-tail market. For details of inclusive finance business, please refer to the discussion and analysis under section 15 of this section.

4.2.6.3 Write-offs of Interest-earning Assets

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

	31 December 2024	31 December 2023	31 December 2022	31 December 2021
	RMB'000	RMB'000	RMB'000	RMB'000
Write-off/disposal of non-performing assets	1,136,350	1,399,102	1,379,653	1,044,316
Non-performing assets as at the end of last year	2,792,206	2,831,337	2,751,412	2,589,888
Write-off ratio ⁽¹⁾	40.70%	49.41%	50.14%	40.32%

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 2024, according to the requirements of the accounting standards, the Group wrote off bad debts of RMB1,136,350,000, which were mainly distributed in the urban public utility, public consuming, machinery, cultural & tourism and other industries, accounting for RMB208,908,000, RMB204,023,000, RMB192,027,000 and RMB161,124,000, 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 at the moment 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 exerting pressure on guarantors. From 2011 to the end of 2024, the written-off bad debts amounted to RMB8,433,172,000 and RMB2,161,333,000 had been recovered.

4.2.6.4 Interest-earning Assets (Overdue for More than 30 Days)

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

	31 December 2024	31 December 2023	31 December 2022	31 December 2021
Overdue ratio (over 30 days)	0.90%	0.91%	0.91%	0.94%

The Group adhered to the prudent strategies of risk control and asset management. The Group's overdue ratio (over 30 days) was 0.90% as at 31 December 2024, which decreased by 0.01 percentage point from the end of 2023.

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

	31 December 2024		31 December 2023	
	RMB'000	% of total	RMB'000	% of total
Healthcare	377,908	16.08%	187,799	7.67%
Culture & tourism	179,191	7.62%	438,699	17.91%
Engineering construction	18,368	0.78%	443,652	18.11%
Machinery	72,071	3.07%	182,951	7.47%
Chemical & medicine	49,549	2.11%	36,846	1.50%
Electronic information	300,445	12.78%	12,666	0.52%
Public consuming	116,191	4.94%	126,969	5.18%
Transportation & logistics	315,077	13.40%	337,375	13.77%
Urban public utility	921,934	39.22%	683,038	27.87%
Total	2,350,734	100.00%	2,449,995	100.00%

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

	31 December 2024		31 December 2023	
	RMB'000	% of total	RMB'000	% of total
Pass	–	–	–	–
Special mention	1,401,100	59.61%	1,049,573	42.84%
Substandard	131,942	5.61%	392,683	16.03%
Doubtful	817,692	34.78%	1,007,739	41.13%
Loss	–	–	–	–
Total	2,350,734	100.00%	2,449,995	100.00%

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

In 2024, the Group did not sell interest-earning assets by issuing asset-backed securities/notes.

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 of the dates indicated.

	31 December 2024		31 December 2023		Change %
	RMB million	% of total	RMB million	% of total	
Healthcare	–	–	16	0.97%	-100.00%
Culture & tourism	12	4.62%	145	8.79%	-91.72%
Engineering construction	18	6.92%	44	2.67%	-59.09%
Machinery	–	–	15	0.91%	-100.00%
Chemical & medicine	9	3.46%	46	2.79%	-80.43%
Electronic information	26	10.00%	125	7.58%	-79.20%
Public consuming	15	5.77%	96	5.82%	-84.38%
Transportation & logistics	19	7.31%	173	10.49%	-89.02%
Urban public utility	161	61.92%	989	59.98%	-83.72%
Total	260	100.00%	1,649	100.00%	-84.23%

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As at 31 December 2024, the balance of the holding of asset-backed securities/notes-related assets items amounted to RMB140,240,000, representing a decrease of 62.01% as compared to RMB369,172,000 as at 31 December 2023, mainly due to the fact that the off-balance sheet assets in previous years have become mature one after another since 2023. As an off-balance sheet asset management service provider, the Group implemented the same prudent asset management policy as the on-balance sheet assets and strengthened the monitoring process. The off-balance sheet assets were stable as at the end of 2024 with no significant anomalies of asset quality.

The balance of assets with continuing involvement of the Group amounted to RMB140,240,000, representing a decrease of 62.01% as compared to RMB369,172,000 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.

4.4 Liabilities (Overview)

As at 31 December 2024, total liabilities of the Group amounted to RMB302,912,859,000, representing an increase of RMB8,999,223,000 or 3.06% 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 87.46% of the total, which increased by 0.48 percentage point as compared to 86.98% as at the end of last year.

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

	31 December 2024		31 December 2023		Change %
	RMB'000	% of total	RMB'000	% of total	
Interest-bearing bank and other borrowings	264,918,183	87.46%	255,636,145	86.98%	3.63%
Other payables and accruals	26,089,001	8.61%	23,985,577	8.16%	8.77%
Liabilities for continuing involvement	140,240	0.05%	369,172	0.13%	-62.01%
Trade and bills payables	7,865,619	2.60%	9,509,889	3.24%	-17.29%
Tax payables	1,278,347	0.42%	1,437,537	0.49%	-11.07%
Derivative financial instruments	301,591	0.10%	215,481	0.07%	39.96%
Deferred tax liabilities	826,532	0.27%	860,952	0.29%	-4.00%
Deferred revenue	498,877	0.16%	911,238	0.31%	-45.25%
Lease liabilities	994,469	0.33%	987,645	0.33%	0.69%
Total liabilities	302,912,859	100.00%	293,913,636	100.00%	3.06%

MANAGEMENT DISCUSSION AND ANALYSIS

4.5 Interest-bearing Bank and Other Borrowings

Being faced with the complicated and ever-changing financial environment domestically and overseas, the Group continued to consolidate reliable financing resources to optimize its debt structure, allocated finance resources flexibly based on prevailing environment, and thus made good progress in both direct financing and indirect financing, supporting the effective advancement of the Company's overall operation.

With respect to the direct financing market, the Group further expanded its issuance offerings, gave play to the unique characteristics of its assets, and optimized its product structure. Since 2024, the Group has launched asset securitization products with themes including "small-and-micro enterprise high-quality development", "technological innovation", "supporting industrial upgrading" and "Yangtze River Delta integration" to fully implement the national strategy of high-quality development in supporting small, medium and micro-sized enterprises, innovative technology enterprises and regional economies in pursuit of high-quality development. In 2024, the Group seized a favourable market window, and issued US\$500 million three-year and US\$550 million three-and-half-year senior unsecured bonds in the first and second half of the year, respectively. Such reappearance in the international bond market with a high subscription rate enhanced the Group's ability to acquire global resources.

With respect to the indirect financing market, the Group continued to strengthen its strategic cooperation relationship with various financial institutions in the financial and industrial segments, as well as in the domestic and offshore markets, in accordance with the strategic needs of the Company and in line with the policy directions of green, inclusive and technological innovation. In 2024, the Group withdrew "green" syndicated loans of EUR160 million and "sustainable development" syndicated loans of US\$280 million, which would be fully used to support renewable energy, sewage treatment and energy efficiency upgrading.

In conclusion, the Group had increasingly diverse financing methods with a more mature financing method and a continuously improving liability structure, and was able to secure its needs for resources in a sustainable and stable manner through flexible deployment across various channels, products, markets and currencies. Looking forward to the future, the Group is confident that with the robust operation momentum and profound financial market cooperation foundation, it can further improve its competitiveness on liability side.

As at 31 December 2024, the total sum of the Group's interest-bearing bank and other borrowings amounted to RMB264,918,183,000, representing an increase of 3.63% as compared with RMB255,636,145,000 as at the end of last year. The Group's borrowings were mainly denominated in RMB and US\$.

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

	31 December 2024		31 December 2023		Change %
	RMB'000	% of total	RMB'000	% of total	
Current	145,565,880	54.95%	132,389,989	51.79%	9.95%
Non-current	119,352,303	45.05%	123,246,156	48.21%	-3.16%
Total	264,918,183	100.00%	255,636,145	100.00%	3.63%

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2024, 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 54.95%, which increased as compared to the end of the previous year, and the Group extended the term as appropriate and increased corresponding financing based on the Company's operational needs, while adhering to a prudent financing strategy, ensuring liquidity security and taking cost into account.

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

	31 December 2024		31 December 2023		
	RMB'000	% of total	RMB'000	% of total	Change %
Secured	58,287,351	22.00%	45,682,595	17.87%	27.59%
Unsecured	206,630,832	78.00%	209,953,550	82.13%	-1.58%
Total	264,918,183	100.00%	255,636,145	100.00%	3.63%

The Group carefully managed its funding risk in 2024. As at 31 December 2024, the proportion of the Group's interest-bearing bank and other borrowings that were unsecured accounted for 78.00% of the Group's total interest-bearing bank and other borrowings, which decreased as compared to the end of the previous year, mainly because the Group obtained more funds at lower costs through asset pledge.

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.

	31 December 2024		31 December 2023		
	RMB'000	% of total	RMB'000	% of total	Change %
Bank loans	156,929,511	59.24%	155,602,434	60.87%	0.85%
Other loans	107,988,672	40.76%	100,033,711	39.13%	7.95%
Total	264,918,183	100.00%	255,636,145	100.00%	3.63%

As at 31 December 2024, the Group's bank loans as a percentage to the Group's total bank and other borrowings decreased as compared to the end of last year, mainly because the Group continuously deepened its financing cooperation with banks and other financial institution, demonstrating its stable and diverse financing strategies.

MANAGEMENT DISCUSSION AND ANALYSIS

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

	31 December 2024		31 December 2023		
	RMB'000	% of total	RMB'000	% of total	Change %
Domestic	217,694,330	82.17%	216,234,434	84.59%	0.68%
Overseas	47,223,853	17.83%	39,401,711	15.41%	19.85%
Total	264,918,183	100.00%	255,636,145	100.00%	3.63%

As at 31 December 2024, the proportion of the Group's domestic borrowings and other borrowings as a percentage to the Group's total borrowings was 82.17%, which decreased as compared with that at the end of last year as the Group increased its financing in overseas market as appropriate opportunities arose and moderately balanced between domestic and overseas financing channels to satisfy the funding needs during 2024.

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

	31 December 2024		31 December 2023		
	RMB'000	% of total	RMB'000	% of total	Change %
RMB	209,135,497	78.94%	207,954,618	81.35%	0.57%
US\$	22,038,543	8.32%	17,080,464	6.68%	29.03%
Borrowings in other currencies	33,744,143	12.74%	30,601,063	11.97%	10.27%
Total	264,918,183	100.00%	255,636,145	100.00%	3.63%

As at 31 December 2024, the Group's activities in RMB accounted for 78.94% of its total interest-bearing bank and other borrowings, representing a slight decrease from the end of last year as the Group continued to promote and consolidate RMB financing, and increased its financing in overseas market.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

	31 December 2024		31 December 2023		Change %
	RMB'000	% of total	RMB'000	% of total	
Direct financing	79,665,266	30.07%	77,531,692	30.33%	2.75%
Indirect financing	185,252,917	69.93%	178,104,453	69.67%	4.01%
Total	264,918,183	100.00%	255,636,145	100.00%	3.63%

As at 31 December 2024, Group's direct borrowings accounted for 30.07% of the total, which decreased as compared to the end of last year. The Group continued to deepen the development of the credit market so as to further consolidate the resource base required for future development.

4.6 Shareholders' Equity

As at 31 December 2024, the total equity of the Group was RMB57,477,141,000, representing a decrease of RMB92,459,000 or 0.16% from the end of last year. During the year, the Company maintained safe and sound operation, striving to increase returns for shareholders. In addition to increase interim cash dividends, the Company continued to distribute special dividend by way of distribution in specie of the shares of the Company's subsidiary Horizon Construction Development, thus contributing the significant increase in non-controlling interests.

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

	31 December 2024		31 December 2023		Change %
	RMB'000	% of total	RMB'000	% of total	
Share capital	13,098,930	22.79%	13,066,292	22.70%	0.25%
Equity component of convertible bonds	144,785	0.25%	228,432	0.40%	-36.62%
Reserve	35,746,601	62.19%	36,804,645	63.93%	-2.87%
Equity attributable to ordinary shareholders of the Company ⁽¹⁾	48,990,316	85.23%	50,099,369	87.03%	-2.21%
Perpetual securities ⁽²⁾	–	–	1,573,876	2.73%	-100.00%
Non-controlling interests	8,486,825	14.77%	5,896,355	10.24%	43.93%
Total equity	57,477,141	100.00%	57,569,600	100.00%	-0.16%

MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

- (1) The following table sets forth the change in the equity attributable to the ordinary shareholders of the Company in 2024.

	Equity attributable to the ordinary shareholders of the Company
31 December 2023	50,099,369
Profit for the year	3,862,461
Other comprehensive income	641,407
Dividend distribution	(5,428,407)
Other changes in equity	(184,514)
31 December 2024	48,990,316

In 2024, the Company distributed cash dividends of RMB2.87 billion in aggregate, of which RMB2.56 billion was distributed by way of distribution in specie of the shares of Horizon Construction Development.

The Company completed the distribution of a special dividend by way of distribution of shares of Horizon Construction Development in specie on 16 January 2024. For details, please refer to paragraph 3.7 Shareholders' Equity under Management Discussion and Analysis of the 2023 annual report.

The final dividend of HK\$0.50 per share for the year ended 31 December 2023 was approved at the annual general meeting on 5 June 2024 and paid on 28 June 2024. The interim dividend of HK\$0.25 per share for the six months ended 30 June 2024 was declared by the Board on 9 August 2024, which was paid on 16 October 2024.

As stated in the announcement of the Company dated 30 April 2024, the Board proposed the Company to distribute a special dividend by way of distribution in specie of shares of Horizon Construction Development on the pro-rata basis of 10 shares of Horizon Construction Development for every 54 shares held by shareholders whose names appear on the register of members of the Company on the Record Date (i.e. 14 June 2024). A total of approximately 799 million shares of Horizon Construction Development were distributed, representing approximately 25% of the total issued shares of Horizon Construction Development as at 30 April 2024. The aforesaid resolution on distribution of special dividend by way of distribution in specie was voted and approved at the annual general meeting convened on 5 June 2024. The share certificates for the distributed shares of Horizon Construction Development in respect of the distribution in specie were despatched to the qualifying shareholders at their respective addresses shown on the register of members of the Company by post on 28 June 2024. Upon the completion of distribution in specie, the Company directly held a total of 1,333,247,413 shares of Horizon Construction Development, representing approximately 41.69% of the total number of issued shares of Horizon Construction Development as at 28 June 2024, and was entitled to control the exercise of the voting rights in respect of 176,600,000 shares of Horizon Construction Development held by Farsighted Wit Limited, representing approximately 5.52% of the total number of issued shares of Horizon Construction Development as at 28 June 2024, at the general meetings of Horizon Construction Development. For details on distribution in specie, please refer to the announcements of the Company dated 30 April 2024, 5 June 2024 and 28 June 2024 and the circular of the Company dated 2 May 2024.

- (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 ⁽ⁱ⁾	Date of redemption
Perpetual medium-term notes	6 July 2022	RMB	1,000,000	4.2%	2 years	6 July 2024
Renewable corporate bonds	2 September 2022	RMB	500,000	4.2%	2 years	31 August 2024

Notes:

- (i) For 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.
- (ii) The Group may formulate future issuance plans based on market conditions and the Group's financing needs.
- (iii) On 28 June 2024, the Board has updated the medium term note and perpetual securities programme. The Company may offer and issue notes and/or perpetual securities in series, with the aggregate nominal amount of notes and perpetual securities which may be outstanding at any time of up to US\$4,000,000,000 (or its equivalent in other currencies). Application has been made to the Stock Exchange for the listing of the programme for 12 months after 28 June 2024 whereby notes and/or perpetual securities may be issued by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")) only. For other details of the aforesaid offering and issuance of notes and/or perpetual securities in series, please refer to the relevant announcement and offering circular of the Company dated 28 June 2024.

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4.7 Completion of the Issuance of Guaranteed Convertible Bonds under General Mandate

As at 31 December 2024, 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 further 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; the conversion price was further adjusted to HK\$6.59 per conversion share on 30 June 2023 due to the payment of dividend; the conversion price was further adjusted to HK\$6.48 per conversion share on 22 January 2024 due to the payment of special dividend; the conversion price was further adjusted to HK\$5.96 per conversion share on 28 June 2024 due to the payment of dividend; the conversion price was further adjusted to HK\$5.72 per conversion share on 5 July 2024 due to the payment of special dividend; the conversion price was further adjusted to HK\$5.45 per conversion share on 16 October 2024 due to the payment of dividend. As at the end of 2021, the Company had used all net proceeds for working capital and general corporate purposes, consistent with the use of proceeds disclosed in the announcement of the Company dated 18 June 2020. Approximately US\$169.5 million was used for domestic business operations and approximately US\$127.1 million was used for working capital and other general corporate purposes. As at 31 December 2024, the outstanding principal amount of such convertible bonds was US\$290,000,000.

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 conversion price was further adjusted to HK\$8.50 per conversion share on 30 June 2023 due to the payment of dividend; the conversion price was further adjusted to HK\$8.35 per conversion share on 22 January 2024 due to the payment of special dividend; the conversion price was further adjusted to HK\$7.69 per conversion share on 28 June 2024 due to the payment of dividend; the conversion price was further adjusted to HK\$7.38 per conversion share on 5 July 2024 due to the payment of special dividend; the conversion price was further adjusted to HK\$7.04 per conversion share on 16 October 2024 due to the payment of dividend. As at the end of 2021, the Company had used all net proceeds for working capital and general corporate purposes, consistent with the use of proceeds disclosed in the announcement of the Company dated 27 May 2021, approximately US\$95 million was used for repayment of bank loans and approximately US\$151 million was used for repayment of the US\$ floating rate notes issued in 2018. On 15 June 2024, the Company received a notice of exercise of the put option amounting to US\$249,100,000, and redeemed the relevant convertible bonds for a consideration equivalent to 106.15% of their principal amount according to the terms. As at 31 December 2024, the outstanding principal amount of such convertible bonds was US\$900,000.

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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 US\$200,000 each and integral multiples of US\$1,000 in excess thereof. 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, 27 May, 15 June, 16 June, 24 June, 20 July, 5 August, 6 August and 29 October 2021, 24 June and 28 October 2022, 20 June 2023, and 22 January, 17 June, 7 July and 3 October 2024.

(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	22 January 2024	HK\$8.50	HK\$8.35	22 January 2024	Adjust the conversion price based on the special dividend payment
	28 June 2024	HK\$8.35	HK\$7.69	17 June 2024	Adjust the conversion price based on the 2023 final dividend payment
	5 July 2024	HK\$7.69	HK\$7.38	7 July 2024	Adjust the conversion price based on the special dividend payment
	16 October 2024	HK\$7.38	HK\$7.04	3 October 2024	Adjust the conversion price based on the 2024 interim dividend payment
Convertible bonds issued in July 2020	22 January 2024	HK\$6.59	HK\$6.48	22 January 2024	Adjust the conversion price based on the special dividend payment
	28 June 2024	HK\$6.48	HK\$5.96	17 June 2024	Adjust the conversion price based on the 2023 final dividend payment
	5 July 2024	HK\$5.96	HK\$5.72	7 July 2024	Adjust the conversion price based on the special dividend payment
	16 October 2024	HK\$5.72	HK\$5.45	3 October 2024	Adjust the conversion price based on the 2024 interim dividend payment

MANAGEMENT DISCUSSION AND ANALYSIS

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

As at 31 December 2024, 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 413,393,508 shares, representing approximately 9.56% of the issued share capital of the Company as at 31 December 2024 and approximately 8.73% 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 of the Company (having referred to the Company's shareholding structure as at 31 December 2024 and assuming no further shares would be issued by the Company):

Name of shareholder	As of 31 December 2024		Immediately following the full conversion of all convertible bonds	
	Number of shares	Approximate percentage of total issued shares (ii)	Number of shares	Approximate percentage of total issued shares (ii)
Sinochem Group Co., Ltd.	919,914,440	21.29%	919,914,440	19.43%
KONG Fanxing ⁽ⁱ⁾	913,054,800	21.13%	913,054,800	19.28%
The holders of the Convertible Bonds issued on 8 July 2020	—	—	412,401,284	8.71%
The holders of the Convertible Bonds issued on 15 June 2021	—	—	992,224	0.02%
Other shareholders	2,487,106,426	57.57%	2,487,106,426	52.54%
Total	4,320,075,666	100.00%	4,733,469,174	100.00%

Notes:

(i) As at 31 December 2024, these interests include (i) 1,670,000 shares held by Mr. KONG Fanxing; (ii) 42,436,903 vested restricted shares; and (iii) 868,947,897 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 12 to the financial statements for the impact on earnings per share as if the convertible bonds had been fully converted on 31 December 2024.

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

As at 31 December 2024, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

(III) Analysis of the Implied Internal Rate of Returns

As at 31 December 2024, 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 2024 to 2025 were as below:

	As of 31 December	
	2024	2025
Share price of the convertible bonds issued on 8 July 2020 (HK\$)	5.45	N/A
Share price of the convertible bonds issued on 15 June 2021 (HK\$)	7.55	7.71

5. 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 2024, no change was made to the objectives, policies or processes for managing capital.

5.1 Gearing Ratio

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

	31 December 2024	31 December 2023
	RMB'000	RMB'000
Total assets (A)	360,390,000	351,483,236
Total liabilities (B)	302,912,859	293,913,636
Total equity	57,477,141	57,569,600
Gearing ratio (C=B/A)	84.05%	83.62%

MANAGEMENT DISCUSSION AND ANALYSIS

In 2024, 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 31 December 2024, the Group's gearing ratio was 84.05%.

5.2 Ratio of Assets at Risk to Equity

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

As at 31 December 2024, 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., Far Eastern Horizon Financial Leasing Co., Ltd. and Far East Horizon Financial Leasing (Guangdong) Co., Ltd. were 4.08, 3.43, 1.61 and 4.69, respectively, which were in compliance with the ratio of risk assets to equity requirements of the measures. The Group will ensure that all domestic finance leasing operations entities will continue to meet the above regulatory requirements through allocation of internal resources.

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

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

	31 December 2024	31 December 2023
	RMB'000	RMB'000
Total assets	199,237,792	201,099,590
Less: Cash	12,670,493	10,774,280
Total assets at risk	186,567,299	190,325,310
Equity	45,682,934	41,566,768
Ratio of assets at risk to equity	4.08	4.58

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

	31 December 2024	31 December 2023
	RMB'000	RMB'000
Total assets	74,044,784	81,829,951
Less: Cash	5,706,625	4,822,575
Total assets at risk	68,338,159	77,007,376
Equity	19,895,447	22,066,068
Ratio of assets at risk to equity	3.43	3.49

MANAGEMENT DISCUSSION AND ANALYSIS

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

	31 December 2024	31 December 2023
	RMB'000	RMB'000
Total assets	6,087,496	8,507,313
Less: Cash	27,052	93,908
Total assets at risk	6,060,444	8,413,405
Equity	3,767,516	5,374,582
Ratio of assets at risk to equity	1.61	1.57

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

	31 December 2024	31 December 2023
	RMB'000	RMB'000
Total assets	18,593,996	9,412,044
Less: Cash	283,166	189,468
Total assets at risk	18,310,830	9,222,576
Equity	3,907,199	2,124,838
Ratio of assets at risk to equity	4.69	4.34

6. CAPITAL EXPENDITURES

The Group's capital expenditure was RMB9,150,950,000 in 2024. Among which, capital expenditure in equipment operation segment was RMB7,104,623,000, which was primarily used for the expansion and optimization of equipment product portfolio in China and overseas asset deployment.

MANAGEMENT DISCUSSION AND ANALYSIS

7. RISK MANAGEMENT

7.1 Credit Risk

With a consistent view to achieving steady business growth, the Company carried out its risk management in a comprehensive, prudent, proactive and forward-looking manner. The Company continued to establish a risk management structure with clear lines of responsibility and authority and effective checks and balances. Focusing on quality industries, quality regions and quality customers, the Company dynamically optimized its asset allocation; continuously improved the assessment management of group customers, enhanced the quality and accuracy of the assessment; closely observed the compliance red lines and the bottom line of operations, improved the long-term operation management and normalized the closed-loop improvement mechanism; and iterated its information system to create a digital, intelligent and mobile risk control middle office, thereby promoting precise, efficient, appropriate and forward-looking risk management.

During the year, the Company's risk control was relatively effective, and its assets were safe and under control, thus promoting solid and sound development with steady business progress.

I. Safety first, creating a robust and prudent risk management culture

The Company always adhered to the risk management philosophy of putting safety first, which prioritized asset safety in its operation and management.

The Company upheld the principle of “full-process, all-round, multi-dimension and uninterrupted” in pursuit of comprehensive, prudent, proactive and forward-looking risk management. The Company continued to improve the framework of comprehensive risk management by continuously strengthening the management of all employees, all segments, all products and all processes to further develop its management. The Company had a robust and prudent risk appetite in place, and reinforced four lines of defense covering before, during and after credit approval, as well as audit and internal control review. The Company fostered the professionalism of objectivity, independence and accountability, and conducted its business operations only when it could identify and manage risks. The Company proactively guided the direction of risk management and control throughout the year through its risk budget targets and risk control strategies. The Company strengthened the proactive and preventive management of risks at the first and second lines of defense for credit approval. The Company made concerted efforts in joint prevention and control, and mobilized all employees to proactively and actively participate in risk management. The Company highlighted the forward-looking and guiding role of research in risk management. It strengthened its research at the macro and meso levels to anticipate the direction and trend of systemic and structural development, formulate effective management and control strategies, and improve management tools, such that it could make proactive efforts to get prepared in advance to achieve earlier risk warning.

MANAGEMENT DISCUSSION AND ANALYSIS

II. Clear lines of responsibility and authority, creating an effective risk management structure with checks and balances

The Company continuously improved its risk management system, featured clear lines of responsibility and authority, independent functions, well-balanced risks and specialized roles for consistent enhancement in risk management.

As the highest decision-making level of risk management, the Board determined the strategic direction of the Company's operation and management and supervised the effectiveness of risk management to ensure that the risk management activities were in line with the strategic objectives. The Risk Management Committee organized and carried out professional audits of the submitted proposals, with members from the front, middle and back office departments related to the proposals, including the management and the grassroots, and maintained regular and dynamic updates. The Risk Management Department was responsible for the implementation of the risk policies and the daily risk management operations. The Audit Department was accountable to and reported to the Board, and was independent of business and risk control, and conducted independent audit supervision and reporting on the effectiveness of business operations and the risk management system.

The risk control department was independent of the business departments and reported to the Company's leaders in charge of risk management and business operations respectively, with mutual checks and balances between business and functional management.

The unified and integrated management of risk standards and operational requirements was implemented by the management headquarters to avoid the information gap brought about by multi-level management, shorten the decision-making lead time and improve the market response speed.

III. Reasonable and balanced allocation of the Company's assets with dynamic optimization in three directions

The Company insisted on serving the real economy with financial services. It reinforced the interaction between the Company's operation and national industrial policies and regional strategies. Guided by national policies, the Company focused its advantageous resources on quality industries, quality regions and quality customers, and optimized its asset allocation in three directions.

Focus on quality industries: The Company continuously guided the optimization of the industrial asset allocation. It encouraged the introduction of industries with high prosperity, good stability and key national supports, and actively participated in China's "Five Key Areas of Finance": technology finance, green finance, inclusive finance, pension finance and digital finance. It boosted building presence in high-end, intelligent and green manufacturing and upgrading fields, and sustained the introduction of advantageous import alternative industries. It fostered engagement in the sectors benefiting from the policies on equipment and facilities upgrades and trade-in of consumer goods, and engagement in the basic consumption sector and the cultural and tourism consumption sector, and reinforced engagement in the digital service upgrade business of the encouraged industries. Meanwhile, the Company reinforced the safety and security sectors such as energy, food, and the supply chain industry chain, and medical care, education, public transportation, water, electricity and gas and other domestic demand-oriented and livelihood-oriented fundamental industries, and infrastructure construction such as railways, highways, airports and ports. It reinforced engagement in the urbanization of new urban agglomerations and Yangtze River economic belts, as well as infrastructure construction for rural revitalization, and actively explored investment opportunities in the low-altitude economy.

Focus on quality regions: The Company built and continuously iterated the urban energy level model, and carried out hierarchical and classified management of regional economic capacity and vitality in terms of development prospects and economic benefits. The Company conducted customer development and cooperation in prioritized regions and cities at high energy levels. The Company insisted on focusing on national key core economic belts and core cities, and then extended influences to quality second- and third-tier cities, thus forming a large asset allocation strategy along rivers and coasts.

MANAGEMENT DISCUSSION AND ANALYSIS

Focus on quality customers: The Company intensified its efforts to sort out the target customer groups, and further focused on the management, maintenance and quality improvement of quality customer bases. Horizontally, the Company stretched along the industrial chain to identify target customers. Vertically, the Company dug deep in certain regions, targeted customers according to local conditions, and continuously improved customer management archives. The Company continuously improved the quality of our effective customer bases, and focused on future viable quality customers who had long been rooted in their industries, kept focusing on market demand, cut across industry life cycle, possessed core competitive advantages and brand power, and generated outstanding operating cash flows.

The Company implemented limit management in three dimensions: industry, region and customer. Its control strategies were dynamically optimized and adjusted as they were implemented. The assessment mechanism for risk appetite was improved to increase the traction and binding management of risk appetite. The Company optimized the flow of its funds to form a more reasonable and balanced asset layout.

IV. A professional and precise approach to continuously improve the credit review of the Group's customers

The strategy of focusing on quality customers led to a significant increase in the proportion of group customers, and the requirement for precise credit for group customers was further enhanced. The Company had improved the full-scope management of credit limits with expert-led joint reviews, enhanced monitoring and review efforts. The Company continued to improve the accuracy of assessment to ensure solid and effective risk hedging measures.

1. Full-scope management of credit limits: The Company accurately identified the related relations of group customers and reasonably defined the scope of the targets under assessment; assessed a group's overall risk capacity, reasonably allocated credit limits, and prevented excessive credit limits and over-concentration of risks.

(1) Strengthening the identification of related customers: The Company recognized the related relations between a group and its subsidiaries and the strength of their relations through information on shareholding relationship, decision-making chains, personnel appointments and dismissals, and financial coordination. The targets with strong related relations are included in the scope of the targets under assessment for overall analysis.

(2) Stratification management of credit limits: The credit limit of a group as a whole was determined based on the overall capacity of the group customer. At the same time, the credit limits of subsidiaries were determined based on the capacity of co-lessees and the strength of the collateral structure. A cap is set for each target's credit limit, and the sum of all credit limits shall not exceed the cap of the group's overall credit limit.

(3) System-supported dynamic management: The full-scope management and stratification management of credit limits were correspondingly managed and dynamically updated through the information system. The credit appropriation and available credit of a group and its subsidiaries can be inquired, and credit overload was automatically restricted and prompted.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Expert-led joint review: Group customers involved many targets and a wide range of industries with high-level requirements for consolidation of financial statements, and high complexity of overall assessment. The Company arranged for quality control experts with professional skills and experience to take the lead in the credit assessment of such customers to ensure accurate assessment.

(1) Comprehensive collection of group information: The Company not only collected consolidated statements of a group, but also obtained the statements of the group company and financial statements of subsidiaries as supplementary information for key targets included in the assessment. The Company not only collected financial information, but also collected non-financial information such as the group's organizational structure, shareholding structure and governance structure. At the same time, taking into account the requirements of completeness and significance, information on assets and operations, key investments and targets for financing cash flows, as well as information on "life-supporting" targets with large amounts of capital exchanges and frequent transactions with the core targets could also be collected and included in the overall analysis.

(2) Precise assessment by combining quantitative and qualitative analysis: A quantitative analysis of a group's overall financial position and operating results was conducted through the financial statements of the group company, its subsidiaries and related companies with a focus on the group's profitability, cash flows and operations, the group's major investment projects and their fundraising arrangements, and its ability and performance in respect of financing with a view to comprehensively assessing its solvency. At the same time, the Company focused on a group's level of management, business strategies, industry position and market competitiveness, and paid attention to its non-financial information such as major litigation matters and related party transactions, to assess the effect of these factors on the group's solvency and creditworthiness.

A combination of qualitative and quantitative analysis, supplemented by a wealth of experience of the experts, ensured that the Company can see the whole picture, see it clearly and see it accurately.

(3) Joint review by industry experts: For group clients involved in many industries, experts from many industries related to a target subject to assessment were invited to attend meetings to conduct a joint review to comprehensively review the risks of the group customer through the Company's major project review mechanism. Unified credit limit control and unified credit approval criteria were implemented in a multi-dimensional review from multiple perspectives to ensure accurate risk identification and effective hedging measures.

(4) Strengthening regional information verification: Regional information verification was included through continuously improving information verification methods and on the basis of strengthening industry analysis and upstream and downstream cross-verification. Taking full advantage of the Company's nationwide operations, the Company cooperated with local capital providers, customers' upstream and downstream, customers' peers, customers' employees and management, and local residents, as well as local governmental agencies, to comprehensively understand customers' creditworthiness, fulfillment of obligations, operations, development history, professional capabilities, and legal tax payment and compliance, thus continuously improving the 360 risk view of customers.

(5) Strengthening negative list management: The Company insisted on the comprehensive application of a negative list and cross-verification due to the high risk of information asymmetry and weak risk resistance of some enterprises. The Company strengthened customer screening, delineated the red line for customer shortlisting, clarified the bottom line for customer admission; and strengthened the process management and effectiveness management of customer assessment.

3. Enhancing monitoring and review efforts: The Company improved the tracking analysis and risk monitoring of group customers, and strengthened the continuity, relevance and effectiveness management of tracking analysis. The Company strengthened its review mechanism of group customer risk investigation and risk cases. Recognition of industry and regional risk characteristics, customer analysis methods, and the effectiveness of risk hedging measures were applied in credit assessment, and verified and closed loop in case review.

MANAGEMENT DISCUSSION AND ANALYSIS

V. Closely observing two lines, creating regular and long-term mechanism for operation and management enhancement

The Company always adhered to its philosophy by well defining the red line of compliance and the bottom line of operation, well performing its operation and management responsibilities, focusing on the management of key personnel, key matters and key processes, being consistently problem-oriented, and paid attention to “three musts” in the process of problem solving. The Company strictly held problem makers accountable, summed up internal and external cases of violation to carry out opposite education with bad examples to prevent check erroneous ideas at the outset, and established and improved regular and long-term mechanisms for operation and management enhancement.

Adherence to own philosophy by well defining the two lines: The Company adhered to the principle of risk reduction and value creation through compliance. The Company conducted compliance training and communication. The Company organized employees to carry out self-assessment and peer assessment, guided employees to carry out problem analysis and rectification, maintained good professional conduct, and internalized the concept of compliance and externalized it in practice; well defined the red line of compliance and the bottom line of operation and management, and systematically sorted out employees’ job compliance and performance requirements, common non-compliance risks, and prohibitive requirements, and strengthened the publicity and guidance through the special courses on compliance and internal control.

Well performance of responsibility with focus on key issues: The Company strengthened the supervision of the performance of operation and management responsibilities of key personnel. The Company focused on the management and supervision of key personnel, key matters and key processes. The Company strengthened the awareness and skills improvement among new recruits to prevent operation quality problems due to lack of knowledge. The Company strengthened the remainder and rectification of the inertia of our existing employees in thinking and operating. For professional groups, the Company improved their rational thinking to ensure their independence. The Company continued to strengthen the due diligence before credit granting, evaluation during credit granting and asset inspection after credit granting as three lines of defense, and improved the operational quality of the front-line due diligence before credit granting. The Company continued to consolidate the standard system of position responsibilities, job contents and operation process before, during and after credit granting, and strengthened the self-inspection on operation and the check and correction of the previous process by the latter. The Company strengthened supervision and checks, and reinforced the entire process checks and balances and supervision and management of incompatible positions, and put an end to the supervision dead ends. The Company fortified the entire process walk-through test and key-link supervision and inspection.

Being problem-oriented and paying attention to “three musts”: The Company adhered to a problem-oriented approach to operation and management. The Company managed problems according to the “three-step” methodology of identifying, analyzing, and solving problems. It adhered to the “three musts” principle of in the process of problem solving. When investigating and handling problems, the Company adhered to the principle that the Company must analyze the cause of a problem clearly, educate the responsible persons and employees, and take practical preventive measures, to ensure that the problem was ultimately resolved and the management and operation were optimized and improved.

Strictly holding problem makers accountable and opposite education: The Company strengthened the concept of strict accountability and promoted immediate investigation, rectification and resolution of problems. It increased accountability for serious violations, strengthened management accountability, and ensured that ‘there is a law to be followed, the law must be followed, law enforcement must be strict, and violations of the law must be investigated’. It paid real-time attention to external regulatory penalties and internal violation trends, and analyzed and summarized the causes of violations with bad examples to prevent check erroneous ideas at the outset.

Regular and long-term mechanisms for management enhancement: The Company strengthened the implementation of management and control measures such as the suspension and restoration of business qualifications, the penalty cards for operational quality, and the targeted publication of operational reminders and risk warnings, and reinforced the long-term operation and management measures such as the linkage between operational quality and performance, so as to closely integrate the results of operational penalties and the hiring mechanisms and enhance the effectiveness of linking personnel and matters. The Company launched management enhancement activities on a regular basis, and inspected and made up for the shortcomings in a systematic manner. The Company strengthened the mechanism for tracing back the root causes of risks, and fortified the communication mechanism for complicated cross-post operation problems. The Company also continued to conduct all-staff training and communication on the positive and negative cases, focused on the old and new problems during operation, and applied the problem reflection and improvement measures to future management and operation.

MANAGEMENT DISCUSSION AND ANALYSIS

VI. Technology empowerment, establishing the digital, intelligent mobile risk control middle office

The Company insisted on continuous iteration of its business systems and facilitated the promotion and application of financial technology on an ongoing basis, and thus further enhanced the management precision and efficiency of its digital, intelligent and mobile risk control middle office. The Company continuously explored the application scenarios for advanced financial technology.

Continuous iterating core business systems: In the first half of 2024, the Company achieved iterative upgrading and comprehensive switching of its core business systems across all segments, which offered more standardized modules and multi-dimensional report statistics functions for customers' accurate evaluation, further enriched the risk information source channels, and provided greater guarantee for effective risk identification and further evaluation quality improvement.

Enhancing the capabilities of the digital and intelligent risk control middle office: The Company further accelerated its digital, intelligent and mobile risk management. The Company established a unified risk map to serve as an effective tool for credit risk management. The Company improved the analysis of correlation charts, customer profiling and compliance checking, so as to enhance the ability of risk identification and assessment and effective risk control. The Company strived to form closed-loop online risk management. At the same time, the Company expanded its risk control operations and promoted the development and upgrade of its mobile APP applications. The Company continuously improved its digital, intelligent and mobile risk management middle office to enhance its precise, efficient, appropriate and forward-looking risk management.

Exploring the application of advanced financial technology: The Company continued to explore the multi-scenario application of advanced technologies such as big data and artificial intelligence, improved the risk identification model and early warning indicator system for different types of customers, enhanced digital monitoring and centralized operations, and strengthened the entire process management of risk identification, early warning, analysis and disposal.

MANAGEMENT DISCUSSION AND ANALYSIS

7.2 Interest Rate Risk

Interest rate risk is the risk that the 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 31 December 2024	As of 31 December 2023
	RMB'000	RMB'000
Variable interest-earning assets	381,459	1,889,670
Variable interest-bearing liabilities	(113,020,111)	(104,378,061)
Monetary funds and others	30,495,037	21,959,952
Derivative financial instruments	53,594,294	57,085,251
Net exposure	(28,549,321)	(23,443,188)

MANAGEMENT DISCUSSION AND ANALYSIS

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 31 December 2024	As of 31 December 2023
	RMB'000	RMB'000
Change in basis points		
+100 basis points	(40,610)	(42,814)
–100 basis points	51,226	44,389

7.3 Foreign Exchange Risk

Foreign exchange 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. The Group adopted prudent foreign exchange 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 31 December 2024, the Group's actual exposure to foreign exchange risk approximately amounted to approximately US\$6,624 million, hedges against foreign exchange exposure amounted to approximately US\$6,365 million with the hedge ratio (percentage of the aforesaid two items) of approximately 96.09% (approximately 99.97% as at 31 December 2023). The Group's actual exposure to foreign exchange risk is limited.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Increase/(decrease) in equity interest of the Group			
	Change in RMB exchange rate	As of 31 December 2024	As of 31 December 2023
		RMB'000	RMB'000
Effect on the profit before tax	+1%	18,632	143

The effect above was based on the assumption that the Group's foreign exchange exposures as at 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.

7.4 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 following table sets forth the Group's liquidity-related indicators as of the dates indicated.

	31 December 2024	31 December 2023
Liquidity coverage ratio ⁽¹⁾	255.03%	229.36%
Proportion of short-term liabilities ⁽²⁾	55.34%	52.62%
Liabilities/total credit lines ⁽³⁾	57.17%	54.50%

Notes:

- (1) Liquidity coverage ratio = (position + collection of lease payments within one month)/rigid payment outflows within one month;
- (2) Proportion of short-term liabilities = (interest-bearing liabilities due within one year + bills payable due within one year)/(interest-bearing liabilities + bills payable + convertible bonds)
- (3) Total liabilities/credit lines = (interest-bearing liabilities + bills payable + convertible bonds)/total credit lines.

MANAGEMENT DISCUSSION AND ANALYSIS

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 31 December 2024							
Total financial assets	23,152,173	53,443,927	129,036,978	128,106,337	3,302,447	2,927,678	339,969,540
Total financial liabilities	2,839,175	52,016,681	103,466,846	139,285,264	6,858,033	-	304,465,999
Net liquidity gap	20,312,998	1,427,246	25,570,132	(11,178,927)	(3,555,586)	2,927,678	35,503,541
As at 31 December 2023							
Total financial assets	21,660,472	60,795,194	134,409,741	114,383,710	2,291,252	2,787,072	336,327,441
Total financial liabilities	884,196	54,759,626	99,545,274	138,763,993	4,231,502	-	298,184,591
Net liquidity gap	20,776,276	6,035,568	34,864,467	(24,380,283)	(1,940,250)	2,787,072	38,142,850

7.5 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.

8. CHARGE ON GROUP ASSETS

The Group had lease receivables of RMB41,932,759,000, long-term receivables of RMB186,261,000, financial assets at fair value through profit or loss of RMB7,662,040,000, cash of RMB10,349,525,000, property, plant and equipment of RMB9,412,392,000, investment properties of RMB30,896,000 and right-of-use assets (the original prepaid land lease payments) of RMB777,609,000 as at 31 December 2024 in order to secure or pay the bank borrowings, and cash of RMB145,320,000 as the pledge for bank acceptances, letters of credit and others.

9. MATERIAL INVESTMENTS, ACQUISITIONS AND DISPOSALS

In 2024, the number of hospitals controlled by the Group was 26 with the actual number of beds available amounting to approximately 10,000, respectively. A nationwide hospital operation network covering Eastern China, Southern China, Northern China, Southwest China, and Northeast China had been formed. The Group continued to adjust its business structure, optimize asset efficiency, and accelerate strategic upgrading and transformation, and completed the settlement of the equity acquisition of Yexian No.2 People's Hospital in 2024. 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. For further details, please refer to the discussion and analysis in item 14.1 of this section.

MANAGEMENT DISCUSSION AND ANALYSIS

As at the end of 2024, the Group operates one non-compulsory school. The Company insists on a high-quality positioning of school operations, and takes the responsibility of cultivating elites for the society. Its high schools have formed a good brand in the local area and are widely recognized by parents. The high school attained excellent results regarding further studies, with an admission rate of over 90% for the top 100 universities in the world, and have helped outstanding students to enter top schools such as Oxford, Cambridge and Ivy League for successive years.

In 2024, the Group did not conduct any material investment as defined under Rule 32(4A) of Appendix D2 of the Listing Rules.

10. HUMAN RESOURCES

As of 31 December 2024, the Group had 19,171 full-time employees (including 3,694 employees for finance business and 15,477 employees for industrial operation), a decrease of 166 full-time employees as compared to 19,337 (including 3,743 employees for finance business and 15,594 employees for industrial operation) in 2023.

The Group believes it has a high quality work force with specialized industry expertise. As at 31 December 2024, approximately 62.1% of the Group's employees had bachelor's degrees or above, and approximately 8.1% had master's degrees or above.

10.1 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, 2019 and 2024.

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 announcements of the Company dated 11 June 2014, 2 June 2016 and 20 March 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

As all restricted shares and all share options under the 2014 Restricted Share Award Scheme and the 2019 Share Option Scheme have been fully granted, the Company has adopted a new restricted share award scheme (the “2024 Restricted Share Award Scheme”) on 13 March 2024, and a new share option scheme (the “2024 Share Option Scheme”) on 5 June 2024. For details of the 2024 Restricted Share Award Scheme, please refer to the announcement of the Company dated 13 March 2024. For details of the 2024 Share Option Scheme, please refer to the announcements of the Company dated 13 March 2024 and 5 June 2024, as well as the circular dated 2 May 2024.

10.2 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 31 December 2024, the Group complied with all statutory social insurance and housing fund obligations applicable to the Group under the PRC laws in all material aspects.

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

11.1 Contingent Liabilities

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

	As of 31 December 2024	As of 31 December 2023
	RMB'000	RMB'000
Legal proceedings:		
Claimed amounts	236	11,345

11.2 Capital Commitments and Credit Commitments

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

	As of 31 December 2024	As of 31 December 2023
	RMB'000	RMB'000
Contracted, but not provided for:		
Capital expenditure for acquisition of property, plant and equipment	215,716	111,281
Irrevocable credit commitment ⁽¹⁾	14,010,442	26,883,670

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

12. FUTURE OUTLOOK

Facing a complex macroeconomic environment, the Group will firmly adhere to its development drive of model innovation and its corporate vision of value creation. Closely following the “finance + industry” two-wheel drive strategy, the Group will accelerate innovation and iteration, adapt to the environment, and strengthen the advancement and effectiveness of its own business model. The Group will continue to pay close attention to the domestic and international development environment, and will also strive to accelerate strategic upgrades and systemic reforms in line with its established strategies, aiming to create new incremental value for its shareholders, customers, creditors, the government, and its employees amid a complex external environment. Meanwhile, the Group will continue to implement the sustainable development philosophy of “value sharing and harmonious development”. Undertaking the important mission of being a forerunner and innovator in the field of ESG and sustainable development amongst Chinese enterprises, the Group will deepen the practice of sustainable actions in key areas, continue to explore innovative approaches, strengthen the collaboration and exchange with various parties, striving to achieve the goals of carbon peaking and carbon neutrality, thus contributing to the construction of an ecological civilization and an environmentally friendly society.

In terms of financial business, the Group will continue to take “serving the upgrading ambition of industries and cities” as its overall direction. Grounded in its international layout, the Group will leverage its marketization advantages, enhance its professional capabilities, continuously explore and innovate its implementation paths, and fully utilize its inherent characteristics to realize its differentiated competitive advantages, while staying focused on the “Five Key Areas of Finance”: technology finance, green finance, inclusive finance, pension finance, and digital finance.

In serving industries, to align with the philosophy of serving its customers in long run, the Group will upgrade its organizational structure to business departments by region from the traditional ones by industry segment. Focusing on viable enterprises and being deeply rooted locally, it will integrate internal and external resources to provide comprehensive services. It will redesign its operational system in all aspects, with functional departments constructing a service guarantee system to deliver intensive services, providing upfront support and ensuring comprehensive coverage. At the same time, focusing on the “three-force” model, it will accelerate the upgrading of elites’ capabilities and forge an elite team where “everyone is capable of delivering results”.

In serving cities, the urban “3+X” strategy will embrace a comprehensive upgrade. Firstly, the Group will focus on vibrant cities, and select regions with large economic volumes and a wide variety of assets for development. Secondly, it will elevate the level of marketing, and strive to establish comprehensive strategic cooperative relationships with various cities. Thirdly, it will iterate comprehensive services, and offer cities with integrated services that combine capital, asset transactions, and asset operations. Finally, it will strengthen collaborative linkages, and explore a group-based service model within the company to meet the diverse needs of cities.

In respect of inclusive finance, the Group will continue to make efforts in three aspects as to serving small, medium and micro customers in 2025. For marketing, it will vigorously enhance the application of digital marketing, leveraging big data to precisely target potential customers to achieve efficient reach. For products, it will continue to refine its product matrix, and develop a diverse range of products tailored to the various operational scenarios and developmental stages of micro and small enterprises to bolster the market competitiveness of its product offerings. At the same time, it will concentrate on optimizing the internal operational system, and refine key processes to improve overall efficiency, thereby providing more convenient and timely financing services to micro and small enterprises.

In respect of green finance, the Group will excel in the management and disclosure of sustainable development, climate change response and biodiversity to enhance its performance for ESG ratings as to the environmental, social, and governance (ESG) aspect. It will further integrate the concepts, metrics and tools of sustainable investment and financing into all business and management activities, and support the high-quality development of the domestic real economy. In the future, it will deepen its collaboration and engagement with customers, and support more customers in achieving low-carbon transition and development. At the same time, it will improve the transparency of sustainable information disclosure of its customers, thereby supporting more enterprises in their sustainable development endeavors.

MANAGEMENT DISCUSSION AND ANALYSIS

In terms of industrial operation, with its vision of becoming “a world-class comprehensive equipment operation service provider”, Horizon Construction Development will respond to development opportunities including “new infrastructure projects” and “two-new (equipment renewals, and consumer goods trade-ins) and two-heavy (implementing major national strategies, and building up security capacity in key areas) initiatives”, and follow various policies of China’s “Belt and Road Initiative” to go global. By working together with upstream equipment suppliers and downstream service partners to keep up with the changes of the times and the market demand, it will continue to improve its operational capabilities and seek to make progress in the midst of stability with value as the core. It will remain steadfast in implementing its “3+3+3” development strategy. In the domestic market, it will refine the operation and management of key regions, broaden the demand for new industries and products, optimize asset allocation, and enhance operational efficiency. In the overseas market, it will continue to refine its operations in Southeast Asia and the Middle East, accelerate national layout, and also improve profitability while emphasizing both size and efficiency. It will also strengthen cost control, continue to improve its service guarantee capability, and enhance the management efficiency of its domestic and international operations through digital means.

Horizon Healthcare will actively respond to the national strategies of “Healthy China” and “Actively Responding to Aging Population”, and continue to focus on its layout in third-, fourth-, and fifth-tier cities and counties with relatively weak medical resources. With the mission of “good medical care not far away”, it will strengthen the professional and service capabilities of basic medical care, and accelerate the replication of consumer medical business. At the same time, it will continue to promote the expansion and implementation of the major healthcare business, fully activate the operation and management efficiency of each hospital around the standardized and intensive operation management system, and help iterative business upgrades. With the goal of improving the medical and health levels of counties and reducing the growth rate of medical insurance expenditures, it will fully meet the needs of counties for specialty specialties, consumer medical care and healthcare services, and build the largest county health service platform in China to achieve long-term and sustainable development and step towards its vision of “building a long-living Horizon Healthcare brand that the government is pleased to see, the industry recognizes and in which people have confidence”.

13. EQUIPMENT OPERATION SEGMENT REPORT

Horizon Construction Development is a leading comprehensive equipment operation service provider in China established by the Group, with diversified equipment and strong service capabilities. In 2024, committed to providing one-stop comprehensive solutions of “product + service” for its customers in the construction and industrial sectors, Horizon Construction Development ranked the 14th place in IRN World’s Top 100 Rental Companies, which is awarded by KHL Group, one of the world’s largest international building information providers. On 25 May 2023, Horizon Construction Development was officially listed on the Main Board of the Stock Exchange (stock code: 9930).

