



宏信建發
CDHORIZON

Incorporated in the Cayman Islands with limited liability
Stock Code: 09930.HK

2024 INTERIM REPORT





宏信建發
CDHORIZON



**Ride the wind and waves
Head towards new level**



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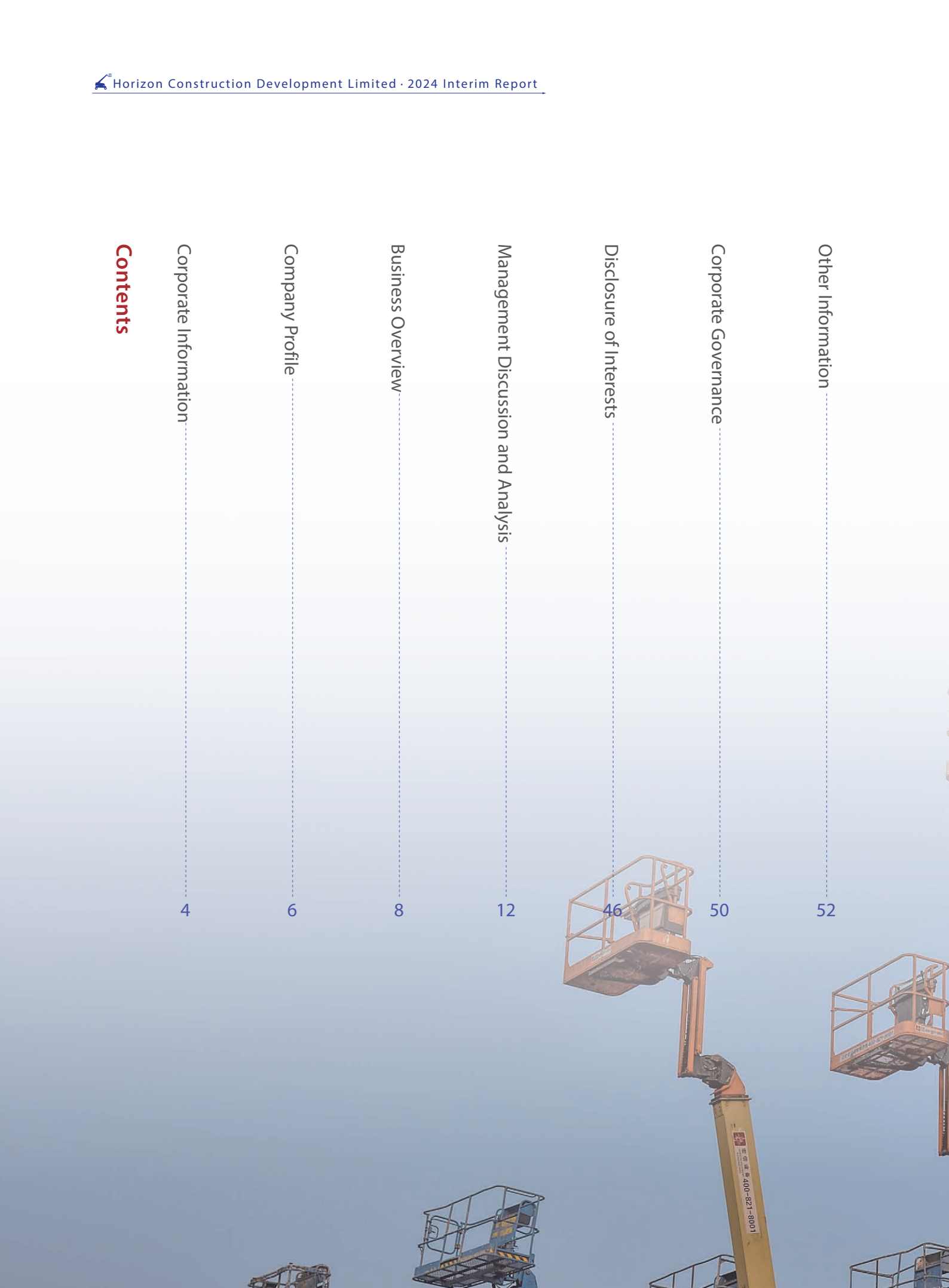
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CORPORATE INFORMATION

BOARD

Chairman and Non-executive Director

Mr. KONG Fanxing (孔繁星先生)

Executive Directors

Mr. PAN Yang (潘陽先生)
(Chief Executive Officer)

Mr. TANG Li (唐立先生)
(Co-Chief Financial Officer)

Non-executive Directors

Mr. XU Huibin (徐會斌先生)