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2024, The Group's direct shareholding in Horizon Construction Development was 41.69% and controlled 5.52% of the voting right in Horizon Construction Development through Farsighted Wit Limited. Horizon Construction Development is a subsidiary of the Company and its results are consolidated in the financial statements of the Company. Horizon Construction Development's key financial data are shown in the table below:

For the year ended 31 December			
	2024	2023	
	RMB million	RMB million	Change %
Total revenue	11,581.06	9,610.58	20.50%
Gross profit	3,774.60	3,761.40	0.35%
Total profit	1,200.16	1,226.52	-2.15%
Profit for the year attributable to ordinary shareholders of the Company	896.32	962.41	-6.87%
Return on average assets	2.6%	3.1%	-0.5%
Return on average equity	8.1%	11.0%	-2.9%

31 December 2024 31 December 2023			
	RMB million	RMB million	Change %
Total assets	36,434.18	31,236.78	16.64%
Total liabilities	24,975.83	20,459.11	22.08%
Total equity	11,458.35	10,777.67	6.32%
Gearing ratio	68.6%	65.5%	3.1%

MANAGEMENT DISCUSSION AND ANALYSIS

14. HOSPITAL OPERATION SEGMENT REPORT

14.1 Profit Statement Analysis of Hospital Operation Segment

For the year ended 31 December			
	2024	2023	
	RMB million	RMB million	Change %
Total revenue	4,092.55	4,237.96	-3.43%
Revenue from hospital operation ⁽¹⁾	4,082.94	4,226.73	-3.40%
Other relevant revenue from hospital operation	9.61	11.23	-14.43%
Total cost	(3,282.59)	(3,484.74)	-5.80%
Cost from hospital operation ⁽²⁾	(3,275.34)	(3,472.78)	-5.69%
Other cost	(7.25)	(11.96)	-39.38%
Gross profit	809.96	753.22	7.53%
Gross profit from hospital operation	817.21	765.18	6.80%
Others	(7.25)	(11.96)	-39.38%
Labor cost ⁽³⁾	(92.54)	(105.08)	-11.93%
Other administrative and selling expenses ⁽³⁾	(260.39)	(250.30)	4.03%
Finance costs	(31.58)	(18.00)	75.44%
Provision for assets	(127.49)	(152.60)	-16.45%
Other profit	47.31	50.98	-7.20%
Profit before tax	345.27	278.22	24.10%
Income tax expense	(113.76)	(106.23)	7.09%
Profit for the year	231.51	171.99	34.61%

Note:

In 2024, the number of hospitals controlled by the Group was 26⁽³⁾ with the actual number of beds available amounting to approximately 10,000. A nationwide hospital operation network covering Eastern China, Southern China, Northern China, Southwest China, and Northeast China has been formed. The Group will adhere to the differentiated layout, and fully promote the "Hundred Counties Plan" to "take root" in various regions in China with a positive and steady momentum. In the first half of 2024, Yexian No.2 People's Hospital was added within the Group. In 2024, the Group continued to optimize its asset structure, adhered to the differentiated layout, further innovated the "medical + hospital" model with a positive and steady momentum, and help counties achieve "two improvements and one reduction" (i.e. improving the medical care and health levels of counties, and reducing the growth rate of medical insurance expenditures) through operational upgrades and management enhancements, aiming at "building a long-living Horizon Healthcare brand that the government is pleased to see, the industry recognizes and in which people have confidence".

MANAGEMENT DISCUSSION AND ANALYSIS

By keeping up with the trend of the times, maintaining an innovative mindset, and optimizing and enhancing its management model, Horizon Healthcare continued to strengthen the service link between high-quality medical resources in first – and second-tier cities and patients in disease origin, and promoted the construction of a hospital-centered healthcare ecosystem so that people in the region can enjoy diverse and multi-level medical and healthcare services nearby. The introduction of cutting-edge medical concepts and resources further enabled Horizon Healthcare to enhance its medical services and expand its international perspective.

- (1) The revenue from hospital operation of the Group mainly comprises of revenues from outpatient, inpatient and other revenues. Horizon Healthcare extends the scope of healthcare services based on its advantages in medical services, continues to innovate service models, and creates a new platform for health services. Adhering to its “five major concepts of hospital operation”, Horizon Healthcare differentiates its layout, takes root in counties and operates locally while focusing on the healthcare needs of millions of residents in counties, and providing full-cycle, one-stop comprehensive services from medical care to health. The Group fully utilized its advantages as a group, and the member hospitals exerted their functions as a supplementary medical service provider in the local medical market. Facing the complex environment, the Group placed an emphasis on the improvement in revenue quality. The total revenue slightly decreased as compared to 2023.
- (2) The costs of hospital operation shown in the Group’s consolidated financial statements of 2024 decreased to RMB3,275 million from approximately RMB3,473 million of 2023. The costs of hospital operation of the Group primarily included labor costs, pharmaceutical supplies, inspection costs and other costs. The Group had active control and reduced various costs compared to 2023.

The Group focused on process management and control, empowering the improvement of discipline connotation. Through measures such as enhancing professional technology, introducing expert resources and building flagship hospitals, the Group set benchmarks and led development. The Group also promoted centralized procurement empowerment, dug deep into digital work effects, established a quality management system, constructed a patient safety management model, optimized the quality management operation mechanism, adhered to the bottom line of legal compliance, and continued to consolidate the baseline of hospital compliance and healthy development, constructing a medical quality management system with the Group’s characteristics to advance the high-quality development of hospitals.

- (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. Meanwhile, the Group leveraged its group advantages, participated in centralized bidding, and promoted the control of various expenses to reduce costs and increase efficiency. Due to the year-on-year expansion of the member hospitals under the Group in terms of volume and size, other administrative and selling expenses slightly increased in general.
- (4) This analysis of hospital operation segment profit statement has not taken into account the impact of shareholders’ borrowings, goodwill and impairment of fixed assets.
- (5) Taking into consideration of the impacts of equity disposal in 2023, the scope of the hospital operation segment for the period excludes the comparative data of five hospitals including Zhengzhou Renji Hospital and Zhoushan Dinghai Hospital.

MANAGEMENT DISCUSSION AND ANALYSIS

14.2 Asset Analysis of Hospital Operation Segment

	31 December 2024		31 December 2023		Change %
	RMB million	% of total	RMB million	% of total	
Monetary fund	608.87	9.30%	870.05	13.62%	-30.02%
Accounts receivables	791.35	12.08%	739.04	11.56%	7.08%
Prepayments ⁽¹⁾	117.03	1.79%	83.85	1.31%	39.57%
Other receivables	424.39	6.48%	187.64	2.94%	126.17%
Inventories	224.68	3.43%	232.29	3.63%	-3.28%
Fixed assets and intangible assets ⁽²⁾	3,451.76	52.70%	3,459.61	54.13%	-0.23%
Goodwill ⁽³⁾	194.73	2.97%	171.52	2.68%	13.53%
Investments in joint ventures/associates ⁽⁴⁾	0.19	0.00%	–	0.00%	0.00%
Deferred income tax assets	107.21	1.64%	102.02	1.60%	5.09%
Right-of-use assets ⁽⁵⁾	576.28	8.80%	508.36	7.95%	13.36%
Other assets	53.76	0.81%	36.47	0.58%	47.41%
Total assets	6,550.25	100.00%	6,390.85	100.00%	2.49%

Notes:

- (1) Prepayments mainly comprised of prepayments for drugs and consumables and transitional purchase fee for equipment;
- (2) Fixed asset and intangible assets mainly comprised of medical equipment 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.

MANAGEMENT DISCUSSION AND ANALYSIS

15. INCLUSIVE FINANCE SEGMENT REPORT

For the year ended 31 December			
	2024	2023	
	RMB million	RMB million	Change %
Interest income	1,571.86	1,041.65	50.90%
Average yield on assets ⁽¹⁾	10.79%	9.63%	1.16%

31 December 2024 31 December 2023			
	RMB million	RMB million	Change %
Net interest-earning assets	17,247.65	12,476.40	38.24%
Less: provision for interest-earning assets	(244.49)	(289.49)	-15.54%
Net interest-earning assets	17,003.16	12,186.91	39.52%
As a percentage of the Group's net interest-earning assets	6.62%	4.64%	1.98%

Note:

(1) Average yield represents the quotient of interest income as divided by average balance of interest-earning assets as at the beginning, middle and end of the year.

As the segment specialized in the financial leasing business of micro, small and medium-sized enterprises in the Group, the inclusive finance segment continues to dip deep into the long-tail market in economically developed areas such as those along rivers and coasts, and provides a wide range of financial products and services for vibrant downstream customers to effectively address the various funding needs of micro, small and medium-sized enterprises, such as the purchase of equipment, investment in research and development, and replenishment of liquidity, thereby assisting these enterprises to develop steadily and injecting vitality into the real economy. As at 31 December 2024, the Group had set up nearly 40 inclusive finance business outlets in more than 20 provinces across the country, forming a relatively comprehensive customer service network, which enables the Group to respond to customers promptly and provide customers with efficient and convenient funding solutions and related services.

Since its establishment in 2019, the inclusive finance segment has served over 20,000 micro, small and medium-sized enterprises situated in economically-developed cities such as Qingdao, Suzhou, Hangzhou and Xiamen, and gained wide recognition within and outside the industry. The inclusive finance segment was awarded the "Soaring Prize" in China's financial leasing for four consecutive years from 2020 to 2023 by the Competitiveness Forum of the Global Leasing Industry, the "Most Influential Financial Leasing Company" from 2022 to 2023. It was awarded the "Leading Enterprise of Inclusive Leasing" again in 2024, and the "Star Cup", the Polaris award for the year, by the 13th China Leasing Annual Conference in 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group continues to promote the online, intelligent and automated construction of its inclusive finance business processes, and deepens the concept of efficient operation in serving micro, small and medium-sized enterprises, realizing “paperless” online operation throughout the entire process, and forming an industry-leading operation system through such technological means as online intelligent import, remote due diligence, model decision-making, electronic contracting, and direct bank-business connection. On the marketing side, the Group’s marketing personnel also regularly organize online live broadcasts through third-party video broadcasting platforms to share industry knowledge for external business promoters as well as potential customers, and promote the Group’s own business accordingly.

As at 31 December 2024, the net interest-earning assets of the inclusive finance business of the Group amounted to approximately RMB17,250 million, representing an increase of RMB4,770 million or approximately 38.24% from the end of the previous year, and an increase to 6.62% of the Group’s net interest-earning assets from 4.64% as at the end of the previous year. In 2024, total interest income from the inclusive finance business of the Group amounted to RMB1,572 million, representing an increase of 50.90% from RMB1,042 million in the previous year, due to the solid growth in the size of disbursements and the steady improvement in the average yield on assets.

15.1 Asset Quality of Net Interest-earning Assets

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

	31 December 2024		31 December 2023	
	RMB'000	% of total	RMB'000	% of total
Pass	16,430,210	95.26%	11,797,735	94.56%
Special mention	817,435	4.74%	499,897	4.01%
Substandard	—	—	49,759	0.40%
Doubtful	—	—	129,012	1.03%
Loss	—	—	—	—
Net interest-earning assets	17,247,645	100.00%	12,476,403	100.00%
Non-performing assets	—	—	178,771	—
Non-performing asset ratio	—	—	1.43%	—

While ensuring efficient operations, the Group has also established a comprehensive risk management system for inclusive finance: on the business entry side, it adheres to the basic principle of risk-based pricing and has built an effective credit management system targeting small, medium and micro customers through the management of industrial, regional and operational risks; on the post-lease management side, it established a nationwide post-lease management team, and ensured prudent business operation and safe and solid asset quality through the combination of online and offline means of asset forewarning, collection and disposal.

MANAGEMENT DISCUSSION AND ANALYSIS

In order to better reflect the operating results of the inclusive finance business, since 2024, the Group has adopted a more prudent write-off policy for non-performing assets of the inclusive finance business, i.e. 100% write-off of non-performing assets as at the end of the period. As such, as at 31 December 2024, the size of non-performing assets of the inclusive finance business was reduced to RMB0 from RMB179 million as at the end of 2023, and the non-performing asset ratio was reduced to 0.00% from 1.43% as at the end of 2023. As the inclusive finance business of the Group is under rapid growth, the gradual expansion of its written-off non-performing asset size may increase the amount and proportion of the Group's written-off non-performing assets during the period.

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

	31 December 2024	31 December 2023
	RMB'000	RMB'000
At the beginning of the year	178,771	64,519
Downgrades	270,529	179,176
Upgrades	–	–
Recoveries	(36,621)	(15,238)
Write-off/disposal	(412,679)	(49,686)
At the end of the year	–	178,771
Non-performing assets ratio	–	1.43%
Non-performing loan formation ratio ⁽¹⁾	1.90%	1.70%
Credit cost ratio ⁽²⁾	2.41%	2.06%

Notes:

- (1) Non-performing loan formation ratio = (the balance of non-performing loan at the end of the year – the balance of non-performing loan at the beginning of the year + write-off/disposal of non-performing loan for the year)/(net pass interest-earning assets at the beginning of the year + net interest-earning assets under special mention at the beginning of the year)
- (2) Credit cost ratio = provision for interest-earning assets for the year/average balance of interest-earning assets.

In 2024, the inclusive finance business wrote off bad debts of RMB413 million, which was higher than that in 2023, as a result of the adoption of a new write-off policy. The credit cost ratio for the year of the inclusive finance business was 2.41% (2023: 2.06%), which was significantly higher than the average level for the Group, and also reflected the prudent and steady operation of the Group's inclusive finance business.

Looking ahead, the Group will continue to enhance the comprehensive service capability of its inclusive finance business through its continuous specialized operation to meet the diversified needs of small, medium and micro customers, and strive to expand the market size and operating contribution of the inclusive finance segment.

CORPORATE GOVERNANCE REPORT

The board of directors (the “Directors”) of the Company (the “Board”) is pleased to present this Corporate Governance Report in the Group’s Annual Report for the year ended 31 December 2024.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining good corporate governance standards. The Group acknowledges the vital importance of good corporate governance to the Group’s success and sustainability. We are committed to achieving a high standard of corporate governance as an essential component of quality and have introduced corporate governance practices appropriate to the conduct and growth of our business.

The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of Shareholders, to enhance corporate value, to formulate its business strategies and policies and to enhance its transparency and accountability.

The Company’s corporate governance practices are based on the Principles as set out in the Corporate Governance Code (the “CG Code”) contained in Appendix C1 to the Listing Rules.

During the accounting period for the year ended 31 December 2024, the Company has complied with all the code provisions set out in the CG Code, except for code provisions C.2.1 and F.2.2 as explained in the paragraphs headed “Chairman and Chief Executive Officer” and “Communication with Shareholders and Investors/Investor Relations” respectively below.

The Company will continue to enhance its corporate governance practices as appropriate to the conduct and growth of its business and to review such practices from time to time to ensure that they comply with the CG Code and align with the latest developments.

CORPORATE CULTURE

The corporate culture of the Company comprises four components: corporate mission, corporate vision, Far East spirit, and Far East talent concept. Our corporate mission: Integrating global resources, promoting industry development. Our corporate vision: Make every effort to shape excellent enterprises. Far East spirit: Determination to pursue the truth, rigorous and pragmatic work style, Idea of promoting innovation, courage to face hardships, indomitable will, responsibilities to the world, resolution to be a pioneer. Far East talent concept: Far East Horizon’s core idea of manpower is to create a fair, impartial and open competitive growth platform so that honest, hardworking and dedicated employees can get due rewards and recognition in a clear, pure and clean working environment. The Company adheres to the “Four-Regardless” Talent Concept – Regardless of Age, Regardless of Length of Service, Regardless of Seniority, and Regardless of Educational Background, All Only About Contribution.

CORPORATE GOVERNANCE REPORT

The Company believes that a healthy corporate culture is the core of good corporate governance, and all Directors must act with integrity, lead by example, and promote the desired culture. The Company pays attention to the communication and promotion of corporate culture, and abides by accountability and review, enabling all management and employees to understand the core value of corporate culture and proper behavior, as well as continually reinforcing across the organisation values of acting lawfully, ethically and responsibly. The Company has incorporated the publicity of corporate culture into various employee training materials, work reporting procedures, topic discussions and other aspects, formulated and strengthened the employee code of conduct and talent management system, strengthened and improved the communication mechanism between management and employees, and found out the employees' recognition to the corporate culture or issues identified through various channels.

The Company has formulated an anti-corruption and whistle-blowing policy to regulate conduct and ensure compliance with anti-corruption policies and regulations. Employees are encouraged to report corruption, bribery, fraud and unethical behavior. The Company will also include publicity on anti-corruption and whistle-blowing policies in daily employee training.

DIRECTORS' 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 the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Listing Rules.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Code of Conduct throughout the year ended 31 December 2024.

The Company has also established written guidelines (the "Employees Written Guidelines") no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company for the year ended 31 December 2024.

BOARD OF DIRECTORS

The Company is headed by an effective Board which assumes responsibility for its leadership and control and be collectively responsibility for promoting the Company's success by directing and supervising the Company's affairs. Directors take decisions objectively in the best interests of the Company.

The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and regularly reviews the contribution required from a Director to perform his/her responsibilities to the Company and whether the Director is spending sufficient time performing them that are commensurate with their role and the Board responsibilities. The Board includes a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

CORPORATE GOVERNANCE REPORT

BOARD COMPOSITION

The Board currently comprises twelve members, consisting of three executive Directors, five non-executive Directors and four independent non-executive Directors.

The list of all Directors, which also specifies the posts held by each Director, is set out under “Corporate Information” on page 4. The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

The Board of the Company during the year ended 31 December 2024 and up to the date of this report comprises the following Directors:

Executive Directors:

Mr. KONG Fanxing (*Chairman, Chief Executive Officer*)

Mr. WANG Mingzhe (*Chief Financial Officer*)

Mr. CAO Jian (*Senior Vice President*)

Non-executive Directors:

Mr. CHEN Shumin (*Vice Chairman*)

Ms. WEI Mengmeng

Mr. LIU Haifeng David

Mr. KUO Ming-Jian

Mr. John LAW

Independent non-executive Directors:

Mr. HAN Xiaojing

Mr. LIU Jialin

Mr. YIP Wai Ming

Mr. WONG Ka Fai Jimmy

None of the members of the Board is related to one another.

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

During the year ended 31 December 2024, the Company has deviated from code provision C.2.1 with the positions of Chairman and Chief Executive Officer being held by Mr. KONG Fanxing.

The Board however believes that it is in the interests of the Company to vest the roles of both the Chairman and the Chief Executive Officer in the same person, so as to provide consistent leadership within the Group and facilitate the prompt execution of the Group's business strategies and boost operation effectiveness. The Board also believes that the balance of power and authority under this arrangement will not be impaired, as all major decisions must be made in consultation with the Board as a whole, together with relevant Board committees, which comprise experienced and high caliber individuals, with four independent non-executive Directors who are in the position to provide independent insights to the Board and monitor the management and operation of the Company. The Board will periodically review and consider the effectiveness of this arrangement by taking into account the circumstances of the Group as a whole.

CORPORATE GOVERNANCE REPORT

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the year ended 31 December 2024, the Board has at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors to be independent.

BOARD INDEPENDENCE EVALUATION

The Company has established a Board Independence Evaluation Mechanism which sets out the processes and procedures to ensure a strong independent element on the Board, which allows the Board effectively exercises independent judgment to better safeguard Shareholders' interests.

The objectives of the evaluation are to improve Board effectiveness, maximise strengths, and identify the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director.

Pursuant to the Board Independence Evaluation Mechanism, the Board will conduct annual review on its independence.

During the year ended 31 December 2024, the Board reviewed the implementation and effectiveness of the Board Independence Evaluation Mechanism and the results were satisfactory.

NON-EXECUTIVE DIRECTORS AND DIRECTORS RE-ELECTION

Code provision B.2.2 states that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

According to the Articles of Association of the Company, each of the Directors appointed under a general meeting of the Company is appointed for a specific term of three years and he/she may serve consecutive terms if re-elected by the Company in general meeting upon the expiration of his/her term.

The non-executive Directors (including independent non-executive Directors) of the Company are appointed for a specific term of three years, subject to renewal after the expiry of the then current term. All Directors are subject to retirement by rotation and re-election at the annual general meetings.

CORPORATE GOVERNANCE REPORT

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective and independent judgement on corporate actions and operations.

All Directors have carried out their duties in good faith, in compliance with applicable laws and regulations and in the interests of the Company and its shareholders at all times.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, corporate governance, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

The Company has arranged for appropriate insurance cover for Directors' and senior management's legal liabilities that may arise out of corporate activities.

CORPORATE GOVERNANCE REPORT

The Company has established internal policies (including but not limited to the Articles of Association, Policy for the Nomination of Directors, and Terms of Reference of the Remuneration and Nomination Committee) to ensure that the Board has access to independent views and opinions. These policies cover the Company's procedures and selection criteria for the election and appointment of directors (including independent non-executive directors), the mechanism for Directors to abstain from voting on relevant proposals considered by the Board, and the authority of the independent board committee to engage independent financial advisors or other professional consultants. The Company has reviewed the implementation and effectiveness of the aforesaid mechanisms and believes that the aforesaid mechanisms can ensure the independent views and opinions of the Board.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for directors will be arranged and reading material on relevant topics will be issued to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 December 2024, all Directors have participated in appropriate continuous professional development activities by reading materials including regulatory update and seminar handouts or reviewing the papers and circulars sent by the Company. As part of the continuous professional development programme, the Directors are also encouraged to participate in the various briefings and visits to local management and the Company's facilities, as arranged and funded by the Company with appropriate emphasis on the roles, functions, and duties of the Directors. Details are as follows:

Directors	Reading Relevant Material	Attending Seminars/ Visiting/Interviewing Key Management	
Executive Directors			
Mr. KONG Fanxing		✓	✓
Mr. WANG Mingzhe		✓	✓
Mr. CAO Jian		✓	✓

CORPORATE GOVERNANCE REPORT

		Attending Seminars/ Visiting/Interviewing Key Management	
Directors	Reading Relevant Material		
Non-Executive Directors			
Mr. CHEN Shumin		✓	✓
Ms. WEI Mengmeng		✓	✓
Mr. LIU Haifeng David		✓	✓
Mr. KUO Ming-Jian		✓	✓
Mr. John LAW		✓	✓
Independent Non-Executive Directors			
Mr. HAN Xiaojing		✓	✓
Mr. LIU Jialin		✓	✓
Mr. YIP Wai Ming		✓	✓
Mr. WONG Ka Fai Jimmy		✓	✓

BOARD DIVERSITY POLICY AND GENDER DIVERSITY

The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. The Board has adopted a board diversity policy (the "Board Diversity Policy") for the purpose of ensuring that the Board has the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board.

The Company commits to selecting the best person for the role based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and length of services. In terms of professional experience, the Board shall be composed of members with accounting or financial expertise, legal professional qualification, financial investment experience or industry experience related to the Company.

The Remuneration and Nomination Committee will review the structure, size and composition of the Board at least annually to ensure that the Board Diversity Policy is effectively implemented.

At present, the Board has one female Director among the twelve Board members. The Remuneration and Nomination Committee has reviewed the Board Diversity Policy and considered that the Board has in place a diverse mix of gender, skills, knowledge and experience.

CORPORATE GOVERNANCE REPORT

The Company will strive to achieve and maintain gender balance in the Board through the following measures implemented by the Remuneration and Nomination Committee in accordance with the Board Diversity Policy. The Company will take the initiative to identify female employees who are suitably qualified to serve as a Board member. In the long run, in order to further ensure the gender diversity of the Board, the Company will seize the opportunity to increase the proportion of female members in the Board, identify and select a number of female employees with different skills, experience and knowledge in different fields from time to time, and will include those who have the qualities to be a Board member in a list which will be regularly reviewed by the Remuneration and Nomination Committee in order to develop a pipeline of potential successors for the Board and to promote gender diversity of the Board.

In addition, as of 31 December 2024, the proportion of female members among all employees (including senior management) of the Company was 47.43%. The Company will take steps to maintain gender diversity among all employees (including senior management). The Company plans to provide comprehensive training for female employees who we believe have the appropriate experience, skills and knowledge in operations and business, including but not limited to business operations, management, accounting and finance, legal compliance, and research and development.

POLICY FOR THE NOMINATION OF DIRECTORS

The Company has adopted Policy for the Nomination of Directors, which is incorporated in the terms of reference of the Remuneration and Nomination Committee. The Policy for the Nomination of Directors sets out the objectives, selection criteria and nomination procedures for identifying and recommending candidates for appointment or re-appointment of directors. No candidate was nominated for directorship during the year ended 31 December 2024.

BOARD COMMITTEES

Board has established four committees, namely, Audit and Risk Management Committee, Remuneration and Nomination Committee, Strategy and Investment Committee and Environmental, Social and Governance Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of Audit and Risk Management Committee and Remuneration and Nomination Committee and the working rules of Environmental, Social and Governance Committee are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

The majority of the members of each Board committee are independent non-executive Directors or non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 4.

CORPORATE GOVERNANCE REPORT

AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee comprises three members, including two independent non-executive Directors, namely, Mr. YIP Wai Ming (chairman of the Committee) and Mr. HAN Xiaojing, and one non-executive Director, namely, Mr. John LAW. Mr. YIP Wai Ming possesses the appropriate accounting or related financial management expertise.

The main duties of the Audit and Risk Management Committee include the following:

- To review the financial information
- To review the relationship with the external auditors
- To review financial reporting system, internal control system and risk management system
- To review the annual budget and annual accounts

The Audit and Risk Management Committee is also responsible for performing the corporate governance duties which are set out under “Corporate Governance” on page 112.

The Audit and Risk Management Committee held four meetings during the year ended 31 December 2024 to review the financial results and reports, financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditors, and arrangements for connected transactions. The attendance records of the Audit and Risk Management Committee are set out under “Attendance Record of Directors and Committee Members” on page 109.

The Audit and Risk Management Committee also met the external auditors four times without the presence of the executive Directors.

The Company’s annual results for the year ended 31 December 2024 have been reviewed by the Audit and Risk Management Committee.

CORPORATE GOVERNANCE REPORT

REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee comprises three members including two independent non-executive Directors, namely, Mr. LIU Jialin (chairman of the Committee), Mr. HAN Xiaojing and one non-executive Director, namely, Mr. KUO Ming-Jian. The majority of the members are independent non-executive Directors.

The principal duties of the Remuneration and Nomination Committee include but are not limited to the following:

- To make recommendations to the Board on the remuneration packages of the individual executive Directors and senior management
- To review and make recommendations to the Board on the remuneration of the non-executive Directors
- To review and make recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management
- To make recommendations to the Board on the terms of service contract(s) or letter(s) of appointment of the new executive Director(s) appointed during the year
- To assess the performance of the executive Directors
- To assess the independence of the independent non-executive Directors
- To make recommendations to the Board on the re-election of Directors
- To review the structure, size and composition of the Board so as to ensure the diversity of the Board
- To review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules

The criteria adopted by the Remuneration and Nomination Committee in considering whether the relevant personnel are suitable to the directors include their character, qualifications, experience, expertise and knowledge, as well as provisions of the Listing Rules. In assessing the Board composition, the Remuneration and Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Board Diversity Policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience etc. and would make full consideration about the diversity of the Board before making proposal, to ensure that the Board shall be composed of members having accounting or financial expertise, legal professional qualification, financial investment experience or industry experiences related to the Company. The Remuneration and Nomination Committee would identify individuals suitably qualified for election as directors, select or make recommendations to the Board on the selection of individuals nominated for directorships.

CORPORATE GOVERNANCE REPORT

The Remuneration and Nomination Committee has adopted a set of nomination procedures for selection of candidates for directorship of the Company by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of such individuals, the Company's needs and other relevant statutory requirements and regulations. External recruitment professionals might be engaged to carry out selection process when necessary.

The Remuneration and Nomination Committee met two times during the year ended 31 December 2024 to review the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience required for the Company's business, assess the performance of the executive Directors, as well as make recommendation to the Board on the remuneration policy and structure of the Company, the remuneration packages of the executive Directors and senior management, the share incentive schemes and other related matters. The attendance records of the Remuneration and Nomination Committee are set out under "Attendance Record of Directors and Committee Members" on page 109.

During the year ended 31 December 2024, the Remuneration and Nomination Committee approved the matters in relation to the adoption of the new share incentive schemes (include the 2024 Share Option Scheme and the 2024 Restricted Share Award Scheme), and the grant of options and restricted shares under the first of the third session of the share incentive schemes (include the 2024 Share Option Scheme and the 2024 Restricted Share Award Scheme) in March 2024 and then submitted it to the Board for approval in March 2024. The executive administration committee authorised by the Board to operate, manage and administer the share incentive schemes reviewed and approved the list of grantees under the 2024 Share Option Scheme and the 2024 Restricted Share Award Scheme, and reviewed and approved the announcement in relation to the grant of share options of the 2024 Share Option Scheme in August 2024. Save as disclosed above, there were no other material matters relating to the 2014 Share Option Scheme, the 2019 Share Option Scheme, the 2014 Restricted Share Award Scheme, the 2024 Share Option Scheme and the 2024 Restricted Share Award Scheme that were required to be reviewed for approval by the Remuneration and Nomination Committee during the reporting period in accordance with Rule 17.07A of the Listing Rules.

STRATEGY AND INVESTMENT COMMITTEE

The Strategy and Investment Committee comprises three members, namely, Mr. LIU Haifeng David (a non-executive Director and chairman of the Committee), Mr. KONG Fanxing (an executive Director) and Mr. WONG Ka Fai Jimmy (an independent non-executive Director).

The primary function of the Strategy and Investment Committee is to make recommendations to the Board about the strategy, investment plans and investment profit forecast, oversee and formulate risk management and internal control procedures and review material risk matters and transactions.

During the year ended 31 December 2024, the Strategy and Investment Committee did not hold any meeting.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

The Environmental, Social and Governance ("ESG") Committee consists of three members, namely, Mr. WONG Ka Fai Jimmy (an independent non-executive Director and chairman of the Committee), Mr. HAN Xiaojing (an independent non-executive Director) and Mr. John LAW (a non-executive Director).

The primary function of the Environmental, Social and Governance Committee is to review and monitor the environmental, social and governance policies and practices of the Company to improve the governance structure of the Company and strengthen the decision-making function of the Board.

CORPORATE GOVERNANCE REPORT

The Environmental, Social and Governance Committee did not hold any meeting during the year ended 31 December 2024.

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

During the year ended 31 December 2024, four regular Board meetings were held, which were held at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

The attendance record of each director during their tenure of office at the Board and Board Committee meeting(s) and the general meeting of the Company held during the year ended 31 December 2024 is set out in the table below:

Name of Director	Attendance/Number of Meetings					
	Board	Audit and Risk Management Committee	Remuneration and Nomination Committee	Strategy and Investment Committee	Environmental, Social and Governance Committee	Annual General Meeting
Executive Directors						
Mr. KONG Fanxing	4/4	N/A	N/A	0/0	N/A	1/1
Mr. WANG Mingzhe	4/4	N/A	N/A	N/A	N/A	1/1
Mr. CAO Jian	4/4	N/A	N/A	N/A	N/A	1/1
Non-Executive Directors						
Mr. CHEN Shumin	4/4	N/A	N/A	N/A	N/A	0/1
Ms. WEI Mengmeng	4/4	N/A	N/A	N/A	N/A	0/1
Mr. LIU Haifeng David	4/4	N/A	N/A	0/0	N/A	0/1
Mr. John LAW	3/4	4/4	N/A	N/A	0/0	0/1
Mr. KUO Ming-Jian	4/4	N/A	2/2	N/A	N/A	0/1
Independent Non-Executive Directors						
Mr. HAN Xiaojing	4/4	4/4	2/2	N/A	0/0	0/1
Mr. LIU Jialin	3/4	N/A	2/2	N/A	N/A	0/1
Mr. YIP Wai Ming	4/4	4/4	N/A	N/A	N/A	0/1
Mr. WONG Ka Fai Jimmy	4/4	N/A	N/A	0/0	0/0	0/1

CORPORATE GOVERNANCE REPORT

Apart from the Board meetings stated above, the Chairman also held one meeting with the independent non-executive Directors without the presence of other Directors on 9 August 2024.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Company has established its Audit and Risk Management Committee and Audit Department. The Company established the Environmental, Social and Governance Committee on 31 August 2021, which is responsible for identifying ESG risks and opportunities related to the Company, assessing the effect of such risks or opportunities on the Group, providing suggestions to the Board regarding the response to risks or opportunities, as well as fully implementing the Company's ESG activities. The Audit and Risk Management Committee oversees risk management processes within the Group. The main duties and responsibilities of the Audit and Risk Management Committee are to design risk management systems and policies, to review, approve and supervise overall risk management measures and procedures and their general implementation and effectiveness.

The Audit Department operates independently from the business operation and management of the Company. It reports directly to the Audit and Risk Management Committee on a regular basis and performs independent audits of the reasonableness, completeness and effectiveness of the operational management and risk controls. There are two teams in the Audit Department, namely finance inspection team and internal audit team. The Audit Department plans and arranges resources to ensure supervision and assessment of the key control aspects including but not limited to operational monitoring, financial monitoring, compliance monitoring, information security and management duties supervision.

During the course of its audits, the Audit Department is authorized to comprehensively inspect, analyze, evaluate and audit all of the business and operational procedures to identify any material issues or risk matters, and to provide advice for improvement and rectification. The Audit Department is also the main communication channel with relevant external regulatory entities, such as courts and public safety bureaus. The Audit Department conducts follow-up audits to monitor the updated status of previously identified issues to ensure corrective and remedial measures have been duly implemented and are enforced. It also evaluates the non-compliance of the risk management policies and procedures by key personnel in the operational process, and may make recommendations to the senior management and the Board to impose certain penalties.

CORPORATE GOVERNANCE REPORT

The Audit and Risk Management Committee and Audit Department report to the Board on any findings and make recommendations to the Board as and when appropriate. The Board at least annually conducts a review of the effectiveness of the Company and its subsidiaries' internal control systems. Such review covers all material controls, including financial, operational and compliance controls and risk management functions. The Company takes the Guidelines on Disclosure of Inside Information issued by the Securities and Futures Commission of Hong Kong as the Company's basis of identification of inside information, to ensure timely report of inside information to the executive directors and maintain communication with the Board.

Meanwhile, the Company handles and disseminates the inside information according to the related policy to ensure that the inside information is kept confidential before being approved for dissemination and the relevant information will be released effectively and conformably. The management has confirmed to the Board and the Audit and Risk Management Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2024.

The Board, as supported by the Audit and Risk Management Committee as well as the management report, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2024, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and staff qualifications, experiences and relevant resources.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2024.

The Board shall conduct a balanced, clear and understandable assessment in the annual and interim reports, inside information announcements and other disclosures required under the Listing Rules and other statutory and regulatory requirements.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. When the Directors are aware of material uncertainties relating to events or conditions that might cast significant doubt upon the Company's ability to continue as a going concern, such uncertainties would be clearly and prominently set out and discussed in detail in this corporate governance report.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditors' Report" on pages 166 to 170.

Where appropriate, a statement will be submitted by the Audit and Risk Management Committee explaining its recommendation regarding the selection, appointment, resignation or dismissal of external auditors and the reasons why the Board has taken a different view from that of the Audit and Risk Management Committee.

CORPORATE GOVERNANCE REPORT

AUDITORS' REMUNERATION

The remuneration paid/payable to the Company's external auditors of the Company in respect of audit services and non-audit services for the year ended 31 December 2024 is set out below:

	Amount of fees
Type of services provided by the external auditors	RMB'000
Audit services	9,580
Non-audit service	6,129
Total	15,709

The Group's non-audit service fees mainly comprise of: (i) interim review service fee amounted to RMB2,200,000; (ii) asset securitization business related service fee amounted to RMB1,750,000; (iii) bond issue related service fee amounted to RMB1,300,000; and (iv) tax service fee amounted to RMB879,000.

CORPORATE GOVERNANCE

The Audit and Risk Management Committee is responsible for performing the corporate governance duties including:

- (a) to develop, review and implement the Company's policy and practices on corporate governance and make recommendations to the Board;
- (b) to review and monitor the training and continuous professional development of directors and senior management;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and
- (e) to review the Company's compliance with the CG Code which is amended from time to time, and its disclosure in the corporate governance report.

CORPORATE GOVERNANCE REPORT

The Board has reviewed the shareholders' communication policy on a regular basis to ensure its effectiveness as well as the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Employee Written Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

COMPANY SECRETARY

Ms. Yuen Wing Yan Winnie ("Ms. Yuen") was nominated by Tricor Services Limited, an external service provider, and engaged by the Company as its company secretary. Her primary contact person at the Company is Mr. KONG Fanxing, currently an executive director, the Chairman and Chief Executive Officer of the Company.

Ms. Yuen has complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of the relevant professional training during the year.

SHAREHOLDERS' RIGHT

To safeguard shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at shareholder meetings, including the election of individual directors. All resolutions put forward at shareholder meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each shareholder meeting.

CONVENING A GENERAL MEETING

General meetings may be convened by the Board on requisition of shareholder(s) of the Company representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings or by such shareholder(s) who made the requisition (the "Requisitionist(s)") (as the case may be) pursuant to Sections 566 and 568 respectively of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the "Companies Ordinance"). Shareholders should follow the requirements and procedures as set out in the Companies Ordinance for convening a general meeting.

PUTTING FORWARD PROPOSALS AT GENERAL MEETING

Pursuant to Sections 580 and 615 of the Companies Ordinance, shareholders representing at least 2.50% of the total voting rights of all shareholders, or at least 50 shareholders (as the case may be) who have a right to vote at the relevant general meeting, may put forward proposals for considerations at a general meeting by sending requests in writing to the Company. Shareholders should follow the requirements and procedures as set out in the Companies Ordinance for circulating a resolution for general meeting.

CORPORATE GOVERNANCE REPORT

PUTTING FORWARD ENQUIRIES TO THE BOARD

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company.

Note: The Company will not normally deal with verbal or anonymous enquiries.

CONTACT DETAILS

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Units 6706B-6708A, 67/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong
Email: IR@fehorizon.com
Attention: Board of Directors

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies.

The Company has in place a Shareholders' Communication Policy. The policy aims at promoting effective communication with Shareholders and other stakeholders, encouraging Shareholders to engage actively with the Company and enabling Shareholders to exercise their rights as Shareholders effectively. The Board reviewed the implementation and effectiveness of the Shareholders' Communication Policy and the results were satisfactory.

The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings.

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

CORPORATE GOVERNANCE REPORT

At the annual general meeting of the Company held on 5 June 2024 (the “2024 AGM”), Mr. YIP Wai Ming (the chairman of the Audit and Risk Management Committee), Mr. LIU Jialin (the chairman of the Remuneration and Nomination Committee), Mr. LIU Haifeng, David (the chairman of the Strategy and Investment Committee), Mr. WONG Ka Fai Jimmy (the chairman of the Environmental, Social and Governance Committee and the member of the Strategy and Investment Committee), Mr. HAN Xiaojing (the member of each of the Audit and Risk Management Committee, the Remuneration and Nomination Committee and the Environmental, Social and Governance Committee), Mr. KUO Ming-Jian (the member of the Remuneration and Nomination Committee) and Mr. John LAW (the member of each of the Audit and Risk Management Committee and the Environmental, Social and Governance Committee) were unable to attend due to other important business engagements. To ensure relevant matters can be smoothly handled at the 2024 AGM, Mr. KONG Fanxing (the Chairman and the member of the Strategy and Investment Committee) chaired and attended the 2024 AGM to answer questions where necessary.

During the year, the Company also strengthened communication with Shareholders and investors through various channels, such as online and offline shareholder-investor exchange activities, results conferences, non-deal roadshows, participation in various investor forums, which allows investors to have a more comprehensive interpretation and analysis of the Group’s business philosophy and operating conditions. The Company’s corporate website has three languages: English, traditional Chinese and simplified Chinese, and has a section on investor relations, which converges all regulatory announcements, reports and circulars published on the website of the Stock Exchange for Shareholders and investors’ reference, while the other sections of the corporate website provide the latest information on all aspects of the Group’s operations. Through the above communication measures and procedures with investors and Shareholders, the Company has examined and reviewed the effectiveness of the relevant policies on communication with investors and Shareholders during the reporting period and considers that the above policies and measures can safeguard the effective communication between the Company and investors and Shareholders.

During the year under review, the Company has not made any changes to its Articles of Association. An up to date version of the Company’s Articles of Association is also available on the Company’s website and the Stock Exchange’s website.

The Company has adopted a policy on payment of dividends pursuant to code provision F.1.1 of the CG Code taking into consideration of various elements including but not limited to the Group’s actual and expected financial performance, the level of the Group’s debts to equity ratio, return on equity and financial covenants, general economic conditions, business cycle of the Group’s business, etc. The Company endeavours to maintain a balance between its shareholders’ interests and the Group’s business operation as well as its long-term development goal.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

MR. KONG FANXING (孔繁星) – EXECUTIVE DIRECTOR, CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. KONG Fanxing (孔繁星), aged 61, is an executive director, the Chairman and the Chief Executive Officer of the Company. Mr. Kong received an EMBA degree from Peking University in March 2005, a master's degree in Economics and a bachelor's degree in Economics from University of International Business and Economics (對外經濟貿易大學) in China in June 1991 and July 1986, respectively. Mr. Kong joined Sinochem Group in August 1991. During the period which Mr. Kong worked for Sinochem Group, he had been the general manager of Sinochem International Engineering Trade Company (中化國際工程貿易公司), a deputy general manager of Sinochem International Industrial Company (中化國際實業公司), a deputy general manager and general manager of Sinochem International Tendering Co., Ltd. (中化國際招標有限責任公司), a deputy chief of the fertiliser division of China National Chemicals Import & Export Corporation (中國化工進出口總公司), and an executive deputy general manager of Sinochem International Fertilizer Trading Company (中化國際化肥貿易公司), respectively. In April 2001, he joined International Far Eastern Leasing Co., Ltd. (遠東國際融資租賃有限公司) ("Far Eastern") and has become an executive director and the general manager since then. Mr. Kong has been the President and Chief Executive Officer of the Company since September 2009, and has been the Chairman of the Company since December 2022. Currently, Mr. Kong is also an executive director and the general manager of International Far Eastern Leasing Co., Ltd. (遠東國際融資租賃有限公司), a director and the chairman of the board of directors of Horizon Construction Development Limited (宏信建設發展有限公司) (a company listed on the Stock Exchange, stock code: 9930), the chairman and general manager of Far East Horizon (Tianjin) Financial Leasing Co., Ltd. (遠東宏信(天津)融資租賃有限公司), Far East Horizon Financial Leasing Co., Ltd. (遠東宏信融資租賃有限公司), Far East Horizon Inclusive Financial Leasing (Tianjin) Co., Limited (遠東宏信普惠融資租賃(天津)有限公司) and Far East Horizon Financial Leasing (Guangdong) Co., Ltd. (遠東宏信融資租賃(廣東)有限公司), an executive director and general manager of Shanghai Donghong Industrial Development Co., Ltd. (上海東泓實業發展有限公司), Donghong Investment Co., Ltd. (東泓投資有限公司) and Yuanhong Investment (Guangdong) Co., Ltd. (遠宏投資(廣東)有限公司), an executive director of Far East Horizon Healthcare Industry Development Co., Ltd. (遠東宏信健康產業發展有限公司) and Far East Horizon Industrial Investment (Tianjin) Co., Ltd. (遠東宏信實業投資(天津)有限公司), and a director of Far East Horizon Shipping Holdings Co., Ltd. (遠東宏信航運控股有限公司).

Mr. Kong has over 30 years of experience in enterprise management.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

MR. WANG MINGZHE (王明哲) – EXECUTIVE DIRECTOR AND CHIEF FINANCIAL OFFICER

Mr. WANG Mingzhe (王明哲), aged 54, is an executive director and the Chief Financial Officer of the Company. Mr. Wang obtained a bachelor's degree in Economics from Hangzhou Institute of Electronic Engineering (杭州電子工業學院) in China in July 1993 and an MBA degree from Northeastern University (東北大學) in China in March 2003. Mr. Wang joined International Far Eastern Leasing Co., Ltd. (遠東國際融資租賃有限公司) in October 1995 and has worked there since then. In International Far Eastern Leasing Co., Ltd., Mr. Wang served as the manager of the business development department, a deputy general manager of the first business division, a deputy general manager, the general manager and assistant general manager of quality control department and the chief financial officer, etc. In September 2009, Mr. Wang was appointed as the Chief Financial Officer of the Company and he has held the position since then. Currently, Mr. Wang is also the general manager of operation centre of the company, a director and chief financial officer of Far East Horizon (Tianjin) Financial Leasing Co., Ltd. (遠東宏信(天津)融資租賃有限公司), Far East Horizon Financial Leasing Co., Ltd. (遠東宏信融資租賃有限公司), Far East Horizon Inclusive Financial Leasing (Tianjin) Co., Limited (遠東宏信普惠融資租賃(天津)有限公司) and Far East Horizon Financial Leasing (Guangdong) Co., Ltd. (遠東宏信融資租賃(廣東)有限公司), the chief financial officer of East Horizon Factoring (Tianjin) Co., Limited (遠宏商業保理(天津)有限公司), an executive director and general manager of Tianjin Horizon Asset Management Co. Ltd. (天津宏信資產管理有限公司), the chief financial officer of Shanghai Donghong Co., Ltd. (上海東泓實業發展有限公司), Donghong Investment Co., Ltd. (東泓投資有限公司) and Yuanhong Investment (Guangdong) Co., Ltd. (遠宏投資(廣東)有限公司), an executive director and general manager of Shanghai Depeng Industrial Co., Ltd. (上海德朋實業有限公司), and a director of Far East Horizon Shipping Holdings Co., Ltd. (遠東宏信航運控股有限公司).

Mr. Wang has over 29 years of experience in finance management.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

MR. CAO JIAN (曹健) – EXECUTIVE DIRECTOR AND SENIOR VICE PRESIDENT

Mr. CAO Jian (曹健), aged 50, is an executive director and the senior vice president of the Company. Mr. Cao graduated from Nankai University (南開大學) with a bachelor's degree in finance in June 1997, and obtained a master's degree in finance from the University of International Business and Economics (對外經濟貿易大學) in December 2006 and an MBA from Shanghai Jiaotong University (上海交通大學) in June 2008.

Mr. Cao started his career in 1997, and joined International Far Eastern Leasing Co., Ltd. (遠東國際融資租賃有限公司) in September 2002 and gained extensive experience in corporate management, serving multiple managerial roles, among others, a deputy general manager, a standing deputy general manager and the general manager of the healthcare business division, and an assistant president and a vice president of the Company. Mr. Cao was appointed as the senior vice president of the Company in January 2013, and has concurrently served as the general manager of the supply chain finance division of the Company since December 2021, and currently serves as an executive director and the general manager of East Horizon Factoring (Tianjin) Co., Limited (遠宏商業保理(天津)有限公司) and a director of Far East Horizon (Tianjin) Financial Leasing Co., Ltd. (遠東宏信(天津)融資租賃有限公司) and Far East Horizon Financial Leasing (Guangdong) Co., Ltd. (遠東宏信融資租賃(廣東)有限公司).

Mr. Cao has over 22 years of experience in the financial leasing industry.

MR. CHEN SHUMIN (陳樹民) – NON-EXECUTIVE DIRECTOR

Mr. CHEN Shumin (陳樹民), aged 58, is a non-executive director of the Company. Mr. Chen is currently a deputy chief accountant of Sinochem Holdings Corporation Limited (中國中化控股有限責任公司, "Sinochem"), and a vice chairman and general manager of Sinochem Hong Kong (Group) Company Limited. He is also a member of the Second Accounting Standards Advisory Committee for Business Enterprises of the Ministry of Finance of the People's Republic of China. Mr. Chen received a bachelor's degree in financial accounting from Beijing Business College (北京商學院) and a master's degree in business administration from Xiamen University (廈門大學). Mr. Chen holds the qualifications of senior accountant and financial manager.

After graduation, Mr. Chen worked in China International Book Trading Corporation (中國國際圖書貿易總公司) and joined Sinochem in April 1989. He served as the head of the finance section in the company's finance and accounting department, the manager of the finance department of Sinochem Asia Group (中化亞洲集團公司), deputy chief accountant, general manager of the accounting management department, director of finance department, member of the party committee and vice president of the financial business division of Sinochem Group. Mr. Chen has served as a deputy chief accountant of Sinochem since June 2021, and has served as a vice chairman and general manager of Sinochem Hong Kong (Group) Company Limited since September 2023.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

MS. WEI MENGMEG (衛濛濛) – NON-EXECUTIVE DIRECTOR

Ms. WEI Mengmeng (衛濛濛女士), aged 43, is a non-executive director of the Company. Ms. Wei is the secretary to the party committee and the general manager of China Foreign Economy and Trade and Trust Co., Ltd. (中國對外經濟貿易信託有限公司, “FOTIC”), a subsidiary of Sinochem. She is also a director of the China Trustee Association’s Professional Committee of Industrial Development Research. Ms. Wei obtained a bachelor’s degree in international economics and trade and a master’s degree in finance from the University of International Business and Economics.

Ms. Wei joined FOTIC after graduation, and had successively served as the general manager of securities products department, the general manager of securities trust business department, the general manager of wealth management centre, the assistant to the general manager and deputy general manager of FOTIC. Ms. Wei has served as the general manager of FOTIC since July 2022.

MR. LIU HAIFENG DAVID (劉海峰) – NON-EXECUTIVE DIRECTOR

Mr. LIU Haifeng David (劉海峰), aged 55, has been a non-executive director of the Company since October 2009. He is the Executive Chairman of DCP. Prior to establishing DCP, Mr. Liu was a Partner of KKR, the co-head of KKR Asia Private Equity and CEO of KKR Greater China. Prior to joining KKR, Mr. Liu was a Managing Director and the co-head of Morgan Stanley Private Equity Asia. Mr. Liu has established one of the leading investment track records in Greater China over the past 30 years and was responsible for a number of successful and innovative investments, including: Ping An Group, Mengniu Dairy, Haier Electronics, China International Capital Corp, Far East Horizon, Dongbao Pharmaceutical, Nanfu Battery, COFCO Joycome, Sunner Poultry, Hengan Intl., Belle Intl., Modern Dairy, United Envirotech, and Yuehai Feed. Mr. Liu graduated from Columbia University as Class Salutatorian with a B.S. in Electrical Engineering. He is a member of Tau Beta Pi National Engineering Honor Society and a winner of the Edwin Howard Armstrong Memorial Award for the top electrical engineering student at Columbia University. “KKR” as defined in this paragraph means Kohlberg Kravis Roberts & Co. L.P. together with its affiliates.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

MR. KUO MING-JIAN (郭明鑑) – NON-EXECUTIVE DIRECTOR

Mr. KUO Ming-Jian (郭明鑑), aged 63, was appointed as a non-executive director of the Company in March 2013. Mr. Kuo is currently the Chairman of Cathay United Bank and a director of Cathay Financial Holding Co., Ltd. (a company listed in Taiwan, stock code: 2882). Mr. KUO is also a director of Cathay Securities Investment Trust Co., Ltd. (國泰證券投資信託股份有限公司), Cathay Private Equity Co., Ltd. (國泰私募股權股份有限公司) and Financial Information Service Co., Ltd. (財金資訊股份有限公司). He took the roles as vice chairman and senior advisor of Blackstone Group L.P. (a company listed on the New York Stock Exchange, NYSE: BX), Hong Kong during 2007 to 2018. Before joining Blackstone Group L.P., Mr. Kuo was a director of H&Q Asia Pacific. From February 2002 to June 2005, Mr. Kuo was an executive director and senior president of JPMorgan Chase & Co (a company listed on the New York Stock Exchange, NYSE: JPM) in Hong Kong. From September 1998 to June 2005, he was an executive director and senior president of J.P. Morgan Chase Bank, Taiwan. From September 1989 to September 1998, Mr. Kuo was a vice president of Citibank (Taiwan). Mr. Kuo was an independent non-executive director of Cathay Financial Holdings Co., Ltd. and Cathay Life Insurance Co., Ltd.

Mr. Kuo is also an independent non-executive director of Samson Holding Limited (a company listed on the Stock Exchange, stock code: 0531) and an independent director of Huali Industrial Group Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 300979). Mr. Kuo was a director of Long Chen Paper & Packing Co., Ltd. (a company listed in Taiwan, stock code: 1909) from August 2014 to May 2023.

Mr. Kuo received his undergraduate degree from Fu-Jen Catholic University and holds an MBA degree from City University of New York.

MR. JOHN LAW (羅強) – NON-EXECUTIVE DIRECTOR

Mr. John LAW (羅強), aged 74, was appointed as a non-executive director of the Company in October 2012. Mr. Law worked for J.P. Morgan & Co. as training head of Asia Pacific Region, as risk manager for Greater China Region and as senior credit officer for Asia Pacific Region, Euroclear respectively. He then worked for Citigroup (a company listed on the New York Stock Exchange, NYSE: C) from August 2000 to November 2003 as the regional credit officer for Asia Pacific Financial Markets. Prior to joining the Company, he worked for International Finance Corporation from March 2004 to September 2012 as the principal banking specialist for global financial markets. Mr. Law is currently a non-executive director of Rizal Commercial Banking Corporation (a company listed on the Philippine Stock Exchange, stock code: RCB) and a non-executive director of Khan Bank (a company listed on the Mongolian Stock Exchange, stock code: KHAN).

Mr. Law holds a master degree in business administration (finance) from Indiana University in USA and has more than 35 years' experience in finance.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

MR. HAN XIAOJING (韓小京) – INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. HAN Xiaojing (韓小京), aged 70, was appointed as an independent non-executive director of the Company in March 2011. From 1986 to 1992, Mr. Han worked at China Law Center (中國法律事務中心). During the same period, he spent three and a half years at Zimmerman Lawyers (齊默爾曼律師事務所) in Canada and Livasiri & Co. (廖綺雲律師事務所) in Hong Kong for study. In 1992, Mr. Han was involved in the establishment of Commerce & Finance Law Offices (北京市通商律師事務所), and has been a founding partner there ever since. Mr. Han is admitted to practicing law in the PRC and has 38 years of experience in the legal profession.

Currently, Mr. Han is an independent non-executive director of Sino-Ocean Group Holdings Limited (遠洋集團控股有限公司) (a company listed on the Stock Exchange, stock code: 3377), Vital Innovations Holdings Limited (維太創科控股有限公司) (a company listed on the Stock Exchange, stock code: 6133) and Angelalign Technology Inc. (時代天使科技有限公司) (a company listed on the Stock Exchange, stock code: 6699). He also serves as a supervisor of Ping An Bank Company Limited (平安銀行股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 000001).

MR. LIU JIALIN (劉嘉凌) – INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. LIU Jialin (劉嘉凌), aged 62, was appointed as an independent non-executive director of the Company in March 2011. From 1992 to 2007, Mr. Liu worked for Morgan Stanley group of companies and once served as a member of the Management Committee and Asia Executive Committee as well as a Managing Director in the Fixed Income Division in Hong Kong. Currently, Mr. Liu is the managing director of Cinda International Asset Management Limited (信達國際資產管理有限公司) and an independent non-executive director of Horizon Construction Development Limited (宏信建設發展有限公司) (a company listed on the Stock Exchange, stock code: 9930). Mr. Liu has 36 years of experience in finance and securities industry.

Mr. Liu served as an independent non-executive director of Changyou Alliance Group Limited (a company listed on the Stock Exchange, stock code: 1039) from April 2017 to July 2023.

Mr. Liu obtained a bachelor's degree in science from Peking University and a degree of Master of Science in physics from Massachusetts Institute of Technology.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

MR. YIP WAI MING (葉偉明) – INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. YIP Wai Ming (葉偉明), aged 60, was appointed as an independent non-executive director of the Company in March 2011. Mr. Yip graduated from the University of Hong Kong (香港大學) with a bachelor of social sciences degree in November 1987. He also obtained a degree of bachelor of laws from the University of London (倫敦大學) in August 2001. Mr. Yip started his career in Ernst & Young in 1987, and was a senior manager at the time of his departure in 1996. From 1996 to 2024, Mr. Yip served as an associate director in ING Bank N.V., the chief financial officer in Fulbond Holdings Limited (福邦控股有限公司), a vice president of Hi Sun Technology (China) Limited (高陽科技(中國)有限公司) (a company listed on the Stock Exchange, stock code: 0818), the chief financial officer of Haier Electronics Group Co., Ltd. (海爾電器集團有限公司) (a company listed on the Stock Exchange, stock code: 1169), a deputy general manager of Yuzhou Properties Company Limited (禹州地產股份有限公司) (a company listed on the Stock Exchange, stock code: 1628), and 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) and Yida China Holdings Limited (億達中國控股有限公司) (a company listed on the Stock Exchange, stock code: 3639), respectively. Currently, Mr. Yip is an independent non-executive director of Ju Teng International Holdings Limited (巨騰國際控股有限公司) (a company listed on the Stock Exchange, stock code: 3336), Pax Global Technology Limited (百富環球科技有限公司) (a company listed on the Stock Exchange, stock code: 0327), Sinohope Technology Holdings Limited (新火科技控股有限公司) (a company listed on the Stock Exchange, stock code: 1611) and Peijia Medical Limited (沛嘉醫療有限公司) (a company listed on the Stock Exchange, stock code: 9996).

Mr. Yip is a fellow of the Association of Chartered Certified Accountants, an associate of the Hong Kong Institute of Certified Public Accountants and a member of the Chinese Institute of Certified Public Accountants.

Mr. Yip has over 34 years of experience in accounting and finance.

MR. WONG KA FAI JIMMY (黃家輝先生) – INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. WONG Ka Fai Jimmy (黃家輝先生), aged 55, is an independent non-executive director of the Company. Mr. Wong is an adjunct lecturer at the Business School of the University of New South Wales, Australia. Mr. Wong received his bachelor's and master's degree of arts from the University of Cambridge in 1992 and 1997, respectively, and his master's degree of business administration from the Australian Graduate School of Management in 1998.

Mr. Wong worked at UBS AG, Hong Kong Branch between 2006 and 2020. He became the Managing Director in 2011, and served as the head of the Financial Institutions Group, Asia Pacific from 2015 to 2020. In his role, he oversaw corporate finance and mergers & acquisitions advisory transactions throughout the Asia Pacific region. Prior to joining UBS AG, Mr. Wong worked as an assistant director at the Financial Institutions Group, Asia of ABN AMRO Bank NV, Hong Kong Branch from 2003 to 2006, and as an associate director in Telecom & Media Group of Credit Suisse First Boston (Hong Kong) Limited from 1999 to 2002. Before joining the investment banking sector, Mr. Wong was an engineer and worked as product manager for data services at Hong Kong Telecommunications Limited from 1992 to 1997. In April 2023, Mr. Wong was appointed as an independent non-executive director of Mobvista Inc. (a company listed on the Stock Exchange, stock code: 1860).

Mr. Wong has over 21 years of working experience in investment banking.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

MR. WANG RUISHENG (王瑞生) – VICE PRESIDENT

Mr. WANG Ruisheng (王瑞生), aged 71, is a vice president of the Company. Mr. Wang graduated from East China Normal University (華東師範大學) majoring in history in September 1989 and obtained an EMBA degree from Peking University (北京大學) in September 2005. Prior to joining Far East Horizon Limited, he worked as Section Chief Assistant of Shanghai Chemicals Import and Export Corporation, General Manager of Black & White Advertising Co., Ltd., Deputy General Manager of Sinochem Shanghai Co., Ltd. and Deputy General Manager of Sinochem International Tendering Co., Ltd. He has extensive experience in corporate management and government relationship. Mr. Wang was appointed as a vice president of the Company in June 2012.

Mr. Wang has over 33 years of experience in enterprise management.

MR. LI JIANCHENG (李建成) – VICE PRESIDENT

Mr. LI Jiancheng (李建成), aged 53, is a vice president of the Company. Mr. Li graduated from Shandong University of Science and Technology (山東科技大學) majoring in Geophysics with a bachelor degree in July 1995. He obtained a master degree in Finance from Fudan University (復旦大學) in July 2006 and an EMBA degree from China Europe International Business School (CEIBS) in October 2015. Mr. Li worked at Zhongkexin Jinzhen Futures Brokerage Co., Ltd. (中科信金震期貨經紀有限公司) and Hainan Shenhai Futures Brokerage Co., Ltd. (海南深海期貨經紀有限公司). Upon joining Far East in May 2001, he worked as various positions including a deputy general manager and the general manager of the printing system business division, the general manager of packaging system business division, the general manager of public utility business unit II, the general manager of the infrastructure group and the assistant to the president, etc. Mr. Li was appointed as a vice president of the Company since August 2019. Currently, Mr. Li is also the general manager of Far East Horizon Healthcare Industry Development Co., Ltd. (遠東宏信健康產業發展有限公司).

Mr. Li has over 23 years of experience in the financial leasing industry.

MR. XU HUIBIN (徐會斌) – VICE PRESIDENT

Mr. XU Huibin (徐會斌), whose former name was XU Huibing (徐會兵), aged 54, is a vice president and the general manager of strategic center of the Company. Mr. Xu graduated from the University of Science and Technology Beijing with a bachelor's degree in industrial electric automation in July 1995, and obtained an MBA degree from Fudan University in July 2005. Mr. Xu previously worked for China Construction Bank and Tianyi Securities. After joining Far East in December 2004, he worked as various positions including the assistant general manager and deputy general manager of construction system business division, deputy general manager and general manager of quality control department, general manager of business operation center, and general manager of strategic development and management department. Mr. Xu has been appointed as a Vice President of the Company since December 2023, and has been a non-executive director of Horizon Construction Development Limited (a company listed on the Stock Exchange, stock code: 9930) since May 2021.

Mr. Xu has more than 20 years of financial leasing industry experience and 8 years of banking experience.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

MR. MA HONG (馬宏) – ASSISTANT PRESIDENT

Mr. MA Hong (馬宏), aged 47, is an assistant president of the Company. Mr. Ma graduated from the Huazhong University of Science and Technology with a bachelor's degree in international trade and economic law in July 2000. He previously worked at Amoi Electronics and US E-TOOR. After joining Far East in December 2003, he worked as various positions including the assistant general manager of medical system business division, assistant general manager of electronic information business division, assistant general manager of people's livelihood and consumer business division, deputy general manager of urban public utilities division II (in charge of the routine work), general manager of urban public utilities division II, and a vice president of the company. Mr. Ma has been appointed as an assistant president of the Company since December 2021.

Mr. Ma has more than 21 years of financial leasing industry experience.

DIRECTORS' REPORT

The Board is pleased to present the Directors' Report of the year 2024 together with the audited financial statements of the Group for the year ended 31 December 2024.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal business activities of the Group are financial leasing and advisory services, and the principal business activities of its subsidiaries are hospital investment and operation, equipment operation services, trading and brokerage services as well as engineering management services, etc. An analysis of the Group's operational status for the year by business segments is detailed in Note 4 to the financial statements.

The Group has accumulated years of industry expertise and has expanded its customer base in its target industries by mainly focusing on its financial leasing services. It has also sufficiently lowered the risk associated with its interest-earning assets to develop a sustainable financial service business model through its safe and steady operational philosophy, rigorous risk control, diversified asset management approaches and other measures. By leveraging its profound industry experience and understanding of its customers' long-term internal needs, the Group also provides extended value-added services primarily comprising advisory, engineering, trading and brokerage services to its customers, which have generated synergy with its financial services. This has enabled it to continuously provide an integrated range of customized services, develop deeper customer relationships, enhance the effectiveness of its risk management systems, and leverage its accumulated industry and management expertise to expand into other target industries in China with promising growth potential, including investment and operation of certain quality assets, and to construct the foundation of its stable long-term strategic development of "finance + industry".

Furthermore, the sustainability of the Group's development and its further growth depend to a great extent on its ability to effectively respond to or manage major risks and uncertainties such as quality risk of interest-earning assets, liquidity risk, interest rate and exchange rate, the ability to attract and retain qualified persons and so forth. In its long operation, the Group has consistently adhered to the philosophy of steady and prudent operation and has accumulated advanced risk management capability and experience of practices in the industry. In the foreseeable future, it believes that the impact of the risks and uncertainties will remain manageable and will not cause any material adverse effect on its long-term healthy development.

Further discussion and analysis as required by Schedule 5 to the Companies Ordinance, including a fair review of the business and a discussion of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year 2024, and an indication of likely future development in the Group's business, are set out in the "Chairman's Statement", "Management Discussion and Analysis", "Corporate Governance Report" and "Notes to Financial Statements" sections of this annual report. The above sections form part of the Directors' Report.

DIRECTORS' REPORT

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2024 are set out in the Consolidated Statement of Profit or Loss on page 171 of this annual report.

The Board recommends the payment of a final dividend of HK\$0.30 (2023: HK\$0.50) per share in respect of the year ended 31 December 2024, to shareholders whose names appear on the register of members of the Company on Thursday, 24 April 2025. The proposed final dividend will be paid on Tuesday, 6 May 2025 after approval at the Annual General Meeting (the "2025 AGM") to be held on Monday, 14 April 2025.

Implementation of Distribution of 2023 Final Dividend and 2024 Interim Dividend

According to the proposal in relation to dividend distribution, which was considered and passed at the 2024 AGM on 5 June 2024, the Group paid a dividend of HK\$0.50 per share to shareholders whose names appear on the register of members of the Company on 14 June 2024, thereby resulting in a total dividend payment amount of HK\$2,108,788,000.

According to the proposal in relation to the payment of a interim dividend in respect of the six months ended 30 June 2024, which was considered and approved by the Board on 9 August 2024, the Group paid a dividend of HK\$0.25 per share to shareholders whose names appear on the register of members of the Company on 2 October 2024, thereby resulting in a total dividend payment amount of HK\$1,079,977,000.

Distribution of Special Dividends by Way of Distribution in Specie

The Company completed the distribution of a special dividend by way of distribution of shares of Horizon Construction Development in specie on 16 January 2024. For details, please refer to paragraph 3.7 Shareholders' Equity under Management Discussion and Analysis of the 2023 annual report.

As stated in the announcement of the Company dated 30 April 2024, the Board proposed the Company to distribute a special dividend by way of distribution of shares of Horizon Construction Development in specie on the pro-rata basis of 10 shares of Horizon Construction Development for every 54 shares held by shareholders whose names appear on the register of members of the Company on the Record Date (i.e. 14 June 2024). Approximately 799 million shares of Horizon Construction Development were distributed, representing approximately 25% of the total issued shares of Horizon Construction Development as at 30 April 2024. The aforesaid resolution on distribution of a special dividend by way of distribution in specie was voted and approved at the annual general meeting convened on 5 June 2024. The share certificates for the distributed shares of Horizon Construction Development in respect of the distribution in specie were despatched to the qualifying shareholders at their respective addresses shown on the register of members of the Company by post on 28 June 2024. Upon the completion of distribution in specie, the Company directly owned a total of 1,333,247,413 shares of Horizon Construction Development (representing approximately 41.69% of the total number of issued shares of Horizon Construction Development as at 28 June 2024), and was entitled to control the exercise of voting rights in respect of 176,600,000 shares of Horizon Construction Development held by Farsighted Wit Limited (representing approximately 5.52% of the total number of issued shares of Horizon Construction Development as at 28 June 2024) at the general meetings of Horizon Construction Development. Following completion of distribution in specie, Horizon Construction Development remains a subsidiary of the Company, and its results will continue to be consolidated in the financial statements of the Company. For details on distribution in specie, please refer to the announcements of the Company dated 30 April 2024, 5 June 2024 and 28 June 2024, as well as the circular dated 2 May 2024.

DIRECTORS' REPORT

CLOSURE OF SHARE REGISTER

The 2025 AGM of the Company is scheduled to be held on Monday, 14 April 2025. For determining the entitlement to attend and vote at the 2025 AGM, the register of members of the Company will be closed from Wednesday, 9 April 2025 to Monday, 14 April 2025, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2025 AGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. (Hong Kong time) on Tuesday, 8 April 2025, being the last registration date.

The final dividend is subject to the approval of the shareholders of the Company at the 2025 AGM, and the date of payment of the final dividend is expected to be Tuesday, 6 May 2025. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Tuesday, 22 April 2025 to Thursday, 24 April 2025, both days inclusive, during which period no transfer of shares will be registered. The record date on which the shareholders of the Company are qualified to receive the proposed final dividend is Thursday, 24 April 2025. In order to qualify for the proposed final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. (Hong Kong time) on Thursday, 17 April 2025, being the last registration date.

FINANCIAL HIGHLIGHTS

The summary of the Group's results, assets, liabilities and non-controlling interests for the past five financial years is extracted from the audited financial information and financial statements published, which is set out on pages 11 to 14 to this annual report. This summary does not form a part of the audited financial statements.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group believes that environment, health and safety are indispensable pillars for sustainable business. The Group advocates for "Green Finance" and adjusts industry credit granting system according to the environmental performance. The Group's investment direction turned to the national policies and livelihood, avoiding enterprises with "high pollution and high environmental risk", enterprises with outdated technology and enterprises with safety risks. During the year, the Group further reduced credit granting to engineering machinery, mine smelting machinery, oil equipment, ferrous metal smelting and chemical industry as they had higher environmental risks. The Group gradually raised credit granting to railway, rail transit and energy saving equipment industry. Meanwhile, with continuous expansion of the industry sector, the Group conducted a unified planning on the health, safety and environment issues of the relevant operating system and pushed forward the work related to environment and safety as an important part for enhancing industry value. In 2024, the Group's business achieved environmentally friendly and safe operation and no related accident occurred.

DIRECTORS' REPORT

COMPLIANCE WITH LAWS AND REGULATIONS

During the year, to the best knowledge of the Directors, the Group has complied with all the relevant laws and regulations that have a significant impact on the Group.

PROPERTY, PLANT AND EQUIPMENT

The movements in the Group's property, plant and equipment for the year are set out in Note 13 to the financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in Note 35 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

For the year ended 31 December 2024, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any shares of the Company.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in the Consolidated Statement of Changes in Equity on pages 175 to 177 of this annual report and Note 38 to the financial statements respectively.

PERMITTED INDEMNITY

Pursuant to the Articles of Association of the Company, every Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all liabilities (to the fullest extent permitted by the Companies Ordinance) which he may incur in or about the execution of the duties of his office or otherwise in relation thereto. The Company has taken out insurance against all loss and liabilities associated with defending any proceedings which may be brought against Directors and other officers of the Company.

CHARITABLE DONATIONS

The Group's external charitable donations for the year amounted to RMB3,874,000 (2023: RMB14,142,000).

DIRECTORS' REPORT

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
YIP Wai Ming	Resigned as an independent non-executive director of Yida China Holdings Limited (億達中國控股有限公司) (a company listed on the Stock Exchange, stock code: 3639) with effect from 26 July 2024.

DIRECTORS

During the year and as at the date of this annual report, directors of the Company were as follows:

Executive Directors

Mr. KONG Fanxing
(Chairman, Chief Executive Officer)
Mr. WANG Mingzhe
(Chief Financial Officer)
Mr. CAO Jian
(Senior Vice President)

Non-Executive Directors

Mr. CHEN Shumin
(Vice Chairman)
Ms. WEI Mengmeng
Mr. LIU Haifeng David
Mr. KUO Ming-Jian
Mr. John LAW

Independent Non-Executive Directors

Mr. HAN Xiaojing
Mr. LIU Jialin
Mr. YIP Wai Ming
Mr. WONG Ka Fai Jimmy

In accordance with the Article of Association of the Company, Mr. KUO Ming-Jian, Mr. John LAW, Mr. HAN Xiaojing, Mr. LIU Jialin and Mr. YIP Wai Ming will retire at the 2025 AGM. All of the retiring directors above are eligible for re-election at the 2025 AGM.

DIRECTORS' REPORT

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors and senior management are set out on pages 116 to 124 of this annual report.

DIRECTORS' SERVICE CONTRACTS

As at 31 December 2024, none of the Directors had a service contract with the Company or any of its subsidiaries which is not terminable within one year without payment of compensation other than statutory compensation.

The Directors' remuneration is determined with references to Directors' duties and responsibilities, individual performance and the results of the Group.

Executive Directors

Each of the executive Directors has entered into a service contract with the Company. Either party has the right to give not less than three months' written notice to terminate the service contract.

Each of the appointments of Mr. KONG Fanxing and Mr. WANG Mingzhe is for a term of three years commencing from 11 March 2023. Each of Mr. KONG Fanxing and Mr. WANG Mingzhe is entitled to a salary and bonus payment, allowance and benefits-in-kind, at the discretion of the Board, and social welfare benefits provided under the relevant PRC laws and regulations. The aggregate amount of the annual salaries of Mr. KONG Fanxing and Mr. WANG Mingzhe is RMB7,245,000 and RMB4,609,000 respectively.

As disclosed in the announcement of the Company dated 24 February 2023, the Company has entered into a service contract with Mr. CAO Jian in respect of his appointment as an executive Director for a term of three years commencing from 24 February 2023, under which Mr. CAO Jian will not receive any remuneration as an executive Director. For holding other positions with the Company and other members of the Group, Mr. CAO Jian received a total annual emolument of RMB4,532,000 in 2024. Mr. CAO Jian is also entitled to a bonus payment at the discretion of the Board, which will be determined with reference to the Group's remuneration policy, market rate and the Group's indicators for performance appraisal.

Non-Executive Directors

Each of the non-executive Directors has entered into an appointment letter with the Company.

Each of the appointments of Mr. LIU Haifeng David, Mr. KUO Ming-Jian and Mr. John LAW is for a term of three years commencing from 11 March 2023. Under the relevant appointment letters, the Company shall pay HK\$420,000 p.a. as Director's fee to each of Mr. LIU Haifeng David, Mr. KUO Ming-Jian and Mr. John LAW.

As disclosed in the announcement of the Company dated 24 February 2023, Mr. CHEN Shumin and Ms. WEI Mengmeng were appointed as the non-executive Director of the Company for a term of three years commencing from 24 February 2023. The Company has entered into appointment letters with each of Mr. CHEN Shumin and Ms. WEI Mengmeng, under which no Director's fee shall be made by the Company to Mr. CHEN Shumin and Ms. WEI Mengmeng.

DIRECTORS' REPORT

Independent Non-Executive Directors

Each of the independent non-executive Directors has entered into an appointment letter with the Company.

Each of the appointments of Mr. HAN Xiaojing, Mr. LIU Jialin and Mr. YIP Wai Ming is for a term of three years commencing from 30 March 2023.

As disclosed in the announcement of the Company dated 7 June 2023, Mr. WONG Ka Fai Jimmy was appointed as an independent non-executive Director for a term of three years commencing from 7 June 2023. The Company has entered into an appointment letter with Mr. WONG Ka Fai Jimmy.

Under the relevant appointment letters, the Company shall pay HK\$420,000 p.a. as Director's fee to each of Mr. HAN Xiaojing, Mr. LIU Jialin, Mr. YIP Wai Ming and Mr. WONG Ka Fai Jimmy.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers that each of the independent non-executive Directors, namely Mr. HAN Xiaojing, Mr. LIU Jialin, Mr. YIP Wai Ming and Mr. WONG Ka Fai Jimmy, is independent.

DIRECTORS' EMOLUMENTS AND SENIOR MANAGEMENT'S EMOLUMENTS

Details of the remuneration of the Directors and that of the senior management of the Group for the year ended 31 December 2024 are set out in Note 8 to the consolidated financial statements of the Group.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2024, none of the Directors of the Company are considered to be interested in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

NON-COMPETITION COMMITMENTS

Pursuant to the non-competition deed entered into between the Company and Horizon Construction Development on 12 November 2021, the Company has issued an annual confirmation to Horizon Construction Development, confirming that the Company and/or its associates (excluding Horizon Construction Development Group) has/have complied with the commitments stipulated in the deed from the listing date of Horizon Construction Development (i.e. 25 May 2023) to 31 December 2024. For details of the non-competition deed, please refer to prospectus dated 12 May 2023 published by Horizon Construction Development.

PENSION SCHEME

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, details of which are set out in Note 2.5 (Summary of Significant Accounting Policies – Employee benefits) to the financial statements.

DIRECTORS' REPORT

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 31 December 2024, 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:

Interests in the shares/underlying shares of the Company

Name of director	Capacity/nature of interest	Number of ordinary shares ⁽¹⁾	Approximate percentage of the issued share capital of the Company
KONG Fanxing	Beneficial owner	96,127,463(L) ⁽²⁾	2.22%
	Interest in a controlled corporation	868,947,897(L) ⁽³⁾	20.11%
WANG Mingzhe	Beneficial owner	38,448,196(L) ⁽⁴⁾	0.88%
LIU Haifeng David	Interest in a controlled corporation	365,842,100(L) ⁽⁵⁾	8.46%
LIU Jialin	Beneficial owner	125,000(L)	0.00%
	Interest of spouse	125,000(L)	0.00%
CAO Jian	Beneficial owner	36,887,514(L) ⁽⁶⁾	0.85%

Notes:

(1) The letter "L" denotes the person's long position in the shares of the Company.

(2) The interest includes 11,852,639 underlying shares in respect of the share options granted pursuant to the Company's 2014 Share Option Scheme, 19,709,663 underlying shares in respect of the share options granted pursuant to the Company's 2019 Share Option Scheme, 4,319,900 underlying shares in respect of the share options granted pursuant to the Company's 2024 Share Option Scheme, 50,443,477 underlying shares in respect of the awarded shares granted pursuant to the Company's 2014 Restricted Share Award Scheme and 8,131,784 underlying shares in respect of the awarded shares granted pursuant to the Company's 2024 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 31 December 2024. Please refer to the section headed "Incentive Schemes" for the details of those schemes and the grants of share options.

(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 held directly by Swallow Gird HK Limited, 197,945,000 held directly by Energon HK Limited and an aggregate of 90,866,835 held directly by certain employees of the Company. 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.

DIRECTORS' REPORT

- (4) The interest includes 3,759,328 underlying shares in respect of the share options granted pursuant to the Company's 2014 Share Option Scheme, 9,473,906 underlying shares in respect of the share options granted pursuant to the Company's 2019 Share Option Scheme, 2,258,770 underlying shares in respect of the share options granted pursuant to the Company's 2024 Share Option Scheme, 19,105,588 underlying shares in respect of the awarded shares granted pursuant to the Company's 2014 Restricted Share Award Scheme and 3,264,604 underlying shares in respect of the awarded shares granted pursuant to the Company's 2024 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 31 December 2024. Please refer to the section headed "Incentive Schemes" for the details of those schemes and the grants of share options.
- (5) The interest includes (1) 1,067,000 ordinary shares of the Company held directly by New Trace Limited which is 100% controlled by Mr. Liu Haifeng David; (2) 314,775,100 ordinary shares of the Company held directly by Capital Rise Limited; and (3) 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.
- (6) The interest includes 2,806,328 underlying shares in respect of the share options granted pursuant to the Company's 2014 Share Option Scheme, 9,473,906 underlying shares in respect of the share options granted pursuant to the Company's 2019 Share Option Scheme, 2,258,770 underlying shares in respect of the share options granted pursuant to the Company's 2024 Share Option Scheme, 19,083,906 underlying shares in respect of the awarded shares granted pursuant to the Company's 2014 Restricted Share Award Scheme and 3,264,604 underlying shares in respect of the awarded shares granted pursuant to the Company's 2024 Restricted Share Award Scheme. Please refer to the section headed "Incentive Schemes" for the details of those schemes and the grants of share options.

Interests in the shares/underlying shares of associated corporations of the Company

Name of director	Name of associated corporation	Capacity/nature of interest	Number of ordinary shares ⁽¹⁾	Approximate percentage of the issued share capital of the associated corporation
KONG Fanxing	Horizon Construction Development Limited	Beneficial owner	8,078,052(L)	0.25%
WANG Mingzhe	Horizon Construction Development Limited	Beneficial owner	4,197,848(L)	0.13%
LIU Haifeng David	Horizon Construction Development Limited	Interest in a controlled corporation	81,298,244(L) ⁽²⁾	2.54%
LIU Jialin	Horizon Construction Development Limited	Beneficial owner	27,777(L)	0.00%
		Interest of spouse	27,777(L)	0.00%
CAO Jian	Horizon Construction Development Limited	Beneficial owner	2,796,585(L)	0.08%

Notes:

(1) The letter "L" denotes the person's long position in the shares of the associated company.

(2) Please refer to Form 3B – Director/Chief Executive Notice – Interests in Shares of Associated Corporation for the relevant event on 28 June 2024 for further details of the shareholding structure.

DIRECTORS' REPORT

Save as disclosed above, as at 31 December 2024, 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES

Based on the information available to the directors of the Company, as at 31 December 2024 (including such information as was available on the website of the Stock Exchange) or so far as they are aware of, as at 31 December 2024, 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)	21.29%
Sinochem Capital Investment Management Limited ⁽²⁾	Interest in a controlled corporation	919,914,440(L)	21.29%
Sinochem Corporation ⁽²⁾	Interest in a controlled corporation	919,914,440(L)	21.29%
Sinochem Group Co., Ltd ⁽²⁾	Interest in a controlled corporation	919,914,440(L)	21.29%
The State-owned Assets Supervision and Administration Commission of the State Council ⁽²⁾	Interest in a controlled corporation	919,914,440(L)	21.29%
KONG Fanxing	Beneficial owner	96,127,463(L) ⁽³⁾	2.22%
	Interest in a controlled corporation	868,947,897(L) ⁽⁴⁾	20.11%
Idea Prosperous Limited ⁽⁴⁾	Entrusted to exercise voting rights	868,947,897(L)	20.11%
Aim Future Limited ⁽⁵⁾	Interest in a controlled corporation	505,844,000(L)	11.70%
Gold Stone Enterprise Limited ⁽⁵⁾	Interest in a controlled corporation	505,844,000(L)	11.70%
Cantrust (Far East) Limited ⁽⁵⁾	Trustee	505,844,000(L)	11.70%
UBS Group AG ⁽⁶⁾	Interest in a controlled corporation	559,057,464(L)	12.94%
		143,153,022(S)	3.31%

DIRECTORS' REPORT

Name of shareholder	Capacity/nature of interest	Number of ordinary Shares ⁽¹⁾	Approximate percentage of interest
Sunshine Trust Company Limited ⁽⁷⁾	Trustee	272,237,062(L)	6.30%
LIU Haifeng David	Interest in a controlled corporation	365,842,100(L) ⁽⁸⁾	8.46%
Capital Rise Limited ⁽⁸⁾	Beneficial owner	314,775,100(L)	7.28%
Capital Bridge Limited ⁽⁸⁾	Interest in a controlled corporation	364,775,100(L)	8.44%
DCP Capital Partners L.P. ⁽⁸⁾	Interest in a controlled corporation	364,775,100(L)	8.44%
DCP General Partner, Ltd ⁽⁸⁾	Interest in a controlled corporation	364,775,100(L)	8.44%
DCP, Ltd. ⁽⁸⁾	Interest in a controlled corporation	364,775,100(L)	8.44%
Julian Juul WOLHARDT ⁽⁸⁾	Interest in a controlled corporation	364,775,100(L)	8.44%
HSBC Holdings plc ⁽⁹⁾	Interest in a controlled corporation	27,015,611(L)	0.62%
	Trustee	393,881,302(L)	9.11%
	Custodian (other than an exempt custodian interest)	13,488,233(L)	0.31%

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.
- (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 sub-section headed "Interests in the shares/underlying shares of the Company" under 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 sub-section headed "Interests in the shares/underlying shares of the Company" under 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) 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.
- (6) Please refer to Form 2 – Corporate Substantial Shareholder Notice for the relevant event on 9 December 2024 for further details of the shareholding structure.
- (7) The interest is held directly by Idea Delicacy Limited, which is 100% controlled by Sunshine Trust Company Limited.
- (8) Please refer to Note (5) of the sub-section headed "Interests in the shares/underlying shares of the Company" under 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.
- (9) Please refer to Form 2 – Corporate Substantial Shareholder Notice for the relevant event on 4 October 2024 for further details of the shareholding structure.

DIRECTORS' REPORT

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.

PUBLIC FLOAT

Based on the information publicly available to the Company and as far as the directors are aware as at the latest practicable date prior to the printing of this annual report, at least 25.00% of the total issued share capital of the Company is held by the public pursuant to the Listing Rules.

BOND ISSUE

In 2024, the Group further enriched the bond financing varieties in the domestic direct financing market. The Group completed 27 issuances throughout the year, with an aggregate amount of RMB29.1 billion, including ultra-short financial bonds of RMB14.0 billion, corporate bonds of RMB8.1 billion and mid-term notes of RMB7.0 billion as follows:

- (1) In 2024, it completed the issuance of fifteen 180-day ultra-short financial bonds totaling RMB14.0 billion with an annual interest rate range of 2.02% to 2.83% in China.
- (2) In 2024, it completed the issuance of six 2-year corporate bonds totaling RMB8.1 billion with an annual interest rate range of 2.50% to 3.70% in China.
- (3) In 2024, it completed the issuance of six 3-year mid-term notes totaling RMB7.0 billion with an annual interest rate range of 2.98% to 3.75% in China.

In 2024, the Group completed the issuance of two USD offshore premium bonds and one JPY offshore premium bond in overseas market, with an aggregate amount of US\$1.05 billion and JPY4.5 billion respectively, as follows:

- (1) On 16 April 2024, it issued the 3-year US\$0.5 billion USD offshore premium bond with an annual interest rate of 6.625%.
- (2) On 5 September 2024, it issued the 3.5-year US\$0.55 billion USD offshore premium bond with an annual interest rate of 5.875%.
- (3) On 2 December 2024, it completed the issuance of 3-year JPY4.5 billion premium bond under overseas MTN with an annual interest rate of 1.9%.

DIRECTORS' REPORT

On 28 June 2024, the Board updated the US\$4,000,000,000 medium term note and perpetual securities programme. The Company may offer and issue notes and/or perpetual securities in series, with the aggregate nominal amount of notes and perpetual securities which may be outstanding at any time of up to US\$4,000,000,000 (or its equivalent in other currencies). Application was made to the Stock Exchange for the listing of the programme for 12 months after 28 June 2024 whereby notes and/or perpetual securities may be issued by way of debt issues to professional investors (as defined in Chapter 37 of the Listing Rules) only. For other details of the aforesaid offering and issuance of notes and/or perpetual securities in series, please refer to the relevant announcement and offering circular of the Company dated 28 June 2024.

As of 5 February 2024, the Company repurchased part of the US\$500,000,000 2.625% notes due 2024 (stock code: 40606) (the "USD Notes") in an aggregate principal amount of US\$57,944,000 in the open market, representing approximately 11.59% of the initial aggregate principal amount of the USD Notes. As of 5 February 2024, the Company repurchased part of the RMB1,700,000,000 4.70% notes due 2024 (stock code: 85953) (the "RMB Notes") in an aggregate principal amount of RMB281,400,000 in the open market, representing approximately 16.55% of the initial aggregate principal amount of the RMB Notes. As of 5 February 2024, the Company has surrendered the USD Notes in an aggregate principal amount of US\$57,944,000 and the RMB Notes in an aggregate principal amount of RMB281,400,000 for cancellation, and such notes were cancelled. As at the end of 2024, the aforesaid USD Notes and RMB Notes were expired and fully repaid. For other details of the aforesaid repurchases of notes, please refer to the announcements of the Company dated 15 September 2023, 15 November 2023 and 5 February 2024.

Pursuant to the announcement of the Company dated 15 June 2021 in relation to the issuance and listing of the US\$250,000,000 zero coupon guaranteed convertible bonds due 2026 (stock code: 40722) (the "Convertible Bonds"), the Convertible Bonds were issued by Universe Trek Limited (the "Issuer") and guaranteed by the Company. Pursuant to condition 8(d) (redemption at the option of the holders of Convertible Bonds) of the terms and conditions of the Convertible Bonds as set out in the offering circular in relation to the Convertible Bonds dated 9 June 2021, the holder of each Convertible Bond can exercise the right, at such holder's option, to require the Issuer to redeem all or some of the Convertible Bonds on 15 June 2024 at the agreed price. As some of the holders exercised such option, an aggregate principal amount of US\$249,100,000 representing 99.64% of the initial aggregate principal amount of the Convertible Bonds, has been redeemed by the Issuer and cancelled in accordance with the terms and conditions. As at the end of 2024, the outstanding principal amount of the Convertible Bonds was US\$900,000. For details of the aforesaid partial redemption of Convertible Bonds, please refer to the announcement of the Company date 17 June 2024.

Events after the reporting period

On 14 February 2025, the Company issued the 3-year RMB1.2 billion offshore premium bond with an annual interest rate of 4.25%.

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

The information of the customers and suppliers of the Group during the year is as follows:

	For the year ended 31 December 2024 Percentage of the total income (before business taxes and surcharges) (%)
Top five customers	0.74%
The largest customer	0.17%

	Percentage of total costs (%)
Top five suppliers	14.20%
The largest supplier	4.33%

As far as the Directors are aware, none of the Directors, their close associates or shareholders holding more than 5.00% shares of the Company had any interest in the top five customers or top five suppliers of the Group.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND OTHERS

The Company is committed to building harmonious and mutual relationships with employees, customers, suppliers, investors, the government and the whole society and promotes the healthy, sustainable, stable and harmonious development of the industry economy and the whole society through value sharing and supply. The Company regards employees as valuable assets. For details of employees' talent development and remuneration policy, please refer to the section headed "Human Resources" under "Management Discussion and Analysis" of this annual report. The Company upholds the principle of honesty and trustworthiness, strives to provide customers with quality services and creates a reliable service environment for customers. The Company puts emphasis on the selection of suppliers, encourages fair and open competition and establishes long-term cooperation with quality suppliers on the basis of mutual trust. For the year ended 31 December 2024, the Company has had no significant dispute with its employees, customers or suppliers.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS

On 3 July 2024, the Board has considered and approved the proposal pertaining to payment of referable amount to the trustee under the 2024 Restricted Share Award Scheme, pursuant to which the Company or the person designated by the Company (including the subsidiaries of the Company) will pay the trustee a maximum amount of HK\$1.1 billion in cash for covering the purchase price or the required expenses in respect of the share(s) to be granted under the 2024 Restricted Share Award Scheme. The referable amount will be paid in tranches by the Company or the person designated by the Company (including the subsidiaries of the Company) with its own funds, which will constitute the part of the trust assets.

The Company has appointed Equiom Fiduciary Services (Hong Kong) Limited as the trustee of the 2024 Restricted Share Award Scheme and the alternate trustee of the 2014 Restricted Share Award Scheme. Given that the aggregate interests of connected persons of the Company under the 2014 Restricted Share Award Scheme and the 2024 Restricted Share Award Scheme exceed 30%, pursuant to Rule 14A.12(1)(b) of the Listing Rules, the trustee becomes an associate of the connected persons of the Company and the payment of referable amount to the trustee by the Company or a designated person of the Company (including a subsidiary of the Company) constitutes a connected transaction of the Company.

Taking into account the volatility of the share price and the necessary transaction costs, based on the cap of the restricted shares granted under the 2024 Restricted Share Award Scheme (being 6% of the total number of Shares of the Company in issue as at the date of the Board's approval and adoption of the 2024 Restricted Share Award Scheme, i.e., 258,908,151 Shares), the Directors (including the independent non-executive Directors) consider that the payment of referable amount to the trustee is on normal commercial terms which is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company entered into certain continuing connected transactions, as defined in the Listing Rules, which are subject to the disclosure requirements under Chapter 14A of the Listing Rules. The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Sale-leaseback agreement I and Sale-leaseback agreement II with 瀋陽化工股份有限公司("Shenyang Chemical")

Sale-leaseback agreement I

On 25 February 2021, International Far Eastern Leasing Co., Ltd. ("IFELC") entered into a sale-leaseback agreement (the "Shenyang Chemical Sale-leaseback Agreement I") with Shenyang Chemical for a term of 34 months commencing from 30 March 2021, pursuant to which, IFELC, a subsidiary of the Company (as the lessor) agreed to provide sale-leaseback services to Shenyang Chemical (as the lessee) on a contractual basis. The sale-leaseback transactions contemplated under the Shenyang Chemical Sale-leaseback Agreement I are within the scope of the Group's principal business and the terms of the transactions are on fair market terms, which will increase the Group's operating income. In addition, the continuation of the sale-leaseback transactions is also beneficial to the stability of the Group's business development and avoids default by the Group under the relevant transactions.

DIRECTORS' REPORT

Pursuant to the Shenyang Chemical Sale-leaseback Agreement I, the lessor shall, at the request of the lessee, purchase the equipment and facilities from the lessee and then lease back such equipment and facilities to the lessee, who shall, in return, pay rent to the lessor accordingly. Such equipment and facilities include but are not limited to ion-membrane electrolyzers, plate-and-frame type filter presses and other equipment or facilities. The pricing was determined as follows: (i) the principal amount payable by the lessee shall be the amount for which the lessor has paid to obtain ownership of the relevant equipment and facilities, i.e. RMB62,500,000; and (ii) an applicable interest rate determined by both parties after arm's length negotiation by referencing the benchmark interest rate of People's Bank of China and the actual business condition. The lease payments shall be payable by the lessee to the lessor quarterly according to the terms of the Shenyang Chemical Sale-leaseback Agreement I. The lessee has fully paid all of the outstanding amount payable to the lessor for the existing leaseback under the Shenyang Chemical Sale-leaseback Agreement I as at 2 January 2024. As at 31 December 2024, there was no outstanding amount payable by the lessee to the lessor for the existing leaseback under the Shenyang Chemical Sale-leaseback Agreement I. Please refer to the announcement of the Company dated 16 September 2021 relating to the Shenyang Chemical Sale-leaseback Agreement I.

Sale-leaseback agreement II

On 25 February 2021, IFELC entered into a sale-leaseback agreement (the "Shenyang Chemical Sale-leaseback Agreement II") with Shenyang Chemical for a term of 34 months commencing from 5 March 2021, pursuant to which, IFELC (as the lessor) agreed to provide sale-leaseback services to Shenyang Chemical (as the lessee) on a contractual basis. The sale-leaseback transactions contemplated under the Shenyang Chemical Sale-leaseback Agreement II are within the scope of the Group's principal business and the terms of the transactions are on fair market terms, which will increase the Group's operating income. In addition, the continuation of the sale-leaseback transactions is also beneficial to the stability of the Group's business development and avoids default by the Group under the relevant transactions.

Pursuant to the Shenyang Chemical Sale-leaseback Agreement II, the lessor shall, at the request of the lessee, purchase the equipment and facilities from the lessee and then lease back such equipment and facilities to the lessee, who shall, in return, pay rent to the lessor accordingly. Such equipment and facilities include but are not limited to ion-membrane electrolyzers, air dryers, atomizers and other equipment or facilities. The pricing was determined as follows: (i) the principal amount payable by the lessee shall be the amount for which the lessor has paid to obtain ownership of the relevant equipment and facilities, i.e. RMB77,500,000; and (ii) an applicable interest rate determined by both parties after arm's length negotiation by referencing the benchmark interest rate of People's Bank of China and the actual business condition. The lease payments shall be payable by the lessee to the lessor quarterly according to the terms of the Shenyang Chemical Sale-leaseback Agreement II. The lessee has fully paid all of the outstanding amount payable to the lessor for the existing leaseback under the Shenyang Chemical Sale-leaseback Agreement II as at 2 January 2024. As at 31 December 2024, there was no outstanding amount for the existing leaseback under the Shenyang Chemical Sale-leaseback Agreement II. Please refer to the announcement of the Company dated 16 September 2021 relating to the Shenyang Chemical Sale-leaseback Agreement II.

DIRECTORS' REPORT

On 16 September 2021, 中國中化集團有限公司 (“Sinochem Group”) and 中國化工集團有限公司 (“ChemChina”) completed the joint restructuring (the “Joint Restructuring”). Shenyang Chemical, a subsidiary of ChemChina, became an associate of Sinochem Group (a substantial shareholder of the Company) upon completion of the Joint Restructuring, and accordingly, Shenyang Chemical is a connected person of the Company. Prior to the Joint Restructuring, IFELC and Shenyang Chemical have entered into the Shenyang Chemical Sale-leaseback Agreement I and the Shenyang Chemical Sale-leaseback Agreement II, which are for fixed period with fixed terms. Therefore, following the completion of the Joint Restructuring, the continuing transactions under the Shenyang Chemical Sale-leaseback Agreement I and the Shenyang Chemical Sale-leaseback Agreement II constitute continuing connected transactions of the Company and are subject to reporting, annual review and disclosure requirements pursuant to Rule 14A.60 of the Listing Rules.

Details of related party transactions of the Company for the year ended 31 December 2024 are set out in note 45 to the consolidated financial statements. Save as the related party transactions as set out under item (i) (excluding those with Shenyang Chemical Co., Ltd.), and the related party transactions of payment of compensation to senior management (non-Directors) as set out under item (ii), all the related party transactions as set out under note 45 constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of all such related party transactions.

CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Pursuant to Rule 14A.55 of the Listing Rules, the continuing connected transactions set out above have been reviewed by the independent non-executive directors, who confirmed that the aforesaid continuing connected transactions were entered into:

- (a) in the ordinary and usual course of business of the Group;
- (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and
- (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

DIRECTORS' REPORT

CONFIRMATION OF THE AUDITORS

Pursuant to Rule 14A.56 of the Listing Rules, the Board has received a letter from the auditors, confirming that the continuing connected transactions set out above:

- (a) have received the approval of the Board;
- (b) have been entered into in accordance with the pricing policies of the Group;
- (c) have been entered into in accordance with the relevant agreements governing the transactions; and
- (d) have not exceeded the relevant annual caps for the financial year ended 31 December 2024.

INCENTIVE SCHEMES

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 announcements of the Company dated 11 June 2014, 2 June 2016 and 20 March 2019.

As all restricted shares and all share options under the 2014 Restricted Share Award Scheme and the 2019 Share Option Scheme have been fully granted, the Company has adopted a new restricted share award scheme (the "2024 Restricted Share Award Scheme") on 13 March 2024, and a new share option scheme (the "2024 Share Option Scheme") on 5 June 2024. For details of the 2024 Restricted Share Award Scheme, please refer to the announcement of the Company dated 13 March 2024. For details of the 2024 Share Option Scheme, please refer to the announcements of the Company dated 13 March 2024 and 5 June 2024, as well as the circular dated 2 May 2024.

DIRECTORS' REPORT

2014 Share Option Scheme

The purpose of the 2014 Share Option Scheme is to incentivize and reward selected participants (i.e., senior and middle management personnel, as well as other key employees of the Company or any subsidiary of the Company) for their contribution to the Group and to align their interests with that of the Company so as to encourage them to work towards enhancing the value of the Company. The eligibility of the selected participants will be decided by the Board or the administration committee of such scheme, at its respective absolute discretion, as to his contribution to the Company or any of its subsidiaries. The 2014 Share Option Scheme is valid for 10 years from 7 July 2014, the date of its adoption. Therefore, as at 31 December 2024, the remaining life of the 2014 Share Option Scheme was 0 year.

The maximum number of new shares in respect of which options may be granted under the 2014 Share Option Scheme shall not exceed 4.00% of the Company's issued share capital as at the date of approval of the 2014 Share Option Scheme by the Shareholders, which is 131,696,000 shares, representing 3.04% of the issued share capital of the Company as at the disclosure date of this report.

The maximum number of shares which are issued and may be issued upon exercise of all options (including exercised and outstanding options) granted to any selected participant within any 12-month period must not exceed 1% of the issued share capital of the Company from time to time. Any grant of further share options above this limit is subject to certain requirements as stipulated in the Listing Rules and the rules of the 2014 Share Option Scheme.

An offer shall be open for acceptance for such period within 14 days inclusive of, and from, the offer date by the selected participant. An offer not accepted within this period shall lapse. An amount of HK\$1.00 is payable upon acceptance of the grant of options and such payment shall not be refundable and shall not be deemed to be a part payment of the exercise price under the 2014 Share Option Scheme. The purchase price of HK\$1.00 is a nominal consideration. Considering that the selected participants have contributed or will contribute to the Group, the Board is of the view that the consideration of HK\$1.00 (instead of any lower or higher amount) to be paid by each selected participant for purchasing each share option is fair and reasonable and the Board considers that such arrangement aligns with the purpose of the 2014 Share Option Scheme where the share options are intended to be granted to the selected participants to reward their contributions to the Group.

The exercise period of the share options granted is determinable by the Board or the administration committee and ends on a date which is not later than 10 years from the date of grant of the share options. The exercise price is determined by the Board or the administration committee, and shall not be less than the higher of: (i) the closing price of the Shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on the date of the offer of the grant of option; (ii) the average closing price of the Shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of the grant of option; and (iii) the nominal value of the Shares as at the date of the offer of the grant of option.

DIRECTORS' REPORT

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 year is as follows:

Grantee	Date of grant	Number of share options								
		Vesting period (Note 1)	Exercise period (Note 2)	Exercise price per share HK\$ (Notes 3-7)	Outstanding as at 1 January 2024	Granted (Note 9)	Exercised (Note 8)	Lapsed	Cancelled	Outstanding as at 31 December 2024
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	-	1,316,000	960	-	-
KONG Fanxing, CEO and executive Director	3 July 2015	3 July 2017 - 3 July 2019	3 July 2017 - 3 July 2025	7.17	1,856,913	-	-	-	-	1,856,913
KONG Fanxing, CEO and executive Director	15 June 2016	15 June 2018 - 15 June 2020	15 June 2018 - 15 June 2026	5.714	3,292,400	-	-	-	-	3,292,400
KONG Fanxing, CEO and executive Director	20 June 2017	20 June 2019 - 20 June 2021	20 June 2019 - 20 June 2027	6.82	3,292,400	-	-	-	-	3,292,400
KONG Fanxing, CEO and executive Director	18 July 2018	18 July 2020 - 18 July 2022	18 July 2020 - 18 July 2028	7.36	3,410,926	-	-	-	-	3,410,926
WANG Mingzhe, CFO and executive Director	11 July 2014	11 July 2016 - 11 July 2018	11 July 2016 - 11 July 2024	5.86	460,936	-	460,000	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
WANG Mingzhe, CFO and executive Director	15 June 2016	15 June 2018 - 15 June 2020	15 June 2018 - 15 June 2026	5.714	1,053,568	-	-	-	-	1,053,568
WANG Mingzhe, CFO and executive Director	20 June 2017	20 June 2019 - 20 June 2021	20 June 2019 - 20 June 2027	6.82	1,037,106	-	-	-	-	1,037,106
WANG Mingzhe, CFO and executive Director	18 July 2018	18 July 2020 - 18 July 2022	18 July 2020 - 18 July 2028	7.36	1,074,442	-	-	-	-	1,074,442
CAO Jian, Senior Vice President and executive Director	11 July 2014	11 July 2016 - 11 July 2018	11 July 2016 - 11 July 2024	5.86	135,936	-	135,000	936	-	-
CAO Jian, Senior Vice President and executive Director	3 July 2015	3 July 2017 - 3 July 2019	3 July 2017 - 3 July 2025	7.17	594,212	-	-	-	-	594,212
CAO Jian, Senior Vice President and executive Director	15 June 2016	15 June 2018 - 15 June 2020	15 June 2018 - 15 June 2026	5.714	831,568	-	591,000	-	-	240,568

DIRECTORS' REPORT

					Number of share options					
Grantee	Date of grant	Vesting period (Note 1)	Exercise period (Note 2)	Exercise price per share HK\$ (Notes 3-7)	Outstanding as at 1 January 2024	Granted (Note 9)	Exercised (Note 8)	Lapsed	Cancelled	Outstanding as at 31 December 2024
CAO Jian, Senior Vice										
President and executive Director	20 June 2017	20 June 2019 - 20 June 2021	20 June 2019 - 20 June 2027	6.82	897,106	-	-	-	-	897,106
CAO Jian, Senior Vice										
President 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					20,923,127	-	2,502,000	2,832	-	18,418,295
Employees	11 July 2014	11 July 2016 - 11 July 2018	11 July 2016 - 11 July 2024	5.86	1,841,085	-	1,594,761	246,324	-	-
		3 July 2017 - 3 July 2019	3 July 2017 - 3 July 2025	7.17	3,720,854	-	-	-	58,548	3,662,306
Employees	15 June 2016	15 June 2018 - 15 June 2020	15 June 2018 - 15 June 2026	5.714	4,967,388	-	581,875	-	1,006	4,384,507
Employees	20 June 2017	20 June 2019 - 20 June 2021	20 June 2019 - 20 June 2027	6.82	8,388,906	-	-	-	251,385	8,137,521
Employees	18 July 2018	18 July 2020 - 18 July 2022	18 July 2020 - 18 July 2028	7.36	9,117,275	-	-	-	290,222	8,827,053
Total					48,958,635	-	4,678,636	249,156	601,161	43,429,682

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

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

Note 3: The exercise price is not less than the higher of (i) the closing price of HK\$5.86 per share on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on 11 July 2014 (i.e. the grant date) and (ii) the average closing price of HK\$5.81 per share on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding 11 July 2014. The Share does not carry nominal value. The closing price of shares immediately before the date on which the options were granted is HK\$5.87 per share.