Mr. HE Ziming (何子明先生)

Mr. LI Qianjin (李前進先生)

Ms. GUO Lina (郭麗娜女士)

Independent Non-executive Directors

Mr. LIU Jialin (劉嘉凌先生)

Mr. XU Min

Ms. JIN Jinping (金錦萍女士)

Mr. SUM Siu Kei (岑兆基先生)

COMPOSITION OF COMMITTEES

Audit Committee

Mr. XU Min (Chairman)

Ms. JIN Jinping (金錦萍女士)

Mr. SUM Siu Kei (岑兆基先生)

Nomination Committee

Ms. JIN Jinping (金錦萍女士)
(Chairwoman)

Mr. LIU Jialin (劉嘉凌先生)

Mr. XU Huibin (徐會斌先生)

Remuneration Committee

Ms. JIN Jinping (金錦萍女士)
(Chairwoman)

Mr. LIU Jialin (劉嘉凌先生)

Ms. GUO Lina (郭麗娜女士)

Environmental, Social and Governance Committee

Mr. SUM Siu Kei (岑兆基先生)
(Chairman)

Mr. HE Ziming (何子明先生)

Mr. XU Min

COMPANY SECRETARY

Mr. CHIU Ming King (趙明璟先生)

AUTHORIZED REPRESENTATIVES

Mr. PAN Yang (潘陽先生)

Mr. CHIU Ming King (趙明璟先生)

REGISTERED OFFICE

P.O. Box 31119 Grand Pavilion
Hibiscus Way
802 West Bay Road
Grand Cayman
KY1-1205
Cayman Islands

CORPORATE INFORMATION

HEADQUARTERS

No. 5, 6-610, Building 2
Minghai Center, 200 Xichang Road
Pilot Free Trade Zone
(Dongjiang Bonded Port Zone)
Tianjin
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1901, 19/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor
Services Limited
Shops 1712-1716
17/F, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKS

China Construction Bank Corporation
Bank of Communications Co., Ltd.
Bank of China Limited

AUDITOR

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

LEGAL ADVISER

Baker & McKenzie

COMPLIANCE ADVISER

UOB Kay Hian (Hong Kong) Limited

COMPANY WEBSITE

www.hongxinjianfa.com

STOCK CODE

The Company's shares are listed on the
Main Board of The Stock Exchange of
Hong Kong Limited
Stock code: 9930



COMPANY PROFILE

Horizon Construction Development Limited (the “Company” or “Horizon Construction Development”) and its subsidiaries (collectively the “Group”) is one of the leading equipment operation service providers in China, with comprehensive equipment offerings and strong service capacities. Major brands of the Group include Horizon Construction Development (宏信建發), Horizon Equipment (宏信設備) and Hongjin Equipment (宏金設備). The Group’s leading market position and brand recognition are reflected in the numerous awards the Group has received. In addition, the Group is one of the leaders in aerial work platform equipment operation, neo-excavation support system operation and neo-formwork system operation service markets. The Group ranked the top in terms of equipment volume of aerial work platform, neo-excavation support system and neo-formwork system as at 30 June 2024. The Group believes that its comprehensive and multi-dimensional services covering the full cycle of projects and leveraging the synergies among its various product lines and diversified service categories enable the Group to enhance our market competitiveness and customer stickiness. The Group has fostered a diverse, blue chip, loyal and high-quality customer base, the number of our service outlets ranked first in China among all equipment operation service providers, and our proven digitalization capabilities continuously enhance the operational efficiency and customer service capabilities of the Group.

The Company’s shares were officially listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange” or the “Hong Kong Stock Exchange”) on 25 May 2023 (the “Listing Date”). The shares of Far East Horizon Limited (“Far East Horizon”), the immediate holding company of the Company and a company incorporated in Hong Kong, have been listed on the Main Board of the Stock Exchange (stock code: 3360).



INTERNATIONAL BUSINESS NETWORK



*The presentation of the map is for artistic purposes only, the actual geographic information published in accordance with the laws shall prevail.