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. The closing price of shares immediately before the date on which the options were granted is HK\$6.80 per share.

DIRECTORS' REPORT

- 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. The closing price of shares immediately before the date on which the options were granted is HK\$5.58 per share.
- Note 6: The exercise price is not less than the higher of (i) the closing price of HK\$6.82 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\$6.80 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: In respect of the exercise of options by Mr. KONG Fanxing during the reporting period, the weighted average closing price of shares immediately before the date on which the options were exercised is HK\$6.25. In respect of the exercise of options by Mr. WANG Mingzhe during the reporting period, the weighted average closing price of shares immediately before the date on which the options were exercised is HK\$6.23. In respect of the exercise of options by Mr. CAO Jian during the reporting period, the weighted average closing price of shares immediately before the dates on which the options were exercised is HK\$6.2859. In respect of the exercise of options by the employees during the reporting period, the weighted average closing price of shares immediately before the dates on which the options were exercised is HK\$6.2463.
- Note 9: No option is available for grant under the 2014 Share Option Scheme as at the beginning and the end of the reporting period. During the reporting period, the Company granted a total of 34,521,086 options under all share option schemes (including the 2014 Share Option Scheme, the 2019 Share Option Scheme and the 2024 Share Option Scheme). Therefore, the number of shares that may be issued in respect of the share options granted under all the share option schemes of the Company during the reporting period divided by the weighted average number of shares in issue for the reporting period as required under Rule 17.07(3) of the Listing Rules is 0.0082.

Please refer to note 36 to the financial statements for details of accounting treatment for share options of the 2014 Share Option Scheme.

2019 Share Option Scheme

The purpose of the 2019 Share Option Scheme is to incentivize and reward selected participants (i.e., senior and middle management personnel, as well as other key employees of the Company or any subsidiary of the Company) for their contribution to the Group and to align their interests with that of the Company so as to encourage them to work towards enhancing the value of the Company. The eligibility of the selected participants will be decided by the Board or the administration committee of such scheme, at its respective absolute discretion, as to his contribution to the Company or any of its subsidiaries. The 2019 Share Option Scheme is valid for 10 years from 5 June 2019, the date of its adoption. Therefore, as at 31 December 2024, the remaining life of the 2019 Share Option Scheme was approximately 4.5 years.

The maximum number of new shares in respect of which options may be granted under the 2019 Share Option Scheme shall not exceed 4.00% of the Company's issued share capital as at the date of approval of the 2019 Share Option Scheme by the Shareholders, which is 158,167,904 shares, representing 3.66% of the issued share capital of the Company as at the disclosure date of this report.

DIRECTORS' REPORT

The maximum number of shares which are issued and may be issued upon exercise of all options (including exercised and outstanding options) granted to any selected participant within any 12-month period must not exceed 1.00% of the issued share capital of the Company from time to time. Any grant of further share options above this limit is subject to certain requirements as stipulated in the Listing Rules and the rules of the 2019 Share Option Scheme.

An offer shall be open for acceptance for such period within 14 days inclusive of, and from, the offer date by the selected participant. An offer not accepted within this period shall lapse. An amount of HK\$1.00 is payable upon acceptance of the grant of options and such payment shall not be refundable and shall not be deemed to be a part payment of the exercise price under the 2019 Share Option Scheme. The purchase price of HK\$1.00 is a nominal consideration. Considering that the selected participants have contributed or will contribute to the Group, the Board is of the view that the consideration of HK\$1.00 (instead of any lower or higher amount) to be paid by each selected participant for purchasing each share option is fair and reasonable and the Board considers that such arrangement aligns with the purpose of the 2019 Share Option Scheme where the share options are intended to be granted to the selected participants to reward their contributions to the Group.

The exercise period of the share options granted is determinable by the Board or the administration committee and ends on a date which is not later than 10 years from the date of grant of the share options. The exercise price is determined by the Board or the administration committee, and shall not be less than the higher of: (i) the closing price of the Shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on the date of the offer of the grant of option; and (ii) the average closing price of the Shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of the grant of option.

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 year is as follows:

Grantee	Date of grant	Number of share options							
		Vesting period (Note 1)	Exercise period (Note 2)	Exercise price per share HK\$ (Notes 3-7)	Outstanding as at 1 January 2024	Granted (Notes 9)	Exercised (Note 8)	Lapsed	Outstanding as at 31 December 2024
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
KONG Fanxing, CEO and executive Director	27 July 2022	27 July 2023 - 27 July 2025	27 July 2023 - 27 July 2032	6.378	4,315,460	-	-	-	4,315,460
KONG Fanxing, CEO and executive Director	10 August 2023	10 August 2024 - 10 August 2026	10 August 2024 - 10 August 2033	5.58	4,317,610	-	-	-	4,317,610

DIRECTORS' REPORT

						Number of share options				
Grantee	Date of grant	Vesting period (Note 1)	Exercise period (Note 2)	Exercise price per share HK\$ (Notes 3-7)	Outstanding as at 1 January 2024	Granted (Notes 9)	Exercised (Note 8)	Lapsed	Cancelled	Outstanding as at 31 December 2024
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
WANG Mingzhe, CFO and executive Director	27 July 2022	27 July 2023 - 27 July 2025	27 July 2023 - 27 July 2032	6.378	2,258,366	-	-	-	-	2,258,366
WANG Mingzhe, CFO and executive Director	10 August 2023	10 August 2024 - 10 August 2026	10 August 2024 - 10 August 2033	5.58	2,247,493	-	-	-	-	2,247,493
CAO Jian, Senior Vice President and executive Director	19 July 2019	19 July 2020 - 19 July 2022	19 July 2020 - 19 July 2029	7.618	996,458	-	-	-	-	996,458
CAO Jian, Senior Vice President 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
CAO Jian, Senior Vice President 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
CAO Jian, Senior Vice President and executive Director	27 July 2022	27 July 2023 - 27 July 2025	27 July 2023 - 27 July 2032	6.378	2,258,366	-	-	-	-	2,258,366
CAO Jian, Senior Vice President and executive Director	10 August 2023	10 August 2024 - 10 August 2026	10 August 2024 - 10 August 2033	5.58	2,247,493	-	-	-	-	2,247,493
SUBTOTAL FOR DIRECTORS					38,657,475	-	-	-	-	38,657,475

DIRECTORS' REPORT

Grantee	Date of grant	Number of share options								
		Vesting period (Note 1)	Exercise period (Note 2)	Exercise price per share HK\$ (Notes 3-7)	Outstanding as at 1 January 2024	Granted (Notes 9)	Exercised (Note 8)	Lapsed	Cancelled	Outstanding as at 31 December 2024
Employees	19 July 2019	19 July 2020 - 19 July 2022	19 July 2020 - 19 July 2029	7.618	8,936,508	-	-	-	261,082	8,675,426
Employees	23 July 2020	23 July 2021 - 23 July 2023	23 July 2021 - 23 July 2030	6.70	12,479,507	-	-	-	537,296	11,942,211
Employees	26 July 2021	26 July 2022 - 26 July 2024	26 July 2022 - 26 July 2031	8.40	21,540,744	-	-	-	2,182,592	19,358,152
Employees	27 July 2022	27 July 2023 - 27 July 2025	27 July 2023 - 27 July 2032	6.378	24,367,177	-	92,651	-	1,829,853	22,444,673
Employees	10 August 2023	10 August 2024 - 10 August 2026	10 August 2024 - 10 August 2033	5.58	25,035,334	-	168,513	-	1,258,593	23,608,228
Total					131,016,745	-	261,164	-	6,069,416	124,686,165

Note 1: Subject to the rules of the 2019 Share Option Scheme, the options granted 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 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\$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. The closing price of shares immediately before the date on which the options were granted is HK\$7.38 per share.

Note 4: The exercise price is not less than the higher of (i) the closing price of HK\$6.48 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\$6.70 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. The closing price of shares immediately before the date on which the options were granted is HK\$6.55 per share.

Note 5: The exercise price is not less than the higher of (i) the closing price of HK\$8.40 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\$8.202 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. The closing price of shares immediately before the date on which the options were granted is HK\$8.32 per share.

Note 6: The exercise price is not less than the higher of (i) the closing price of HK\$6.34 per share on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on 27 July 2022 (i.e. the grant date) and (ii) the average closing price of HK\$6.378 per share on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding 27 July 2022. The Share does not carry nominal value. The closing price of shares immediately before the date on which the options were granted is HK\$6.42 per share.

Note 7: The exercise price is not less than the higher of (i) the closing price of HK\$5.39 per share on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on 10 August 2023 (i.e. the grant date) and (ii) the average closing price of HK\$5.58 per share on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding 10 August 2023. The Share does not carry nominal value. The closing price of shares immediately before the date on which the options were granted is HK\$5.55 per share.

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Note 8: The weighted average closing price of shares immediately before the dates on which the options were exercised by employees is HK\$6.1210. No option has been exercised by directors during the reporting period.

Note 9: No option is available for grant under the 2019 Share Option Scheme at the beginning and the end of the reporting period. During the reporting period, the Company granted a total of 34,521,086 options under all share option schemes (including the 2014 Share Option Scheme, the 2019 Share Option Scheme and the 2024 Share Option Scheme). Therefore, the number of shares that may be issued in respect of the share options granted under all the share option schemes of the Company during the reporting period divided by the weighted average number of shares in issue for the reporting period as required under Rule 17.07(3) of the Listing Rules is 0.0082.

Please refer to note 36 to the financial statements for details of accounting treatment of the 2019 Share Option Scheme.

2024 Share Option Scheme

The purpose of the 2024 Share Option Scheme is to reward the participants for their contribution to the Group and to encourage the participants to continue their efforts towards enhancing the value of the Company and its Shares in the interests of the Company and all its Shareholders. Participants of the 2024 Share Option Scheme include employee participants who meet the conditions of participation as set out in the Listing Rules and the 2024 Share Option Scheme, specifically, include the senior management, middle management and other key employees of the Company or any subsidiary of the Company who meet the conditions of participation as set out in the Listing Rules and the 2024 Share Option Scheme. In determining the basis of eligibility of employee participants, their employment status with the Group, such as for how long they have been an employee, the managerial or key positions held and the corresponding functions assumed, individual expertise, skills or experience, contribution to the operation and management of the Group, and such other factors as may be deemed appropriate by the Board or the administration committee in its sole discretion will be taken in consideration. The 2024 Share Option Scheme is valid for 10 years from 5 June 2024, the date of its adoption. Therefore, as at 31 December 2024, the remaining life of the 2024 Share Option Scheme was approximately 9.5 years.

The maximum number of new shares in respect of which options may be granted under the 2024 Share Option Scheme shall not exceed 4.00% of the Company's issued share capital as at the date of approval of the 2024 Share Option Scheme by the Shareholders, which is 172,770,846 shares, representing 3.99% of the issued share capital of the Company as at the disclosure date of this report.

The maximum number of Shares which are issued and to be issued upon exercise of share options (including exercised and unexercised share options) by any participant within any 12-month period must not exceed 1% of the issued Shares from time to time. In the event that any further share options will be granted to such participant, which will result in the total number of Shares issued and to be issued under all share options and awards granted to him/her (excluding the lapsed options and awards under the terms of the scheme) within the 12-month period up to and inclusive of the date of such further grant in excess of 1% of the issued Shares, such grant would be approved by the Shareholders of the Company in general meetings, and such participant and his/her close associates (or his/her associates if the participant is a connected person) shall abstain from voting.

Any grant of a share option to any director, chief executive or substantial Shareholder of the Company or their respective associates shall require the prior approval of the independent non-executive Directors of the Company (excluding the independent non-executive Director who is to be granted such share options). If the grant of a share option to any substantial shareholder or independent non-executive Director of the Company or any of their respective associates would result in the issue and proposed issue of Shares in respect of all share options granted (excluding any options and awards lapsed in accordance with the scheme) in the twelve months prior to and including the date of such grant exceeding 0.1% of the total number of

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Shares of the Company in issue as at the date of the aforesaid grant, the further grant of the share option must be approved by the Shareholders of the Company at a general meeting in the manner as set out in Rule 17.04(4) of the Listing Rules, and the grantee and his/her associates and all core connected persons of the Company shall abstain from voting and a circular shall be despatched to Shareholders under the Listing Rules.

An offer shall be open for acceptance for such period within 14 days after the offer date by the selected participant. An offer not accepted within this period shall lapse. If the Company receives, within the period of the acceptance date, a letter of offer of share options duly signed by such participant specifying the number of Shares in respect of which he/she accepts the offer of share options and, at the same time, receives from him/her a remittance to the Company of the consideration for the grant of the share options in the amount of HK\$1.00, the share options in respect of which the letter of offer of share options is signed shall be deemed to have been granted and to have become effective. The consideration of HK\$1.00 for the grant of the share options is nominal only and taking into account the contributions made or to be made by the participants to the Group, the Board considers that the nominal consideration of HK\$1.00 to be paid by each participant for the purchase of each of the share options is fair and reasonable and that such arrangement is in line with the purpose of the new share option scheme, i.e. it is intended that share options be granted to the participants to incentivize them for their contribution to the Group.

In accordance with the rules of the 2024 Share Option Scheme, share options shall be exercised within the share option period determined by the Board or the Administration Committee (which may not be later than 10 years from the granting date of relevant share options). The exercise price shall be determined in the sole discretion of the Board or the Administration Committee but shall in no event be less than the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the granting date, which must be a business day; and (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the granting date.

The share options will be vested according to the following vesting schedule:

Vesting date	Number of share options to be vested
The date of the first anniversary of the granting date	One-third of the share options (the number of Shares rounded to the nearest whole number)
The date of the second anniversary of the granting date	One-third of the share options (the number of Shares rounded to the nearest whole number)
The date of the third anniversary of the granting date	The remaining of the share options (the number of Shares rounded to the nearest whole number)

The Board or the administration committee has the right to adjust the vesting period arrangement as described above, provided that the vesting period will not be shorter than 12 months and the requirements relating to the vesting period as set out in Rule 17.03F of the Listing Rules and the relevant guidelines are met.

DIRECTORS' REPORT

During the reporting period, share options entitling holders to subscribe a total of 8,837,440 Shares were granted to three executive Directors, and the remaining share options entitling holders to subscribe a total of 25,683,646 Shares were granted to 109 grantees under the share option scheme. A summary of the movements of the outstanding share options under the 2024 Share Option Scheme during the year is as follows:

Number of share options										
Grantee	Date of grant	Vesting period (Note 1)	Exercise period (Note 2)	Exercise price per share HK\$ (Note 3)	Outstanding					Outstanding as at 31 December 2024
					as at 1 January 2024	Granted (Note 4-5)	Exercised (Note 6)	Lapsed	Cancelled	
KONG Fanxing, CEO and executive Director	12 August 2024	12 August 2025 – 12 August 2027	12 August 2025 – 12 August 2034	5.39	–	4,319,900	–	–	–	4,319,900
WANG Mingzhe, CFO and executive Director	12 August 2024	12 August 2025 – 12 August 2027	12 August 2025 – 12 August 2034	5.39	–	2,258,770	–	–	–	2,258,770
CAO Jian, Senior Vice President and executive Director	12 August 2024	12 August 2025 – 12 August 2027	12 August 2025 – 12 August 2034	5.39	–	2,258,770	–	–	–	2,258,770
SUBTOTAL FOR DIRECTORS					–	8,837,440	–	–	–	8,837,440
Employees	12 August 2024	12 August 2025 – 12 August 2027	12 August 2025 – 12 August 2034	5.39	–	25,683,646	–	–	–	25,683,646
Total					–	34,521,086	–	–	–	34,521,086

Note 1: Subject to the rules of the 2024 Share Option Scheme, the options granted 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 2024 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\$5.39 per share on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on 12 August 2024 (i.e. the grant date) and (ii) the average closing price of HK\$5.34 per share on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding 12 August 2024. The Share does not carry nominal value. The closing price of shares immediately before the date on which the options were granted is HK\$5.46 per share.

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Note 4: Pursuant to the rules of 2024 Share Option Scheme, the Board or the administration committee may, from time to time, in their respective absolute discretion, select the grantees and determine the number of share options to be granted in accordance with the rules of 2024 Share Option Scheme after taking into account a number of factors which they consider appropriate for the grant of share options under the 2024 Share Option Scheme. The terms on which share options are granted may be determined by the Board or the administration committee in their respective absolute discretion. The Board or the administration committee may, in its sole discretion, when offering share options, may impose any conditions, restrictions or limitations in relation thereto in addition to the rules of 2024 Share Option Scheme as it may deem appropriate (as set out in the letter containing the grant of the offer of the share options), including the performance, operating or financial targets to be achieved by the Company, the Company's subsidiary(ies) and/or the grantee, certain conditions or obligations or performance targets to be met or satisfactorily performed by the grantee who is granted the share options (including, as the case may be, his/her expertise, skills or experience, contribution to the Group, performance and synergies at work, achievement of performance targets or annual appraisal results, key performance indicators of respective department(s) that the grantee belongs), and the vesting time for the grantee to exercise all or part of his/her share options, provided that the terms and conditions shall not be inconsistent with any other terms of the 2024 Share Option Scheme. The Board or the administration committee will conduct assessment by comparing the actual performance, operating or financial results of the Company, the Company's subsidiary(ies) and the actual performance of the grantee with the pre-determined targets or individual performance indicators to determine whether or to what extent the performance targets have been met. Such pre-determined targets or individual performance indicators may be set by the Board or the administration committee on a case by case basis with reference to factors including the specific position and role of the relevant grantee, and the overall business plan, strategy and the expected financial performance of the Group in the relevant period. The performance target will be deemed to be met when the actual level achieved reaches or exceeds the level of the pre-determined targets or individual performance indicators.

Note 5: At the beginning and the end of the reporting period, 0 and 138,249,760 option(s) was/were available for grant under the 2024 Share Option Scheme, respectively. During the reporting period, the Company granted a total of 34,521,086 options under all share option schemes (including the 2014 Share Option Scheme, the 2019 Share Option Scheme and the 2024 Share Option Scheme). Therefore, the number of shares that may be issued in respect of the share options granted under all the share option schemes of the Company during the reporting period divided by the weighted average number of shares in issue for the reporting period as required under Rule 17.07(3) of the Listing Rules is 0.0082.

Note 6: No options were exercised under the 2024 Share Option Scheme during the reporting period. Therefore, the disclosure of the weighted average closing price of shares immediately before the dates on which the options were exercised as required under Rule 17.07(1)(d) of the Listing Rules is not applicable.

During the year ended 31 December 2024, the aggregated fair value of the options granted on 12 August 2024 under the 2024 Share Option Scheme was RMB23,182,000. The estimated value of the options granted on that date to Mr. KONG Fanxing, Mr. WANG Mingzhe, Mr. CAO Jian and other eligible employees was RMB2,901,000, RMB1,517,000, RMB1,517,000 and RMB17,247,000, respectively.

Grantee	Date of grant	Total number granted	Fair value of share options granted
			RMB'000
KONG Fanxing	12 August 2024	4,319,900	2,901
WANG Mingzhe	12 August 2024	2,258,770	1,517
CAO Jian	12 August 2024	2,258,770	1,517
Employees	12 August 2024	25,683,646	17,247
Total		34,521,086	23,182

Please refer to note 36 to the financial statements for details of accounting standards and policies for the fair value of options granted as at 12 August 2024.

DIRECTORS' REPORT

2014 Restricted Share Award Scheme

The 2014 Restricted Share Award Scheme (revised twice by the Board on 2 June 2016 and 20 March 2019) aims to incentivize and reward the selected participants (i.e. senior and middle management personnel, as well as other key employees of the Company or any of subsidiaries of the Company) for their contribution to the Group and align their interests with that of the Company so as to encourage them to work towards enhancing the value of the Company. The eligibility for selected participants will be decided by the Board or the administration committee of the 2014 Restricted Share Award Scheme, at its respective absolute discretion, as to his/her contribution to the Company or any of its subsidiaries. According to the rules of the 2014 Restricted Share Award Scheme, the restricted shares will be shares purchased by the trustee (an independent third party of the Company) with cash paid by the Company to the trustee from its own funds, and will be held on trust on behalf of the relevant selected grantees until such restricted shares are vested with the relevant selected grantees in accordance with the rules of the 2014 Restricted Share Award Scheme and the award conditions (if any) of such restricted shares.

The maximum number of shares that may be granted under the 2014 Restricted Share Award Scheme shall not exceed the sum of the following: (i) 6.00% of the total number of issued shares when the Board approved the adoption of the 2014 Restricted Share Award Scheme on 11 June 2014, that is, 197,544,000 shares (accounting for approximately 4.57% of the issued share capital of the Company as at the disclosure date of this report); and (ii) 6.00% of the total number of issued shares when the Board approved the adoption of the revised 2014 Restricted Share Award Scheme on 20 March 2019, i.e. 237,251,856 shares (accounting for approximately 5.49% of the issued share capital of the Company as at the disclosure date of this report). There is no agreed limit on the upper limit of shares that may be granted for each grantee under the 2014 Restricted Share Award Scheme, and the grantee is not required to pay any amount for accepting the restricted share award granted.

An offer shall be open for acceptance for such period within 28 days inclusive of, and from, the offer date by the selected participant. An offer not accepted within this period shall lapse.

According to the rules of the 2014 Restricted Share Award Scheme, unless the 2014 Restricted Share Award Scheme is terminated early according to the resolution of the Board or the resolution of the Company's general meeting, the 2014 Restricted Share Award Scheme will remain valid.

During the reporting period, the Company did not grant any Shares and an aggregate of 39,668,264 Shares were vested under the 2014 Restricted Share Award Scheme. As at 31 December 2024, there were no more Shares to be granted under the 2014 Restricted Share Award Scheme.

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The changes in the unvested restricted shares under the 2014 Restricted Share Award Scheme in 2024 are summarized as follows:

Grantee	Date of grant	Vesting period (Note 1)	Changes in the number of restricted shares during the reporting period					Not yet vested as at 31 December 2024
			Not yet vested as at 1 January 2024	Granted (Notes 2, 5)	Vested (Note 3)	Lapsed	Cancelled	
KONG Fanxing, CEO and executive Director	19 July 2019	19 July 2020 – 19 July 2022	–	–	–	–	–	–
KONG Fanxing, CEO and executive Director	23 July 2020	23 July 2021 – 23 July 2023	–	–	–	–	–	–
KONG Fanxing, CEO and executive Director	26 July 2021	26 July 2022 – 26 July 2024	2,610,525	–	2,550,065	–	60,460	–
KONG Fanxing, CEO and executive Director	27 July 2022	27 July 2023 – 27 July 2025	5,302,943	–	2,590,064	–	61,408	2,651,471
KONG Fanxing, CEO and executive Director	10 August 2023	10 August 2024 – 10 August 2026	8,032,654	–	2,615,538	–	62,013	5,355,103
WANG Mingzhe, CFO and executive Director	19 July 2019	19 July 2020 – 19 July 2022	–	–	–	–	–	–
WANG Mingzhe, CFO and executive Director	23 July 2020	23 July 2021 – 23 July 2023	–	–	–	–	–	–
WANG Mingzhe, CFO and executive Director	26 July 2021	26 July 2022 – 26 July 2024	1,136,655	–	1,114,335	–	22,320	–
WANG Mingzhe, CFO and executive Director	27 July 2022	27 July 2023 – 27 July 2025	2,182,852	–	1,069,994	–	21,432	1,091,426
WANG Mingzhe, CFO and executive Director	10 August 2023	10 August 2024 – 10 August 2026	3,252,796	–	1,062,974	–	21,291	2,168,531
CAO Jian, Senior Vice President and executive Director	19 July 2019	19 July 2020 – 19 July 2022	–	–	–	–	–	–
CAO Jian, Senior Vice President and executive Director	23 July 2020	23 July 2021 – 23 July 2023	–	–	–	–	–	–
CAO Jian, Senior Vice President and executive Director	26 July 2021	26 July 2022 – 26 July 2024	1,136,655	–	1,111,592	–	25,063	–

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Changes in the number of restricted shares during the reporting period							
Grantee	Date of grant	Vesting period (Note 1)	Not yet vested as at 1 January 2024	Granted (Notes 2, 5)	Vested (Note 3)	Lapsed	Not yet vested as at 31 December 2024
CAO Jian, Senior Vice President and executive Director	27 July 2022	27 July 2023 – 27 July 2025	2,182,852	–	1,067,360	–	24,066
CAO Jian, Senior Vice President and executive Director	10 August 2023	10 August 2024 – 10 August 2026	3,252,796	–	1,060,358	–	23,907
SUBTOTAL FOR DIRECTORS			29,090,728	–	14,242,280	–	321,960
Employees	19 July 2019	19 July 2020 – 19 July 2022	–	–	–	–	–
Employees	23 July 2020	23 July 2021 – 23 July 2023	–	–	–	–	–
Employees	26 July 2021	26 July 2022 – 26 July 2024	10,440,373	–	7,226,246	–	3,214,127
Employees	27 July 2022	27 July 2023 – 27 July 2025	23,591,615	–	8,723,864	–	3,777,159
Employees	10 August 2023	10 August 2024 – 10 August 2026	36,233,652	–	9,475,874	–	3,599,519
SUBTOTAL FOR EMPLOYEES			70,265,640	–	25,425,984	–	10,590,805
TOTAL			99,356,368	–	39,668,264	–	10,912,765
Five highest paid employees	19 July 2019	19 July 2020 – 19 July 2022	–	–	–	–	–
Five highest paid employees	23 July 2020	23 July 2021 – 23 July 2023	–	–	–	–	–
Five highest paid employees	26 July 2021	26 July 2022 – 26 July 2024	6,230,984	–	6,105,616	–	125,368
Five highest paid employees	27 July 2022	27 July 2023 – 27 July 2025	12,291,428	–	6,021,847	–	123,867
Five highest paid employees	10 August 2023	10 August 2024 – 10 August 2026	18,298,979	–	5,976,377	–	123,281
TOTAL (FIVE HIGHEST PAID EMPLOYEES)			36,821,391	–	18,103,840	–	372,516

Note 1: Subject to the rules of the Award Scheme, the restricted shares will be vested to the grantees at the first, second and third anniversary of the date of grant at an average amount. The rules of the Award Scheme do not stipulate the exercise period of the restricted shares granted.

Note 2: According to the rules of the Award Scheme, the Board shall consider certain matters when determining the grant of such restricted shares to the grantees, including but not limited to: i. the current and expected contribution of the grantees to the Group's profits; ii. the general financial status of the Group; iii. the overall business objectives and future development plans of the Group; and iv. any other matters deemed relevant by the Board or the administration committee.

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Note 3: A total of 39,668,264 Shares were vested under the Award Scheme during the reporting period. In respect of the vesting of restricted shares to Mr. KONG Fanxing during the reporting period, the weighted average closing price of shares immediately before the date on which the restricted shares were vested is HK\$5.46. In respect of the vesting of restricted shares to Mr. WANG Mingzhe during the reporting period, the weighted average closing price of shares immediately before the date on which the restricted shares were vested is HK\$5.46. In respect of the vesting of restricted shares to Mr. CAO Jian during the reporting period, the weighted average closing price of shares immediately before the date on which the restricted shares were vested is HK\$5.46. In respect of the vesting of restricted shares to the employees during the reporting period, the weighted average closing price of shares immediately before the date on which the restricted shares were vested is HK\$5.46. In respect of the vesting of restricted shares to the five highest paid employees during the reporting period, the weighted average closing price of shares immediately before the date on which the restricted shares were vested is HK\$5.46.

Note 4: As at 1 January 2024 and 30 June 2024, the number of shares available for grant under the Award Scheme was 0.

Note 5: The 2014 Restricted Share Award Scheme does not involve the issuance of new shares. Therefore, the disclosure of the number of shares that may be issued in respect of the restricted shares granted under the 2014 Restricted Share Award Scheme during the reporting period divided by the weighted average number of shares in issue for the reporting period as required under Rule 17.07(3) of the Listing Rules is not applicable.

2024 Restricted Share Award Scheme

The purpose of the 2024 Restricted Share Award Scheme is to provide participants with an opportunity to gain ownership in the Company; to encourage and retain participants to work for the Company; and to provide additional incentives which motivate them in achieving performance targets, so as to fulfill the goal of increasing the value of the Company and to connect the participants' interests directly to those of the Shareholders of the Company through the ownership of Shares. Participants of 2024 Restricted Share Award Scheme are employee participants who meet the conditions of participation as set out in the rules of 2024 Restricted Share Award Scheme, specifically, include the senior management, middle management and other key employees of the Company or any subsidiary of the Company who meet the conditions of participation as set out in the 2024 Restricted Share Award Scheme. In determining the basis of eligibility of employee participants, their employment status with the Group, such as for how long they have been an employee, the managerial or key positions and the corresponding functions assumed, individual expertise, skills or experience, contribution to the operation and management of the Group, and such other factors as may be deemed appropriate by the Board or the administration committee in its sole discretion will be taken in consideration. Pursuant to the rules of the 2024 Restricted Share Award Scheme, the restricted shares will be Shares purchased in the secondary market by the trustee out of the Company's own funds to the trustee, and will be held in trust on behalf of the grantees until such restricted shares are vested to the grantees in accordance with the 2024 Restricted Share Award Scheme.

The maximum number of restricted shares that may be granted under the 2024 Restricted Share Award Scheme shall not exceed 6.00% of the total number of issued shares of the Company when the Board approved the adoption of the 2024 Restricted Share Award Scheme on 13 March 2024, i.e. 258,908,151 Shares (accounting for approximately 5.99% of the issued share capital of the Company as at the disclosure date of this report). There is no agreed limit on the upper limit of shares that may be granted for each grantee under the 2024 Restricted Share Award Scheme, and the grantee is not required to pay any amount for accepting the restricted shares granted.

An offer shall be open for acceptance for such period within 28 days after the offer date by the selected participant. An offer not accepted within this period shall lapse.

According to the rules of the 2024 Restricted Share Award Scheme, unless the 2024 Restricted Share Award Scheme is terminated early according to the resolution of the Board, the 2024 Restricted Share Award Scheme will remain valid.

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The vesting of restricted shares granted under the 2024 Restricted Share Award Scheme is subject to the achievement of the Company's performance targets for the previous year (based on the budget targets approved by the Board for the previous year, including net profit growth rate, EPS growth rate, ROE, etc.), and other vesting conditions specified in the 2024 Restricted Share Award Scheme. Upon fulfillment of the vesting conditions, one-third of the restricted shares granted to selected grantees will be vested on the first anniversary of the granting date, one-third on the second anniversary of the granting date and the remaining on the third anniversary of the granting date.

During the reporting period, a total of 51,781,630 shares were granted under the 2024 Restricted Share Award Scheme and no share was vested. As at 31 December 2024, the remaining shares to be granted under the 2024 Restricted Share Award Scheme were 207,126,521.

The changes in the unvested restricted shares under the 2024 Restricted Share Award Scheme in 2024 are summarized as follows:

Changes in the number of restricted shares during the reporting period								
Grantee	Date of grant	Vesting period (Note 1)	Not yet vested as at 1 January 2024	Granted (Notes 2, 4, 5)	Vested (Note 3)	Lapsed	Cancelled	Not yet vested as at 31 December 2024
KONG Fanxing, CEO and executive Director	12 August 2024	12 August 2025 – 12 August 2027	–	8,131,784	–	–	–	8,131,784
WANG Mingzhe, CFO and executive Director	12 August 2024	12 August 2025 – 12 August 2027	–	3,264,604	–	–	–	3,264,604
CAO Jian, Senior Vice President and executive Director	12 August 2024	12 August 2025 – 12 August 2027	–	3,264,604	–	–	–	3,264,604
SUBTOTAL FOR DIRECTORS			–	14,660,992	–	–	–	14,660,992
Employees	12 August 2024	12 August 2025 – 12 August 2027	–	37,120,638	–	–	–	37,120,638
SUBTOTAL FOR EMPLOYEES			–	37,120,638	–	–	–	37,120,638
Total			–	51,781,630	–	–	–	51,781,630
Five highest paid employees	12 August 2024	12 August 2025 – 12 August 2027	–	18,486,700	–	–	–	18,486,700
TOTAL (FIVE HIGHEST PAID EMPLOYEES)			–	18,486,700	–	–	–	18,486,700

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- Note 1: Subject to the rules of the 2024 Restricted Share Award Scheme, the restricted shares will be vested to the grantees at the first, second and third anniversary of the date of grant at an average amount. The rules of the 2024 Restricted Share Award Scheme do not stipulate the exercise period of the restricted shares granted.
- Note 2: Pursuant to the rules of the 2024 Restricted Share Award Scheme, the Board or the administration committees may, from time to time, at their respective sole discretion select grantee(s) pursuant to the rules of the 2024 Restricted Share Award Scheme and grant restricted shares to such selected grantee(s). In determining the number of restricted shares to be granted to any selected grantee, the Board or the administration committee shall take into account certain matters, including but not limited to: (a) the current and expected contribution of the selected grantees to the Group's profit; (b) expertise, skills or experience, the performance and synergies in the workplace, and the achievement of performance indicators of the selected grantees; (c) the general financial position, overall business objectives and future development plans of the Group; and (d) any other matter that the Board or the administration committee considers relevant. The closing price immediately before the date of grant of such restricted shares was HK\$5.46 per share.
- Note 3: No share has been vested under the 2024 Restricted Share Award Scheme during the reporting period. Therefore, the weighted average closing price of shares immediately before the date(s) on which the shares were vested during the reporting period is not applicable.
- Note 4: As at the beginning and the end of the reporting period, the number of shares available for grant under the 2024 Restricted Share Award Scheme was 0 and 207,126,521, respectively.
- Note 5: The 2024 Restricted Share Award Scheme does not involve the issuance of new shares. Therefore, the disclosure of the number of shares that may be issued in respect of the restricted shares granted under the 2024 Restricted Share Award Scheme during the reporting period divided by the weighted average number of shares in issue for the reporting period as required under Rule 17.07(3) of the Listing Rules is not applicable.

During the year ended 31 December 2024, the aggregated fair value of the restricted shares granted on 12 August 2024 under the 2024 Restricted Share Award Scheme was RMB213,030,000. The estimated value of the restricted shares granted on that date to Mr. KONG Fanxing, Mr. WANG Mingzhe, Mr. CAO Jian, other eligible employees and the five highest paid employees was RMB33,134,000, RMB13,431,000, RMB13,431,000, RMB152,714,000 and RMB76,054,000, respectively.

Grantee	Date of grant	Total number granted	Fair value of restricted shares granted
			RMB'000
KONG Fanxing	12 August 2024	8,131,784	33,134
WANG Mingzhe	12 August 2024	3,264,604	13,431
CAO Jian	12 August 2024	3,264,604	13,431
Employees	12 August 2024	37,120,638	152,714
Total		51,781,630	213,030
Five highest paid employees	12 August 2024	18,486,700	76,054

Please refer to note 37 to the financial statements for details of accounting standards and policies for fair value of restricted shares granted as at 12 August 2024.

DIRECTORS' REPORT

MANAGEMENT CONTRACTS

No contracts concerning the management or administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year.

ARRANGEMENTS FOR THE DIRECTORS TO PURCHASE SHARES OR DEBENTURES

At no time during the year were there any rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, nor were there any such rights exercised by them. Also, there was no arrangement to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries is a party that would enable the Directors to acquire such rights in any other body corporate.

AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee comprises three members, namely Mr. YIP Wai Ming (chairman), Mr. HAN Xiaojing and Mr. John LAW, among whom, two are independent non-executive Directors (including one independent non-executive Director who possesses appropriate professional qualifications or expertise in accounting or relevant finance management). They have reviewed the accounting principles and practices adopted by the Group and discussed matters regarding auditing and financial reporting, including reviewing the financial results of the Group for the year ended 31 December 2024.

The consolidated financial statements of the Company which are prepared in accordance with Hong Kong Financial Reporting Standards for the year ended 31 December 2024 have been audited by Ernst & Young, the auditor of the Company.

AUDITOR

Pursuant to the resolution of the 2024 AGM of the Company, the Company reappointed Ernst & Young as the auditor of the Company in 2024. The Company has not changed its auditor in the past three years.

By order of the Board
KONG Fanxing
Chairman
7 March 2025

CORPORATE SOCIAL RESPONSIBILITY REPORT

PHILOSOPHY OF RESPONSIBILITY

Sharing of value created for the building of harmonious development

Anchored in the core responsibility philosophy of “value sharing and harmonious development”, Far East Horizon has always been dedicated to building a harmonious and symbiotic relationship with the investors, customers, partners, employees, governments and the community as a whole while constantly innovating and expanding its integrated operations services. Through sharing of value and achieving a “win-win” situation, Far East Horizon whole-heartedly promoted the industrial economy as well as the wellness, sustainability, stability and harmonious development of the society as a whole.

ACCOUNTABLE TO INVESTORS

Valuable in-depth cooperation to share the growth

Adhering to the notion of creating more value for customers, Far East Horizon constantly pushes the boundaries of the integrated operations services to fundamental industries, providing diverse and quality “one-stop” services. Far East Horizon has maintained steady growth in recent years, and continuously provided Shareholders and investors with growing return on value.

ACCOUNTABLE TO INDUSTRIES

Support industries upgrade and industry development

Far East Horizon focuses on serving the fundamental industries, namely healthcare, cultural & tourism, engineering construction, machinery, chemical & medicine, electronic information, public consuming, transportation & logistics and urban public utility, and build industry-specific and professional operation and security systems that closely adhere to the needs of customers. Far East Horizon provides customization of specialized financial services and products, as well as industrial investment operations, equipment operation, trade brokers, management consulting, engineering services and other industries integrated operations services.

In the equipment operation field, Horizon Construction Development is a leading comprehensive equipment operation service provider in China under 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.

In the hospital operation field, Horizon Healthcare is a large public healthcare platform in China under the Group. With the mission of “good medical care not far away” and align with China’s medical policy direction, Horizon Healthcare focuses on regions with insufficient medical resources, thereby establishing an unique hospital network of Far East.

CORPORATE SOCIAL RESPONSIBILITY REPORT

High-end resources platform is established to promote industry management upgrade

Based on the industrial investment platform, Far East Horizon has achieved good cooperation with domestic and foreign suppliers, channel distributors, governments, industry associations and other business partners. Through the integration of Far East Horizon's own resources, it promotes interaction and communication with partners and grow up together. Since 2007, Far East Horizon has begun to actively promote industrial interaction and communication in various industrial fields, such as the establishment of the celebrities club, the Far East Healthcare Managers Institute, the Far East Educational Alliance, and the organization of the Far East Finance Summit Forum and the Cross-Strait Hospital Management and Development Summit Forum and etc.

EMPLOYEE RESPONSIBILITIES

Employee value is respected and we carefully devoted to the growth of employees

Over the years, Far East Horizon earnestly listened to voices of employees, and provided diverse, inclusive, open, equal and vigorous work environments and a broad stage for their career fulfillment. Furthermore, Far East Horizon has tirelessly worked towards alleviating employees' worries, whilst nurturing respect, trust and encouraging greater employee cooperation and collaboration.

Employee rights

Far East Horizon calls on all employees to take ownership and encourages employees to participate in enterprise management. At the same time, Far East Horizon set up multiple channels such as mailbox to the president, rationalization of the proposal platforms and tea bars, so as to protect the right of the employee representatives in consultation, participation and supervision of the management.

Far East Horizon is devoted to providing fair development opportunities for employees and abiding by current national laws and regulations. Far East Horizon duly pays the five social insurances and one housing fund for employees on time and in full. Far East Horizon adopts multivariate policies and ensure that employees are not discriminated against because of their gender, age, background, ethnicity, race or religion. All employees are under the same career growth mechanism and their salary and benefits are consistent across different offices in the country. Male and female employees in the same post enjoy the same salaries and starting salaries are significantly higher than the each major operation place's local minimum wage.

CORPORATE SOCIAL RESPONSIBILITY REPORT

Employee development

In order to provide its employees with a diverse, open and equal working environment, Far East Horizon made constant improvements to its human resources management system. Through the establishment of Far East College, Far East E Learning Platform and training information management system, Far East Horizon renovated in the development of a learning organization focusing in self-review, self-driven, self-enhancement, which created a team environment featuring all staffs on a lifelong basis.

Employee care

Far East Horizon pays close attention to the physical and mental health of its employees. Far East Horizon organizes regular staff health check, and organizes all kinds of physical and mental health workshop for women workers, parenting and health issues. These initiatives effectively identified and traced the risk of physical and mental health of employees, mitigated the stress on work and life for the staff, and fulfilled the health needs of employees.

Far East Horizon advocates staffs to balance work and life. Far East Horizon formulated mechanism to ensure that employees can enjoy reasonable rest and leave, and relied on community activities to encourage employees in actively participating in various fitness activities.

By adhering to the principle of “helping the poor, caring and loving”, Far East Horizon set up an “assistance plan for the loved ones” and “milk bottle assistance plan” under the workers’ union, providing necessary financial aid and support for employees or current graduates in difficulties or jeopardy, respectively.

SOCIAL WELFARE ACTIVITIES

We are kind at heart and have showed boundless love

For a long time, Far East Horizon has actively shouldered its corporate social responsibilities, contributing to the healthy, stable and continuous development of the society. Far East Horizon established the Beijing Horizon Charity Foundation and Shanghai Horizon Charity Foundation in 2014 and 2015, respectively, further expanding the area of benefit and influence of the Company.

Since its establishment, the foundation has stuck to its initial principle, focused on people’s livelihood, drawn on its strengths and organized public programs and events in various areas including scholarships and student grants, rural revitalization and poverty alleviation, medical and emergency assistance and volunteer services. Public programs were organized across over 50 cities in 28 provinces or autonomous regions, with donations of over RMB56 million and over 190,000 direct beneficiaries.

CORPORATE SOCIAL RESPONSIBILITY REPORT

Scholarships and student grants

For a decade, the foundation has organized scholarship and student grant programs across China, subsidizing nearly 10,000 students. In particular, in 2024, the foundation has set up scholarship programs in a total of 9 universities, with charity expenses of RMB1.06 million and over 130 beneficiaries. On one hand, the foundation provides scholarships to outstanding college students to help them exploit their creativity and fulfill their dreams. On the other hand, the foundation provides student grants for poverty children to help them complete their studies. Moreover, the foundation also promotes its charity philosophy and culture through promotion activities including award ceremony and campus seminars.

Rural revitalization and poverty alleviation

Actively responding to the call of government of “consolidating the achievements of poverty alleviation and assisting comprehensive rural revitalization”, the foundation stepped up its efforts in supporting poverty alleviation by consistently carrying out rural revitalization and poverty alleviation projects in rural and border areas with over 60,000 direct beneficiaries and more than 100,000 people served. The foundation’s rural revitalization projects mainly focus on “green industry”, “quality education” and “health and well-being”, which are in line with the sustainable development goals of the United Nations. The projects launched include the “Tibet Shigatse Grassroots Animal Vaccine Cold Chain” (西藏日喀則市基層動物疫苗冷鏈) support project, the “Yunshang Jingmai” (雲上景邁) green industry support project in Yunnan, the “Horizon Warmth Action” (宏信暖心行動) love and care project, the “Hong Se Mi Yun, Dang Jian Wo Hang” (紅色密雲黨建我行) project for improving office conditions of grassroots party organizations, the “Great Love & Beautiful Heart” (大美同行) campus mental health project, and “Mobile Classroom (行走中的小課堂)” study enlightenment activities for children. Meanwhile, based on the actual needs of rural areas, Horizon Charity Foundation paid attention to the cultural core of rural development and strove to support comprehensive rural revitalization from the cultural level. It has launched the “Wen Zhi Support Program” (文志幫扶計劃), aiming to gather cultural professionals for rural development, explore the cultural resources of villages, help improve the cultural environment of villages through multiple channels, and promote the upgrading of rural cultural industries.

Medical and emergency assistance

With its focus on groups with hardship getting medical treatment, the foundation organized medical assistance programs in over 30 cities across China, providing financial support for impoverished patients and helping families falling into poverty due to illness. In addition, the foundation supported the medical development of the western region, elevated overall local diagnosis and treatment technology, and delivering hope to more patients and families, with over 5,500 beneficiaries in total. Meanwhile, in 2024, the foundation launched programs such as the Far East Horizon Community Art and Art Therapy Campaign (《宏信文志社區「藝」入人心·「愈」見自己藝術療愈主題活動》), which not only provided preliminary aids but also took care of the mental health of disaster victims, thus spreading the warmth of Far East Horizon.

Volunteer services

The foundation set up a volunteer service platform for staffs of the Company and caring people in the community, formed the Far East Horizon Volunteer Team and continuously carried out various diverse volunteer activities such as the “Mentorship Program of Rural Children (鄉村兒童陪伴着成長項目)” under the Core of Volunteer Training Program (“志願者”賦能培訓計劃), the “Qian Li Cao Education-aid and Volunteering Program” (千里草助學志願服務項目), the “Care for Left-behind Children in Chongming Volunteer Activities” (關愛崇明留守兒童志願者活動), and the “Horizon Warmth Action – Voluntary Service Project for Community Mutual-Aid Elderly Care” (宏信暖心行動—社區互助養老志願服務項目), bringing joy and happiness to the community, spreading the spirit of charitable philosophy of “gathering small love in the heart, showing love without boundaries” and promoting the spirit of volunteering.

INDEPENDENT AUDITOR'S REPORT



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

OPINION

We have audited the consolidated financial statements of Far East Horizon Limited (the "Company") and its subsidiaries (the "Group") set out on pages 171 to 360, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
<i>Impairment assessment of loans and accounts receivable</i>	
As at 31 December 2024, the Group's loans and accounts receivable consisted of lease receivables, interest receivables, notes receivable, accounts receivable, factoring receivables, entrusted loans, long-term receivables and secured loans, and accounted for 72.3% of the Group's total assets. The assessment of impairment of such loans and accounts receivable was considered to be a matter of most significance as it required the application of judgement and use of subjective assumptions by management. HKFRS 9 requires the use of the "expected credit loss" ("ECL") model for the measurement of impairment allowances of financial assets. In measuring the ECLs of loans and accounts receivable under HKFRS 9, management need to apply judgement, make necessary assumptions and select reasonable ECL model methodology in aspects such as determining whether there are significant increases in credit risk, determining the parameters and the forward-looking adjustments. The accounting policies, disclosures of the allowances for impairment of loans and receivables and the related credit risk are included in Note 2.5, Note 3, Note 23 and Note 48 to the consolidated financial statements.	We evaluated and tested the effectiveness of the design and implementation of key controls relating to approval, post approval monitoring, credit grading management, and loan impairment assessment. We adopted a risk-based sampling approach in our tests of the allowances for impairment of loans and receivables. We selected samples of loans considering size, risk factors, industry trends for our tests on the reasonableness of loan grading and measurement of impairment. We evaluated and tested the key parameters of the expected credit loss model, management's major judgements and related assumptions, mainly focusing on the following aspects: - Assessing the reasonableness of the expected credit loss model methodology and related parameters, including probability of default, loss given default, exposure at default, and significant increase in credit risk; - Assessing the reasonableness of the management's consideration of forward-looking adjustment information when determining expected credit losses, including the use of macroeconomic information and the judgement of adjustments. We also assessed the appropriateness of the Group's disclosures of the allowances for impairment of loans and receivables and the related credit risk in Note 2.5, Note 3, Note 23 and Note 48 to the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Cheung Bing Yin Benny.

Ernst & Young
Certified Public Accountants
Hong Kong
7 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2024

		2024	2023
	Notes	RMB'000	RMB'000
Interest income	5	21,182,108	22,467,103
Revenue from operating leases	5	6,350,698	6,126,865
Revenue from contracts with customers	5	10,353,429	9,508,737
Tax and surcharges		(137,079)	(142,907)
Cost of sales	7	(20,734,304)	(19,958,815)
Other income and gains	5	1,893,476	2,251,349
Selling and distribution costs		(3,600,472)	(3,628,535)
Administrative expenses		(4,738,808)	(4,515,957)
Impairment losses on financial and contract assets, net		(1,057,540)	(613,314)
Gains on derecognition of financial assets measured at amortised cost		9,619	–
Other expenses		(547,667)	(300,601)
Finance costs	6	(1,213,009)	(1,037,956)
Share of net profits of:			
Associates		170,685	63,409
Share of net profits of:			
Joint ventures		90,227	205,882
PROFIT BEFORE TAX	7	8,021,363	10,425,260
Income tax expense	10	(3,502,126)	(3,508,237)
PROFIT FOR THE YEAR		4,519,237	6,917,023
Attributable to:			
Ordinary shareholders of the parent		3,862,461	6,192,972
Holders of perpetual securities	39	32,188	106,894
Non-controlling interests		624,588	617,157
		4,519,237	6,917,023
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12	RMB	RMB
Basic			
– Earnings per share		0.92	1.47
Diluted			
– Earnings per share		0.84	1.33

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2024

		2024	2023
	Notes	RMB'000	RMB'000
PROFIT FOR THE YEAR		4,519,237	6,917,023
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 year	22	1,081,696	907,271
Reclassification to the consolidated statement of profit or loss	22	(394,499)	(693,910)
Income tax effect	22	(12,223)	3,236
Exchange differences on translation of foreign operations		674,974	216,597
		(33,646)	(80,561)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		641,328	136,036
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		641,328	136,036
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		5,160,565	7,053,059
Attributable to:			
Ordinary shareholders of the parent		4,503,868	6,328,986
Holders of perpetual securities		32,188	106,894
Non-controlling interests		624,509	617,179
		5,160,565	7,053,059

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2024

		31 December 2024	31 December 2023
	Notes	RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	26,547,204	23,513,055
Investment properties		100,177	107,767
Right-of-use assets	14(a)	2,403,192	2,388,496
Goodwill	15	194,737	171,523
Other intangible assets	16	140,597	121,749
Investments in joint ventures	18	4,152,840	3,572,175
Investments in associates	19	4,450,160	5,533,062
Financial assets at fair value through profit or loss	20	12,291,312	7,105,741
Derivative financial instruments	22	723,844	922,674
Loans and accounts receivables	23	104,826,511	100,463,939
Prepayments, other receivables and other assets	24	1,171,040	1,219,577
Deferred tax assets	26	6,051,263	6,052,352
Restricted deposits	27	9,608,115	1,560,000
Total non-current assets		172,660,992	152,732,110
CURRENT ASSETS			
Inventories	28	476,752	409,681
Loans and accounts receivables	23	155,822,206	170,302,904
Contract assets	25	753,848	383,863
Prepayments, other receivables and other assets	24	4,264,180	3,893,686
Debt investment at fair value through other comprehensive income	21	453,246	372,228
Financial assets at fair value through profit or loss	20	3,467,958	1,735,854
Derivative financial instruments	22	1,032,896	1,211,308
Restricted deposits	27	1,100,401	1,589,062
Cash and cash equivalents	27	19,786,521	18,852,540
Assets held for sale	29	571,000	–
Total current assets		187,729,008	198,751,126
CURRENT LIABILITIES			
Trade and bills payables	30	7,865,619	9,509,889
Other payables and accruals	31	12,734,419	13,466,682
Derivative financial instruments	22	142,513	5,928
Convertible bonds – host debts	33	2,066,423	–
Interest-bearing bank and other borrowings	32	143,499,457	132,389,989
Lease liabilities	14(b)	277,212	280,495
Income tax payable		1,278,347	1,437,537
Total current liabilities		167,863,990	157,090,520
NET CURRENT ASSETS		19,865,018	41,660,606
TOTAL ASSETS LESS CURRENT LIABILITIES		192,526,010	194,392,716

continued/...

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2024

		31 December 2024	31 December 2023
	Notes	RMB'000	RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		192,526,010	194,392,716
NON-CURRENT LIABILITIES			
Convertible bonds – host debts	33	6,413	3,806,952
Interest-bearing bank and other borrowings	32	119,345,890	119,439,204
Lease liabilities	14(b)	717,257	707,150
Derivative financial instruments	22	159,078	209,553
Deferred tax liabilities	26	826,532	860,952
Other payables and accruals	31	11,793,508	9,054,119
Deferred revenue	34	498,877	911,238
Other non-current liabilities	49	1,701,314	1,833,948
Total non-current liabilities		135,048,869	136,823,116
Net assets		57,477,141	57,569,600
EQUITY			
Equity attributable to ordinary shareholders of the parent			
Share capital	35	13,098,930	13,066,292
Equity component of convertible bonds	33	144,785	228,432
Reserves	38	35,746,601	36,804,645
		48,990,316	50,099,369
Holders of perpetual securities	39	–	1,573,876
Non-controlling interests		8,486,825	5,896,355
Total equity		57,477,141	57,569,600

Kong Fanxing
Director

Wang Mingzhe
Director

Year ended 31 December 2024

continued/...

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2024

Attributable to ordinary shareholders of the parent															
	Share capital	Equity component of convertible bonds	Capital reserve	Shares held for the share award scheme	Share-based compensation reserve	Shares held for the share award scheme of a subsidiary	Special reserve	Reserve fund	Hedging reserve	Exchange fluctuation reserve	Retained profits	Total	Perpetual securities	Non-controlling interests	Total equity
	RMB'000 (Note 35)	RMB'000 (Note 33)	RMB'000 (Note 38)	RMB'000 (Note 37)	RMB'000 (Note 37)	RMB'000 (Note 37)	RMB'000 (Note 38)	RMB'000 (Note 38)	RMB'000 (Note 38)	RMB'000 (Note 38)	RMB'000 (Note 38)	RMB'000 (Note 38)	RMB'000 (Note 39)	RMB'000 (Note 39)	RMB'000 (Note 39)
At 1 January 2024	13,066,292	228,432	2,212,708	-	431,106	-	91,760	121,913	(286,166)	561,165	34,248,667	50,099,369	1,573,876	5,896,355	57,569,600
Profit for the year	-	-	-	-	-	-	-	-	-	-	3,862,461	3,862,461	32,188	624,588	4,519,237
Other comprehensive income for the year:															
Cash flow hedges, net of tax	-	-	-	-	-	-	-	-	675,053	-	-	675,053	-	(79)	674,974
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	-	(33,646)	-	(33,646)	-	-	(33,646)
Total comprehensive income	-	-	-	-	-	-	-	-	675,053	(33,646)	3,862,461	4,503,868	32,188	624,509	5,160,565
Final 2023 dividend and 2024 interim dividend declared (net of dividends received from shares held for the share award scheme)	-	-	-	-	-	-	-	-	-	-	(2,872,921)	(2,872,921)	-	-	(2,872,921)
Special dividend (Note 11)	-	-	(1,520,659)	-	-	-	-	-	-	-	(1,034,827)	(2,555,486)	-	3,220,251	664,765
Distribution paid to holders of perpetual securities	-	-	-	-	-	-	-	-	-	-	-	-	(62,214)	-	(62,214)
Shares vested under restricted share award scheme	-	-	-	257,970	(202,377)	-	-	-	-	-	(55,593)	-	-	-	-
Purchase of shares under restricted share award scheme	-	-	-	(227,471)	-	(37,938)	-	-	-	-	-	(265,409)	-	(51,517)	(316,926)
Transfer of share option reserve upon exercise of share options	32,638	-	-	-	(6,453)	-	-	-	-	-	-	26,185	-	-	26,185
Recognition of equity-settled share-based payments	-	-	-	-	197,507	-	-	-	-	-	-	197,507	-	7,057	204,564
Special reserve – safety fund appropriation	-	-	-	-	-	-	21,784	-	-	-	(21,784)	-	-	-	-
Capital injection/reduction by non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	(906,820)	(906,820)
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(23,285)	(23,285)
Purchase of non-controlling interests	-	-	43,789	-	-	-	-	-	-	-	-	43,789	-	(131,443)	(87,654)
Share of other reserves of investments accounted for using the equity method	-	-	(56,145)	-	-	-	-	-	-	-	-	(56,145)	-	-	(56,145)

continued/...

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2024

	Attributable to ordinary shareholders of the parent										
	Share capital	Equity component of convertible bonds	Capital reserve	Shares held for the share award scheme	Share-based compensation reserve	Shares held for the share award scheme of a subsidiary	Special reserve	Reserve fund	Hedging reserve	Exchange fluctuation reserve	Retained profits
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 35)	(Note 33)	(Note 38)	(Note 37)	(Note 37)	(Note 37)	(Note 38)	(Note 38)	(Note 38)	(Note 39)	(Note 39)
Dividends declared to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	(224,794)
Redemption of perpetual securities (Note 39)	-	-	-	-	-	-	-	-	-	(1,543,850)	-
Redemption of convertible bonds	-	(83,647)	(70,052)	-	-	-	-	-	-	(153,699)	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	31,668
Others	-	-	23,258	-	-	-	-	-	-	-	44,844
At 31 December 2024	13,098,930	144,785	632,899*	(546,009)*	419,783*	(37,938)*	113,544*	121,913*	388,887*	527,519*	48,990,316
											8,486,825
											57,477,141

* These reserve accounts comprise the consolidated reserves of RMB35,746,601,000 (31 December 2023: RMB36,804,645,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2024

		2024	2023
	Notes	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		8,021,363	10,425,260
Adjustments for:			
Finance costs		10,577,107	10,993,370
Bank interest income	5	(134,206)	(215,923)
Share of net profits of associates		(170,685)	(63,409)
Share of net profits of joint ventures		(90,227)	(205,882)
Gains on unlisted debt investments, at fair value	5	(41,081)	(10,872)
Gains on disposal of property, plant and equipment, net		(72,285)	(3,606)
Gains on disposal of subsidiaries	5	(132,254)	(126,498)
Gains on disposal of a joint venture	5	(79,242)	(82,094)
Depreciation of property, plant and equipment	13	3,151,116	2,646,961
Depreciation of investment properties		7,591	7,915
Depreciation of right-of-use assets	14	373,542	267,725
Impairment of loans and accounts receivables	7	1,055,195	477,312
Reversal of property, plant and equipment	7	–	(512,860)
Impairment of prepayments, other receivables and other assets	7	56,056	143,878
Impairment of right-of-use assets	7	–	218
Impairment/(reversal of impairment) of investments in joint ventures	7	38,902	(90,000)
Impairment of investments in associates	7	155,973	23,269
(Reversal)/impairment of credit commitments	7	(48,275)	14,431
Interest expense on lease liabilities	14	33,508	26,667
Amortisation of intangible assets and other assets	7	46,929	40,918
Equity-settled share-based payment expense	7	204,564	233,148
Foreign exchange gains, net	7	(57,427)	(6,509)
Realised gains on derecognition of financial assets at fair value through profit or loss	5	(331,429)	(412,295)
Fair value losses from financial liabilities at fair value through profit or loss	5/7	5,093	28,384
Fair value (gains)/losses from financial assets at fair value through profit or loss		(240,968)	23,464
Dividends from financial assets at fair value through profit or loss	5	(11,434)	(14,141)
		22,317,426	23,608,831

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CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2024

		2024	2023
	Notes	RMB'000	RMB'000
(Increase)/decrease in inventories		(62,385)	36,932
Decrease/(increase) in loans and accounts receivables		2,040,270	(2,708,916)
Increase in contract assets		(369,983)	(79,568)
Increase in prepayments, other receivables and other assets		(584,157)	(408,380)
Decrease in restricted cash related to asset-backed securitisations, collective fund trusts and litigation		261,318	730,256
Decrease in trade and bills payables		(1,645,275)	(4,377,357)
Increase in other payables and accruals		2,680,137	1,408,084
(Decrease)/increase in other liabilities		(412,361)	305,791
Net cash flows from operating activities before tax and interest		24,224,990	18,515,673
Interest paid		(10,690,121)	(11,111,582)
Bank interest received		134,206	215,923
Income tax paid		(3,703,092)	(3,893,487)
Net cash flows from operating activities		9,965,983	3,726,527
CASH FLOWS FROM INVESTING ACTIVITIES			
Gains on unlisted debt investments, at fair value	5	41,081	10,872
Proceeds from disposal of property, plant and equipment, intangible assets and other long-term assets		1,923,864	1,243,767
Acquisition of subsidiaries		(81,379)	–
Purchase of items of property, plant and equipment, intangible assets and other long-term assets		(8,411,868)	(2,558,961)
Purchase of shareholdings for joint ventures		(528,735)	(321,954)
Purchase of shareholdings for associates		(210,400)	–
Dividend received from joint ventures		–	12,000
Dividend received from associates		71,241	94,999
Proceeds from disposal of a joint venture		76,560	92,651
Proceeds from disposal of associates		1,196,000	–
Purchase of financial assets at fair value through profit or loss		(1,268,536)	(1,230,702)
Disposal of subsidiaries		201,580	416,259
Disposal of financial assets at fair value through profit or loss		1,552,644	1,027,387
Realized gains on derecognition of financial assets at fair value through profit or loss		331,429	412,295
Dividends of financial assets at fair value through profit or loss	5	11,434	14,141
(Decrease)/increase in time deposits		1,560,000	(1,610,000)
Net cash flows used in investing activities		(3,535,085)	(2,397,246)

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CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2024

		2024	2023
	Notes	RMB'000	RMB'000
Net cash flows used in investing activities		(3,535,085)	(2,397,246)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received upon exercise of share options		26,185	11,140
Capital injection from non-controlling shareholders		95,761	1,511,786
Capital reduction from non-controlling shareholders		(1,001,000)	(735,199)
Purchase of non-controlling shareholders		(87,654)	–
Cash received from borrowings		202,965,013	205,064,073
Repayments of borrowings		(194,297,986)	(201,811,538)
Principal portion of lease payments		(394,451)	(308,053)
Dividends paid		(2,872,921)	(1,871,222)
(Increase)/decrease in pledged deposits		(9,380,772)	958,133
Realised fair value gains from derivative financial instruments in hedges for borrowings		1,532,389	580,785
Distribution paid to holders of perpetual securities	39	(62,214)	(116,645)
Dividends paid to non-controlling shareholders		(260,463)	(123,762)
Redemption of perpetual securities		(1,543,850)	(1,507,445)
Purchase of shares under share award scheme		(316,926)	(47,514)
Re-purchase of shares		–	(12,920)
Net cash flows (used in)/from financing activities		(5,598,889)	1,591,619
NET INCREASE IN CASH AND CASH EQUIVALENTS		832,009	2,920,900
Cash and cash equivalents at beginning of year		18,852,540	15,903,843
Effect of exchange rate changes on cash and cash equivalents		101,972	27,797
CASH AND CASH EQUIVALENTS AT END OF YEAR	27	19,786,521	18,852,540

NOTES TO FINANCIAL STATEMENTS

31 December 2024

1. CORPORATE AND GROUP 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 to Far East Horizon Limited. The registered office address of the Company is Units 6706B-6708A, 67/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

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”).

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments and financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand (“RMB’000”) except when otherwise indicated.

Through a group reorganisation (the “Reorganisation”) as set out in the section headed “Our History and Reorganisation” in the Prospectus dated 18 March 2011 for the public listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company became the holding company of the companies comprising the Group on 13 March 2009. The Company was listed on the Stock Exchange on 30 March 2011.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2024. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the ordinary shareholders of the parent of the Group, the non-controlling interests and holders of perpetual securities even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 16

Lease Liability in a Sale and Leaseback

Amendments to HKAS 1

*Classification of Liabilities as Current or Non-current
(the "2020 Amendments")*

Amendments to HKAS 1

*Non-current Liabilities with Covenants
(the "2022 Amendments")*

Amendments to HKAS 7 and HKFRS 7

Supplier Finance Arrangements

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

- (a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.
- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. As the Group does not have significant supplier finance arrangements, the amendments did not have material impact on the Group's financial statements.

2.3 CHANGES IN ACCOUNTING ESTIMATES

Horizon Construction Development Limited ("HCD"), one subsidiary of the Group made the following changes in accounting estimates on 1 January 2024.

HCD's neo-formwork system is mainly comprised of hot-dip galvanised scaffolds using high-strength and high-hardness structural steel as material, and mainly adopts hot-dip galvanising with thickness of 55-70/um, which makes the steel pipes corrosion-resistant and the galvanised layer uneasy to fall off and be physically damaged. The "cold zinc-spraying" process recently introduced by HCD can continuously repair the galvanised layer, which effectively extends the useful life of such assets. Meanwhile, the China Formwork and Scaffold Association announced an Expert Evaluation of "Useful Life of Ringlock Scaffolds" at the beginning of 2024, demonstrating the useful life of hot-dip galvanised scaffolds can reach 20 years or more, under normal maintenance and usage.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.3 CHANGES IN ACCOUNTING ESTIMATES (Continued)

HCD conducted a review of the useful life of its hot-dip galvanised scaffolds in the neo-formwork system taking into account the years of use, current state of use, technological trends and maintenance. Meanwhile, with reference to the scrap steel transaction prices (exclusive of tax and disposal expenses) in open markets for the last five years, the net residual value of HCD's hot-dip galvanised scaffolds equivalents to 30% of the original cost.

Pursuant to the review result, since 1 January 2024, HCD has adjusted the estimated useful life of its hot-dip galvanised scaffolds in the neo-formwork system from 10 years to 20 years and adjusted the net residual value from 10% to 30%, so as to fairly reflect the actual condition of HCD's hot-dip galvanised scaffolds and to improve the quality of accounting information. The change in accounting estimates will be applied prospectively.

The aforesaid changes resulted in a decrease of depreciation cost of HCD by RMB268,296,000 for the year ended 31 December 2024, and an increase of the profit of HCD for the year by RMB204,398,000. Consequently, the aforesaid changes of estimation resulted in the same impact on the Group's consolidated financial statements.

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these new and revised HKFRSs, if applicable, when they become effective.

HKFRS 18	<i>Presentation and Disclosure in Financial Statements³</i>
HKFRS 19	<i>Subsidiaries without Public Accountability: Disclosures³</i>
Amendments to HKFRS 9 and HKFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments²</i>
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture⁴</i>
Amendments to HKAS 21	<i>Lack of Exchangeability¹</i>
Annual Improvements to HKFRS Accounting Standards – Volume 11	<i>Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7²</i>

1 Effective for annual reporting periods beginning on or after 1 January 2025

2 Effective for annual reporting periods beginning on or after 1 January 2026

3 Effective for annual reporting periods beginning on or after 1 January 2027

4 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HKFRS 18 replaces HKAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from HKAS 1 with limited changes, HKFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in HKAS 1 are moved to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is renamed as HKAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of HKFRS 18, limited, but widely applicable, amendments are made to HKAS 7 *Statement of Cash Flows*, HKAS 33 *Earnings per Share* and HKAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other HKFRSs. HKFRS 18 and the consequential amendments to other HKFRSs are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Group is currently analysing the new requirements and assessing the impact of HKFRS 18 on the presentation and disclosure of the Group's financial statements.

HKFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other HKFRSs. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in HKFRS 10 *Consolidated Financial Statements*, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with HKFRSs. Earlier application is permitted. As the Company is a listed company, it is not eligible to elect to apply HKFRS 19. Some of the Company's subsidiaries are considering the application of HKFRS 19 in their specified financial statements.

Amendments to HKFRS 9 and HKFRS 7 clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA. However, the amendments are available for adoption now.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRS Accounting Standards – Volume 11 set out amendments to HKFRS 1, HKFRS 7 (and the accompanying *Guidance on implementing HKFRS 7*), HKFRS 9, HKFRS 10 and HKAS 7. Details of the amendments that are expected to be applicable to the Group are as follows:

- **HKFRS 7 *Financial Instruments: Disclosures*:** The amendments have updated certain wording in paragraph B38 of HKFRS 7 and paragraphs IG1, IG14 and IG20B of the *Guidance on implementing HKFRS 7* for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the *Guidance on implementing HKFRS 7* does not necessarily illustrate all the requirements in the referenced paragraphs of HKFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
- **HKFRS 9 *Financial Instruments*:** The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with HKFRS 9, the lessee is required to apply paragraph 3.3.3 of HKFRS 9 and recognise any resulting gain or loss in profit or loss. In addition, the amendments have updated certain wording in paragraph 5.1.3 of HKFRS 9 and Appendix A of HKFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

- **HKFRS 10 Consolidated Financial Statements:** The amendments clarify that the relationship described in paragraph B74 of HKFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of HKFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
- **HKAS 7 Statement of Cash Flows:** The amendments replace the term "cost method" with "at cost" in paragraph 37 of HKAS 7 following the prior deletion of the definition of "cost method". Earlier application is permitted. The amendments are not expected to have any impact on the Group's financial statements.

2.5 MATERIAL ACCOUNTING POLICIES

Investments in subsidiaries in the Company's separate financial statements

HKAS 27 allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The Company changed its accounting for investments in subsidiaries from cost method to equity method in its separate financial statements for the year ended 31 December 2016 and consistently applied this policy in subsequent years. The Company's investments in subsidiaries are stated in its separate financial statements at the Company's share of net assets under the equity method of accounting, less any impairment losses. Investments in subsidiaries are eliminated in full upon consolidation.

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other case, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill at the end of each reporting period. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its debt investments, equity investments and derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for non-financial asset is required (other than inventories, contract assets, deferred tax assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third party;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Related parties (continued)

- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Category	Annual depreciation rate
Leasehold improvements	Shorter of the remaining period of the lease and the useful life of the assets
Buildings	1.90-20.00%
Equipment, tools and moulds	3.50-50.00%
Office equipment and computers	9.00-50.00%
Motor vehicles	10.00-25.00%
Vessels	3.72-4.74%
Others	20.00-33.33%

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including right-of-use assets) held to earn rental income and/or for capital appreciation. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment losses.

Depreciation is calculated on a straight-line basis to write off the cost of each item of investment properties.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	40 to 50 years
Buildings	1 to 25 years
Equipment	5 to 10 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Leases (Continued)

Group as a lessee (Continued)

(b) Lease liabilities

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

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Leases (Continued)

Group as a lessor (Continued)

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying assets to the lessee are accounted for as finance leases.

At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease. The finance income on the net investment in the lease is recognised in the statement of profit or loss so as to provide a constant periodic rate of return over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Investments and other financial assets (Continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Gains or losses from changes in the fair value of such assets (excluding the interest component) are reported in fair value gains or losses from financial assets at fair value through profit or loss included in other income and gains or other expenses, separately. The interest component is reported as part of the interest income. Dividend income received on equity securities of this category is recognised as dividend income included in other income and gains.

This category includes derivative instruments not designated as hedged instruments under cash flow hedges and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

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

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and accruals and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement (continued)

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a financial liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as cross-currency interest rate swaps, forward currency contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent measurement (continued)

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is “an economic relationship” between the hedged item and the hedging instrument.
- The effect of credit risk does not “dominate the value changes” that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent measurement (continued)

Hedges which meet all the qualifying criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment to which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to the statement of profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the statement of profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to the statement of profit or loss as a reclassification adjustment. After the discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income is accounted for depending on the nature of the underlying transaction as described above.

Fair value hedges

The change in the fair value of a hedging instrument is recognised in the statement of profit or loss as other expenses. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying amount of the hedged item and is also recognised in the statement of profit or loss as other expenses.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the statement of profit or loss over the remaining term of the hedge using the effective interest rate method. Effective interest rate amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value is recognised immediately in the statement of profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

Fair value hedges (continued)

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the statement of profit or loss. The changes in the fair value of the hedging instrument are also recognised in the statement of profit or loss.

Treasury shares

Own equity instruments which are required and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instrument.

Perpetual securities

Perpetual securities issued by the Group contain no contractual obligation to deliver cash or another financial asset, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group. The Group classifies such perpetual securities issued as an equity instrument. Fees, commissions and other transaction costs of such perpetual securities issuance are deducted from equity. The distributions on perpetual securities are recognised as profit distribution.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted-average basis and specific identification basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general policy for provisions above; and (ii) the amount initially recognised less, when appropriate, the amount of income recognised in accordance with the policy for revenue recognition.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the jurisdictions in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) *Sale of goods*

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

(b) *Construction services*

Revenue from the provision of construction services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

(c) *Provision of services*

Revenue from the provision of services is recognised over the scheduled period on a straight-line basis or at a point in time.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from other sources

Operating lease income

Operating lease income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Finance lease, factoring and loan interest income

Finance lease, factoring and loan interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial assets.

Other income

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract assets

If the Group performs by transferring goods or services to a customer before being unconditionally entitled to the consideration under the contract terms, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets. They are reclassified to trade receivables when the right to the consideration becomes unconditional.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Share-based payments

The Company operates a share option scheme and a restricted share award scheme. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using appropriate valuation models, further details of which are given in Note 36 and Note 37 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Employee benefits

Salaries and bonuses, social security contributions and other short term employee benefits are accrued in which services have been rendered by the employees of the Group.

The employees of the Company and its subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The entities are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

In addition, employees in Mainland China also participate in a defined contribution retirement benefit plan established by the Group (the "Annuity Plan"). The Group and its employees are required to contribute a certain percentage of the employees' previous year's basic salaries to the Annuity Plan. The contribution is charged to the statement of profit or loss when it incurs. The Group pays a fixed contribution into the Annuity Plan and has no obligation to pay further contributions even if the Annuity Plan does not hold sufficient assets to pay all employee benefits.

Contributions to these plans are recognised in the statement of profit or loss as incurred. There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

In respect of a dividend by way of distribution of non-cash assets, the liability to distribute the non-cash assets as a dividend is measured at the fair value of the assets to be distributed on the declaration date. At the end of the reporting period and at the date of settlement, the Group reviews and adjusts the carrying amount of the dividend liability, and any subsequent change in the fair value of the dividend liability is recognised in equity as an adjustment to the amount of the dividend distribution. Upon settlement, if the distributed assets are the shares of a subsidiary of the Group without a loss of control, the Group decreases in the ownership interest in a subsidiary by adjusting the carrying amounts of the controlling interest and non-controlling interest in equity rather than recognising a gain or loss in the statement of profit or loss. Otherwise, the difference between the carrying amount of the dividend liability which is also the fair value of the assets distributed, and the carrying amount of the assets distributed, if any, is recognised in profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Dividends (continued)

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of subsidiaries whose functional currency is other than RMB are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of subsidiaries with a functional currency other than RMB which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Classification between finance leases and operating leases

Leases are required to be classified as either finance leases (which transfer substantially all the risks and rewards of ownership, and give rise to asset and liability recognition by the lessee and a receivable by the lessor) and operating leases (which result in asset and liability recognition by the lessee, with the asset remaining recognised by the lessor).

Situations that would normally lead to a lease being classified as a finance lease include the following:

- the lease transfers ownership of the asset to the lessee by the end of the lease term;
- the lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable and, at the inception of the lease, it is reasonably certain that the option will be exercised;
- the lease term is for the major part of the economic life of the asset, even if the title is not transferred;
- at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset;
- and the leased assets are of a specialised nature such that only the lessee can use them without major modifications being made.

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

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate the lease.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

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

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

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of financial instruments

The measurement of impairment losses under HKFRS 9 across debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, and credit commitments requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of appropriate models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- (i) The Group's internal credit grading model, which assigns the probability of defaults (PDs) to the individual grades
- (ii) The Group's criteria for assessing whether there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment
- (iii) Development of ECL models, including the various formulas and the choice of inputs
- (iv) Determination of associations between macroeconomic scenarios and, economic inputs, and the effect on PDs, the exposure of defaults (EADs) and the loss given defaults (LGDs)

The Group will regularly review the expected credit loss model in the context of the actual loss experience and adjust it when necessary.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Where the actual or expected tax positions of the relevant companies of the Group in future are different from the original estimates, such differences will impact on the recognition of deferred tax assets and liabilities and income tax charge in the period in which such estimate has been changed.

Fair value of financial instruments

For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models or other valuation models.

Valuation techniques make use of observable market information to the greatest extent, however, when the observable market information cannot be obtained, management will have to make assumptions on the credit risk, market volatility and correlations of the Group and the counterparties, and any changes in these underlying assumptions will affect the fair value of financial instruments.

Share-based payments

Estimating the fair value for share-based payment transactions requires determination of an appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including volatility, the expected exercise behaviour and dividend yield, etc, and making assumptions about them. The assumptions and models used for estimating the fair value for share-based payment transactions are disclosed in Note 36 and Note 37.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

4. OPERATING SEGMENT INFORMATION

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

- The financial, lease and advisory business comprises (a) direct finance leasing; (b) sale-leaseback; (c) factoring; (d) entrusted loans; (e) operating leases and sale of related equipment and materials; (f) advisory services and (g) construction 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) the 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 FINANCIAL STATEMENTS

31 December 2024

4. OPERATING SEGMENT INFORMATION (continued)

As at and for the year ended 31 December 2024

	Financial, lease and advisory	Industrial operation and management	Adjustments and eliminations	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue: (Note 5)				
Sales to external customers	33,236,676	4,512,480	–	37,749,156
Intersegment sales	124,768	5,649	(130,417)	–
Cost of sales	(17,335,417)	(3,399,331)	444	(20,734,304)
Other income and gains	1,622,837	600,143	(329,504)	1,893,476
Selling and distribution costs and administrative expenses	(7,877,635)	(470,804)	9,159	(8,339,280)
Other expenses	(375,054)	(172,613)	–	(547,667)
Finance costs	(1,464,777)	(198,550)	450,318	(1,213,009)
Impairment losses on financial and contract assets	(927,202)	(130,338)	–	(1,057,540)
Gains on disposal of financial assets	9,619	–	–	9,619
Share of profits of associates	168,285	2,400	–	170,685
Share of profits of joint ventures	33,531	56,696	–	90,227
Profit before tax	7,215,631	805,732	–	8,021,363
Income tax expense	(3,426,665)	(75,461)	–	(3,502,126)
Profit after tax	3,788,966	730,271	–	4,519,237
Segment assets	366,662,414	13,875,879	(20,148,293)	360,390,000
Other segment information:				
Impairment losses recognised in the statement of profit or loss	1,168,772	89,079	–	1,257,851
Depreciation and amortisation	2,828,171	751,007	–	3,579,178
Capital expenditure	8,801,080	349,870	–	9,150,950

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4. OPERATING SEGMENT INFORMATION (continued)

As at and for the Year ended 31 December 2023

	Financial, lease and advisory	Industrial operation and management	Adjustments and eliminations	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue: (Note 5)				
Sales to external customers	32,992,536	4,967,262	–	37,959,798
Intersegment sales	186,314	4,392	(190,706)	–
Cost of sales	(15,922,808)	(4,036,007)	–	(19,958,815)
Other income and gains	1,879,725	465,275	(93,651)	2,251,349
Selling and distribution costs and administrative expenses	(7,968,340)	(182,475)	6,323	(8,144,492)
Other expenses	(242,062)	(58,539)	–	(300,601)
Finance costs	(1,087,253)	(228,737)	278,034	(1,037,956)
Impairment losses on financial and contract assets	(501,027)	(112,287)	–	(613,314)
Share of profits of associates	65,689	(2,280)	–	63,409
Share of profits of joint ventures	87,851	118,031	–	205,882
Profit before tax	9,490,625	934,635	–	10,425,260
Income tax expense	(3,415,605)	(92,632)	–	(3,508,237)
Profit after tax	6,075,020	842,003	–	6,917,023
Segment assets	354,159,255	13,762,901	(16,438,920)	351,483,236
Other segment information:				
Impairment losses recognised in the statement of profit or loss	507,897	(451,649)	–	56,248
Depreciation and amortisation	2,616,565	346,954	–	2,963,519
Capital expenditure	2,069,977	810,938	–	2,880,915

NOTES TO FINANCIAL STATEMENTS

31 December 2024

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2024	2023
	RMB'000	RMB'000
Mainland China	37,285,463	37,791,840
Hong Kong	67,737	105,695
Other locations	395,956	62,263
Total revenue	37,749,156	37,959,798

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

(b) Non-current assets

	2024	2023
	RMB'000	RMB'000
Mainland China	35,739,371	35,582,240
Hong Kong	39,898	454,960
Other countries or regions	2,858,178	–
Total non-current assets	38,637,447	36,037,200

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 year.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

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

		2024	2023
	Note	RMB'000	RMB'000
Interest Income			
Interest income from finance leases, factoring and loans		21,048,829	22,231,630
Interest income from financial assets at fair value through profit or loss		133,279	235,473
Revenue from operating leases		6,350,698	6,126,865
Revenue from contracts with customers	(i)	10,353,429	9,508,737
Tax and surcharges		(137,079)	(142,907)
Total revenue		37,749,156	37,959,798

NOTES TO FINANCIAL STATEMENTS

31 December 2024

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

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2024

	Financial, lease and advisory	Industrial operation and management	Total
Segments	RMB'000	RMB'000	RMB'000
Types of goods or services			
Sale of goods	1,472,289	6,511	1,478,800
Construction services	3,751,181	–	3,751,181
Service fee income	523,546	–	523,546
Healthcare service income	–	4,098,393	4,098,393
Education service income	–	203,454	203,454
Chartering and brokerage income	–	83,535	83,535
Other income	70,861	143,659	214,520
Total revenue from contracts with customers	5,817,877	4,535,552	10,353,429
Geographical markets			
Hong Kong	23,360	61,524	84,884
Mainland China	5,398,562	4,474,028	9,872,590
Other locations	395,955	–	395,955
Total revenue from contracts with customers	5,817,877	4,535,552	10,353,429
Timing of revenue recognition			
Goods or services transferred at a point in time	1,930,371	1,917,485	3,847,856
Services transferred over time	3,887,506	2,618,067	6,505,573
Total revenue from contracts with customers	5,817,877	4,535,552	10,353,429

NOTES TO FINANCIAL STATEMENTS

31 December 2024

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

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

For the year ended 31 December 2023

	Financial, lease and advisory	Industrial operation and management	Total
Segments	RMB'000	RMB'000	RMB'000
Types of goods or services			
Sale of goods	515,569	668	516,237
Construction services	2,964,596	–	2,964,596
Service fee income	896,331	–	896,331
Healthcare service income	–	4,646,323	4,646,323
Education service income	–	163,757	163,757
Chartering and brokerage income	–	154,833	154,833
Other income	95,628	71,032	166,660
Total revenue from contracts with customers	4,472,124	5,036,613	9,508,737
Geographical markets			
Hong Kong	13,542	103,282	116,824
Mainland China	4,446,224	4,883,426	9,329,650
Other locations	12,358	49,905	62,263
Total revenue from contracts with customers	4,472,124	5,036,613	9,508,737
Timing of revenue recognition			
Goods or services transferred at a point in time	559,255	1,889,407	2,448,662
Services transferred over time	3,912,869	3,147,206	7,060,075
Total revenue from contracts with customers	4,472,124	5,036,613	9,508,737

NOTES TO FINANCIAL STATEMENTS

31 December 2024

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

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

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

For the year ended 31 December 2024

	Financial, lease and advisory	Industrial operation and management	Total
Segments	RMB'000	RMB'000	RMB'000
Revenue from contracts with customers			
External customers	5,817,877	4,535,552	10,353,429
Intersegment sales	5,267	1,374	6,641
Intersegment adjustments and eliminations	(5,267)	(1,374)	(6,641)
Total revenue from contracts with customers	5,817,877	4,535,552	10,353,429

For the Year ended 31 December 2023

	Financial, lease and advisory	Industrial operation and management	Total
Segments	RMB'000	RMB'000	RMB'000
Revenue from contracts with customers			
External customers	4,472,124	5,036,613	9,508,737
Intersegment sales	3,556	4,441	7,997
Intersegment adjustments and eliminations	(3,556)	(4,441)	(7,997)
Total revenue from contracts with customers	4,472,124	5,036,613	9,508,737

NOTES TO FINANCIAL STATEMENTS

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

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2024	2023
	RMB'000	RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Service fee income	289,706	116,404
Sale of goods	19,695	25,069
Total	309,401	141,473

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of goods

The performance obligation is satisfied upon delivery of the goods and payment is generally due within 60 to 180 days from delivery.

Construction services

The performance obligation is satisfied over time as services are rendered. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

Services

The performance obligation is satisfied over time or at a point in time as services are rendered and short-term advances are normally required before rendering the services. Most service contracts are for periods of one year or less, or are billed based on the time incurred.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

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

Revenue from contracts with customers (continued)

(ii) Performance obligations (continued)

Services (continued)

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2024	2023
	RMB'000	RMB'000
Amounts expected to be recognised as revenue:		
Within one year	229,622	309,401
After one year	558,111	548,897
Total	787,733	858,298

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to service fee, of which the performance obligations are to be satisfied within 2 to 25 years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

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

		2024	2023
	Note	RMB'000	RMB'000
Other income and gains			
Bank interest income		134,206	215,923
Gains on unlisted debt investments, at fair value		41,081	10,872
Gains on disposal of property, plant, and equipment		81,799	4,514
Government grants	5a	262,595	225,377
Fair value gains from financial assets at fair value through profit or loss		505,829	193,662
Fair value gains from financial liabilities at fair value through profit or loss		14,033	–
Interest income from continuing involvement in transferred assets		128,599	342,111
Dividends of financial assets at fair value through profit or loss		11,434	14,141
Realised gains on financial assets at fair value through profit or loss		331,429	412,295
Gains on disposal of subsidiaries		132,254	126,498
Gains on disposal of a joint venture		79,242	82,094
Reversal of impairment of property, plant and equipment		–	512,860
Others		170,975	111,002
Total other income and gains		1,893,476	2,251,349

5a. Government grants

	2024	2023
	RMB'000	RMB'000
Government special subsidies	262,595	225,377

NOTES TO FINANCIAL STATEMENTS

31 December 2024

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2024	2023
	RMB'000	RMB'000
Interest on bank loans, overdrafts and other loans for the industrial operation business	1,179,501	1,011,289
Interest on lease liabilities	33,508	26,667
Total	1,213,009	1,037,956

7. PROFIT BEFORE TAX

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

	2024	2023
	RMB'000	RMB'000
Cost of borrowings included in cost of sales	9,397,606	9,982,081
Cost of inventories sold	963,175	280,040
Cost of construction services	2,761,893	2,098,931
Cost of operating leases	4,091,944	3,475,121
Cost of chartering	45,287	111,159
Cost of healthcare services	3,244,639	3,783,585
Cost of education services	138,698	118,796
Cost of others	91,062	109,102
Depreciation of property, plant and equipment	384,712	323,680
Less: Government grants released*	(1,612)	(2,197)
Total	383,100	321,483

NOTES TO FINANCIAL STATEMENTS

31 December 2024

7. PROFIT BEFORE TAX (continued)

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

	2024	2023
	RMB'000	RMB'000
Depreciation of right-of-use assets	373,542	267,725
Amortisation of intangible assets and other assets	46,929	40,918
Auditors' remuneration – audit services	9,580	10,348
– other services	6,129	5,008
Employee benefit expense (including directors' remuneration (Note 8))		
– Wages and salaries*		
Current year expenditure	6,082,878	5,558,240
Less: Government grants released**	(1,148,517)	(514,136)
Total	4,934,361	5,044,104
– Equity-settled share-based payment expense	204,564	233,148
– Pension scheme contributions	200,969	185,689
– Other employee benefits	313,536	229,322
	5,653,430	5,692,263

NOTES TO FINANCIAL STATEMENTS

31 December 2024

7. PROFIT BEFORE TAX (continued)

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

	2024	2023
	RMB'000	RMB'000
Impairment/(reversal of impairment) of investments in a joint venture	38,902	(90,000)
Impairment of investments in associates	155,973	23,269
Impairment of loans and accounts receivables (Note 23)	1,055,195	477,312
Reversal of impairment/(impairment) of financial assets included in prepayments, other receivables and other assets	56,056	143,878
Reversal of impairment/(impairment) of credit commitments	(48,275)	14,431
Impairment of right-of-use assets	–	218
Reversal of impairment of property, plant and equipment (Note 13)	–	(512,860)
Lease payments not included in the measurement of lease liabilities	49,861	40,553
Entertainment expenses	77,481	134,488
Business travelling expenses	331,085	340,607
Consultancy fees	293,166	191,534
Office expenses	66,148	58,540
Advertising and promotional expenses	56,715	64,213
Transportation expenses	161,129	162,452
Communication expenses	59,543	54,448
Litigation expenses	62,148	31,412
Other miscellaneous expenses:		
Current year expenditure	885,927	790,258
Less: Government grants released**	(4,812)	(20,723)
Total	881,115	769,535

NOTES TO FINANCIAL STATEMENTS

31 December 2024

7. PROFIT BEFORE TAX (continued)

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

	2024	2023
	RMB'000	RMB'000
Losses on disposal of property, plant and equipment	9,514	908
Donation	3,874	14,142
Bank commission expenses	23,250	22,679
Foreign exchange gains, net:		
Foreign exchange losses	498,085	737,652
Derivative gain or loss recycled from equity under cash flow hedge	(555,512)	(744,161)
Total	(57,427)	(6,509)
Gains on disposal of a joint venture	(79,242)	(82,094)
Fair value losses from financial assets at fair value through profit or loss	264,861	217,126
Other expenditure	32,166	28,269
Finance costs	1,213,009	1,037,956
Fair value losses from financial liabilities at fair value through profit or loss***	19,126	28,384
Bank interest income	(134,206)	(215,923)
Interest income from continuing involvement in transferred assets	(128,599)	(342,111)
Fair value gains from financial assets at fair value through profit or loss	(505,829)	(193,662)

* The Group has adopted collective economic-gain bonus schemes (the "Schemes", details of which are set out in Note 9) since 2014. In the year 2024, the Group did not pay any bonuses to the aforementioned plan (2023: nil). The aforementioned plan distributed RMB60 million to beneficiaries excluding senior management (2023: nil). In 2022, new trust schemes ("2022 Trust Schemes") were established in Mainland China and Hong Kong, respectively. The beneficiaries of the 2022 Trust Schemes comprised certain employees of the Group (including senior management) and directors. During the years ended 31 December 2024 and 2023, no distribution was made to senior management and directors under the aforesaid 2022 Schemes. Upon becoming aware of any forthcoming actual distribution or determination of allocation amounts under the aforementioned plans, the Group will disclose such information in accordance with the relevant requirements stipulated in the Listing Rules. During the Year ended 31 December 2024, the Group paid no bonus (2023: nil) to the 2022 Trust Schemes in Mainland China while paid bonuses of USD450,000,000 (2023: USD300,000,000) to the 2022 Trust Schemes in Hong Kong.

** Government grants have been received by subsidiaries of the Company from the local government for improvement of technology, staff training and development, and others. The government grants received have been deducted from the expenses to which they related. Government grants received for which related expenditure has yet been undertaken are included in deferred revenue in the statement of financial position (Note 34).

*** The fair value gains/losses from a financial liability at fair value through profit or loss are accounted for the fair value change linked to the investments by Limited Partners other than the Group in several Investment Limited Partnerships that are classified as financial liabilities in the consolidated financial statements of the Group.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2024	2023
	RMB'000	RMB'000
Fees	2,695	2,646
Other emoluments:		
Salaries, allowances and benefits in kind	10,097	10,087
Performance related bonuses*	6,100	6,100
Pension scheme contributions	189	195
Subtotal	16,386	16,382
Total fees and other emoluments	19,081	19,028

* Certain executive directors of the Company are entitled to bonus payments which are determined based on the business performance of the Group.

During 2024, certain directors were granted share options and restricted shares, in respect of their services to the Group, under the share option scheme and the restricted share award scheme of the Company, details of which are set out in Note 36 and Note 37 to the financial statements, respectively. Certain directors participated in the Group's collective economic-gain bonus schemes (the "Schemes"), details of which are set out in Note 9. During the year ended 31 December 2024, no distribution was made to the directors who are the beneficiaries of the Schemes, the above information of directors' and chief executive's remuneration has not taken into consideration the employees' potential entitlement under the Schemes. Upon becoming aware of any forthcoming actual distribution or determination of allocation amounts under the aforementioned plans, the Group will disclose such information in the remuneration disclosures for Directors and the Chief Executive Officer as required by the relevant provisions of the Listing Rules.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2024	2023
	RMB'000	RMB'000
Mr. Cai Cunqiang	—	189
Mr. Han Xiaojing	385	378
Mr. Liu Jialing	385	378
Mr. Yip Wai Ming	385	378
Mr. Wong Ka Fai	385	189
Total	1,540	1,512

(b) Non-executive directors

The fees paid to non-executive directors during the year were as follows:

	2024	2023
	RMB'000	RMB'000
Mr. Liu Haifeng	385	378
Mr. Luo Qiang	385	378
Mr. Kuo Mingjian	385	378
Total	1,155	1,134

NOTES TO FINANCIAL STATEMENTS

31 December 2024

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(c) Executive directors

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2024					
Executive directors:					
Mr. Kong Fanxing	–	4,674	2,500	71	7,245
Mr. Wang Mingzhe	–	2,738	1,800	71	4,609
Mr. Cao Jian	–	2,685	1,800	47	4,532
Total	–	10,097	6,100	189	16,386

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2023					
Executive directors:					
Mr. Kong Fanxing	–	4,673	2,500	65	7,238
Mr. Wang Mingzhe	–	2,737	1,800	65	4,602
Mr. Cao Jian	–	2,677	1,800	65	4,542
Total	–	10,087	6,100	195	16,382

NOTES TO FINANCIAL STATEMENTS

31 December 2024

9. FIVE HIGHEST PAID EMPLOYEES

An analysis of the five highest paid employees within the Group during the year is as follows:

	Number of employees	
	2024	2023
Directors	3	3
Non-directors	2	2
Total	5	5

The five highest paid employees during the year included three (2023: three) directors, details of whose remuneration are set out in Note 8 above. Details of the remuneration of the remaining two (2023: two) non-director, highest paid employees for the year are as follows:

	2024	2023
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	4,757	4,553
Performance related bonuses	2,200	2,200
Pension scheme contributions	141	130
Total	7,098	6,883

NOTES TO FINANCIAL STATEMENTS

31 December 2024

9. FIVE HIGHEST PAID EMPLOYEES (continued)

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2024	2023
HK\$3,500,001 to HK\$4,000,000 (Equivalent to RMB3,206,456 to RMB3,664,520)	2	1
HK\$4,000,001 to HK\$4,500,000 (Equivalent to RMB3,664,521 to RMB4,122,585)	–	1
HK\$4,500,001 to HK\$5,000,000 (Equivalent to RMB4,122,586 to RMB4,580,650)	–	–
HK\$5,000,001 to HK\$5,500,000 (Equivalent to RMB4,580,651 to RMB5,038,715)	–	–
Total	2	2

During the year ended 31 December 2024, certain highest paid employees were granted share options and restricted shares, in respect of their services to the Group, under the share option scheme and the restricted share award scheme of the Company, details of which are set out in Note 36 and Note 37 to the financial statements, respectively.

The Group has adopted collective economic-gain bonus schemes (the “Schemes”) since 2014. According to the Schemes, the Group paid a portion of employee bonus to separate funds (the “Employees’ Collectively Owned Funds”). The Employees’ Collectively Owned Funds are collectively owned by employees participating in the Scheme until distributed to individual employees. A committee (the “Committee”), elected by the general meeting of employee representatives, is established to be in charge of the management and operation of the Schemes and the determination and distribution of the Employees’ Collectively Owned Funds to all individual participating employees. The members of the Committee exclude any of the directors or senior management of the Company. In the view of the directors, the Employees’ Collectively Owned Funds are not the property of the Company or any of its subsidiaries, and the Group has no rights and obligations in respect of the management and operation of the Employees’ Collectively Owned Funds.

In 2022, new trust schemes (“2022 Trust Schemes”) were established in Mainland China and Hong Kong, respectively. The beneficiaries of the 2022 Trust Schemes comprised certain employees of the Group (including senior management) and directors. During the years ended 31 December 2024 and 2023, no distribution was made to senior management and directors under the aforesaid 2022 Schemes. The above information of the five highest paid employees and directors’ and chief executive’s remuneration (Note 8) have not taken into consideration the employees’ potential entitlement under the Schemes. Upon being knowledgeable of the actual distribution or the amount of distribution being determined in the future, the Group will make disclosures in accordance with the relevant requirements of the Listing Rules.

NOTES TO FINANCIAL STATEMENTS

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10. INCOME TAX

	2024	2023
	RMB'000	RMB'000
Current – Hong Kong		
Charge for the year	384,180	119,399
Current – Mainland China		
Charge for the year	3,150,229	3,284,644
Underprovision in prior years	14,034	76,548
Deferred tax (Note 26)	(46,317)	27,646
Total tax charge for the year	3,502,126	3,508,237

Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2023: 16.5%) on the estimated assessable profits arising in Hong Kong for the year.

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% (2023: 25%) on the estimated assessable profits for the year, based on existing legislation, interpretations and practices in respect thereof.

The State Administration of Taxation announced that enterprises of encouraged industries in the Western Region of the PRC could use a preferential tax rate of 15% from 1 January 2011 to 31 December 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.

Shanghai Horizon Equipment & Engineering Co., Ltd. was accredited as High and New-technology Enterprises (the "HNTE") in 2015, 2018 and 2021, while Guangzhou Hongtu Equipment & Engineering Co., Ltd. was accredited as HNTE in 2020 and 2023, and both of them were entitled to a preferential PRC corporate income tax rate of 15% thereafter. The HNTE certificates of Shanghai Horizon Equipment & Engineering Co., Ltd. and Guangzhou Hongtu Equipment & Engineering Co., Ltd. need to be renewed every three years so as to enable these entities to enjoy the reduced tax rate of 15%. Shanghai Horizon Equipment & Engineering Co., Ltd. was entitled to a tax rate of 15% till 23 December 2024, and the entity applied to renew the HNTE certificate for additional three years and is now in the public notice stage and management is of the opinion that the HNTE certificate would probably be renewed thus the tax rate of 15% should still be applied to this entity for the year ended 31 December 2024. Guangzhou Hongtu Equipment & Engineering Co., Ltd. was entitled to a tax rate of 15% for the current year and will continue to enjoy the tax rate of 15% till 28 December 2026.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

10. INCOME TAX (continued)

Corporate Income Tax ("CIT") (continued)

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

	2024	2023
	RMB'000	RMB'000
Profit before tax	8,021,363	10,425,260
Tax at the statutory income tax rates	2,162,715	2,882,284
Expenses not deductible for tax	863,536	896,061
Income not subject to tax	(260,884)	(483,629)
Adjustment on current income tax in respect of prior years	14,034	76,548
Utilisation of previously unrecognised tax losses	(8,040)	(215,054)
Unrecognised tax losses and temporary differences	354,392	284,248
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	335,993	1,386
Effect of withholding tax on interest on intra-group balances	40,380	66,393
Income tax expense as reported in the consolidated statement of profit or loss	3,502,126	3,508,237

Pillar Two income taxes

The Group has assessed its potential exposure based on the information available regarding the financial performance of the Group in the current year. As such, it may not be entirely representative of future circumstances. Based on the assessment, the Pillar Two effective tax rates in most of the jurisdictions in which it operates are above 15%. There are a limited number of jurisdictions where the Pillar Two effective tax rate is slightly below 15%. The Group does not expect a material exposure to Pillar Two income taxes.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

11. DIVIDENDS

	2024	2023
	RMB'000	RMB'000
Interim – HK\$0.25 (2023: Nil) per ordinary share	953,143	–
Proposed final dividend – HK\$0.30 (2023: HK\$0.50) per ordinary share	1,169,885	1,908,864

The final dividend of HK\$0.50 per share for the year ended 31 December 2023 was approved at the annual general meeting on 5 June 2024 and paid on 28 June 2024. In August 2024, the Company declared an interim dividend of HK\$0.25 per share, which was paid on 16 October 2024.

A final dividend for the year of 2024 of HK\$0.30 per share was proposed at the meeting of the board of directors (the “Board”) held on 7 March 2025. As at 31 December 2024, based on the total number of outstanding ordinary shares of 4,211,067,974 (2023: 4,212,804,910) (excluding the 109,007,692 (2023: 102,330,956) shares held for the share award scheme (Note 35), the proposed final dividend amounted to approximately HK\$1,263,320,000 (2023: HK\$2,106,402,000) (equivalent to RMB1,169,885,000 (2023: RMB1,908,864,000)). The proposed final dividend for the year is subject to the approval of the Company’s shareholders at the forthcoming annual general meeting. This proposed dividend is not reflected as a dividend payable in the financial statements.

On 16 January 2024, the Company distributed a special dividend to the shareholders of the Company in the form of a distribution of 159,819,846 shares of HCD (“First Special Dividend”). The total market value of the First Special Dividend was HK\$680,833,000 (equivalent to RMB619,081,000) which was calculated at HK\$4.26 per share on 16 January 2024.

On 28 June 2024, the Company distributed a Special Dividend to the shareholders of the Company in the form of a distribution of 799,982,759 shares of HCD (“Second Special Dividend”). The total market value of the Second Special Dividend was HK\$1,199,974,000 (equivalent to RMB1,095,192,000) which was calculated at HK\$1.50 per share on 28 June 2024.

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

The calculation of basic earnings per share for the year is based on the consolidated net profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 4,217,939,930 (2023: 4,200,089,498) outstanding during the year.

The calculation of the diluted earnings per share amounts is based on the consolidated net profit for the year 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 outstanding during the year, 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 FINANCIAL STATEMENTS

31 December 2024

12. 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

	2024	2023
	RMB'000	RMB'000
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculations	3,862,461	6,192,972
Interest on the host debt component of convertible bonds	116,115	139,016
Profit attributable to ordinary equity holders of the parent, before the above impact arising from convertible bonds	3,978,576	6,331,988

Shares

	Number of shares	
	2024	2023
Weighted average number of ordinary shares outstanding during the year, used in the basic earnings per share calculation	4,217,939,930	4,200,089,498
Effect of dilution – weighted average number of ordinary shares:		
Share options	49,111	1,136,777
Convertible bonds	519,041,854	575,394,277
Weighted average number of ordinary shares for diluted earnings per share	4,737,030,895	4,776,620,552

NOTES TO FINANCIAL STATEMENTS

31 December 2024

13. PROPERTY, PLANT AND EQUIPMENT

31 December 2024

	Leasehold improvements	Buildings	Equipment, Tools and moulds	Office equipment and computers	Motor vehicles	Construction in progress	Vessels	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2024:									
Cost	887,961	5,278,121	26,209,743	446,690	171,107	159,802	687,951	446,488	34,287,863
Accumulated depreciation and impairment	(724,873)	(1,215,895)	(7,918,855)	(341,236)	(129,084)	–	(120,188)	(324,677)	(10,774,808)
Net carrying amount	163,088	4,062,226	18,290,888	105,454	42,023	159,802	567,763	121,811	23,513,055
At 1 January 2024, net of accumulated depreciation and impairment	163,088	4,062,226	18,290,888	105,454	42,023	159,802	567,763	121,811	23,513,055
Additions	71,102	109,159	8,023,837	33,394	17,705	72,339	–	–	8,327,536
Depreciation provided during the year	(38,057)	(170,849)	(2,853,303)	(52,201)	(14,592)	–	(18,801)	(3,313)	(3,151,116)
Disposal of subsidiaries	–	(34,459)	(240,975)	(4,545)	(917)	(79,981)	–	–	(360,877)
Transfers	–	8,714	22,045	38	–	(30,797)	–	–	–
Disposals	(143,108)	(212,020)	(767,467)	(15,900)	(6,172)	(11,961)	(548,962)	(107,692)	(1,813,282)
Exchange realignment	–	–	31,958	(98)	28	–	–	–	31,888
At 31 December 2024, net of Accumulated depreciation and impairment	53,025	3,762,771	22,506,983	66,142	38,075	109,402	–	10,806	26,547,204
At 31 December 2024:									
Cost	655,875	5,008,337	31,734,144	437,616	157,120	109,402	–	18,584	38,121,078
Accumulated depreciation and impairment	(602,850)	(1,245,566)	(9,227,161)	(371,474)	(119,045)	–	–	(7,778)	(11,573,874)
Net carrying amount	53,025	3,762,771	22,506,983	66,142	38,075	109,402	–	10,806	26,547,204

NOTES TO FINANCIAL STATEMENTS

31 December 2024

13. PROPERTY, PLANT AND EQUIPMENT (continued)

31 December 2023

	Leasehold improvements	Buildings	Equipment, Tools and moulds	Office equipment and computers	Motor vehicles	Construction in progress	Vessels	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023:									
Cost	826,300	5,693,687	25,706,853	459,086	153,782	313,977	1,239,611	447,187	34,840,483
Accumulated depreciation and impairment	(666,015)	(1,342,466)	(6,566,093)	(337,113)	(100,338)	–	(541,228)	(321,367)	(9,874,620)
Net carrying amount	160,285	4,351,221	19,140,760	121,973	53,444	313,977	698,383	125,820	24,965,863
At 1 January 2023, net of accumulated depreciation and impairment	160,285	4,351,221	19,140,760	121,973	53,444	313,977	698,383	125,820	24,965,863
Additions	71,053	30,600	2,123,481	33,997	31,922	125,291	–	111	2,416,455
Depreciation provided during the year	(59,913)	(160,523)	(2,317,044)	(36,775)	(37,621)	–	(31,766)	(3,319)	(2,646,961)
Disposal of subsidiaries	(933)	(508,239)	(56,898)	(12,143)	(4,902)	(53,682)	–	–	(636,797)
Transfers	–	126,832	53,088	988	–	(180,908)	–	–	–
Disposals	(7,404)	(7,133)	(652,499)	(2,586)	(820)	(44,876)	(511,451)	(801)	(1,227,570)
Exchange realignment	–	–	–	–	–	–	129,205	–	129,205
Reversal of impairment	–	229,468	–	–	–	–	283,392	–	512,860
At 31 December 2023, net of Accumulated depreciation and impairment	163,088	4,062,226	18,290,888	105,454	42,023	159,802	567,763	121,811	23,513,055
At 31 December 2023:									
Cost	887,961	5,278,121	26,209,743	446,690	171,107	159,802	687,951	446,488	34,287,863
Accumulated depreciation and impairment	(724,873)	(1,215,895)	(7,918,855)	(341,236)	(129,084)	–	(120,188)	(324,677)	(10,774,808)
Net carrying amount	163,088	4,062,226	18,290,888	105,454	42,023	159,802	567,763	121,811	23,513,055

NOTES TO FINANCIAL STATEMENTS

31 December 2024

13. PROPERTY, PLANT AND EQUIPMENT (continued)

As at 31 December 2024, the Group has not obtained the property ownership certificates for three buildings (31 December 2023: four) with a net book value of RMB190,447,000 (31 December 2023: RMB141,535,000).

The Group was in the process of applying for the property ownership certificates for the above buildings as at 31 December 2024.

As at 31 December 2024, property, plant and equipment with a net carrying amount of RMB9,412,393,000 (31 December 2023: RMB7,705,295,000) were pledged to secure general banking facilities granted to the Group.

As at 31 December 2024, property, plant and equipment with a net carrying amount of RMB19,788,583,000 (31 December 2023: RMB17,632,005,000) were held for operating lease.

14. LEASES

The Group as a lessee

The Group has lease contracts for various items of buildings and equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 40 to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms between 1 and 25 years, while equipment generally has lease terms between 5 and 10 years or of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

14. LEASES (continued)

The Group as a lessee (continued)

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land	Buildings	Equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2023	1,455,838	417,799	–	1,873,637
Additions	31,732	122,325	725,844	879,901
Impairment	(218)	–	–	(218)
Depreciation charge	(63,480)	(145,611)	(58,634)	(267,725)
Disposal of subsidiaries	(20,709)	(13,237)	–	(33,946)
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	(63,153)	–	(63,153)
As at 31 December 2023 and 1 January 2024	1,403,163	318,123	667,210	2,388,496
Additions	8,768	271,361	145,095	425,224
Depreciation charge	(42,456)	(128,077)	(203,009)	(373,542)
Disposal of a subsidiary	–	(1,073)	–	(1,073)
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	(35,913)	–	(35,913)
As at 31 December 2024	1,369,475	424,421	609,296	2,403,192

As at 31 December 2024, the Group's leasehold land of approximately RMB777,609,000 (31 December 2023: RMB799,144,000) was pledged to secure general banking facilities granted to the Group.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

14. LEASES (continued)

The Group as a lessee (continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2024	2023
	RMB'000	RMB'000
Carrying amount at 1 January	987,645	506,382
New leases	416,457	848,169
Accretion of interest recognised during the year (Note 6)	33,508	26,667
Payments	(394,451)	(308,054)
Disposal of a subsidiary	(12,164)	(19,277)
Revision of a lease term arising from a change in the non-cancellable period of a lease	(36,526)	(66,242)
Carrying amount at 31 December	994,469	987,645
Analysed into:		
Current portion	277,212	280,495
Non-current portion	717,257	707,150

The maturity analysis of lease liabilities is disclosed in Note 46 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

14. LEASES (continued)

The Group as a lessee (continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2024	2023
	RMB'000	RMB'000
Interest on lease liabilities	33,508	26,667
Depreciation charge for right-of-use assets	373,542	267,725
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2024 (included in administrative expenses)	49,861	40,553
Expense relating to leases of low-value assets (included in administrative expenses)	–	–
Total amount recognised in profit or loss	456,911	334,945

(d) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in Note 40(c), to the financial statements.

The Group as a lessor – operating leases

The Group leases its equipment, tools and moulds under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB6,350,698,000 (2023: RMB6,126,865,000), details of which are included in Note 5 to the financial statements.

At 31 December 2024, undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2024	2023
	RMB'000	RMB'000
Within one year	4,533,389	4,367,659
After one year but within two years	526,181	536,734
After two years but within three years	14,759	17,458
Total	5,074,329	4,921,851

NOTES TO FINANCIAL STATEMENTS

31 December 2024

15. GOODWILL

	RMB'000
Cost at 1 January 2023, net of accumulated impairment	270,512
Disposal of subsidiaries (Note 40)	(98,989)
Cost and net carrying amount at 31 December 2023	171,523
At 31 December 2023:	
Cost	2,253,115
Accumulated impairment	(2,081,592)
Net carrying amount	171,523
Cost at 1 January 2024, net of accumulated impairment	171,523
Acquisition of a subsidiary	23,214
Cost and net carrying amount at 31 December 2024	194,737
At 31 December 2024:	
Cost	2,246,968
Accumulated impairment	(2,052,231)
Net carrying amount	194,737

Goodwill acquired through business combinations is allocated to each acquired subsidiary as the cash-generating units ("CGUs") within the medical service industry for impairment testing.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

15. GOODWILL (continued)

For cash-generating units within the medical service industry

The recoverable amount of each CGU within the medical service industry has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period and approved by senior management. The post-tax discount rate applied to the cash flow projections is 14.0% (2023: 14.0%). The implied pre-tax discount rates for the cash flow projections are 16.5% to 18.3% (2023: 16.5% to 18.3%).

The carrying amounts of goodwill are as follows:

	2024	2023
	RMB'000	RMB'000
Medical service industry	194,733	171,523
Others	4	–
	194,737	171,523

Assumptions were used in the value-in-use calculation of each CGU within the medical service industry for 31 December 2024 and 31 December 2023. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Expected gross margin – the basis used to determine the value assigned to the expected gross margin is the gross margin achieved in the current year, adjusted for expected growth and other changes, and expected market development.

Discount rates – the discount rates used reflect specific risks relating to the units.

The values assigned to the key assumptions on market development of the medical service industry, and the discount rates are comparable to external information sources.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

16. OTHER INTANGIBLE ASSETS

	2024	2023
	RMB'000	RMB'000
Software (Note 16a)	140,582	121,712
Others	15	37
Total	140,597	121,749

16a. SOFTWARE

	2024	2023
	RMB'000	RMB'000
Cost:		
At the beginning of the year	225,410	179,710
Additions	43,257	79,235
Disposals	(24,019)	(12,985)
Disposal of subsidiaries	(174)	(20,550)
At the end of the year	244,474	225,410
Accumulated amortisation:		
At the beginning of the year	(103,698)	(93,781)
Additions	(21,007)	(16,951)
Disposals	20,794	395
Disposal of subsidiaries	19	6,639
At the end of the year	(103,892)	(103,698)
Net carrying amount:		
At the end of the year	140,582	121,712
At the beginning of the year	121,712	85,929

NOTES TO FINANCIAL STATEMENTS

31 December 2024

17. SCOPE OF CONSOLIDATION

As at 31 December 2024, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows:

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
International Far Eastern Leasing Co., Ltd. (遠東國際融資租賃有限公司) (Note ii)	PRC/Mainland China 13 September 1991	USD1,816,710,922	100	–	Finance lease
Far East Horizon (Tianjin) Financial Leasing Co., Ltd. (遠東宏信(天津)融資租賃有限公司) (Note ii/Note iv)	PRC/Mainland China 10 December 2013	RMB6,500,000,000	55.38	44.62	Finance lease
Far East Horizon Financial Leasing Co., Ltd. (遠東宏信融資租賃有限公司) (Note ii)	PRC/Mainland China 12 January 2017	RMB2,500,000,000/ RMB2,050,000,000	45	55	Finance lease
Shanghai Donghong Co., Ltd. (上海東泓實業發展有限公司) (Note ii)	PRC/Mainland China 28 April 2006	RMB10,400,000,000/ RMB9,700,000,000	–	100	Trading
Shanghai Domin Medical Engineering Co., Ltd. (上海德明醫用設備工程有限公司) (Note ii)	PRC/Mainland China 4 March 2010	RMB100,000,000	–	100	Engineering and trading
Shanghai Dopont Industrial Co, Ltd ("Dopont") (上海德朋實業有限公司) (Note ii)	PRC/Mainland China 10 November 2011	RMB1,150,000,000	–	100	Trading
Far East Horizon Shipping Holdings Co., Ltd. (遠東宏信航運控股有限公司) (Note i)	Cayman Islands 2 October 2009	USD50,000/ USD0	100	–	Investment holding
Shanghai Horizon Construction Development Co., Ltd. (上海宏信建設發展有限公司) (Note ii, Note v)	PRC/Mainland China 14 April 2014	RMB5,550,000,000	–	41.69	Construction

NOTES TO FINANCIAL STATEMENTS

31 December 2024

17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2024, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Shanghai Horizon Equipment & Engineering Co., Ltd. (上海宏信設備工程有限公司) (Note ii, Note v)	PRC/Mainland China 13 July 2011	RMB5,920,000,000	–	41.69	Engineering
Tianjin Horizon Equipment Rental Co., Ltd. (天津宏信設備租賃有限公司)(Note ii, Note v)	PRC/Mainland China 27 July 2012	RMB100,000,000	–	41.69	Operating leasing
Shanghai Horizon Construction Investment Co., Ltd. (上海宏信建設投資有限公司) (Note ii)	PRC/Mainland China 12 January 2016	RMB3,000,000,000/ RMB2,500,000,000	–	100	Investment holding
Shanghai Hongjin Equipment & Engineering Co., Ltd. (上海宏金設備工程有限公司) (Note ii, Note v)	PRC/Mainland China 2 August 2013	RMB600,000,000	–	41.69	Operating lease
Far East Hongxin (Tianjin) Equipment Leasing Co., Ltd. (遠東宏信(天津)設備租賃有限公司) (Note ii)	PRC/Mainland China 31 October 2024	RMB100,000	55.48	44.62	Operating lease
Pan Zhou Yuhong Infrastructure Investment Co., Ltd. (盤州市昱宏基礎設施投資有限公司) (Note ii)	PRC/Mainland China 7 November 2015	RMB80,000,000	–	100	Construction
Kunming Hongqi Infrastructure Investment Co., Ltd. (昆明宏旗建設投資有限公司) (Note ii)	PRC/Mainland China 6 May 2022	RMB182,825,500/ RMB140,827,541	–	98	Construction

NOTES TO FINANCIAL STATEMENTS

31 December 2024

17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2024, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Jishou Yuxin Construction Investment Co., Ltd. (吉首市昱信建設發展有限公司) (Note ii)	PRC/Mainland China 14 September 2016	RMB93,400,000	–	100	Construction
Yanan Yanyan Expressway Link Line Infrastructure Construction & Investment Co., Ltd. (延安市延延連接線建設投資有限公司) (Note ii)	PRC/Mainland China 19 January 2017	RMB202,318,678	–	54	Construction
Yanan Yuhua Infrastructure Construction & Investment Co., Ltd. (延安昱華建設投資有限公司) (Note ii)	PRC/Mainland China 22 September 2017	RMB92,858,760	–	60	Construction
Zhongxiang Hongrui Infrastructure Construction & Investment Co., Ltd. (鐘祥宏瑞建設投資有限公司) (Note ii)	PRC/Mainland China 25 October 2017	RMB296,817,100	–	90	Construction
Guangzhou Horizon Equipment & Engineering Co., Ltd. (廣州宏途設備工程有限公司) (Note ii, Note v)	PRC/Mainland China 23 March 2015	RMB1,133,220,000	–	41.69	Operating lease
Grand Flight Investment Management Co., Ltd. (宏翔投資管理有限公司) (Note i)	British Virgin Islands 12 August 2014	USD50,000/ USD1	–	100	Investment holding
Shanghai Thrive Kind Healthcare Investment Co., Ltd. (上海臻慈醫療投資有限公司) (Note ii)	PRC/Mainland China 10 February 2015	RMB400,000,000	–	100	Investment holding

NOTES TO FINANCIAL STATEMENTS

31 December 2024

17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2024, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Horizon Education Investment Holding (Shanghai) Co., Ltd. (上海宏信教育投資控股有限公司) (Note ii)	PRC/Mainland China 17 July 2014	RMB1,098,640,000	–	100	Investment holding
Shanghai Team Joy Management Limited (上海周濟同悅資產管理有限公司) (Note ii)	PRC/Mainland China 23 October 2015	RMB397,751,217	–	100	Investment holding
Lichuan Horizon Harmonious Hospital Co., Ltd (利川宏信和諧醫院有限責任公司) (Note ii)	PRC/Mainland China 3 December 2021	RMB100,680,000	–	70	Medical services
Grand Worthy Limited (宏冠有限公司) (Note i)	British Virgin Islands 20 April 2021	USD0	–	100	Investment holding
Shanghai Jingduo Enterprise Management Co., Ltd (上海景鐸企業管理有限公司) (Note ii)	PRC/Mainland China 30 December 2016	RMB1,000,000	–	100	Management consulting
Confucius International School Qingdao (青島市市南區宏文外語培訓學校) (原名：青島市市南區宏文外語學校) (Note ii)	PRC/Mainland China 8 July 2009	RMB1,200,000	–	90	Education services
Horizon Healthcare Management (Shanghai) Co., Ltd. (上海宏信醫院管理有限公司) (Note ii)	PRC/Mainland China 27 December 2012	RMB5,000,000	–	100	Advisory services

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31 December 2024

17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2024, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Far East Healthcare Holding Limited (遠東醫療控股有限公司) (Note i)	Hong Kong 30 August 2012	HK\$10,000,000	–	100	Investment holding
Tianjin Renju Investment Management Co., Ltd. (天津仁聚投資控股有限公司) (Note ii)	PRC/Mainland China 12 January 2015	USD450,000,000/ USD444,142,508	–	100	Investment holding
Horizon Healthcare Investment & Holding (Shanghai) Co., Ltd. (上海宏信醫療投資控股有限公司) (Note ii)	PRC/Mainland China 26 April 2013	RMB3,000,000,000/ RMB2,826,890,000	–	100	Investment holding
Huakang Orthopaedics Hospital Co., Ltd. (惠州華康醫院有限公司) (Note ii)	PRC/Mainland China 20 February 2004	RMB35,130,000	–	70	Medical services
Siping Cancer Institute & Hospital Co., Ltd. (四平市腫瘤醫院有限公司) (Note ii)	PRC/Mainland China 23 April 2014	RMB58,823,990	–	60	Medical services
Binhai Xinrenci Hospital Co., Ltd. (濱海新仁慈醫院有限公司) (Note ii)	PRC/Mainland China 20 January 2015	RMB4,112,900	–	69	Medical services
Anda Jiren Hospital Co., Ltd. (安達市濟仁醫院有限責任公司) (Note ii)	PRC/Mainland China 9 April 2015	RMB20,460,878	–	58	Medical services
Deyang The Fifth Hospital Co., Ltd. (德陽第五醫院股份有限公司) (Note ii)	PRC/Mainland China 6 January 2012	RMB145,000,000	–	70	Medical services

NOTES TO FINANCIAL STATEMENTS

31 December 2024

17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2024, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Nayong Xinli Hospital Co., Ltd. (納雍新立醫院有限公司) (Note ii)	PRC/Mainland China 12 May 2016	RMB89,881,469	–	51	Medical services
Siyang Hospital of Traditional Chinese Medicine Co., Ltd. (泗陽縣中醫院有限公司) (Note ii)	PRC/Mainland China 6 January 2016	RMB30,000,000	–	50	Medical services
Chongqing Yudong Hospital Co., Ltd. (重慶渝東醫院有限責任公司) (Note ii)	PRC/Mainland China 7 December 2007	RMB29,154,515	–	51	Medical services
Shenzhen CiHai Hospital (深圳慈海醫院) (Note ii)	PRC/Mainland China 21 December 2015	RMB50,000,000/ RMB0	–	80	Medical services
Shenzhen ZhongHai Hospital (深圳中海醫院) (Note ii)	PRC/Mainland China 22 December 2015	RMB50,000,000/ RMB30,000,000	–	80	Medical services
Dongguan Tangxia GuanHua Hospital Co., Ltd. (東莞市塘廈莞華醫院有限公司) (Note ii)	PRC/Mainland China 20 January 2016	RMB23,000,000/ RMB0	–	80	Medical services
Meizhou TieLuQiao Hospital Co., Ltd. (梅州鐵爐橋醫院有限公司) (Note ii)	PRC/Mainland China 8 December 2015	RMB13,422,819	–	51	Medical services

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31 December 2024

17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2024, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Zhaotong Renan Hospital Co., Ltd. (昭通仁安醫院有限公司) (Note ii)	PRC/Mainland China 26 November 2013	RMB534,545,000	–	80	Medical services
Qiaojia Renan Hospital Co., Ltd. (巧家仁安醫院有限公司) (Note ii)	PRC/Mainland China 1 April 2017	RMB500,000	–	80	Medical services
Yongzhou Lengshuitan District Fuze Enterprise Management Service Co., Ltd. (永州市冷水灘區富澤企業管理服務有限公司) (Note ii)	PRC/Mainland China 2 January 2024	RMB100,000	–	100	Investment management
Shanghai Grand Glory Eco Technology Co., Ltd. (上海宏瑞環保科技有限公司) (Note ii)	PRC/Mainland China 26 December 2014	RMB50,000,000/ RMB22,000,000	–	100	Ecotechnology
Far East Horizon Medical Technology Development Co., Ltd. (遠東宏信醫療科技發展有限公司) (Note ii)	PRC/Mainland China 16 November 2016	RMB50,000,000	–	100	Investment holding
Shanghai Everboom Health Investment Co., Ltd. (上海佰昆健康投資有限公司) (Note ii)	PRC/Mainland China 21 April 2016	RMB100,000,000	–	100	Investment holding
Grand Wise Limited (宏慧有限公司) (Note i)	British Virgin Islands 16 April 2021	USD0	–	100	Investment holding
Grand Gain Limited (宏達有限公司) (Note i)	British Virgin Islands 16 April 2021	USD0	–	100	Investment holding

NOTES TO FINANCIAL STATEMENTS

31 December 2024

17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2024, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Tangshan Caofeidian Yurui Construction and Engineering Co., Ltd (唐山曹妃甸昱瑞建设工程有限公司) (Note ii)	PRC/Mainland China 31 March 2016	RMB84,920,000/ RMB34,560,100	–	89	Construction
Tianjin Hongsheng Leasing Co., Ltd. (天津宏聖租賃有限公司) (Note ii)	PRC/Mainland China 12 July 2019	RMB1,500,000,000/ RMB1,000,000,000	–	100	Operating lease
Xianning Matang Hospital Company Limited (咸寧麻塘風濕病醫院有限公司) (Note ii)	PRC/Mainland China 23 August 2006	RMB22,448,980	–	51	Medical services
Renshou Yunchang Hospital Company Limited (仁壽運長醫院有限責任公司) (Note ii)	PRC/Mainland China 20 October 2016	RMB40,000,000	–	73.5	Medical services
Chengdu Airport Hongxin Enterprise Management Co., Ltd. (成都空港宏信企業管理有限公司) (Note ii)	PRC/Mainland China 24 June 2024	RMB40,000,000	–	100	Investment management
Qinghai Kangle Hospital Company Limited (青海省康樂醫院有限公司) (Note ii)	PRC/Mainland China 14 September 2017	RMB25,000,000	–	100	Medical services
Xinxiang League Hospital Company Limited (新鄉同盟醫院有限公司) (Note ii)	PRC/Mainland China 9 November 2017	RMB22,727,273	–	51	Medical services
Sihui Wanlong Hospital Co., Ltd (四會萬隆醫院有限公司) (Note ii)	PRC/Mainland China 9 June 2003	RMB127,120,000/ RMB100,590,035	–	100	Medical services

NOTES TO FINANCIAL STATEMENTS

31 December 2024

17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2024, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Tianjin Horizon Yuanzhan Enterprise Management Co., Ltd. (宏信遠展企業管理有限公司) (Note ii)	PRC/Mainland China 29 March 2018	RMB900,000,000	–	100	Investment management
Tianjin Hongtuo Investment Management Co., Ltd. (宏拓投資管理有限公司) (Note ii)	PRC/Mainland China 9 November 2017	RMB3,000,000,000	–	100	Investment management
Shanghai Shengyi Yuanhong Investment Co., Ltd. (上海聖裔遠宏投資有限公司) (Note ii)	PRC/Mainland China 10 August 2015	RMB63,219,500	–	100	Investment holding
Hongjie Asset Management Co., Ltd. (宏傑資產管理有限公司) (Note ii)	PRC/Mainland China 29 January 2018	RMB3,000,000,000	–	100	Investment management
Horizon Financial Company Limited (宏信金服(天津)信息科技有限公) (Note ii)	PRC/Mainland China 10 May 2018	RMB30,000,000	–	100	Investment management
Siyang Hongkang Shengde Health Care Technology Co., Ltd. (泗陽宏康聖德健康護理科技有限公司) (Note ii)	PRC/Mainland China 20 August 2024	RMB10,000,000	–	50	Medical services
Xingyang Hongye Infrastructure Investment Co., Ltd. (滎陽市宏冶建設投資有限公司) (Note ii)	PRC/Mainland China 9 March 2022	RMB50,000,000/ RMB20,050,000	–	67.50	Construction

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31 December 2024

17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2024, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Nanchang Hongdi Infrastructure Construction Co., Ltd. (南昌市宏迪建設有限公司) (Note ii)	PRC/Mainland China 8 August 2017	RMB20,000,000	–	94	Construction
Far East Horizon Medical Group Co., Ltd. (遠東宏信醫院集團有限公司) (Note ii)	PRC/Mainland China 13 April 2015	RMB3,000,000,000/ RMB2,826,890,000	–	100	Investment holding
Suqian Hongjing Water Treatment Co., Ltd. (宿遷市宏景水處理有限責任公司) (Note ii)	PRC/Mainland China 25 July 2019	RMB287,753,200/ RMB158,322,581	–	61	Ecotechnology
Tianjin Tongli Hongyang No.14 Enterprise Management and Advisory Centre (LP) (天津同歷宏陽十四號企業管理諮詢合夥企業(有限合夥)) (Note ii, Note iii)	PRC/Mainland China 23 June 2021	RMB1,490,000/ RMB152,247	–	66	Investment management
Zhejiang Hongshun Pharmaceutical Co., Ltd. (浙江宏順醫藥有限公司) (Note ii)	PRC/Mainland China 10 October 2024	RMB20,000,000	–	100	Medical services
Chengdu Jinsha Hospital Co., Ltd. (成都金沙醫院有限公司) (Note ii)	PRC/Mainland China 18 June 2014	RMB10,000,000	–	100	Medical services
Ningbo Zhenhai Second Hospital Co., Ltd. (寧波鎮海第二醫院) (Note ii)	PRC/Mainland China 27 September 2017	RMB87,662,102	–	100	Medical services
Zhecheng Hospital of Traditional Chinese Medicine Co., Ltd. (柘城中醫院有限公司) (Note ii)	PRC/Mainland China 21 March 2019	RMB3,630,858	–	51	Medical services

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31 December 2024

17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2024, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Tianjin Horizon Asset Management Co. Ltd. (天津宏信資產管理有限公司) (Note ii)	PRC/Mainland China 23 November 2017	RMB4,000,000,000	–	100	Investment management
Xinyang Hongkun Infrastructure Investment Co., Ltd (滎陽市宏坤建設投資有限公司) (Note ii)	PRC/Mainland China 9 March 2022	RMB50,000,000/ RMB43,641,500	–	67.50	Construction
Shanghai Jingyi Enterprise Management Co., Ltd (上海景屹企業管理有限公司) (Note ii)	PRC/Mainland China 30 December 2016	RMB242,000,000/ RMB240,000,000	–	100	Investment management
Tianjin Hongmao Enterprise Management Co., Ltd (天津宏茂企業管理有限公司) (Note ii)	PRC/Mainland China 5 January 2018	RMB730,000,000/ RMB511,000,000	–	100	Investment management
Tianjin Horizon Yuanpeng Enterprise Management Co., Ltd (天津宏信遠鵬企業管理有限公司) (Note ii)	PRC/Mainland China 27 February 2018	RMB700,000,000	–	100	Investment management
Tianjin Junmeng Management Co., Ltd (天津駿盟企業管理有限公司) (Note ii)	PRC/Mainland China 12 April 2017	RMB100,000,000	–	100	Investment management
Tianjin Juntai Enterprise Management Co., Ltd (天津駿泰企業管理有限公司) (Note ii)	PRC/Mainland China 16 March 2017	RMB300,000,000	–	100	Investment management

NOTES TO FINANCIAL STATEMENTS

31 December 2024

17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2024, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Tianjin Junjia Enterprise Management Co., Ltd (天津駿嘉企業管理有限公司) (Note ii)	PRC/Mainland China 12 July 2017	RMB700,000,000	–	100	Investment management
Tianjin Junyang Enterprise Management Co., Ltd (天津駿洋企業管理有限公司) (Note ii)	PRC/Mainland China 12 July 2017	RMB113,000,000/ RMB113,000,000	–	100	Investment management
Ye County Second Hospital Co., Ltd. (葉縣第二醫院有限公司) (Note ii)	PRC/Mainland China 4 July 2019	RMB10,000,000	–	66.7	Medical services
Yangzhou Jianglin Construction & Investment Co., Ltd (揚州江臨投資建設有限公司) (Note ii)	PRC/Mainland China 21 April 2017	RMB300,000,000	–	100	Construction investment
Jinyun Hongzhi Transportation Investment Co., Ltd (緡雲縣宏冶交通投資有限公司) (Note ii)	PRC/Mainland China 29 September 2018	RMB346,122,360/ RMB196,544,929	–	94.05	Investment management
Linghai Dalinghe Hospital Co., Ltd (凌海大凌河醫院有限責任公司) (Note ii)	PRC/Mainland China 8 August 2016	RMB87,833,334	–	70	Medical services

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31 December 2024

17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2024, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Longpei (Shanghai) Enterprise Management Limited (龍佩(上海)企業管理有限公司) (Note ii)	PRC/Mainland China 29 June 2020	RMB5,000,000	–	100	Investment management
Shanghai Jingkun Enterprise Management Partnership (Limited Partnership) (上海境昆企業管理合夥企業(有限合夥)) (Note ii)	PRC/Mainland China 19 June 2020	RMB250,100,000	–	100	Investment management
Zibo Hongjia Construction Investment Limited (淄博市宏嘉建設投資有限公司) (Note ii)	PRC/Mainland China 16 July 2020	RMB100,000,000	–	95	Construction
Shanghai Hongsun Engineering Management Limited (上海宏昇工程管理有限公司) (Note ii)	PRC/Mainland China 22 October 2019	RMB4,000,000	–	100	Construction
Tianjin Tongli Hongyang No.3 Enterprise Management and Advisory Centre (LP) (天津同歷宏陽三號企業管理諮詢中心(有限合夥)) (Note ii, Note iii)	PRC/Mainland China 6 September 2017	RMB29,960,000/ RMB29,950,000	–	22.04	Investment management
Tianjin Tongli Bingying No.6 Equity Investment Fund Partnership Enterprise (LP) (天津同歷並贏六號股權投資基金合夥企業(有限合夥)) (Note ii, Note iii)	PRC/Mainland China 6 August 2020	RMB50,010,000/ RMB50,000,000	–	78.86	Investment management
Tianjin Tongli Hongyang No.5 Enterprise Management Consulting Partnership Enterprise (LP) (天津同歷宏陽五號企業管理諮詢合夥企業(有限合夥)) (Note ii)	PRC/Mainland China 30 July 2020	RMB1,510,000	–	100	Investment management

NOTES TO FINANCIAL STATEMENTS

31 December 2024

17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2024, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Tianjin Tongli Hongyang No.10 Enterprise Management Consulting Partnership Enterprise (LP) (天津同歷宏陽十號企業管理諮詢合夥企業(有限合夥)) (Note ii)	PRC/Mainland China 23 April 2021	RMB1,360,000	–	100	Investment management
Tianjin Dabei Enterprise Management Co., Ltd (天津達蓓企業管理有限公司) (Note ii)	PRC/Mainland China 25 January 2024	RMB100,000	–	100	Investment management
Tianjin Dashuo Enterprise Management Co., Ltd (天津達碩企業管理有限公司) (Note ii)	PRC/Mainland China 25 January 2024	RMB100,000	–	100	Investment management
Tianjin Dayu Enterprise Management Co., Ltd (天津達鈺企業管理有限公司) (Note ii)	PRC/Mainland China 25 January 2024	RMB100,000	–	100	Investment management
Guangzhou Junyu Enterprise Management Co., Ltd (廣州駿裕企業管理有限公司) (Note ii)	PRC/Mainland China 9 January 2024	RMB100,000	–	100	Investment management
Grand Flight Yongxuan (Tianjin) Enterprise Management Centre (LP) (天津遠翼永宣企業管理中心(有限合夥)) (Note ii, Note iii)	PRC/Mainland China 11 October 2018	RMB1,697,850,000	–	41.18	Investment management

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31 December 2024

17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2024, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Hangzhou Honglin Urban Development and Construction Co., Ltd. (杭州宏臨城市發展建設有限公司) (Note ii)	PRC/Mainland China 17 June 2024	RMB110,000,000	–	100	Construction
Suzhou Hongteng Urban Construction and Development Co., Ltd. (蘇州宏騰城市建設發展有限公司) (Note ii)	PRC/Mainland China 21 November 2024	RMB10,000,000	–	100	Construction
Yantai Grand Light Municipal Development Limited (煙台宏明城市發展有限公司) (Note ii)	PRC/Mainland China 19 August 2020	USD95,000,000/ USD302,600,000	–	100	Investment management
Pizhou Dongda Hospital Co., Ltd. (邳州市東大醫院有限公司) (Note ii)	PRC/Mainland China 19 September 2011	RMB181,603,602	–	54.67	Medical services
Horizon Construction Development Limited (宏信建設發展有限公司) (Note i, Note v)	Cayman Islands 28 September 2020	USD100,000/ USD63,945	41.69	–	Construction
Horizon Construction (Hong Kong) Limited (宏信建發(香港)有限公司) (Note i, Note v)	Hong Kong 19 December 2014	HK\$1	–	41.69	Investment holding
Tianjin Horizon Construction Development Investment Co., Ltd. (天津宏信建發投資有限公司) (Note ii, Note v)	PRC/Mainland China 20 June 2019	USD1,100,000,000	–	41.69	Investment holding

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31 December 2024

17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2024, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Shanghai Horizon Construction Technology Co., Ltd. (上海宏信建築科技有限公司) (Note ii, Note v)	PRC/Mainland China 20 April 2020	RMB200,000,000	–	41.69	Construction
Shanghai Horizon Engineering Technology Co., Ltd. (上海宏信工程技術有限公司) (Note ii, Note v)	PRC/Mainland China 11 September 2020	RMB200,000,000	–	41.69	Construction
Tianjin Horizon Construction Development Leasing Co., Ltd. (天津宏信建發租賃有限公司) (Note ii, Note v)	PRC/Mainland China 16 April 2020	RMB955,000,000	–	41.69	Construction
Tianjin Hongtu Supply Chain Management Co., Ltd. (天津宏途供應鏈管理有限公司) (Note ii, Note v)	PRC/Mainland China 19 November 2020	RMB10,000,000	–	41.69	Construction
Tianjin Horizon Construction Development Engineering Technology Co., Ltd. (天津宏信建發工程技術有限公司) (Note ii, Note v)	PRC/Mainland China 23 November 2020	RMB60,000,000	–	41.69	Construction
Beijing Hongtu Equipment Leasing Co., Ltd. (北京宏途設備租賃有限公司) (Note ii, Note v)	PRC/Mainland China 2 December 2020	RMB1,000,000/ RMB0	–	41.69	Construction
Horizon Commercial Factoring Co., Ltd. (遠宏商業保理(天津)有限公司) (Note ii)	PRC/Mainland China 8 November 2019	RMB3,000,000,000	100	–	Factoring
Shanghai Chongzhi Information Technology Development Limited (上海崇至信息科技發展有限公司) (Note ii)	PRC/Mainland China 12 May 2016	RMB750,000,000	–	100	Information technology

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31 December 2024

17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2024, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Far East Horizon Inclusive Financial Leasing (Tianjin) Co., Ltd. (遠東宏信普惠融資租賃(天津)有限公司) (Note ii)	PRC/Mainland China 25 October 2019	RMB2,000,000,000	45	55	Finance lease
Far East Horizon Healthcare Industry Development Co., Ltd. (遠東宏信健康產業發展有限公司) (Note i)	Cayman Islands 4 November 2014	USD147,580,889 USD161,212,393/	–	100	Medical services
Beijing Hongxian Enterprise Management Consulting Co., Ltd. (北京宏賢企業管理諮詢有限公司) (Note ii)	PRC/Mainland China 4 December 2017	RMB5,000,000	–	100	Management consulting
Far East Horizon Capital Limited (遠東宏信資本有限公司) (Note i)	Hong Kong 31 August 2015	HK\$2,000,000,000/ HK\$1,116,364,359	100	–	Investment management
Far East Horizon International Finance Co., Limited (遠東宏信國際金融有限公司) (Note i)	Hong Kong 4 September 2019	HK\$10,000,000	–	100	International finance
Horizon Construction Overseas (Hong Kong) Limited (宏信建發海外(香港)有限公司) (Note i, Note v)	Hong Kong 29 April 2021	HK\$10,000,000	–	41.69	Investment holding
Chengdu Hongmin Urban Construction and Development Co., Ltd. (成都宏岷城市建設發展有限公司) (Note ii)	PRC/Mainland China 12 October 2024	RMB10,000,000	–	100	Construction

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31 December 2024

17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2024, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Yuanhong Investment (Guangdong) Co., Ltd. (遠宏投資(廣東)有限公司) (Note ii)	PRC/Mainland China 20 April 2023	USD310,000,000 USD304,160,160	100	–	Investment management
Hongjie Investment Management (Guangzhou) Co., Ltd (宏傑投資控股(廣州)有限公司) (Note ii)	PRC/Mainland China 19 June 2023	RMB3,100,000,000 RMB2,777,600,000	–	100	Investment management
Far East Horizon Financial Leasing (Guangdong) Co., Ltd (遠東宏信融資租賃(廣東)有限公司) (Note ii)	PRC/Mainland China 13 April 2023	RMB2,000,000,000	–	100	Finance lease
Xi'an Hongwen Industrial Development Co., Ltd (西安宏汶產業發展有限公司) (Note ii)	PRC/Mainland China 25 June 2024	RMB10,000,000	–	100	Construction
Hangzhou Hongtang Urban Development and Construction Co., Ltd (杭州宏塘城市發展建設有限公司) (Note ii)	PRC/Mainland China 4 June 2024	RMB110,000,000	–	100	Construction
Hangzhou Hongxin Urban Development and Construction Co., Ltd (杭州宏信城市發展建設有限公司)	PRC/Mainland China 18 September 2024	RMB107,037,000	100	–	Construction

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31 December 2024

17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2024, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Qingdao Hongrong Huixin Technology Development Co., Ltd (青島宏融匯信科技發展有限公司) (Note ii)	PRC/Mainland China 15 May 2024	RMB400,000,000	100	–	Ecotechnology
Chengdu Yuanwu Enterprise Management Co., Ltd (成都遠武企業管理有限公司) (Note ii)	PRC/Mainland China 27 June 2024	RMB80,000,000	100	–	Investment management
Chengdu Hongxin Shengdu Enterprise Management Co., Ltd (成都宏信盛都企業管理有限公司) (Note ii)	PRC/Mainland China 25 June 2024	RMB40,000,000	100	–	Investment management

The above table lists the subsidiaries and consolidated structured entities of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

Note i: Foreign invested enterprises

Note ii: Domestic companies

Note iii: Consolidated structured entities

Note iv: On 4 May 2023, the Company, International Far Eastern Leasing Co., Ltd. ("IFELC"), (Far Eastern Horizon (Tianjin) Financial Leasing Co., Ltd.) ("FETJ") and China Insurance Investment Co., Ltd. ("China Insurance Investment") entered into the capital increase agreement, the supplemental agreement and related documents (collectively, the "Capital Increase Agreements") in relation to the investment by China Insurance Investment in FETJ. Pursuant to the Capital Increase Agreements, China Insurance Investment will inject capital into FETJ with a total maximum investment amount of RMB4,000,000,000. Upon completion of the capital increase, the Company, IFELC and China Insurance Investment will directly hold approximately 46.96%, 37.83% and 15.21% of the equity interests in FETJ, respectively. FETJ will remain a subsidiary of the Company. As of 31 December 2024, no capital has been injected by China Insurance Investment.

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17. SCOPE OF CONSOLIDATION (continued)

As at 31 December 2024, particulars of the Company's principal subsidiaries and consolidated structured entities are as follows: (continued)

Note v: As stated in the Company's announcement dated April 30, 2024, the board of directors proposed that the Company declare a special dividend in the form of a distribution of Horizon Construction Development Limited shares. The distribution ratio is such that shareholders listed in the Company's register of members as of the record date (June 14, 2024) will receive 10 Horizon Construction Development Limited shares for every 54 shares held. A total of 799 million Horizon Construction Development Limited shares will be distributed, representing approximately 25% of the total issued shares of Horizon Construction Development Limited as of April 30, 2024. The proposal regarding the distribution of the special dividend in kind was approved at the annual general meeting held on June 5, 2024. The share certificates for the Horizon Construction Development Limited shares to be distributed in kind were mailed to eligible shareholders at their respective addresses as shown in the Company's register of members on June 28, 2024. Upon completion of the distribution in kind, the Company directly holds a total of 1,332,247,413 Horizon Construction Development Limited shares (representing approximately 41.69% of the total issued shares of Horizon Construction Development Limited as of June 28, 2024) and has the right to control the voting rights of 176,600,000 Horizon Construction Development Limited shares (representing approximately 5.52% of the total issued shares of Horizon Construction Development Limited as of June 28, 2024) held by Farsighted Wit Limited at the general meetings of Horizon Construction Development Limited. Following the completion of the distribution in kind, Horizon Construction Development Limited remains a subsidiary of the Company, and its financial performance will continue to be consolidated into the Company's financial statements.

18. INVESTMENTS IN JOINT VENTURES

	2024	2023
	RMB'000	RMB'000
Share of net assets	4,214,314	3,735,017
Excess of consideration over share of net assets acquired	17,844	17,844
Provision for impairment	(79,318)	(180,686)
Total	4,152,840	3,572,175

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18. INVESTMENTS IN JOINT VENTURES (continued)

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

Name	Particulars of issued shares held	Place of registration and business	Percentage of		Principal activities
			Ownership interest	Profit sharing	
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
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 services
Grand Flight Holdings Co., Ltd. (遠翼控股有限公司)	Authorised capital of USD50,000	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 USD50,000	Cayman Islands	70*	70	Investment holding
Grand Flight Hooyoung Investment L.P. (遠翼宏揚投資有限合夥)	Registered capital of USD100,500,002	Cayman Islands	54.73*	54.73	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 services
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*	90	Investment holding

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18. INVESTMENTS IN JOINT VENTURES (continued)

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

Name	Particulars of issued shares held	Place of registration and business	Percentage of		Principal activities
			Ownership interest	Profit sharing	
Tianjin Yuanyi Kaiyuan Asset Management Centre ("Yuanyi Kaiyuan") (Limited Partnership) (天津遠翼開元資產管理中心(有限合夥))	Registered capital of RMB1,505,420,000	PRC/ Mainland China	39.856	39.856	Investment holding
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 services
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

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31 December 2024

18. INVESTMENTS IN JOINT VENTURES (continued)

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

Name	Particulars of issued shares held	Place of registration and business	Percentage of		Principal activities
			Ownership interest	Profit sharing	
Guixi Hongyu Infrastructure Investment Co., Ltd. (貴溪市宏宇基礎設施投資有限公司)	Registered capital of RMB146,280,748	PRC/ Mainland China	48	48	Infrastructure construction
Guixi Hongye Infrastructure Investment Co., Ltd. (貴溪市宏鄴基礎設施投資有限公司)	Registered capital of RMB151,294,129	PRC/ Mainland China	48	48	Infrastructure construction
Xi'an Chuxin Investment Construction Co., Ltd. (西安楚信投資建設有限公司)	Registered capital of RMB100,000,000	PRC/ Mainland China	46	46	Municipal engineering
Sichuan Hongzhu 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 Zhongdaxinhong 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. (煙台遠信中建投資有限公司)	Registered capital of RMB260,000,000	PRC/ Mainland China	67*	67	Infrastructure construction

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31 December 2024

18. INVESTMENTS IN JOINT VENTURES (continued)

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

Name	Particulars of issued shares held	Place of registration and business	Percentage of		Principal activities
			Ownership interest	Profit sharing	
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
Deyang Hongbo Construction Investment Co., Ltd. (德陽宏博建設投資有限公司)	Registered capital of RMB371,825,488	PRC/ Mainland China	87*	87	Infrastructure construction
Ziyang Yuyi Construction Investment Co., Ltd. (資陽市昱奕建設投資有限公司)	Registered capital of RMB100,000,000	PRC/ Mainland China	98.15*	98.15	Infrastructure construction
Qingdao Huizhu Zhouji Equity Investment 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
Suzhou Hongcheng City Development Co., Ltd. (蘇州宏澄城市發展有限公司)	Registered capital of RMB20,000,000	PRC/ Mainland China	50	50	Infrastructure construction
Tianjin Hongcheng City Development Co., Ltd. (天津宏澄城市發展有限公司)	Registered capital of RMB300,000,000	PRC/ Mainland China	80*	80	Infrastructure construction
Tianjin Hongpu Enterprise Management Co., Ltd. (天津宏璞企業管理有限公司)	Registered capital of RMB127,500,000	PRC/ Mainland China	80.39*	80.39	Infrastructure construction

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18. INVESTMENTS IN JOINT VENTURES (continued)

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

Name	Particulars of issued shares held	Place of registration and business	Percentage of		Principal activities
			Ownership interest	Profit sharing	
Shanghai Jielang Enterprise Management Co., Ltd. (上海傑瑯企業管理有限公司)	Registered capital of RMB25,000,000	PRC/ Mainland China	70*	70	Investment management
Chengdu Jinlanyue City Construction Development Co., Ltd. (成都錦瀾悅城市建設開發有限公司)	Registered capital of RMB20,000,000	PRC/ Mainland China	31.77	31.77	Infrastructure construction
Suzhou Lancheng Rongyuan Property Development Co., Ltd. (蘇州藍城融源置業發展有限公司)	Registered capital of RMB10,000,000	PRC/ Mainland China	25	25	Infrastructure construction
Hangzhou Hongkun City Development And Construction Co., Ltd. (杭州宏坤城市發展建設有限公司)	Registered capital of RMB130,000,000	PRC/ Mainland China	70*	70	Infrastructure construction

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

The Group's loans and accounts receivable balances due from the joint ventures are disclosed in Note 23j to the financial statements. There was no recent history of default and past due amounts for loans to joint ventures. As at 31 December 2024 and 2023, the loss allowance was assessed to be minimal.

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

NOTES TO FINANCIAL STATEMENTS

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18. 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:

	2024	2023
	RMB'000	RMB'000
Cash and cash equivalents	192,571	109,751
Other current assets	3,358,695	3,076,671
Current assets	3,551,266	3,186,422
Non-current assets	129,894	115,487
Other payables and accruals	(528,335)	(476,986)
Current liabilities	(528,335)	(476,986)
Non-current liabilities	(873,428)	(584,795)
Net assets	2,279,397	2,240,128
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 the excess of consideration over share of net assets acquired	1,367,638	1,344,077
Carrying amount of the investment	1,367,638	1,344,077

	2024	2023
	RMB'000	RMB'000
Revenue	235,912	294,787
Cost of sales	(97,194)	(96,426)
Administrative expenses	(18,283)	(20,734)
Other expenses	(81,229)	(100,842)
Other income	62	59
Profit and other comprehensive income for the year	39,268	76,844

NOTES TO FINANCIAL STATEMENTS

31 December 2024

18. 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:

	2024	2023
	RMB'000	RMB'000
Cash and cash equivalents	4,311	4,448
Other current assets	678,490	773,289
Current assets	682,801	777,737
Net assets	682,801	777,737
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 the excess of consideration over share of net assets acquired	272,137	309,975
Carrying amount of the investment	272,137	309,975

	2024	2023
	RMB'000	RMB'000
Other expenses	(94,391)	(4,887)
Other income	9	76,568
(Loss)/profit and total comprehensive income for the year	(94,382)	71,681

NOTES TO FINANCIAL STATEMENTS

31 December 2024

18. INVESTMENTS IN JOINT VENTURES (continued)

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

	2024	2023
	RMB'000	RMB'000
Share of the joint venture's gain for the year	104,283	131,206
Aggregate carrying amount of the Group's investments in the joint ventures	2,513,065	1,918,123

19. INVESTMENTS IN ASSOCIATES

	2024	2023
	RMB'000	RMB'000
Share of net assets	4,157,509	4,992,340
Excess of consideration over share of net assets acquired	344,159	563,991
Provision for impairment	(51,508)	(23,269)
Total	4,450,160	5,533,062

As at 31 December 2024, the Group also invested in four companies (31 December 2023: six companies) which are mainly engaged in the investment holding business in Mainland China, with the registered capital of RMB3,000,000,000, RMB7,884,870,000, RMB8,590,320,000 and RMB3,000,000,000 (31 December 2023: RMB3,000,000,000, RMB7,100,000,000, RMB6,017,805,000 and RMB3,000,000,000) respectively. The percentages of ownership interest and profit sharing of the Group in these companies are 10.0100%, 7.6500%, 7.6342% and 17.0000% (31 December 2023: 19.5000%, 8.5011%, 10.8977% and 17.0000%) respectively. The aforementioned companies are accounted for using the equity method.

NOTES TO FINANCIAL STATEMENTS

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19. INVESTMENTS IN ASSOCIATES (continued)

The following table illustrates the summarised financial information in respect of the 3 largest associates (in terms of carrying amount as at 31 December 2024) adjusted for any differences in accounting policies and reconciled to the carrying amount of the net assets in the financial statements.

	2024		
	RMB'000	RMB'000	RMB'000
Current assets	28,890,628	44,797,795	6,037,240
Non-current assets	28,115,154	33,309,316	5,856,403
Current liabilities	(16,714,317)	(18,225,830)	(1,790,691)
Non-current liabilities	(18,050,934)	(37,770,170)	(6,304,259)
Net assets	22,240,531	22,111,111	3,798,693
Net assets attributable to the shareholders of the parent	14,085,634	17,426,261	3,798,693
Reconciliation to the Group's interests in the associates:			
Proportion of the Group's ownership	7.6342%	7.6500%	17.0000%
Group's share of net assets of the associates, excluding the excess of consideration over share of net assets	1,075,325	1,333,109	645,778
Excess of consideration over share of net assets	161,821	120,706	–
Carrying amount of the investment	1,237,146	1,453,815	645,778
Revenue	1,475,616	5,549,479	517,614
Profit and total comprehensive income for the year after the Group's investments in the associates	1,559,408	1,016,441	190,703
Profit and total comprehensive income attributable to the parent	1,079,413	1,495,537	232,160
Dividend received	22,953	45,277	–

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19. INVESTMENTS IN ASSOCIATES (continued)

The following table illustrates the summarised financial information in respect of the 3 largest associates (in terms of carrying amount as at 31 December 2023) adjusted for any differences in accounting policies and reconciled to the carrying amount of the net assets in the financial statements.

	2023		
	RMB'000	RMB'000	RMB'000
Current assets	29,834,853	42,269,459	4,773,068
Non-current assets	31,564,333	25,297,482	4,454,722
Current liabilities	(16,606,197)	(18,628,335)	(1,354,088)
Non-current liabilities	(29,259,350)	(32,082,788)	(4,302,528)
Net assets	15,533,639	16,855,818	3,571,174
Net assets attributable to the shareholders of the parent	9,011,325	14,568,963	3,571,174
Reconciliation to the Group's interests in the associates:			
Proportion of the Group's ownership	10.8977%	8.5011%	17.0000%
Group's share of net assets of the associates, excluding the excess of consideration over share of net assets	982,027	1,238,522	607,100
Excess of consideration over share of net assets	230,996	134,134	–
Carrying amount of the investment	1,213,023	1,372,656	607,100
Revenue	913,258	5,652,461	430,440
Profit and total comprehensive income for the year after the Group's investments in the associates	1,507,686	1,445,683	239,834
Profit and total comprehensive income attributable to the parent	953,377	1,279,023	239,834
Dividend received	13,116	50,039	–

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19. INVESTMENTS IN ASSOCIATES (continued)

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

	2024	2023
	RMB'000	RMB'000
Share of the associates' loss for the year	(65,596)	(189,991)
Aggregate carrying amount of the Group's investments in the associates	1,113,421	2,340,283

The Group's loans and accounts receivable balances due from the associates are disclosed in Note 23j to the financial statements.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024	2023
	RMB'000	RMB'000
Unlisted equity investments, at fair value	2,803,425	2,493,862
Listed equity investments, at fair value	212,283	275,210
Unlisted debt investments, at fair value	12,743,562	6,072,523
Total	15,759,270	8,841,595
Analysed into:		
Current portion	3,467,958	1,735,854
Non-current portion	12,291,312	7,105,741

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.

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20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

In December 2023, taking into account of the changes in policies and adjustments to business plans comprehensively, the Group decided not to pursue held-to-maturity infrastructure investment projects with characteristics such as long payback periods in the future, and accelerated and took the initiative to dispose of such existing assets. From 1 January 2024, the Group has reclassified the abovementioned financial assets measured at amortized cost into financial assets at fair value through profit or loss. As at 31 December 2024, the balance of the above assets was RMB7,662,040,000.

As at 31 December 2024, the fair value of financial assets at fair value through profit or loss pledged or charged as collateral for the Group's borrowings amounted to RMB7,662,040,000 (31 December 2023: nil) (Note 32(b)).

21. DEBT INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2024	2023
	RMB'000	RMB'000
Measured at fair value:		
Notes receivable	453,246	372,228

22. DERIVATIVE FINANCIAL INSTRUMENTS

	2024		2023	
	Assets	Liabilities	Assets	Liabilities
	RMB'000	RMB'000	RMB'000	RMB'000
Cross-currency interest rate swaps	1,514,677	(210,999)	2,109,349	(152,731)
Forward currency contracts	241,699	–	3,555	–
Interest rate swaps	364	(90,592)	21,078	(62,750)
Total	1,756,740	(301,591)	2,133,982	(215,481)
Portion classified as non-current:				
Cross-currency interest rate swaps	723,480	(94,072)	919,032	(151,344)
Forward currency contracts	–	–	3,361	–
Interest rate swaps	364	(65,006)	281	(58,209)
	723,844	(159,078)	922,674	(209,553)
Current portion	1,032,896	(142,513)	1,211,308	(5,928)
Total	1,756,740	(301,591)	2,133,982	(215,481)

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22. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedge under HKFRS 9

At 31 December 2024, the Group designated 124 (2023: 98) cross-currency interest rate swap contracts, 7 (2023: 3) forward currency contracts and 86 (2023: 61) interest rate swap contracts as hedges of future cash flows arising from foreign currency borrowings, details of which are as follows:

At 31 December 2024, the Group had 55 (2023: 49) cross-currency interest rate swaps in place with notional amounts of HK\$23,110,920,000 (2023: HK\$24,974,904,000) whereby the Group receives a floating rate of interest on the HK\$ notional amount at HKD-HIBOR-HKAB and pays a fixed rate of interest on the RMB notional amount at 3.40% to 4.96% (2023: 4.00% to 4.96%) per annum. The swaps are being used to hedge the foreign currency and interest rate exposure of 55 floating rate long-term borrowings denominated in HK\$ with the total principal of HK\$23,110,920,000 (2023: HK\$24,974,904,000).

At 31 December 2024, the Group had 1 (2023: 1) cross-currency interest rate swap in place with a notional amount of HK\$490,784,000 (2023: HK\$490,808,000) whereby the Group receives a fixed rate of interest on the HK\$ notional amount at 1.50% (2023: 1.50%) per annum and pays a fixed rate of interest on the RMB notional amount at 4.00% (2023: 4.00%) 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 principal of HK\$490,784,000 (2023: HK\$490,808,000).

At 31 December 2024, the Group had 12 (2023: 23) cross-currency interest rate swaps in place with notional amounts of USD445,789,000 (2023: USD1,199,639,000) whereby the Group receives a floating rate of interest on the USD notional amount at USD-SOFR and pays a fixed rate of interest on the RMB notional amount at 3.25% to 4.55% (2023: 3.73% to 4.45%) per annum. The swaps are being used to hedge the foreign currency and interest rate exposure of 12 floating rate long-term borrowings denominated in USD with the total principal of USD445,789,000 (2023: USD1,199,639,000).

At 31 December 2024, the Group had 31 (2023: 13) cross-currency interest rate swaps in place with notional amounts of USD1,663,540,000 (2023: USD949,199,000) whereby the Group receives a fixed rate of interest on the USD notional amount at 3.38% to 7.08% (2023: 2.63% to 7.18%) per annum and pays a fixed rate of interest on the RMB notional amount at 3.50% to 5.99% (2023: 3.86% to 5.99%) per annum. The swaps are being used to hedge the foreign currency exposure of 31 fixed rate long-term borrowings denominated in USD with the total principal of USD1,663,540,000 (2023: USD949,199,000).

NOTES TO FINANCIAL STATEMENTS

31 December 2024

22. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedge under HKFRS 9 (continued)

At 31 December 2024, the Group had 3 (2023: 3) cross-currency interest rate swaps in place with notional amounts of JPY22,000,000,000 (2023: JPY22,000,000,000) whereby the Group receives floating rate interest on the JPY notional amount at JPY-TONA and pays a fixed rate interest on the RMB notional amount at 4.67% (2023: 4.67%) per annum. The swaps are being used to hedge the foreign currency and interest rate exposure of 3 floating rate long-term borrowings denominated in JPY with the principal of JPY22,000,000,000 (2023: JPY22,000,000,000).

At 31 December 2024, the Group had 2 (2023: 1) cross-currency interest rate swap in place with notional amounts of JPY8,800,000,000 (2023: JPY4,300,000,000) whereby the Group receives a fixed rate interest on the JPY notional amount at 1.90% (2023: 1.90%) and pays a fixed rate interest on the RMB notional amount at 4.20% to 4.98% (2023: 4.98%) per annum. The swap is being used to hedge the foreign currency and interest rate exposure of 2 fixed rate long-term borrowings denominated in JPY with the principal of JPY8,800,000,000 (2023: JPY4,300,000,000).

At 31 December 2024, the Group had 8 (2023: Nil) cross-currency interest rate swaps in place with a notional amount of EUR237,800,000 (2023: Nil) whereby the Group receives interest at floating rates on the EUR notional amount at EURIBOR and pays interest at fixed rates on the RMB notional amount at 3.42% to 3.99% (2023: Nil) per annum. The swaps are being used to hedge the foreign currency and interest rate exposures of 8 floating rate long-term borrowings denominated in EUR with the total face value of EUR237,800,000 (2023: Nil).

At 31 December 2024, the Group had 7 (2023: 8) cross-currency interest rate swaps in place with a notional amount of EUR207,355,000 (2023: EUR264,697,000) whereby the Group receives a fixed rate of interest on the EUR notional amount at 3.30% to 3.95% (2023: 3.30% to 3.95%) per annum and pays a fixed rate of interest on the RMB notional amount at 4.00% to 4.80% (2023: 3.90% to 4.80%) per annum. The swap is being used to hedge the foreign currency exposure of 7 fixed rate long-term borrowing denominated in EUR with the total principal of EUR207,355,000 (2023: EUR264,697,000).

At 31 December 2024, the Group had 5 (2023: Nil) cross-currency interest rate swaps in place with a notional amount of AED944,800,000 (2023: Nil) whereby the Group receives interest at floating rates on the AED notional amount at EIBOR and pays interest at fixed rates on the RMB notional amount at 3.43% to 4.60% (2023: Nil) per annum. The swaps are being used to hedge the foreign currency and interest rate exposures of 5 floating rate long-term borrowings denominated in AED with the total face value of AED944,800,000 (2023: Nil).

At 31 December 2024, the Group had 5 (2023: 2) forward currency contracts with a total notional amount of USD220,103,000 (2023: USD145,000,000) as hedges of future cash flows arising from foreign currency borrowings with the total principal of USD220,103,000 (2023: USD145,000,000) which will be settled in USD.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

22. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedge under HKFRS 9 (continued)

At 31 December 2024, the Group had 1 (2023: Nil) forward currency contract with a notional amount of HK\$104,822,000 (2023: Nil) as hedge of future cash flows arising from a foreign currency borrowing with the total principal of HK\$104,822,000 (2023: Nil) which will be settled in HKD.

At 31 December 2024, the Group had 1 (2023: Nil) forward currency contract with a notional amount of JPY2,972,013,000 (2023: Nil) as hedge of future cash flows arising from a foreign currency borrowing with the total principal of JPY2,972,013,000 (2023: Nil) which will be settled in JPY.

At 31 December 2024, the Group had 1 (2023: 1) interest rate swap in place with a notional amount of USD40,000,000 (2023: USD75,000,000) whereby the Group receives a floating rate of interest on the USD notional amount at USD-SOFR and pays a fixed rate of interest on the USD notional amount at 4.63% (2023: 0.50%) per annum. The swap is being used to hedge interest rate exposure of 1 floating rate long-term borrowing denominated in USD with the principal of USD40,000,000 (2023: USD75,000,000).

At 31 December 2024, the Group had 85 (2023: 60) interest rate swaps in place with a total notional amount of RMB25,131,141,000 (2023: RMB24,020,754,000) whereby the Group receives interest at variable rates based on the Loan Prime Rate on the notional amount and pays a fixed rate of interest on the RMB notional amount at 3.05% to 4.10% (2023: 3.42% to 4.20%) per annum. The swaps are being used to hedge interest rate exposure of 85 floating rate long-term borrowings denominated in RMB with the principal of RMB25,131,141,000 (2023: RMB24,020,754,000).

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

Hedge ineffectiveness can arise from:

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

NOTES TO FINANCIAL STATEMENTS

31 December 2024

22. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedge under HKFRS 9 (continued)

The Group holds the following cross-currency interest rate swap contracts, 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 31 December 2024							
Cross-currency interest rate swap contracts							
Notional amount (in RMB'000)	2,240,900	–	118,904	102,805	3,609,471	8,825,434	14,897,514
Average forward exchange rate (USD/RMB)	7.1178	–	7.1200	6.5110	6.9504	7.1738	
Notional amount (in RMB'000)	746,408	4,204,887	–	3,884,264	6,615,290	5,679,978	21,130,827
Average forward exchange rate (HK\$/RMB)	0.8150	0.8633	–	0.8901	0.9114	0.9186	
Notional amount (in RMB'000)	–	–	–	1,131,772	215,000	215,253	1,562,025
Average forward exchange rate (JPY/RMB)	–	–	–	0.0518	0.0500	0.0478	
Notional amount (in RMB'000)	–	365,344	11,660	–	1,152,501	1,868,856	3,398,361
Average forward exchange rate (EUR/RMB)	–	7.4560	7.9452	–	7.4860	7.8625	
Notional amount (in RMB'000)	–	–	–	–	–	1,070,754	1,070,754
Average forward exchange rate (AED/RMB)	–	–	–	–	–	1.3574	
Forward currency contracts							
Notional amount (in RMB'000)	180,787	–	990,096	359,310	–	–	1,530,193
Average forward exchange rate (USD/RMB)	7.1215	–	6.8283	7.1862	–	–	
Notional amount (in RMB'000)	–	–	–	97,296	–	–	97,296
Average forward exchange rate (HK\$/RMB)	–	–	–	0.9282	–	–	
Notional amount (in RMB'000)	–	–	135,500	–	–	–	135,500
Average forward exchange rate (JPY/RMB)	–	–	0.0468	–	–	–	
Interest rate swaps							
Notional amount (in RMB'000)	630,000	3,010,720	944,106	3,118,980	11,284,965	6,429,906	25,418,677
Average interest rate (%)	3.7233	3.7115	3.7189	3.6241	3.4878	3.3404	
Hedge rate	1	1	1	1	1	1	

NOTES TO FINANCIAL STATEMENTS

31 December 2024

22. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedge under HKFRS 9 (continued)

The Group holds the following cross-currency interest rate swap contracts, 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 2023							
Cross-currency interest rate swap contracts							
Notional amount (in RMB'000)	4,192,276	1,617,500	3,995,989	179,500	1,628,111	2,520,600	14,133,976
Average forward exchange rate (USD/RMB)	6.5206	6.4700	6.4668	7.1390	6.9603	6.7032	
Notional amount (in RMB'000)	1,710,038	1,300,260	–	–	12,470,308	6,615,291	22,095,897
Average forward exchange rate (HK\$/RMB)	0.8391	0.8335	–	–	0.8542	0.9114	
Notional amount (in RMB'000)	–	–	–	–	1,131,772	215,000	1,346,772
Average forward exchange rate (JPY/RMB)	–	–	–	–	0.0518	0.0500	
Notional amount (in RMB'000)	392,927	–	–	–	397,084	1,162,940	1,952,951
Average forward exchange rate (EUR/RMB)	7.3450	–	–	–	7.7821	7.4860	
Forward currency contracts							
Notional amount (in RMB'000)	–	–	–	–	990,096	–	990,096
Average forward exchange rate (USD/RMB)	–	–	–	–	6.8283	–	
Notional amount (in RMB'000)	–	–	–	3,728	–	–	3,728
Average forward exchange rate (EUR/RMB)	–	–	–	7.4560	–	–	
Interest rate swaps							
Notional amount (in RMB'000)	–	314,410	283,186	3,233,503	11,847,817	8,873,041	24,551,957
Average interest rate (%)	–	3.7827	4.0567	3.1537	3.6854	3.5193	
Hedge rate	1	1	1	1	1	1	

NOTES TO FINANCIAL STATEMENTS

31 December 2024

22. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedge under HKFRS 9 (continued)

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

	Notional amount	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 2024				
Forward currency contracts	1,762,989	241,699	Derivative financial instruments (assets)	238,144
Forward currency contracts	–	–	Derivative financial instruments (liabilities)	104
Cross-currency interest rate swaps	36,869,062	1,514,677	Derivative financial instruments (assets)	(172,337)
Cross-currency interest rate swaps	5,190,419	(210,999)	Derivative financial instruments (liabilities)	1,104,007
Interest rate swap	700,000	364	Derivative financial instruments (assets)	(20,713)
Interest rate swap	24,718,677	(90,592)	Derivative financial Instruments (liabilities)	(67,509)

NOTES TO FINANCIAL STATEMENTS

31 December 2024

22. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedge under HKFRS 9 (continued)

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

	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 2023				
Forward currency contracts	993,824	3,555	Derivative financial instruments (assets)	(24,526)
Forward currency contracts	–	–	Derivative financial instruments (liabilities)	37,359
Cross-currency interest rate swaps	30,501,814	2,096,691	Derivative financial instruments (assets)	637,772
Cross-currency interest rate swaps	9,027,782	(152,731)	Derivative financial instruments (liabilities)	324,179
Interest rate swap	1,733,203	21,078	Derivative financial instruments (assets)	(23,985)
Interest rate swap	22,818,754	(62,750)	Derivative financial Instruments (liabilities)	(43,528)

NOTES TO FINANCIAL STATEMENTS

31 December 2024

22. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedge under HKFRS 9 (continued)

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

	Change in fair value used for measuring hedge ineffectiveness for the year	Cash flow hedge reserve
	RMB'000	RMB'000
As at 31 December 2024		
Foreign currency bank loans amounting to RMB equivalent 45,757,534,000	1,081,696	388,808

	Change in fair value used for measuring hedge ineffectiveness for the year	Cash flow hedge reserve
	RMB'000	RMB'000
As at 31 December 2023		
Foreign currency bank loans amounting to RMB equivalent 43,260,071,000	907,271	(286,144)

NOTES TO FINANCIAL STATEMENTS

31 December 2024

22. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedge under HKFRS 9 (continued)

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

	Total hedging gain/(loss) recognised in other comprehensive income			Hedge 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) in the statement of profit or loss
Year ended 31 December 2024	Gross amount	Tax effect	Total			Gross amount	Tax effect	Total	
	RMB'000	RMB'000	RMB'000	RMB'000		RMB'000	RMB'000	RMB'000	
Forward currency contracts	238,248	(275)	237,973	–	N/A	(30,570)	(141)	(30,711)	Other expenses
Cross-currency interest rate swaps	931,670	(6,225)	925,445	–	N/A	(370,174)	(20,216)	(390,390)	Cost of sales/ other expenses
Interest rate swap	(88,222)	16,383	(71,839)	–	N/A	6,245	(1,749)	4,496	Cost of sales
Total	1,081,696	9,883	1,091,579	–	N/A	(394,499)	(22,106)	(416,605)	

NOTES TO FINANCIAL STATEMENTS

31 December 2024

22. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedge under HKFRS 9 (continued)

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

Year ended 31 December 2023	Total hedging gain/(loss) recognised in other comprehensive income			Hedge 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) in the statement of profit or loss
	Gross amount	Tax effect	Total			Gross amount	Tax effect	Total	
	RMB'000	RMB'000	RMB'000	RMB'000		RMB'000	RMB'000	RMB'000	
Forward currency contracts	12,833	(167)	12,666	–	N/A	(41,566)	(4,436)	(46,002)	Other expenses
Cross-currency interest rate swaps	961,951	(30,111)	931,840	–	N/A	(653,213)	34,792	(618,421)	Cost of sales/ other expenses
Interest rate swap	(67,513)	10,884	(56,629)	–	N/A	869	(7,726)	(6,857)	Cost of sales
Total	907,271	(19,394)	887,877	–	N/A	(693,910)	22,630	(671,280)	

Derivative financial instruments – transactions not qualifying as hedges:

As at 31 December 2024, all derivatives were designated for hedge purposes (as at 31 December 2023: cross-currency interest rate swaps with a total nominal amount of USD23,492,000 and fair value of RMB12,656,000 were not designated for hedge purposes and were measured at fair value through profit or loss).

NOTES TO FINANCIAL STATEMENTS

31 December 2024

23. LOANS AND ACCOUNTS RECEIVABLES

	31 December 2024	31 December 2023
	RMB'000	RMB'000
Loans and accounts receivables due within 1 year	155,822,206	170,302,904
Loans and accounts receivables due after 1 year	104,826,511	100,463,939
Total	260,648,717	270,766,843

23a. Loans and accounts receivables by nature

	31 December 2024	31 December 2023
	RMB'000	RMB'000
Lease receivables (Note 23b)*	261,125,053	259,576,065
Less: Unearned finance income	(20,942,774)	(21,674,427)
Net lease receivables (Note 23b)	240,182,279	237,901,638
Interest receivables*	1,224,366	2,141,664
Factoring receivable (Note 23g)	9,889,433	9,296,193
Entrusted loans (Note 23h)*	981,927	1,436,497
Long-term receivables*	5,319,241	14,885,697
Secured loans	326,731	172,715
Subtotal of Interesting-earning assets (Note 23c)**	257,923,977	265,834,404
Less: Provision for lease receivables	(5,868,217)	(5,448,726)
Provision for factoring receivables	(251,774)	(159,617)
Provision for entrusted loans	(147,677)	(115,225)
Provision for long-term receivables	(52,129)	(597,363)
Provision for secured loans	(2,268)	(2,721)
Provision for interesting-earning assets (Note 23d)**	(6,322,065)	(6,323,652)
Notes receivable, net	2,341,326	5,417,060
Accounts receivable (Note 23e)*	8,342,915	7,303,040
Provision for accounts receivable (Note 23f)	(1,637,436)	(1,464,009)
Total of loans and accounts receivables	260,648,717	270,766,843

* These balances included balances with related parties which are disclosed in Note 23j.

** These balances are included in the interest-earning assets disclosed in Note 23c and Note 23d.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

23. LOANS AND ACCOUNTS RECEIVABLES (continued)

23b (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:

	31 December 2024	31 December 2023
	RMB'000	RMB'000
Lease receivables:		
Within 1 year	172,381,172	149,932,585
1 to 2 years	53,565,564	64,839,270
2 to 3 years	22,358,372	26,677,892
3 to 5 years	12,819,945	18,126,318
Total	261,125,053	259,576,065

	31 December 2024	31 December 2023
	RMB'000	RMB'000
Net lease receivables:		
Within 1 year	157,820,846	137,846,435
1 to 2 years	49,857,894	59,527,311
2 to 3 years	20,919,205	24,696,265
3 to 5 years	11,584,334	15,831,627
Total	240,182,279	237,901,638

NOTES TO FINANCIAL STATEMENTS

31 December 2024

23. LOANS AND ACCOUNTS RECEIVABLES (continued)

23b (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:

	31 December 2024	31 December 2023
	RMB'000	RMB'000
Lease receivables:		
Due within 1 year	155,786,228	163,700,731
Due in 1 to 2 years	76,441,292	67,213,814
Due in 2 to 3 years	25,905,631	23,883,699
Due in 3 to 5 years	2,933,997	4,477,280
Due after 5 years	57,905	300,541
Total	261,125,053	259,576,065

	31 December 2024	31 December 2023
	RMB'000	RMB'000
Net lease receivables:		
Due within 1 year	141,119,166	148,586,942
Due in 1 to 2 years	71,454,513	62,293,353
Due in 2 to 3 years	24,790,220	22,582,249
Due in 3 to 5 years	2,763,047	4,157,033
Due after 5 years	55,333	282,061
Total	240,182,279	237,901,638

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 31 December 2024, the Group's lease receivables pledged or charged as security for the Group's bank and other borrowings amounted to RMB41,932,759,000 (31 December 2023: RMB33,552,158,000) (see Note 32(a)).

NOTES TO FINANCIAL STATEMENTS

31 December 2024

23. LOANS AND ACCOUNTS RECEIVABLES (continued)

23c. Analysis of interest-earning assets

	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL- impaired)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2024				
Interest-earning assets	243,368,193	11,765,664	2,790,120	257,923,977
Allowance for impairment losses	(2,243,025)	(2,212,423)	(1,866,617)	(6,322,065)
Interest-earning assets, net	241,125,168	9,553,241	923,503	251,601,912

	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL- impaired)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2023				
Interest-earning assets	250,012,268	13,029,930	2,792,206	265,834,404
Allowance for impairment losses	(2,446,633)	(2,193,875)	(1,683,144)	(6,323,652)
Interest-earning assets, net	247,565,635	10,836,055	1,109,062	259,510,752

23d. 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 expected measurement of 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 FINANCIAL STATEMENTS

31 December 2024

23. LOANS AND ACCOUNTS RECEIVABLES (continued)

23d. Movements in provision for interest-earning assets (continued)

	Year ended 31 December 2024			
	Stage I	Stage II	Stage III**	Total
	(12-month ECL)	(Lifetime ECL)	(Lifetime ECL- impaired)	
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of the year	2,446,633	2,193,875	1,683,144	6,323,652
Impairment losses for the year	452,335*	598,330	(269,933)	780,732
Conversion to Stage I	234	(234)	–	–
Conversion to Stage II	(566,393)	566,915	(522)	–
Conversion to Stage III	–	(1,146,463)	1,146,463	–
Write-off	–	–	(1,136,350)	(1,136,350)
Reclassification of PPP Projects	(91,835)	–	–	(91,835)
Recoveries of interest-earning assets previously written off	–	–	443,815	443,815
Exchange differences	2,051	–	–	2,051
At end of the year	2,243,025	2,212,423	1,866,617	6,322,065

NOTES TO FINANCIAL STATEMENTS

31 December 2024

23. LOANS AND ACCOUNTS RECEIVABLES (continued)

23d. Movements in provision for interest-earning assets (continued)

	Year ended 31 December 2023			
	Stage I	Stage II	Stage III**	Total
	(12-month ECL)	(Lifetime ECL)	(Lifetime ECL- impaired)	
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of the year	2,706,462	2,519,027	1,460,084	6,685,573
Impairment losses for the year	59,568*	18,406	145,606	223,580
Conversion to Stage I	549	(549)	–	–
Conversion to Stage II	(320,283)	340,669	(20,386)	–
Conversion to Stage III	–	(683,678)	683,678	–
Write-off	–	–	(1,224,102)	(1,224,102)
Recoveries of interest-earning assets previously written off	–	–	638,264	638,264
Exchange differences	337	–	–	337
At end of the year	2,446,633	2,193,875	1,683,144	6,323,652

* This includes a loss allowance of RMB2,015,738,000 (2023: RMB1,637,249,000) provided for newly originated interest-earning assets, and RMB1,563,403,000 (2023: RMB1,577,681,000) reversed as a result of repayment of existing interest-earning assets.

** The majority of the interest-earning assets are finance lease receivables, under which the lessor owns the related leased asset, so the finance leases are similar to secured lending. Among these interest-earning assets, 97% (2023: 87%) (in terms of carrying amount) of the credit-impaired assets falling in stage 3 in the table above are finance lease receivables, and hence, the related leased assets are owned by the Group. Such leased assets are similar to security and constitute the main source of collection of impaired assets.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

23. LOANS AND ACCOUNTS RECEIVABLES (continued)

23e. An aging 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.

	31 December 2024	31 December 2023
	RMB'000	RMB'000
Within 1 year	6,068,086	5,397,454
More than 1 year	2,274,829	1,905,586
Total	8,342,915	7,303,040

23f. Movement in provision for accounts receivable

	31 December 2024	31 December 2023
	RMB'000	RMB'000
At beginning of year	1,464,009	1,209,060
Charge for the year	274,463	253,732
(Write-off)/recovery	(101,036)	1,217
At end of year	1,637,436	1,464,009

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

NOTES TO FINANCIAL STATEMENTS

31 December 2024

23. LOANS AND ACCOUNTS RECEIVABLES (continued)

23f. Movement 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 31 December 2024

	Ageing				
	Within 1 year	1-2 years	2-3 years	3-5 years	Total
Gross carrying amount (RMB'000)	6,068,086	1,450,990	527,430	296,409	8,342,915
Expected credit loss (RMB'000)	802,313	425,891	217,488	191,744	1,637,436
Average expected credit loss rate	13.22%	29.35%	41.24%	64.69%	19.63%

As at 31 December 2023

	Ageing				
	Within 1 year	1-2 years	2-3 years	3-5 years	Total
Gross carrying amount (RMB'000)	5,397,454	1,371,876	365,284	168,426	7,303,040
Expected credit loss (RMB'000)	824,503	394,311	154,040	91,155	1,464,009
Average expected credit loss rate	15.28%	28.74%	42.17%	54.12%	20.05%

NOTES TO FINANCIAL STATEMENTS

31 December 2024

23. LOANS AND ACCOUNTS RECEIVABLES (continued)

23g. An aging analysis of factoring receivables as at the end of the reporting period is as follows:

	31 December 2024	31 December 2023
	RMB'000	RMB'000
Within 1 year	6,840,319	6,766,832
More than 1 year	3,049,114	2,529,361
Total	9,889,433	9,296,193

23h(1). An aging 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:

	31 December 2024	31 December 2023
	RMB'000	RMB'000
Entrusted loans:		
Within 1 year	77,550	83,167
1 to 2 years	59,182	904,273
2 to 3 years	692,844	386,022
3 to 5 years	152,351	63,035
Total	981,927	1,436,497

NOTES TO FINANCIAL STATEMENTS

31 December 2024

23. LOANS AND ACCOUNTS RECEIVABLES (continued)

23h(2). The table below illustrates the amounts of entrusted loans the Group expects to receive in the following five or more than five consecutive accounting years:

	31 December 2024	31 December 2023
	RMB'000	RMB'000
Entrusted loans:		
Due within 1 year	257,151	544,800
Due in 1 to 2 years	358,613	333,626
Due in 2 to 3 years	361,614	312,852
Due in 3 to 5 years	4,549	245,219
Total	981,927	1,436,497

23i. Long term receivables

As at 31 December 2024, the carrying value of long term receivables pledged or charged as collateral for the Group's borrowings amounted to RMB186,261,000 (31 December 2023: RMB8,012,817,000) (Note 32(a)).

NOTES TO FINANCIAL STATEMENTS

31 December 2024

23. LOANS AND ACCOUNTS RECEIVABLES (continued)

23j. Balances with related parties

		31 December 2024	31 December 2023
	Notes	RMB'000	RMB'000
Joint ventures:			
– Guangzhou Kangda Industrial Technology Co., Ltd.			
Long term receivables	(i)	150,000	150,000
Interest receivables		275	275
– Ziyang Yuyi Construction Investment Co., Ltd.			
Long-term receivables	(i)	–	40,000
Interest receivables		–	2,087
– Guixi Hongye Infrastructure Investment Co., Ltd.			
Long-term receivables	(i)	–	31,800
Interest receivables		–	378
Associates:			
– Hangzhou Guoya Stomatological Hospital Co., Ltd.			
Lease receivables	(ii)	294	1,616
Interest receivables		2	10
Subsidiaries of the ultimate holding company of the shareholder with significant influence:			
– Shenyang Chemical Co., Ltd.			
Lease receivables	(ii)	–	11,778
Interest receivables		–	90
Provision		(1,253)	(2,394)
		149,318	235,640

(i) Balances of long-term receivables interest-earning at annual interest rate ranging from 5.15% to 6% (31 December 2023: 5.15% to 6%).

(ii) Balances of lease receivables interest-earning at annual interest rate ranging from 3.73% to 9.35% (31 December 2023: 3.73% to 9.35%).

NOTES TO FINANCIAL STATEMENTS

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24. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

		2024	2023
	Note	RMB'000	RMB'000
Current assets:			
Prepayments		941,571	834,683
Leased assets*		4,257	22,018
Rental and project deposits		479,901	555,551
Other receivables		1,114,766	964,809
Input VAT		1,792,878	1,412,624
Dividend receivables		24,939	1,278
Subordinated tranches of asset-backed securities/notes (Note 50)		4,063	93,687
Continuing involvement in transferred assets (Note 50)		4,063	93,687
Due from related parties	24a	15,850	2,575
Other current asset		83,958	55,980
Impairment allowance		(202,066)	(143,206)
Subtotal		4,264,180	3,893,686
Non-current assets:			
Rental and project deposits due after 1 year		325,766	258,989
Subordinated tranches of asset-backed securities/notes (Note 50)		136,177	275,485
Continuing involvement in transferred assets (Note 50)		136,177	275,485
Long-term other receivables		47,500	43,007
Others		633,049	484,999
Impairment allowance		(107,629)	(118,388)
Subtotal		1,171,040	1,219,577
Total		5,435,220	5,113,263

NOTES TO FINANCIAL STATEMENTS

31 December 2024

24. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (continued)

- * The leased assets arise from the situations where the Group had already made payments to vendors or suppliers of machinery and equipment, but the terms of the lease contracts of the said machinery and equipment have not commenced. The Group records these paid amounts under leased assets among its current assets as such assets had already been earmarked for leases to customers. Once the terms of a lease contract commence, the Group ceases to recognise the amount relating to the leased assets and recognises the lease receivables due under the lease contract.

24a. BALANCES WITH RELATED PARTIES

		2024	2023
		RMB'000	RMB'000
Joint ventures:			
Fengyang Qianmen Hospital Co., Ltd.	(i)	565	565
Guangzhou Kangda Industrial Technology Co., Ltd.	(i)	12,000	–
Associates:			
Shanghai Yijia Construction Development Co., Ltd.	(i)	3,285	2,010
Total		15,850	2,575

- (i) Balances with related parties were unsecured and non-interest-earning.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

25. CONTRACT ASSETS

	31 December 2024	31 December 2023	1 January 2023
	RMB'000	RMB'000	RMB'000
Contract assets arising from construction services	829,364	428,947	335,104
Impairment	(75,516)	(45,084)	(30,809)
Net carrying amount	753,848	383,863	304,295

Contract assets are initially recognised for revenue earned from the provision of related construction services as the receipt of consideration is conditional on successful completion of construction. Upon completion of construction and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables.

The movements in the loss allowance for impairment of contract assets are as follows:

	2024	2023
	RMB'000	RMB'000
At beginning of year	45,084	30,809
Impairment losses	30,432	14,275
At end of year	75,516	45,084

NOTES TO FINANCIAL STATEMENTS

31 December 2024

26. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax assets

	Fee income received in advance	Government special subsidy	Share- based payments	Allowances for impairment losses	Salary and welfare payable	Losses available for offsetting against future taxable profits	Cash flow hedge	Lease	Others	Total
	RMB'000	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 2024	389,874	1,104,403	97,301	2,919,028	1,213,776	182,031	29,139	155,146	127,977	6,218,675
(Charged)/credited to the statement of profit or loss during the period	(167,864)	(83,208)	(8,149)	123,486	117,974	184,696	-	(34,110)	(139,735)	(6,910)
Charged to reserve	-	-	-	-	-	-	(12,223)	-	-	(12,223)
Exchange differences	-	-	-	113	-	72	-	-	-	185
Gross deferred tax assets at 31 December 2024	222,010	1,021,195	89,152	3,042,627	1,331,750	366,799	16,916	121,036	(11,758)	6,199,727

NOTES TO FINANCIAL STATEMENTS

31 December 2024

26. DEFERRED TAX (continued)

Deferred tax assets (continued)

	Fee income received in advance	Government special subsidy	Share- based payments	Allowances for impairment losses	Salary and welfare payable	Losses available for offsetting against future taxable profits	Cash flow hedge	Lease	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross deferred tax assets at 31 December 2022 (Audited)	614,819	1,083,884	102,733	2,736,123	1,351,592	67,847	25,903	–	148,564	6,131,465
Effect of adoption of amendments to HKAS 12	–	–	–	–	–	–	–	82,372	–	82,372
Gross deferred tax assets at 1 January 2023 (restated)	614,819	1,083,884	102,733	2,736,123	1,351,592	67,847	25,903	82,372	148,564	6,213,837
(Charged)/credited to the statement of profit or loss during the period	(224,945)	20,519	(5,432)	182,845	(137,816)	114,158	–	72,774	(20,587)	1,516
Charged to reserve	–	–	–	–	–	–	3,236	–	–	3,236
Exchange differences	–	–	–	60	–	26	–	–	–	86
Gross deferred tax assets at 31 December 2023	389,874	1,104,403	97,301	2,919,028	1,213,776	182,031	29,139	155,146	127,977	6,218,675

NOTES TO FINANCIAL STATEMENTS

31 December 2024

26. 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	Lease	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross deferred tax liabilities at 1 January 2024	128,000	148,340	544,413	166,322	40,200	1,027,275
(Credited)/charged to the statement of profit or loss during the period	(8,443)	(27,256)	18,738	(29,957)	(6,309)	(53,227)
Acquisition of subsidiaries during the year	948	–	–	–	–	948
Gross deferred tax liabilities at 31 December 2024	120,505	121,084	583,151	136,365	33,891	974,996

NOTES TO FINANCIAL STATEMENTS

31 December 2024

26. DEFERRED TAX (continued)

Deferred tax liabilities (continued)

	Asset revaluation	Fair value adjustments arising from financial assets at fair value through profit or loss	Withholding income tax	Lease	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross deferred tax liabilities at 31 December 2022 (Audited)	134,274	168,106	593,027	–	22,243	917,650
Effect of adoption of amendments to HKAS 12	–	–	–	80,463	–	80,463
Gross deferred tax liabilities at 1 January 2023 (restated)	134,274	168,106	593,027	80,463	22,243	998,113
(Credited)/charged to the statement of profit or loss during the period	(6,274)	(19,766)	(48,614)	85,859	17,957	29,162
Gross deferred tax liabilities at 31 December 2023	128,000	148,340	544,413	166,322	40,200	1,027,275

NOTES TO FINANCIAL STATEMENTS

31 December 2024

26. 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:

	31 December 2024	31 December 2023
	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	6,051,263	6,052,352
Net deferred tax assets recognised in the consolidated statement of financial position	826,532	860,952

As at 31 December 2024, the Group had tax losses arising in Hong Kong of RMB84,212,000 (31 December 2023: RMB84,142,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose and tax losses arising in Mainland China of RMB1,377,379,000 (31 December 2023: RMB638,594,000) 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 31 December 2024, the Group did not recognise deferred tax assets arising in Mainland China and Hong Kong in respect of unutilised tax losses of RMB3,783,756,000 (31 December 2023: RMB2,812,276,000) and RMB2,184,959,000 (31 December 2023: RMB1,925,425,000), respectively, due to uncertainty in their recoverability.

Pursuant to the previous resolutions of the Company, part of the Mainland China subsidiaries' profits generated from 2012 onwards will be retained by the Mainland China subsidiaries for the use in future operations or investments. In the opinion of the directors, it is probable that the temporary differences relating to the profits that are not expected to be distributed will not reverse in the foreseeable future. During the year ended 31 December 2024, the Group charged withholding taxes of RMB18,738,000 (2023: credited RMB48,614,000). As at 31 December 2024, the aggregate amount of unrecognised deferred tax liabilities (i.e., withholding taxes relating to such temporary differences) was approximately RMB1,820,964,000 (31 December 2023: RMB1,820,964,000).

NOTES TO FINANCIAL STATEMENTS

31 December 2024

27. CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS

	2024	2023
	RMB'000	RMB'000
Cash and bank balances	20,836,922	20,391,602
Time deposits	9,658,115	1,610,000
Subtotal	30,495,037	22,001,602
Less:		
Time deposits with original maturity date over 3 months	50,000	1,610,000
Pledged deposits	10,494,845	1,114,073
Restricted bank deposits related to asset securitisations	163,671	399,606
Restricted bank deposits related to litigation	—	25,383
Cash and cash equivalents	19,786,521	18,852,540

At the end of the reporting period, the cash and cash equivalents and restricted deposits of the Group denominated in Renminbi ("RMB") amounted to RMB28,960,380,000 (31 December 2023: RMB20,239,510,000). 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 31 December 2024, cash of RMB10,349,525,000 (31 December 2023: RMB496,493,000) was pledged for bank and other borrowings.

As at 31 December 2024, cash of RMB145,320,000 (31 December 2023: RMB617,580,000) was pledged for bank acceptances, letters of credit and others.

As at 31 December 2024, cash of RMB50,000,000 (31 December 2023: RMB1,610,000,000) was restricted time deposit without pledge or any other encumbrances.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

28. INVENTORIES

	2024	2023
	RMB'000	RMB'000
Finished goods	249,149	267,202
Work in process	38,420	15,160
Raw materials	189,183	127,319
	476,752	409,681

29. ASSETS DIRECTLY ASSOCIATED WITH THE ASSETS CLASSIFIED AS HELD FOR SALE

	2024	2023
	RMB'000	RMB'000
Carrying amount of the assets classified as held for sale	571,000	—
Assets:		
Investment in associates	571,000	—
	571,000	—

The Group sold 9.49% equity of a local state-owned asset management company in Tianjin and 4.8942% equity of the other local state-owned asset management company in Xinjiang in 2024. As of December 31, 2024, due to the incomplete fulfilment of certain clauses in the contract, the Group classified these assets as held-for-sale.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

30. TRADE AND BILLS PAYABLES

		2024	2023
	Note	RMB'000	RMB'000
Current:			
Bills payable		2,345,380	5,335,092
Trade payables		5,520,187	4,174,027
Due to related parties	30a	52	770
		7,865,619	9,509,889

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

	2024	2023
	RMB'000	RMB'000
Within 1 year	7,052,759	8,988,968
1 to 2 years	499,323	260,959
2 to 3 years	192,082	177,990
3 years and beyond	121,455	81,972
	7,865,619	9,509,889

30a. BALANCES WITH RELATED PARTIES

	2024	2023
	RMB'000	RMB'000
Due to related party:		
Associate:		
Shanghai Yijia Construction Development Co., Ltd.	52	770

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

NOTES TO FINANCIAL STATEMENTS

31 December 2024

31. OTHER PAYABLES AND ACCRUALS

		2024	2023
	Notes	RMB'000	RMB'000
Current:			
Lease deposits, entrusted loan deposits and factoring deposits due within one year		4,325,510	4,280,920
Salary payables		2,391,331	2,380,979
Welfare payables		144,273	154,232
Advances from customers		1,239,760	364,935
Due to related parties	31a	67,431	55,173
Contract liabilities	31b	229,622	309,401
Other taxes payable		608,303	745,884
Interest payable		1,654,430	1,889,995
Funds collected on behalf of special purpose entities in relation to asset-backed securitisations		–	402,040
Provision for credit commitments		52,539	100,814
Other payables		2,007,733	1,978,564
Dividend payables		9,424	710,058
Continuing involvement in transferred assets		4,063	93,687
		12,734,419	13,466,682
Non-current:			
Lease deposits, entrusted loan deposits and factoring deposits due after one year		11,231,099	8,503,142
Contract liabilities	31b	558,111	548,897
Other payables		4,298	2,080
		11,793,508	9,054,119
		24,527,927	22,520,801

The Group accrued in expense of wages and salaries of USD100,000,000 for the bonuses to be paid to the 2022 Trust Schemes (Note 7) in Hong Kong, which was accounted for as salary payables as at 31 December 2024 (31 December 2023: USD150,000,000).

NOTES TO FINANCIAL STATEMENTS

31 December 2024

31. OTHER PAYABLES AND ACCRUALS (continued)

31a. Balances with related parties

	2024	2023
	RMB'000	RMB'000
Due to related parties:		
Subsidiary of the ultimate holding company of a shareholder with significant influence:		
Shenyang Chemical Co., Ltd.	—	10,000
Joint ventures:		
Fengyang Qianmen Hospital Co., Ltd.	—	268
Kunming Broadhealthcare (Group) Co., Ltd.	—	1
Tian Jin Grand Flight Hooyoung Asset Management Co., Ltd.	2,623	63
Grand Flight Investment Management Co., Ltd.	60,731	44,661
Guangzhou Yimei Tiancheng Decoration Engineering Co., Ltd.	50	—
Shanghai Yijia Construction Development Co., Ltd.	—	150
Tianjin Shuishi Enterprise Management Co., Ltd.	3,997	—
Guangzhou Kangda Industrial Technology Co., Ltd.	30	30
	67,431	45,173
	67,431	55,173

NOTES TO FINANCIAL STATEMENTS

31 December 2024

31. OTHER PAYABLES AND ACCRUALS (continued)

31a. Balances with related parties (continued)

Except for the amounts due to Fengyang Qianmen Hospital Co., Ltd., Kunming Broadhealthcare (Group) Co., Ltd., Tian Jin Grand Flight Hooyoung Asset Management Co., Ltd., Grand Flight Investment Management Co., Ltd., and Guangzhou Kangda Industrial Technology Co., Ltd., which bear interest at an interest rate of 1.485% (31 December 2023: 1.485%) per annum, amounts due to other related parties are unsecured and non-interest-bearing.

31b. Contract liabilities

Details of contract liabilities are as follows:

	31 December 2024	31 December 2023	1 January 2023
	RMB'000	RMB'000	RMB'000
Contract liabilities			
Short-term:			
– Sale of goods	42,315	19,695	25,069
– Service fee	187,307	289,706	116,404
Long-term:			
– Service fee	558,111	548,897	827,540
Total contract liabilities	787,733	858,298	969,013

Contract liabilities include short-term advances received to deliver goods and services. The decrease in contract liabilities in 2024 and 2023 was mainly due to the decrease in advances received from customers in relation to the provision of services at the end of the year.

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31 December 2024

32. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2024			2023		
	Effective annual interest rate (%)	Maturity	RMB'000	Effective annual interest rate (%)	Maturity	RMB'000
Current						
Lease liabilities (Note 14(b))	3.64~4.90	2025	277,212	3.64~4.90	2024	280,495
Bank loans – secured	3.45~4.50	2025	63,570	3.80~4.00	2024	27,553
Current portion of long term bank loans – secured	3.10~5.40	2025	5,754,196	2.90~5.40	2024	5,472,032
Bank loans – unsecured	2.35~7.08	2025	19,089,020	2.90~7.18	2024	22,229,037
Current portion of long term bank loans – unsecured	0.80~7.12	2025	58,403,121	1.30~5.55	2024	47,341,854
Other loans – secured	3.08~5.37	2025	4,101,635	2.77~5.75	2024	2,823,051
Other loans – unsecured	4.10~5.80	2025	5,849,191	3.40~5.80	2024	7,902,471
Bonds – secured	2.28~5.93	2025	23,203,503	3.20~5.68	2024	9,035,406
Bonds – unsecured	1.90~5.50	2025	27,035,221	2.00~6.40	2024	37,558,585
Subtotal – current			143,776,669			132,670,484
Convertible bonds – host debts (Note 33)	3.21~4.45	2025	2,066,423			–
Total – current			145,843,092			132,670,484
Non-current						
Lease liabilities (Note 14(b))	3.64~4.90	2026~2046	717,257	3.64~4.90	2025~2046	707,150
Bank loans – secured	3.20~5.40	2026~2045	8,215,659	3.55~5.40	2025~2045	9,493,754
Bank loans – unsecured	2.00~7.12	2026~2031	65,403,946	1.50~5.00	2025~2031	71,038,204
Other loans – secured	3.08~5.37	2026~2030	13,066,882	3.08~5.37	2025~2030	7,180,365
Other loans – unsecured	4.38~5.15	2026~2027	5,305,698	4.85~5.80	2025~2027	4,596,133
Bonds – secured	2.28~5.76	2026~2027	3,881,906	3.10~5.44	2025~2027	11,650,434
Bonds – unsecured	1.90~6.63	2026~2027	23,471,799	1.90~5.50	2025~2026	15,480,314
Subtotal – non-current			120,063,147			120,146,354
Convertible bonds – host debts (Note 33)	3.21~4.45	2026	6,413	3.21~4.45	2025~2026	3,806,952
Total – non-current			120,069,560			123,953,306
Total			265,912,652			256,623,790

NOTES TO FINANCIAL STATEMENTS

31 December 2024

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

The carrying amounts of borrowings are denominated in the following currencies:

	2024	2023
	RMB'000	RMB'000
HKD	27,046,113	27,412,061
RMB	210,129,966	208,942,263
USD	22,038,543	17,080,464
EUR	3,366,658	2,084,316
Other	3,331,372	1,104,686
Total	265,912,652	256,623,790

	2024	2023
	RMB'000	RMB'000
Fixed interest rate	155,100,448	152,245,728
Variable interest rate	110,812,204	104,378,062
Total	265,912,652	256,623,790

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31 December 2024

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

	2024	2023
	RMB'000	RMB'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	83,309,907	75,070,475
In the second year	40,051,217	52,210,437
In the third to fifth years, inclusive	29,873,449	26,212,181
Beyond five years	3,694,938	2,109,340
Subtotal	156,929,511	155,602,433
Other borrowings repayable:		
Within one year or on demand	62,533,185	57,600,008
In the second year	26,816,510	26,269,178
In the third to fifth years, inclusive	19,488,348	16,915,398
Beyond five years	145,098	236,773
Subtotal	108,983,141	101,021,357
Total	265,912,652	256,623,790

- (a) As at 31 December 2024, the Group's bank and other borrowings were secured by the pledge of or the transfer of certain of the Group's lease receivables amounting to RMB32,459,434,000 (31 December 2023: RMB24,386,119,000).
- (b) As at 31 December 2024, the Group's bank and other borrowings secured by the pledge of the Group's long-term receivables and financial assets at fair value through profit or loss amounted to RMB5,392,687,000 (31 December 2023: RMB5,230,631,000).
- (c) As at 31 December 2024, the Group's bank borrowings amounting to RMB8,790,800,000 (31 December 2023: RMB546,493,000) were secured by the pledge of bank deposits.
- (d) As at 31 December 2024, the Group's bank and other borrowings, secured by the Group's leasehold land, and property, plant and equipment, amounted to RMB7,928,170,000 (31 December 2023: RMB5,353,619,000).

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33. CONVERTIBLE BONDS

On 8 July 2020, Universe Trek Limited ("the Issuer"), a wholly-owned subsidiary of the Company issued 2.5 percent guaranteed convertible bonds with a nominal value of USD300,000,000 ("the 300 million 2.5 percent Bonds"). The 300 million 2.5 percent Bonds will be unconditionally and irrevocably guaranteed by the Company. 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 = USD1.00 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 dividends for the year ended 31 December 2019, and was further adjusted from HK\$7.92 per share to HK\$7.58 per share with effect from 30 June 2021 as a result of the declaration of the final dividends for the year ended 31 December 2020, and then to HK\$7.11 per share with effect from 30 June 2022 as a result of the declaration of the final dividends for the year ended 31 December 2021, and then to HK\$6.59 per share with effect from 30 June 2023 as a result of the declaration of the final dividends for the year ended 31 December 2022. As a result of the distribution of the First Special Dividend on 16 January 2024 (Note 7), the conversion price was further adjusted from HK\$6.59 per share to HK\$6.48 per share with effect from 22 January 2024, and then to HK\$5.96 per share with effect from 28 June 2024 as a result of the declaration of the final dividends for the year ended 31 December 2023. As a result of the distribution of the Second Special Dividend on 28 June 2024 (Note 7), the conversion price was further adjusted from HK\$5.96 per share to HK\$5.72 per share with effect from 5 July 2024, and then to HK\$5.45 per share with effect from 16 October 2024 as a result of the declaration of the interim dividends for the six months ended 30 June 2024. The 300 million 2.5 percent Bonds are redeemable at the option of the bondholders at 100.00 percent of its principal amount on 8 July 2023. According to the notice issued by certain bondholders in early June 2023, USD10 million out of the USD300 million 2.5 percent Bonds were required to be redeemed and were deemed on 8 July 2023 by the Issuer at 100.00 percent of their principal amount together with interests accrued but not paid. Any convertible notes of the 300 million 2.5 percent Bonds not converted will be redeemed on 8 July 2025 at 100.00 percent of its principal amount. The 300 million 2.5 percent Bonds carry interest at a rate of 2.5 percent 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 USD250,000,000 ("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 = USD1.00 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 dividends for the year ended 31 December 2020, and was further adjusted from HK\$9.76 per share to HK\$9.16 and then to HK\$8.50 per share with effect from 30 June 2022 and 30 June 2023 respectively as a result of the declaration of the final dividends for the year ended 31 December 2021 and 31 December 2022. As a result of the distribution of the First Special Dividend (Note 7), the conversion price was further adjusted from HK\$8.50 per share to HK\$8.35 per share with effect from 22 January 2024, and then to HK\$7.69 per share with effect from 28 June 2024 as a result of the declaration of the final dividends for the year ended 31 December 2023. As a result of the distribution of the Second Special Dividend on 28 June 2024 (Note 7), the conversion price was further adjusted from HK\$7.69 per share to HK\$7.38 per share with effect from 5 July 2024, and then to HK\$7.04 per share with effect from 16 October 2024 as a result of the declaration of the interim dividends for the six months ended 30 June 2024. On 15 June 2024, USD249,100,000 out of the USD250,000,000 Zero Coupon Bonds were redeemed by the Company in accordance with the terms and conditions. The remaining convertible bonds of USD900,000 will be redeemed on 15 June 2026 at 110.46 percent of its principal amount.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

33. CONVERTIBLE BONDS (continued)

The changes in liability of convertible bonds during the year are as follows:

	2024	2023
	RMB'000	RMB'000
Liability component at 1 January	3,806,952	3,717,829
Interest expense	116,115	139,016
Interest paid	(51,587)	(52,879)
Exchange realignment	38,157	73,223
Redeemed	(1,836,801)	(70,237)
Liability component at 31 December (Note 32)	2,072,836	3,806,952

34. DEFERRED REVENUE

	Government special subsidies	
	2024	2023
	RMB'000	RMB'000
At the beginning of year	911,238	604,987
Additions during the year	742,580	858,959
Amortised to the statement of profit or loss	(1,154,941)	(552,708)
At the end of year	498,877	911,238

(i) Government special subsidies

For the year ended 31 December 2024, the Group received a government special subsidy of RMB201,000,000 (2023: RMB223,995,000), which was mainly granted in accordance with the policies on the Shanghai Pudong New Area government financial subsidy and the financial support funds for economic development. In addition, the Group also received a government special subsidy of RMB456,090,000 (2023: RMB559,930,000) due to policies to support the finance lease industry of the Tianjin Dongjiang bonded port area. In addition, the Group received a government special subsidy of RMB40,960,000 (2023: RMB51,760,000) due to policies of Putuo District to upgrade and develop the industry support fund of enterprises. Those special subsidies are granted for certain purposes only. The amortisation of those special subsidies reduced the expense to which it related or reduced the amortisation charges of the related assets.

The government grants received have been amortised to the expenses to which they related. Government grants released as a deduction of wages and salaries expenses for the year ended 31 December 2024 included bonuses paid to the Schemes (details refer to Note 7) was Nil (2023: Nil).

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31 December 2024

35. SHARE CAPITAL

	Number of shares	Amounts
		HK\$
Issued and fully paid ordinary shares:		
At 31 December 2023 (Note (i))	4,315,135,866	16,431,771,000
At 31 December 2024 (Note (i))	4,320,075,666	16,468,528,000

Note:

- (i) The Company purchased its own shares through a trust under a share award scheme (Note 37), which were presented as shares held for the share award scheme.

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

	Number of shares in issue	Share capital	Equivalent share capital
		HK\$'000	RMB'000
At 1 January 2024 and 31 December 2023	4,315,135,866	16,431,771	13,066,292
Share options exercised (Note (ii))	4,939,800	36,757	32,638
As at 31 December 2024	4,320,075,666	16,468,528	13,098,930

Note:

- (ii) The subscription rights attaching to 3,505,761, 1,172,875, 92,651 and 168,513 share options were exercised at the subscription prices of HK\$5.86, HK\$5.714, HK\$6.378 and HK\$5.58 per share, respectively (Note 36), resulting in the issue of 4,939,800 shares for a total cash consideration, after expenses, of HK\$28,777,000. An amount of HK\$7,980,000 was transferred from the share option reserve to share capital upon the exercise of the share options.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

36. SHARE OPTION SCHEME

Pursuant to a resolution in writing passed on 7 July 2014 by the shareholders of the Company, a share option scheme (the “Share Option Scheme”) has been adopted by the Company.

The Company operates the Share Option Scheme for the purpose of providing incentives and rewards to eligible participants and certain qualified participants who contribute to the success of the Group’s operations. Eligible participants of the Share Option Scheme include senior and middle management personnel, as well as other key employees of the Company or any subsidiary (the “Grantees”). The total number of new shares in respect of which options may be granted under the Share Option Scheme shall not exceed 4% of the Company’s issued share capital as at the date of approval of the Share Option Scheme by the shareholders at the General Meeting, which is 131,696,000 shares. The Share Option Scheme will be valid for 10 years from the date of its adoption.

Since the total share options under the 2014 Share Option Scheme have been fully granted, the Company adopted a New Share Option Scheme which was approved by the Shareholders at the Annual General Meeting on 5 June 2019. The total number of new Shares in respect of which the Share Options may be granted under the New Share Option Scheme shall not exceed 4% of the Company’s issued shares as at the date of approval of the New Share Option Scheme by the shareholders, which is 158,167,904 shares. On 5 June 2024, a resolution of the General Meeting of Shareholders was passed to approve and adopt the New Share Option Scheme, with an authorization limit of 4% on the date of shareholders’ approval, i.e. 172,770,846 shares.

The offer of a grant of share options (“Share Options”) may be accepted upon payment of a nominal consideration of HK\$1 in total by the Grantees subject to any early termination, and the share option scheme will remain in force for a period of 10 years commencing on the date on which the share option scheme is approved by the shareholders of the Company. The vesting of the share options is mainly subject to fulfilment of the Company’s performance targets, the Grantees remaining at all times after the offer date and on each vesting date as an employee of the Group, as well as the Grantees achieving a specified level in annual personal performance evaluations.

The exercise price in respect of any option shall be such price as determined by the Board or the Administration Committee of the Share Option Scheme and notified to the Grantees and which shall not be less than the higher of: (i) the closing price of the shares on the Stock Exchange as stated in the Stock Exchange’s daily quotation sheet on the offer date; and (ii) the average of the closing prices of the shares on the Stock Exchange as stated in the Stock Exchange’s daily quotation sheets for the five trading days immediately preceding the Offer Date. The Shares do not carry nominal value.

On 10 August 2023, options were granted to a number of eligible participants under the Share Option Scheme adopted on 5 June 2019. A total of 10 grants have been completed.

On 12 August 2024, the Board announced that, the Company has resolved the first time offer to grant Share Options to the Grantees under the New Share Option Scheme adopted on 5th June 2024 to subscribe for a total of 172,770,846 ordinary shares in the capital of the Company.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

36. SHARE OPTION SCHEME (continued)

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Expiry date	Exercise price*	Number of share options	
	per share option		
	HK\$	2024	2023
11 July 2024	5.86	–	3,754,917
3 July 2025	7.17	6,707,643	6,766,191
15 June 2026	5.714	8,971,043	10,144,924
20 June 2027	6.82	13,364,133	13,615,518
18 July 2028	7.36	14,386,863	14,677,085
19 July 2029	7.618	13,831,700	14,092,782
23 July 2030	6.7	18,919,566	19,456,862
26 July 2031	8.4	28,237,210	30,419,802
27 July 2032	6.378	31,276,865	33,199,369
10 August 2033	5.58	32,420,824	33,847,930
12 August 2034	5.39	34,521,086	–
Total		202,636,933	179,975,380

NOTES TO FINANCIAL STATEMENTS

31 December 2024

36. SHARE OPTION SCHEME (continued)

* Movements in the number of the Share Options outstanding and their related weighted average exercise prices granted under the Share Option Scheme and the New Share Option Scheme during the year are as follows:

Exercise price per share option (HK\$)	Date of grant	Outstanding as at 1 January 2023	Granted	Forfeited	Exercised	Outstanding as at 31 December 2023	Forfeited/ cancelled			Outstanding as at 31 December 2024
			during the year ended 31 December 2023	during the year ended 31 December 2023	during the year ended 31 December 2023		Granted during the year ended 31 December 2024	during the year ended 31 December 2024	Exercised during the year ended 31 December 2024	
5.860	11 July 2014	4,170,099	–	(1,027)	(414,155)	3,754,917	–	(249,156)	(3,505,761)	–
7.170	3 July 2015	7,634,411	–	(735,220)	(133,000)	6,766,191	–	(58,548)	–	6,707,643
5.714	15 June 2016	11,628,862	–	(150,357)	(1,333,581)	10,144,924	–	(1,006)	(1,172,875)	8,971,043
6.820	20 June 2017	14,070,609	–	(289,548)	(165,543)	13,615,518	–	(251,385)	–	13,364,133
7.360	18 July 2018	15,013,968	–	(336,883)	–	14,677,085	–	(290,222)	–	14,386,863
7.618	19 July 2019	14,431,486	–	(338,704)	–	14,092,782	–	(261,082)	–	13,831,700
6.700	23 July 2020	20,073,945	–	(537,097)	(79,986)	19,456,862	–	(537,296)	–	18,919,566
8.400	26 July 2021	31,124,054	–	(704,252)	–	30,419,802	–	(2,182,592)	–	28,237,210
6.378	27 July 2022	33,569,980	–	(370,611)	–	33,199,369	–	(1,829,853)	(92,651)	31,276,865
5.580	10 August 2023	–	33,847,930	–	–	33,847,930	–	(1,258,593)	(168,513)	32,420,824
5.390	12 August 2024	–	–	–	–	–	34,521,086	–	–	34,521,086
Total number at the end of the year		151,717,414	33,847,930	(3,463,699)	(2,126,265)	179,975,380	34,521,086	(6,919,733)	(4,939,800)	202,636,933
Weighted average exercise price (HK\$)		7.26	5.58	7.23	5.96	6.80	5.39	6.99	5.83	6.57

Nil (2023: 3,754,917), 6,707,643 (2023: 6,766,191), 8,971,043 (2023: 10,144,924), 13,364,133 (2023: 13,615,518), 14,386,863 (2023: 14,677,085), 13,831,700 (2023: 14,092,782), 18,919,566 (2023: 19,456,862), 28,237,210 (2023: 20,243,028), 20,683,320 (2023: 11,039,437) and 10,544,764 (2023: Nil) share options which were granted on 11 July 2014, 3 July 2015, 15 June 2016, 20 June 2017, 18 July 2018, 19 July 2019, 23 July 2020, 26 July 2021, 27 July 2022 and 10 August 2023, respectively, were vested and exercisable, but not yet exercised during the year.

The fair value (measured as at the grant dates) of the Share Options that were outstanding as at 31 December 2024 was RMB236,000,000 (31 December 2023: RMB228,281,000). The weighted average fair values were RMB1.04, RMB1.17, RMB1.18 and RMB1.60 per option for each of the four tranches with one-year, two-year, three-year and four-year (31 December 2023: The weighted average fair values were RMB1.14, RMB1.26, RMB1.29 and RMB1.57 per option for each of the four tranches with one-year, two-year, three-year and four-year) vesting periods, respectively. The Group recognised a share option expense of RMB24,879,914 (2023: RMB33,143,615) during the year ended 31 December 2024 in employee benefit expense.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

36. SHARE OPTION SCHEME (continued)

The fair values of the Share Options were estimated as at their respective dates of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the main inputs to the model used:

	2024	2023
Expected dividend yield (%)	9.28	9.09
Expected volatility (%)	30.52	32.59
Risk-free interest rate (%)	3.11	3.81
Validity period of the share options (year)	10	10
Share price (HK\$ per share)	5.39	5.39
Expected exercise trigger multiple	2.00	2.00

Estimation of the value of the share options is subjective and uncertain as such values are subject to a number of assumptions and the limitation of the model. The expected volatility is based on the historical volatility reflecting the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. The expected exercise trigger multiple is also estimated and is not necessarily indicative of the exercise patterns that may occur.

All significant features necessary to be considered for the measurement of fair values of the share options granted in the year were incorporated into such measurement.

At 31 December 2024, the Company had 66,990,691 (31 December 2023: 66,184,636) non-vested share options (including 17,656,567 (31 December 2023: 17,660,407) non-vested share options granted to certain executive directors, 22,940,366 (31 December 2023: 23,447,417) non-vested share options granted to certain employees among five highest paid employees and 25,729,130 (31 December 2023: 28,332,459) non-vested share options granted to certain key management personnel) outstanding under Share Option Scheme and the New Share Option Scheme. Should all of them be vested, the exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 66,990,691 (31 December 2023: 66,184,636) additional ordinary shares of the Company.

At the date of approval of these financial statements, the Company had 202,636,933 (2023: 179,975,380) share options outstanding under the Share Option Scheme and the New Share Option Scheme, which represented approximately 4.69% (2023: 4.17%) of the Company's shares in issue as at that date.

On 12 March 2024, the Board of HCD approved the adoption of the share option scheme (the "HCD 2024 Share Option Scheme"), which was subsequently ratified by the HCD's shareholders during the annual general meeting held on 4 June 2024. The Board of HCD approved that the HCD may only grant share options which can be exercised into not more than 23,979,330 shares under the 2024 Share Option Scheme in the year 2024. On 8 July 2024, HCD granted options to the Grantees under the 2024 Share Option Scheme to subscribe for a total of 15,330,000 ordinary shares in the share capital of HCD, and 3,910,000 share options lapsed on the date of employees' resignation. HCD recognised a share option expense of RMB2,409,000 (2023: Nil) during the year ended 31 December 2024 in employee benefit expense, which has been included in the consolidated financial statements of the Group.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

37. RESTRICTED SHARE AWARD SCHEME

On 11 June 2014, the Board announced that it has adopted a share award scheme (the “Share Award Scheme”), under which some restricted shares (the “Restricted Shares”) will be held on trust for the relevant selected grantees (the “Selected Grantees”) until such Restricted Shares are vested with the relevant Selected Grantees in accordance with the rules of the Share Award Scheme. The number of Restricted Shares under the Share Award Scheme shall not exceed 197,544,000, representing 6% of the Company’s issued share capital as at the date of approval of the Share Award Scheme by the Board. The Share Award Scheme shall be effective from its adoption until it is terminated by the Board or shareholders in a general meeting.

Pursuant to the rules of the Share Award Scheme, the Company has set up a trust, and a third party company acts as the trustee (the “Trustee”). The Company’s shares may be purchased by the Trustee from the market out of cash contributed by the Group and be held in trust for the Selected Grantees until such shares are vested with the Selected Grantees in accordance with the provisions of the Share Award Scheme.

Since the number of the Restricted Shares administered by the Trustee has reached the maximum limit as stipulated in the Share Award Scheme, the Board has resolved to make certain amendments to the Share Award Scheme. The Board resolved to refresh the maximum limit of the Shares as Restricted Shares under the Restricted Share Award Scheme (the “Maximum Award Scheme Limit”) to the sum of the following numbers of the Shares: (a) 6% of the total number of issued Shares as at the date of approval of the Restricted Share Award Scheme by the Board on 11 June 2014, being 197,544,000 shares; and (b) 6% of the total number of issued Shares as at the date of approval of the amendments to the Restricted Share Award Scheme by the Board on 20 March 2019, being 237,251,856 shares. On 13 March 2024, the Board of Directors passed a resolution of the Board of Directors to approve and adopt the New Restricted Share Plan (with a limit of 6% on the date of Board approval, i.e., 258,908,151 shares) and the New Share Option Plan.

On 10 August 2023, restricted shares were granted 10 times to a number of eligible participants under the company’s Restricted Share Award Scheme adopted on 11 June 2014 and amended on 20th March 2019. As at 31st December 2023, the grant was completed.

On 12 August 2024, the Board announced that, the Company has resolved the first time offer to grant Share Award Scheme to the Grantees under the New Share Award Scheme adopted on 5 June 2024 to subscribe for a total of 258,908,151 ordinary shares of the Company.

The vesting of the Restricted Shares under the Share Award Scheme is mainly subject to the fulfilment of the Company’s performance targets, Selected Grantees remaining as an employee of the Group, as well as Selected Grantees achieving a specified level in annual personal performance evaluations.

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37. RESTRICTED SHARE AWARD SCHEME (continued)

The following Restricted Shares were outstanding under the Share Award Scheme during the year:

	Number of Restricted Shares
At 1 January 2023	92,009,705
Granted	50,771,898
Vested	(36,776,325)
Forfeited	(6,648,910)
At 31 December 2023 and 1 January 2024	99,356,368
Granted	51,781,630
Vested	(39,668,264)
Forfeited	(10,912,765)
At 31 December 2024	100,556,969

39,668,264 (31 December 2023: 36,776,325 Restricted Shares were vested during the year. The vesting periods of the Restricted Shares outstanding as at the end of the reporting period are as follows:

2024

Number of Restricted Shares	Vesting period
15,924,915	26 July 2025
16,425,212	10 August 2025
16,425,212	10 August 2026
17,260,543	12 August 2025
17,260,543	12 August 2026
17,260,544	12 August 2027
100,556,969	

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31 December 2024

37. RESTRICTED SHARE AWARD SCHEME (continued)

2023

Number of Restricted Shares	Vesting period
15,324,208	26 July 2024
16,630,131	27 July 2024
16,630,131	27 July 2025
16,923,966	10 August 2024
16,923,966	10 August 2025
16,923,966	10 August 2026
99,356,368	

At 31 December 2024, the Company had 100,556,969 (31 December 2023: 99,356,368) non-vested Restricted Shares (including 29,187,480 (31 December 2023: 29,090,728) non-vested Restricted Shares granted to certain executive directors, 36,831,735 (31 December 2023: 37,470,482) non-vested Restricted Shares granted to certain employees among five highest paid employees and 40,866,266 (31 December 2023: 44,544,123) non-vested Restricted Shares granted to certain key management personnel) outstanding under the Share Award Scheme.

Under the Share Award Scheme, there were shares of 109,007,692 (31 December 2023: 102,330,956) in total amounting to RMB546,009,000 (31 December 2023: RMB576,508,000), i.e. at a weighted average price of RMB5.01 (2023: RMB5.63), held by the trust at 31 December 2024. The movements of the shares held for the Share Award Scheme are as follows:

	Number of shares	Amount
		RMB'000
At 1 January 2023	129,107,281	781,988
Purchase of shares under Share Award Scheme	10,000,000	47,514
Vested	(36,776,325)	(252,994)
At 31 December 2023 and 1 January 2024	102,330,956	576,508
Purchase of shares under Share Award Scheme	46,345,000	227,471
Vested	(39,668,264)	(257,970)
At 31 December 2024	109,007,692	546,009

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31 December 2024

37. RESTRICTED SHARE AWARD SCHEME (continued)

The fair value (measured as at the grant dates) of the Restricted Shares that were outstanding as at 31 December 2024 was RMB413,745,000 (31 December 2023: RMB458,070,000). The weighted average fair values were RMB4.50, RMB4.11 and RMB3.98 per share (31 December 2023: RMB4.50, RMB4.45 and RMB4.76 per share) for each of the three tranches with one-year, two-year and three-year vesting periods, respectively. The Group recognised an amount of RMB167,430,000 (2023: RMB200,003,908) in employee benefit expense during the year ended 31 December 2024.

The fair value of the Restricted Shares granted during the year was estimated as at their respective dates of grant, using a no-arbitrage model, taking into account the terms and conditions upon which the restricted shares were granted. The following table lists the main inputs to the model used:

	2024	2023
Expected dividend yield (%)	9.28	9.09
Share price (HK\$ per share)	5.39	5.39

On 12 March 2024, the Board of HCD approved the restricted share award scheme (the "HCD 2024 Restricted Share Award Scheme") to grant the relevant selected grantees of not more than 55,951,770 restricted shares within the year of 2024. HCD recognised an amount of RMB9,845,000 (2023: Nil) in employee benefit expense during the year ended 31 December 2024, which has been included in the consolidated financial statements of the Group.

38. RESERVES

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

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 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.

The special reserve mainly represents funds set aside for the purpose of certain safety production activities. Pursuant to certain regulations issued by the State Administration of Work Safety of the PRC and other relevant regulatory bodies, the subsidiary, Shanghai Horizon Construction Engineering Equipment Co., Ltd. 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 FINANCIAL STATEMENTS

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38. RESERVES (continued)

The 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 when the Restricted Shares are vested.

39. PERPETUAL SECURITIES

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. The Perpetual Loans have been fully redeemed on July 2024.

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 15 February 2022. The Variety Two of the Renewable Corporate Bonds (Phase One) have been fully redeemed on 20 February 2023.

On 6 July 2022, Far Eastern Leasing completed the issuance of the Fifth Medium-term Notes (the “Medium-term Notes”) in an amount of RMB1,000,000,000 in the PRC. The basic term of the Medium – term notes will be 2 years (Under the terms of the issue, there is no maturity date for the Medium-term Notes until they are agreed to be redeemed, and the notes mature when redeemed by Far Eastern Leasing), with an initial distribution rate of 4.2% per annum.

Distributions of the Medium-term notes may be paid annually in arrears on 6 July of each year and may be deferred at the discretion of Far Eastern Leasing unless a compulsory distribution payment event (including distributions to shareholders of Far Eastern Leasing) has occurred. Following a deferral, arrears of distributions are cumulative. The Medium-term Notes of RMB1,000,000,000 have been fully redeemed on July 2024.

NOTES TO FINANCIAL STATEMENTS

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39. PERPETUAL SECURITIES (continued)

On 2 September 2022, Far Eastern Leasing completed the issuance of renewable corporate bonds (the “Renewable Bonds”) (Phase One) in an amount of RMB500,000,000 in the PRC. The basic term of the Renewable Corporate Bonds (Phase One) 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 4.20% per annum.

Distributions of the Renewable Bonds (Phase One) may be paid annually in arrears on 2 September 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 Bonds (Phase One) of RMB500,000,000 have been fully redeemed on August 2024.

On 28 October 2022, Far Eastern Leasing completed the issuance of renewable corporate bonds (the “Renewable Bonds”) (Phase Two) in an amount of RMB1,000,000,000 in the PRC. The basic term of the Renewable Corporate Bonds (Phase Two) will be 1 year (Far Eastern Leasing is entitled to exercise its renewable option at the end of the stipulated basic term and at the end of each renewal period), with a coupon distribution rate of 4.09% per annum.

Distributions of the Renewable Bonds (Phase Two) may be paid annually in arrears on 28 October 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 30 October 2023.

In the opinion of the directors, the Group is able to control the delivery of cash or other financial assets to the holders of the Perpetual Loans, the Medium-term Notes and the Renewable Bonds other than an unforeseen liquidation of the Company.

The direct transaction costs attributable to the Perpetual Loans, the Renewable Corporate Bonds, the Medium-term Notes, and the Renewable Bonds amounted to RMB64,000, RMB6,000,000, RMB3,000,000 and RMB3,500,000 respectively.

For the year ended 31 December 2024, the profits attributable to holders of the Perpetual Loans, the Renewable Corporate Bonds, the Medium-term Notes and the Renewable Bonds (collectively “Perpetual Securities”), based on the applicable distribution rates, were RMB1,443,000 (2023: RMB2,784,000), RMB Nil (2023: RMB12,911,000), RMB21,415,000 (2023: RMB39,948,000), RMB9,330,000 (2023: RMB20,195,000), and RMB Nil (2023: RMB31,055,000), respectively, and the distribution made by the Group to the holders of the Perpetual Securities was RMB62,214,000 (2023: RMB116,645,000).

40. DISPOSAL OF SUBSIDIARIES

In December 2024, the Group disposed of 70% of the voting shares of Shanghai Hongzuo New Energy Technology Co., Ltd., (“Hongzuo New Energy Technology”).

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40. DISPOSAL OF SUBSIDIARIES (continued)

Disposal of Hongzuo New Energy Technology and other entities ("Disposed Companies")

Net assets of Disposed Companies as at the date of disposal and cancellation were as follows:

	2024
	RMB'000
Net assets disposed of Hongzuo New Energy Technology::	
Cash and cash equivalents	28,685
Loans and accounts receivables	20,114
Prepayments, other receivables and other assets	24,255
Goodwill	22
Property, plant and equipment	353,526
Deferred tax assets	2,582
Trade and bills payables	(24,593)
Other payables and accruals	(34,872)
Interest-bearing bank and other borrowings	(165,822)
Deferred tax liabilities	(2,625)
Non-controlling interests	(1,134)
Aggregate net assets of other entities	(51,782)
Gain on disposal of subsidiaries	132,255
Total consideration	280,611
Satisfied by:	
Cash	280,611
Including: Consideration received upon disposal	263,408
Consideration to be received after disposal	17,203
Analysis of cash flows on disposal:	
Cash received	263,408
Cash and cash equivalents disposed of	(61,828)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	201,580

NOTES TO FINANCIAL STATEMENTS

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41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB416,457,000 (2023: RMB848,169,000) and RMB416,457,000 (2023: RMB848,169,000), respectively, in respect of lease arrangements for plant and equipment.

(b) Changes in liabilities arising from financing activities

2024

	Bank and other loans	Bonds	Lease liabilities	Convertible Bonds	Payables to non- controlling interests of consolidated structured entities
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2024	178,831,010	73,724,739	987,645	3,806,952	1,557,793
Changes from financing cash flows	6,721,889	3,781,939	(394,451)	(1,836,801)	1,581
New leases	–	–	416,457	–	–
Foreign exchange movement	656,067	139,163	–	38,157	–
Interest expense	10,157,826	142,154	33,508	116,115	–
Interest paid classified as operating cash flows	(10,442,970)	(195,564)	–	(51,587)	–
Fair value losses	–	–	–	–	5,093
Reassessment and revision of lease terms	–	–	(36,526)	–	–
Increase arising from acquisition of a subsidiary	4,009	–	–	–	–
Decrease arising from disposal of subsidiaries	(183,922)	–	(12,164)	–	–
At 31 December 2024	185,743,909	77,592,431	994,469	2,072,836	1,564,467

NOTES TO FINANCIAL STATEMENTS

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41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Changes in liabilities arising from financing activities (continued)

2023

	Bank and other loans	Bonds	Lease liabilities	Convertible Bonds	Payables to non- controlling interests of consolidated structured entities
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	154,941,288	93,707,597	506,382	3,717,829	1,557,715
Changes from financing cash flows	23,390,013	(20,067,241)	(308,054)	(70,237)	(28,306)
New leases	–	–	848,169	–	–
Foreign exchange movement	859,122	57,783	–	73,223	–
Interest expense	10,704,298	103,792	26,667	139,016	–
Interest paid classified as operating cash flows	(10,981,511)	(77,192)	–	(52,879)	–
Fair value losses	–	–	–	–	28,384
Reassessment and revision of lease terms	–	–	(66,242)	–	–
Decrease arising from disposal of subsidiaries	(82,200)	–	(19,277)	–	–
At 31 December 2023	178,831,010	73,724,739	987,645	3,806,952	1,557,793

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2024	2023
	RMB'000	RMB'000
Within operating activities	(40,122)	(40,553)
Within financing activities	(394,451)	(308,053)

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42. CONTINGENT LIABILITIES

At 31 December 2024, contingent liabilities that are not provided for in the financial statements were as follows:

	2024	2023
	RMB'000	RMB'000
Claimed amounts	236	11,345

On 20 June 2022, the subsidiary of the Company and a bank entered into a guarantee agreement, pursuant to which, the subsidiary of the Company will provide a guarantee of no more than RMB1,000,000,000 for the outstanding loans provided by the bank to borrowers which are third parties to the Group. As at 31 December 2024, the balance of guaranteed bank loans were RMB605,165,100 (2023: RMB803,306,100). In the opinion of the directors of the Company, the amount of expected credit losses on the guaranteed bank loans is not expected to be significant.

43. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans and other borrowings are included in Notes 13, 14, 23, 27 and 32, respectively, to the financial statements.

NOTES TO FINANCIAL STATEMENTS

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44. COMMITMENTS

(a) Capital commitments

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

	2024	2023
	RMB'000	RMB'000
Contracted, but not provided for:		
Capital expenditure for acquisition of property, plant and machinery	215,716	111,281

(b) Credit commitments

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

	2024	2023
	RMB'000	RMB'000
Irrevocable credit commitments	14,010,442	26,883,670

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

NOTES TO FINANCIAL STATEMENTS

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45. RELATED PARTY TRANSACTIONS

Relationship between the Group and its related parties:

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

Shenyang Chemical Co., Ltd.

Joint ventures

Guangzhou Kangda Industrial Technology Co., Ltd.

Kunming Broadhealthcare (Group) Co., Ltd. *

Fengyang Qianmen Hospital Co., Ltd.

Tian Jin Grand Flight Hooyoung Asset Management Co., Ltd. **

Grand Flight Investment Management Co., Ltd.

Guangzhou Yimei Tiancheng Decoration Engineering Co., Ltd.

Ziyang Yuyi Construction Investment Co., Ltd.

Tianjin Shuishi Enterprise Management Co., Ltd.

Associates

Shanghai Yijia Construction Development Co., Ltd.

Hangzhou Guoya Stomatological Hospital Co., Ltd.

Guangzhou Wealth Healthy Electronics Co., Ltd.

* Formerly known as Kunming Broadhealthcare Investment Co., Ltd., disposed of during the year

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

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45. RELATED PARTY TRANSACTIONS (continued)

In addition to the transactions and balances disclosed in Notes 23, 24, 27, 30 and 31 to the financial statements, the Group had the following material transactions with related parties during the year:

(i) Interest income from loans and accounts receivables

	2024	2023
	RMB'000	RMB'000
Guangzhou Kangda Industrial Technology Co., Ltd.	8,632	8,608
Hangzhou Guoya Stomatological Hospital Co., Ltd.	76	217
Shenyang Chemical Co., Ltd.	28	1,663
Kunming Broadhealthcare (Group) Co., Ltd.	—	15
Guangzhou Wealth Healthy Electronics Co., Ltd.	—	360
Total	8,736	10,863

(ii) Compensation of key management personnel of the Group

	2024	2023
	RMB'000	RMB'000
Short term employee benefits	129,992	155,264

During 2024, certain members of key management personnel of the Group were granted share options and restricted shares in respect of their services to the Group under the share option scheme and the restricted share award scheme of the Company, further details of which are set out in Note 36 and Note 37 to the financial statements.

Further details of directors' emoluments are set out in Note 8 to the financial statements.

The above short term employee benefits have not taken into consideration the employees' potential entitlement under the collective economic-gain bonus schemes during the year ended 31 December 2024.

NOTES TO FINANCIAL STATEMENTS

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46. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2024

Financial assets

	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Hedging instruments designated in cash flow hedges	Debt investment at fair value through other comprehensive income	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Loans and accounts receivables	260,648,717	–	–	–	260,648,717
Financial assets included in prepayments, other receivables and other assets	1,954,255	–	–	–	1,954,255
Restricted deposits	10,708,516	–	–	–	10,708,516
Derivative financial instrument	–	1,166	–	–	1,166
Derivative financial instruments designated as hedging instruments in cash flow hedges	–	–	1,755,574	–	1,755,574
Financial assets at fair value through profit or loss	–	15,759,270	–	–	15,759,270
Debt investment at fair value through other comprehensive income	–	–	–	453,246	453,246
Cash and cash equivalents	19,786,521	–	–	–	19,786,521
Total	293,098,009	15,760,436	1,755,574	453,246	311,067,265

NOTES TO FINANCIAL STATEMENTS

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46. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2024 (continued)

Financial liabilities

	Financial liabilities at amortised cost	Financial liabilities at fair value through profit or loss	Hedging instruments designated in cash flow hedges	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payables	7,865,619	–	–	7,865,619
Financial liabilities included in other payables and accruals	21,428,368	–	–	21,428,368
Interest-bearing bank and other borrowings	262,845,347	–	–	262,845,347
Convertible bonds – host debts	2,072,836	–	–	2,072,836
Lease liabilities	994,469	–	–	994,469
Hedging instruments designated as cash flow hedges	–	–	301,591	301,591
Other non-current liabilities	–	1,564,467	–	1,564,467
Total	295,206,639	1,564,467	301,591	297,072,697

NOTES TO FINANCIAL STATEMENTS

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46. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2023

Financial assets

	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Hedging instruments designated in cash flow hedges	Debt investment at fair value through other comprehensive income	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Loans and accounts receivables	270,766,843	–	–	–	270,766,843
Financial assets included in prepayments, other receivables and other assets	2,566,041	–	–	–	2,566,041
Restricted deposits	3,149,062	–	–	–	3,149,062
Derivative financial instrument	–	12,657	–	–	12,657
Derivative financial instruments designated as hedging instruments in cash flow hedges	–	–	2,121,325	–	2,121,325
Financial assets at fair value through profit or loss	–	8,841,595	–	–	8,841,595
Debt investment at fair value through other comprehensive income	–	–	–	372,228	372,228
Cash and cash equivalents	18,852,540	–	–	–	18,852,540
Total	295,334,486	8,854,252	2,121,325	372,228	306,682,291

NOTES TO FINANCIAL STATEMENTS

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46. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2023 (continued)

Financial liabilities

	Financial liabilities at amortised cost	Financial liabilities at fair value through profit or loss	Hedging instruments designated in cash flow hedges	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payables	9,509,889	–	–	9,509,889
Financial liabilities included in other payables and accruals	17,118,372	–	–	17,118,372
Interest-bearing bank and other borrowings	251,829,193	–	–	251,829,193
Convertible bonds – host debts	3,806,952	–	–	3,806,952
Lease liabilities	987,645	–	–	987,645
Hedging instruments designated as cash flow hedges	–	–	215,481	215,481
Other non-current liabilities	–	1,557,793	–	1,557,793
Total	283,252,051	1,557,793	215,481	285,025,325

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Financial instruments not measured at fair value

Financial assets and liabilities not presented at their fair value in the statement of financial position mainly represent cash and cash equivalents, restricted deposits, loans and accounts receivables, financial assets included in prepayments, other receivables and other assets, trade and bills payables, financial liabilities included in other payables and accruals, and interest-bearing bank and borrowings.

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2024

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Financial instruments not measured at fair value (continued)

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

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

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	
	2024	2023	2024	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities				
Bonds issued	77,592,431	73,724,739	78,834,530	76,176,598
Convertible bonds – host debts	2,072,836	3,806,952	2,091,106	3,995,778

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

The fair values of the non-current portion of financial assets included in prepayment, 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.

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47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Financial instruments measured at fair value

Non-deliverable cross-currency swaps and interest rate swaps

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

Financial assets at fair value through profit or loss

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

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2024 and 2023:

Description	Fair value at 31 December 2024	Valuation technique	Unobservable input	Relationship of unobservable inputs to fair value
Financial investments at fair value through profit or loss	11,330,161	Market comparable model/Adjusted recent transaction price	Discount for lack of marketability ("DLOM")/Volatility	The higher the DLOM, the lower the fair value/The higher the volatility, the higher the fair value
Other non-current liabilities	(1,564,467)	Market comparable model/Adjusted recent transaction price	Discount for lack of marketability ("DLOM")/Volatility	The higher the DLOM, the higher the fair value/ The higher the volatility, the lower the fair value

Description	Fair value at 31 December 2023	Valuation technique	Unobservable input	Relationship of unobservable inputs to fair value
Financial investments at fair value through profit or loss	3,753,048	Market comparable model/Adjusted recent transaction price	Discount for lack of marketability ("DLOM")/Volatility	The higher the DLOM, the lower the fair value/The higher the volatility, the higher the fair value
Other non-current liabilities	(1,557,793)	Market comparable model/Adjusted recent transaction price	Discount for lack of marketability ("DLOM")/Volatility	The higher the DLOM, the higher the fair value/The higher the volatility, the lower the fair value

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47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (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 31 December 2024

	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	–	1,514,677	–	1,514,677
Forward currency contracts – assets	–	241,699	–	241,699
Interest rate swaps – assets	–	364	–	364
Cross-currency interest rate swaps – liabilities	–	(210,999)	–	(210,999)
Interest rate swaps – liabilities	–	(90,592)	–	(90,592)
Financial assets at fair value through profit or loss	327,835	4,101,274	11,330,161	15,759,270
Debt investments at fair value through other comprehensive income	–	453,246	–	453,246
Other non-current liabilities	–	–	(1,564,467)	(1,564,467)

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47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Assets and liabilities measured at fair value (continued)

As at 31 December 2023

	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	–	2,096,691	–	2,096,691
Forward currency contracts – assets	–	3,555	–	3,555
Interest rate swaps – assets	–	21,078	–	21,078
Cross-currency interest rate swaps – liabilities	–	(152,731)	–	(152,731)
Interest rate swaps – liabilities	–	(62,750)	–	(62,750)
Financial assets at fair value through profit or loss	486,910	4,601,637	3,753,048	8,841,595
Debt investments at fair value through other comprehensive income	–	372,228	–	372,228
Other non-current liabilities	–	–	(1,557,793)	(1,557,793)

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

	2024	2023
	RMB'000	RMB'000
Financial assets at fair value through profit or loss		
Carrying amount at 1 January 2024	3,753,048	4,031,831
Changes in fair value recognised in profit or loss	592,420	202,309
Additions	7,574,626	441,529
Disposals	(576,888)	(726,219)
Transfers to Level 1*	(16,852)	(201,210)
Exchange differences	3,807	4,808
Carrying amount at 31 December 2024	11,330,161	3,753,048

NOTES TO FINANCIAL STATEMENTS

31 December 2024

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Assets and liabilities measured at fair value (continued)

As at 31 December 2023 (continued)

The movements in fair value measurements within Level 3 during the year are as follows: (continued)

	2024	2023
	RMB'000	RMB'000
Other non-current liabilities		
Carrying amount at 1 January 2024	1,557,793	1,557,715
Changes in fair value recognised in profit or loss	19,126	28,384
Disposals	(12,452)	(28,306)
Carrying amount at 31 December 2024	1,564,467	1,557,793

* The Group transferred certain financial instruments from Level 3 to Level 1 of the fair value hierarchy due to the fact that fair value determination had changed from fair value measurement using significant unobservable inputs to quoted prices in active markets.

Liabilities for which fair values are disclosed

As at 31 December 2024

	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	–	78,834,530	–	78,834,530
Convertible bonds – host debts	–	2,091,106	–	2,091,106

As at 31 December 2023

	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	–	76,176,598	–	76,176,598
Convertible bonds – host debts	–	3,995,778	–	3,995,778

NOTES TO FINANCIAL STATEMENTS

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48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise lease receivables, entrusted loans, trade receivables, trade payables, bank loans, other interest-bearing loans, cash and short term deposits and derivative financial instruments. The main purpose of bank loans and other interest-bearing loans is to finance the Group's operations while other financial assets and liabilities such as lease receivables, entrusted loans, trade receivables and trade payables are directly related to the Group's operating activities.

The Group also enters into derivative transactions, including principally cross-currency interest rate swaps, forward currency contracts and interest rate swaps. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk, currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank and other borrowings, lease receivables and other loans. The Group aims to mitigate such risks by reducing future variability in cash flows, while balancing the cost of such risk mitigation measure. For example, the Group enters into cash flow hedges (see Note 22).

The table below demonstrates the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, to the Group's profit before tax.

The sensitivity of the profit before tax is the effect of the assumed changes in interest rates on profit before tax, based on the financial assets and financial liabilities held at the end of the reporting period subject to repricing within the coming year.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

	Increase/(decrease) in profit before tax As at 31 December	
	2024	2023
	RMB'000	RMB'000
Change in basis points		
+100 basis points	(40,610)	(42,814)
– 100 basis points	51,226	44,389

The interest rate sensitivities set out in the tables above are for illustration only and are based on simplified scenarios. The figures represent the effect of the pro forma movements in profit before tax based on the projected yield curve scenarios and the Group's current interest rate risk profile. This effect, however, does not incorporate actions that would be taken by management to mitigate the impact of interest rate risk. The projections above also assume that interest rates of financial instruments with different maturities change by the same amount and, therefore, do not reflect the potential impact on profit before tax in the case where some rates change while others remain unchanged.

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 USD, and, to a lesser extent, other currencies. The Group's exposure to treasury operations mainly arises from its transactions in currencies other than the RMB. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position. For example, the Group enters into cross currency interest rate swaps and forward currency contracts to mitigate the currency risk arising from variable cash flows of some of its foreign currency floating rate loans (see Note 22).

The exchange rate of RMB to the United States Dollar ("USD") is managed under a floating exchange rate system. The Hong Kong Dollar ("HK\$") exchange rate has been pegged to USD, and therefore, the exchange rate of RMB to HK\$ has fluctuated in line with the changes in the exchange rate of RMB to USD.

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31 December 2024

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Currency risk (continued)

The table below is a sensitivity analysis of the change in the exchange rate of the currency to which the Group had significant exposure on its monetary assets and liabilities and its forecast cash flows. The analysis shows the effect of a reasonably possible movement in the currency rate against RMB, with all other variables held constant, on profit before tax. This effect, however, was based on the assumption that the Group's foreign exchange exposures as at the end of each reporting period were kept unchanged and, therefore, the analysis has not incorporated actions that would be taken by the Group to mitigate the adverse impact of this foreign exchange risk.

Group

		Increase/(decrease) in profit before tax As at 31 December	
		2024	2023
Currency	Change in currency rate	RMB'000	RMB'000
USD	+/-1%	25,793/(25,793)	25,575/(25,575)
HK\$	+/-1%	(29,748)/29,748	(26,318)/26,318

Credit risk

Credit risk is the risk of loss arising from a lessee's or counterparty's inability to meet its obligations.

The Group enters into transactions only with recognised and creditworthy third parties. In accordance with the policy of the Group, the Group examines and verifies the credit risk of all customers that the Group has credit transactions with. Besides, the Group monitors and controls the lease receivables regularly to mitigate the risk of significant exposure from bad debts.

Other financial assets of the Group include cash and bank deposits, accounts receivable, notes receivable, derivative financial instruments, entrusted loans and subordinated tranches of asset-backed securities/notes, and debt investments at fair value through profit or loss. The credit risk of these financial assets arises from the counterparty's inability to meet its obligations. The maximum exposure to credit risk is equal to the carrying amounts of these assets.

NOTES TO FINANCIAL STATEMENTS

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48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on the customers' creditworthiness information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

At 31 December 2024

	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL- impaired)	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Contract assets	–	–	–	753,848	753,848
Accounts receivable	–	–	–	6,705,479	6,705,479
Notes receivable*	2,794,572	–	–	–	2,794,572
Interest-earning assets	241,125,168	9,553,241	923,503	–	251,601,912
Financial assets included in prepayments, other receivables and other assets	1,954,255	–	–	–	1,954,255
Pledged deposits	10,708,516	–	–	–	10,708,516
Cash and cash equivalents	19,786,521	–	–	–	19,786,521
	276,369,032	9,553,241	923,503	7,459,327	294,305,103

NOTES TO FINANCIAL STATEMENTS

31 December 2024

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

At 31 December 2023

	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL- impaired)	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Contract assets	–	–	–	383,863	383,863
Accounts receivable	–	–	–	5,839,031	5,839,031
Notes receivable*	5,789,288	–	–	–	5,789,288
Interest-earning assets	247,565,635	10,836,055	1,109,062	–	259,510,752
Financial assets included in prepayments, other receivables and other assets	2,566,041	–	–	–	2,566,041
Pledged deposits	3,149,062	–	–	–	3,149,062
Cash and cash equivalents	18,852,540	–	–	–	18,852,540
	277,922,566	10,836,055	1,109,062	6,222,894	296,090,577

* includes notes receivable classified as debt investments at fair value through other comprehensive income.

Note:

The financial assets falling in stage 1 are mainly credit rated as Pass, except for an amount of interest-earning assets of RMB2,751,289,000 (2023: RMB2,073,970,000) which are credit rated as Special Mention. All of the financial assets falling in stage 2 and stage 3 are credit rated as Special Mention and Non-performing, respectively.

Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. The customer bases of the Group's financial assets are widely dispersed in different sectors and industries.

Liquidity risk

Liquidity risk is the risk that funds will not be available to meet the liabilities as they fall due. This may arise from mismatches in amounts or duration with regard to the maturity of financial assets and liabilities.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2024

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The tables below summarise the maturity profile of the Group's financial assets and liabilities based on the contractual undiscounted cash flows:

As at 31 December 2024							
	On demand	Less than 3 months	3 to less than 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
FINANCIAL ASSETS:							
Loans and accounts receivables	3,365,652	49,262,800	122,807,671	113,621,816	493,053	–	289,550,992
Financial assets included in prepayments, other receivables and other assets	–	503,765	1,064,167	386,323	–	–	1,954,255
Restricted deposits	–	1,934,775	1,953,627	6,820,114	–	–	10,708,516
Derivative financial instruments	–	191,947	840,949	723,844	–	–	1,756,740
Financial assets at fair value through profit or loss	–	1,517,867	1,950,091	6,554,240	2,809,394	2,927,678	15,759,270
Debt investment at fair value through other comprehensive income	–	32,773	420,473	–	–	–	453,246
Cash and cash equivalents	19,786,521	–	–	–	–	–	19,786,521
Total financial assets	23,152,173	53,443,927	129,036,978	128,106,337	3,302,447	2,927,678	339,969,540
FINANCIAL LIABILITIES:							
Trade and bills payables	107,034	4,262,850	2,505,271	990,464	–	–	7,865,619
Financial liabilities included in other payables and accruals	802,166	6,172,480	3,072,677	11,369,980	11,065	–	21,428,368
Convertible bonds – host debts	–	–	–	2,072,836	–	–	2,072,836
Lease liabilities	–	16,566	280,788	697,501	51,045	–	1,045,900
Interest-bearing bank and other borrowings	1,929,975	41,563,856	97,466,526	123,995,405	5,231,456	–	270,187,218
Derivative financial instruments	–	929	141,584	159,078	–	–	301,591
Other non-current liabilities	–	–	–	–	1,564,467	–	1,564,467
Total financial liabilities	2,839,175	52,016,681	103,466,846	139,285,264	6,858,033	–	304,465,999
Net liquidity gap	20,312,998	1,427,246	25,570,132	(11,178,927)	(3,555,586)	2,927,678	35,503,541

NOTES TO FINANCIAL STATEMENTS

31 December 2024

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The tables below summarise the maturity profile of the Group's financial assets and liabilities based on the contractual undiscounted cash flows: (continued)

	As at 31 December 2023						
	On demand	Less than 3 months	3 to less than 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
FINANCIAL ASSETS:							
Loans and accounts receivables	3,224,339	55,941,889	131,674,042	107,960,262	1,611,461	–	300,411,993
Financial assets included in prepayments, other receivables and other assets	34,508	661,831	1,567,806	301,806	90	–	2,566,041
Restricted deposits	–	1,494,140	94,922	1,560,000	–	–	3,149,062
Derivative financial instruments	–	501,870	709,438	922,674	–	–	2,133,982
Financial assets at fair value through profit or loss	–	1,603,345	132,509	3,638,968	679,701	2,787,072	8,841,595
Debt investment at fair value through other comprehensive income	–	141,204	231,024	–	–	–	372,228
Cash and cash equivalents	18,401,625	450,915	–	–	–	–	18,852,540
Total financial assets	21,660,472	60,795,194	134,409,741	114,383,710	2,291,252	2,787,072	336,327,441
FINANCIAL LIABILITIES:							
Trade and bills payables	123,148	4,591,467	4,526,371	268,903	–	–	9,509,889
Financial liabilities included in other payables and accruals	560,246	4,853,598	3,196,946	8,457,498	50,084	–	17,118,372
Convertible bonds – host debts	–	–	–	3,806,952	–	–	3,806,952
Lease liabilities	–	40,049	291,956	814,667	98,836	–	1,245,508
Interest-bearing bank and other borrowings	200,802	45,274,512	91,524,073	125,206,420	2,524,789	–	264,730,596
Derivative financial instruments	–	–	5,928	209,553	–	–	215,481
Other non-current liabilities	–	–	–	–	1,557,793	–	1,557,793
Total financial liabilities	884,196	54,759,626	99,545,274	138,763,993	4,231,502	–	298,184,591
Net liquidity gap	20,776,276	6,035,568	34,864,467	(24,380,283)	(1,940,250)	2,787,072	38,142,850

NOTES TO FINANCIAL STATEMENTS

31 December 2024

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payments to shareholders, return capital to shareholders, raise new debt or issue new shares. No changes were made to the objectives, policies or processes for managing capital during the year.

The Group monitors capital using a gearing ratio, which is defined by management as net debt divided by total equity plus net debt. Net debt includes bank and other borrowings. The gearing ratios as at the reporting dates were as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Bank and other borrowings (Note 32)	264,918,183	255,636,145
Total equity	57,477,141	57,569,600
Total equity and net debt	322,395,324	313,205,745
Gearing ratio	82%	82%

49. OTHER NON-CURRENT LIABILITIES

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Continuing involvement in transferred assets	136,177	275,485
Payables to non-controlling interests of consolidated structured entities	1,564,467	1,557,793
Others	670	670
Total	1,701,314	1,833,948

NOTES TO FINANCIAL STATEMENTS

31 December 2024

50. TRANSFERS OF FINANCIAL ASSETS AND INTERESTS IN THE UNCONSOLIDATED STRUCTURED ENTITIES

The Group enters into securitisation transactions in the normal course of business whereby it transfers loans and accounts receivables to special purpose entities. These special purpose entities are structured entities established with the narrow and well-defined objectives to provide investors opportunities to invest in those loans and accounts receivables and they generally finance the purchase of the loans and accounts receivables by issuing asset-backed securities to investors. The Group assessed and determined that those structured entities need not be consolidated as the Group has no control over them.

The Group may hold some subordinated tranches of those asset-backed securities/notes and accordingly may retain portions of the risks and rewards of the transferred loans and accounts receivables. The Group would determine whether or not to derecognise the transferred loans and accounts receivables mainly by evaluating the extent to which it retains the risks and rewards of the transferred assets.

During the year ended 31 December 2024 and the year ended 31 December 2023, the Group did not transfer loans and accounts receivable to third parties, consequently, no such assets were qualified for full derecognition. The Group did not provide liquidity support to these unconsolidated structured entities, and thus there was no exposure to losses.

The Group also transferred loans and accounts receivables to unconsolidated structured entities, where the Group held some subordinated tranches, and hence, it retained continuing involvement in the transferred assets (i.e. loans and accounts receivables amounting to RMB260,026,000 as at 31 December 2024 (31 December 2023: RMB1,648,945,000). As a result, as at 31 December 2024, the balance of subordinated tranches of asset-backed securities/notes held by the Group amounted to RMB140,240,000 (31 December 2023: RMB369,172,000). In addition, the balances of continuing involvement in transferred assets and associated liabilities both amounted to RMB140,240,000 (31 December 2023: both RMB369,172,000), which approximate the maximum exposure to losses from its involvement in such securitisation arrangements and the unconsolidated structured entities.

51. EVENTS AFTER THE REPORTING PERIOD

There was no material subsequent event undertaken by the Group after 31 December 2024.

52. COMPARATIVE AMOUNTS

Certain comparative amounts have been adjusted to conform with the current year's presentation and accounting treatment.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

53. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	31 December	31 December
	2024	2023
	RMB'000	RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	4,249	8,301
Right-of-use assets	39,712	15,270
Investments in subsidiaries	86,718,628	85,082,679
Loans and accounts receivables	16,407,840	9,343,765
Derivative financial instruments	690,599	827,877
Total non-current assets	103,861,028	95,277,892
CURRENT ASSETS		
Loans and accounts receivables	1,344,489	1,672,751
Prepayments, other receivables and other assets	5,774,251	7,407,389
Dividend receivable from subsidiaries	53,651	228,500
Derivative financial instruments	948,924	1,171,244
Restricted deposits	731,436	546,493
Cash and cash equivalents	5,885,603	1,777,977
Financial assets at fair value through profit or loss	359,420	–
Total current assets	15,097,774	12,804,354
CURRENT LIABILITIES		
Other payables and accruals	5,050,213	4,483,901
Lease liabilities	–	12,255
Income tax payable	18,130	31,760
Derivative financial instruments	115,851	–
Interest-bearing bank and other borrowings	21,733,098	20,542,349
Total current liabilities	26,917,292	25,070,265
NET CURRENT LIABILITIES	(11,819,518)	(12,265,911)
TOTAL ASSETS LESS CURRENT LIABILITIES	92,041,510	83,011,981

NOTES TO FINANCIAL STATEMENTS

31 December 2024

53. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Information about the statement of financial position of the Company at the end of the reporting period is as follows:
(continued)

	31 December	31 December
	2024	2023
	RMB'000	RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES	92,041,510	83,011,981
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	41,470,360	32,824,129
Derivative financial instruments	95,810	150,811
Lease liabilities	45,889	6,406
Total non-current liabilities	41,612,059	32,981,346
Net assets	50,429,451	50,030,635
EQUITY		
Share capital	13,098,930	13,066,293
Reserves (Note 38)	37,330,521	36,964,342
Total equity	50,429,451	50,030,635

Kong Fanxing
Director

Wang Mingzhe
Director

NOTES TO FINANCIAL STATEMENTS

31 December 2024

53. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Equity component of convertible bonds	Capital reserve	Shares held for the share award scheme	Share-based compensation reserve#	Special reserve	Reserve fund	Hedging reserve	Exchange fluctuation reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	233,750	1,327,555	(781,988)	405,341	76,266	121,913	(502,741)	641,726	30,606,109	32,127,931
Profit for the year	–	–	–	–	–	–	–	–	6,192,837	6,192,837
Other comprehensive income for the year:										
Cash flow hedges, net of tax	–	–	–	–	–	–	216,575	–	–	216,575
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	(80,561)	–	(80,561)
Total comprehensive income	–	–	–	–	–	–	216,575	(80,561)	6,192,837	6,328,851
Final 2022 dividend declared (net of dividends received from shares held for the share award scheme)	–	–	–	–	–	–	–	–	(1,871,222)	(1,871,222)
Special dividend	–	–	–	–	–	–	–	–	(664,850)	(664,850)
Shares vested under the restricted share award scheme	–	–	252,994	(204,575)	–	–	–	–	(48,419)	–
Purchase of shares under restricted share award scheme	–	–	(47,514)	–	–	–	–	–	–	(47,514)
Transfer of share option reserve upon exercise of share options	–	–	–	(2,808)	–	–	–	–	–	(2,808)
Recognition of equity-settled share-based payments	–	–	–	233,148	–	–	–	–	–	233,148
Special reserve – safety fund appropriation	–	–	–	–	15,494	–	–	–	(21,603)	(6,109)
Capital injection by non-controlling shareholders	–	284,981	–	–	–	–	–	–	–	284,981
Disposal of subsidiaries	–	(10,277)	–	–	–	–	–	–	–	(10,277)
Purchase of non-controlling interests	–	35,120	–	–	–	–	–	–	–	35,120
Redemption of perpetual securities	–	(10,647)	–	–	–	–	–	–	–	(10,647)
Redemption of convertible bonds	(5,318)	(1,213)	–	–	–	–	–	–	–	(6,531)
Re-purchase of shares	–	–	–	–	–	–	–	–	(12,920)	(12,920)
Termination of put option granted to non-controlling shareholders	–	587,189	–	–	–	–	–	–	–	587,189
At 31 December 2023	228,432	2,212,708	(576,508)	431,106	91,760	121,913	(286,166)	561,165	34,179,932	36,964,342

NOTES TO FINANCIAL STATEMENTS

31 December 2024

53. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note: (continued)

A summary of the Company's reserves is as follows: (continued)

	Equity component of convertible bonds	Capital reserve	Shares held for the share award scheme	Share-based compensation reserve	Shares held for the share award scheme of a subsidiary	Special reserve	Reserve fund	Hedging reserve	Exchange fluctuation reserve	Retained profits	Total
	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 2024	228,432	2,212,708	(576,508)	431,106	-	91,760	121,913	(286,166)	561,165	34,179,932	36,964,342
Profit for the year	-	-	-	-	-	-	-	-	-	3,849,674	3,849,674
Other comprehensive income for the year:											
Cash flow hedges, net of tax	-	-	-	-	-	-	-	675,053	-	-	675,053
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	(33,646)	-	(33,646)
Total comprehensive income	-	-	-	-	-	-	-	675,053	(33,646)	3,849,674	4,491,081
Final 2023 dividend and 2024 interim dividend declared (net of dividends received from shares held for the share award scheme)	-	-	-	-	-	-	-	-	-	(2,872,921)	(2,872,921)
Special dividend	-	-	-	-	-	-	-	-	-	(1,034,828)	(1,034,828)
Shares vested under the restricted share award scheme	-	-	257,970	(202,377)	-	-	-	-	-	(55,593)	-
Purchase of shares under restricted share award scheme	-	-	(227,471)	-	(37,938)	-	-	-	-	-	(265,409)
Transfer of share option reserve upon exercise of share options	-	-	-	(6,453)	-	-	-	-	-	-	(6,453)
Recognition of equity-settled share-based payments	-	-	-	197,507	-	-	-	-	-	-	197,507
Special reserve - safety fund appropriation	-	-	-	-	-	21,784	-	-	-	(21,784)	-
Capital injection by non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-
Purchase of non-controlling interests	-	43,788	-	-	-	-	-	-	-	-	43,788
Redemption of perpetual securities	-	(56,145)	-	-	-	-	-	-	-	-	(56,145)
Redemption of convertible bonds	(83,647)	(70,052)	-	-	-	-	-	-	-	-	(153,699)
Redemption of convertible bonds	-	23,258	-	-	-	-	-	-	-	-	23,258
At 31 December 2024	144,785	2,153,557	(546,009)	419,783	(37,938)	113,544	121,913	388,887	527,519	34,044,480	37,330,521



NOTES TO FINANCIAL STATEMENTS

31 December 2024

53. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note: (continued)

The reserve of the Company represents the recognition of the equity-settled share-based payments of the Share Options which are yet to be exercised and the Restricted Shares which are yet to be vested. 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.

The Company elects to account for the investments in subsidiaries using the equity method in its separate financial statements, sharing of net profits of the investments in subsidiaries amounted to RMB8,982,492,179, details are disclosed in Note 2.5 Material Accounting Policies.

54. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 7 March 2025.



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