BUSINESS OVERVIEW

	For the six months ended 30 June		For the year ended 31 December		
	2024	2023	2023	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Operating results					
Total revenue	4,872,421	4,205,971	9,610,581	7,877,646	6,141,168
Operating lease services	1,895,622	2,505,619	5,139,275	5,189,949	4,463,348
Engineering and technical services	1,946,261	1,140,634	2,964,591	2,136,630	1,519,288
Asset management and other services (formerly "platform and other services")	1,030,538	559,718	1,506,715	551,067	158,532
Cost of sales	(3,313,096)	(2,769,819)	(5,849,180)	(4,744,640)	(3,295,231)
Operating lease services	(1,192,848)	(1,515,145)	(2,848,976)	(2,870,719)	(2,091,079)
Engineering and technical services	(1,420,770)	(904,523)	(2,098,931)	(1,496,266)	(1,076,646)
Asset management and other services (formerly "platform and other services")	(699,478)	(350,151)	(901,273)	(377,655)	(127,506)
Gross profit and gross profit margin	1,559,325	1,436,152	3,761,401	3,133,006	2,845,937
Operating lease services	702,774	990,474	2,290,299	2,319,230	2,372,269
Gross profit margin	37.1%	39.5%	44.6%	44.7%	53.1%
Engineering and technical services	525,491	236,111	865,660	640,364	442,642
Gross profit margin	27.0%	20.7%	29.2%	30.0%	29.1%
Asset management and other services (formerly "platform and other services")	331,060	209,567	605,442	173,412	31,026
Gross profit margin	32.1%	37.4%	40.2%	31.5%	19.6%
Profit before tax	406,890	337,696	1,226,523	893,804	902,499
Profit for the period/year attributable to holders of ordinary shares of the Company	268,228	237,141	962,407	664,335	709,638
Basic earnings per share (RMB)	0.084	0.082	0.316	0.235	0.261
Diluted earnings per share (RMB)	0.084	0.082	0.316	0.235	0.261
Profitability Indicators					
Return on average equity ⁽¹⁾	4.9%	5.7%	11.0%	10.5%	12.5%
Return on average total assets ⁽²⁾	1.6%	1.6%	3.1%	2.3%	3.3%
Gross profit margin	32.0%	34.1%	39.1%	39.8%	46.3%
EBITDA margin (a non-HKFRS measure) ⁽³⁾	41.1%	46.7%	46.6%	51.8%	52.1%

BUSINESS OVERVIEW

	30 June 2024	31 December 2023	31 December 2022	31 December 2021
	RMB'000	RMB'000	RMB'000	RMB'000
Assets and liabilities				
Total assets	35,269,899	31,236,775	30,288,394	26,960,606
Total liabilities	24,238,127	20,459,108	23,616,202	20,949,645
Interest-bearing bank and other borrowings	19,424,925	17,339,232	21,212,114	17,697,766
Gearing ratio ⁽⁴⁾	68.7%	65.5%	78.0%	77.7%
Total equity	11,031,772	10,777,667	6,672,192	6,010,961
Equity attributable to holders of ordinary shares of the Company	11,031,772	10,777,667	6,672,192	6,010,961
Net assets per share (RMB) ⁽⁵⁾	3.45	3.37	2.36	2.12

BUSINESS OVERVIEW

Notes:

- (1) Return on average equity = profit for the period or year attributable to holders of ordinary shares of the Company/average balance of total equity at the beginning and the end of the period or year attributable to holders of ordinary shares of the Company, presented on an annualized basis.
- (2) Return on average total assets = profit for the period or year attributable to holders of ordinary shares of the Company/average balance of total assets at the beginning and the end of the period or year, presented on an annualized basis.
- (3) EBITDA margin (a non-HKFRS measure) = EBITDA (a non-HKFRS measure)/total revenue for the period or year. EBITDA (a non-HKFRS measure) = profit for the period or year – interest income from the bank + income tax expenses + finance costs + depreciation and amortization.
- (4) Gearing ratio = total liabilities at the end of the period or year/total assets at the end of the period or year.
- (5) Net assets per share = total equity at the end of the period or year attributable to holders of ordinary shares of the Company/number of ordinary shares outstanding at the end of the period or year.



MANAGEMENT DISCUSSION AND ANALYSIS

1. INDUSTRY ENVIRONMENT AND THE COMPANY'S SOLUTIONS

1.1 National and Regional Environment

Mainland China:

In the first half of 2024, the theme of Chinese macro-economy turned to full recovery, under which with the Chinese government placing focus on stable growth and high-quality development, the economy maintained stable in general, and the advanced manufacturing industries relating to new quality productive forces continued to significantly increase. Regarding demand for construction industry, the investment in real estate continued to decline, while the construction sector has been basically underpinned by the sustainable investment in manufacturing and steady growth of the investment in infrastructure supported by treasury bonds.

Driven by the steady progress of a higher-end, smarter, and more eco-friendly manufacturing sector, the investment in manufacturing recorded a year-on-year increase of 9.5% in the first half of 2024. According to the Report on the Work of the Government delivered in March 2024, to promote the high-quality development of the manufacturing sector, the central government will carry out technology transformation and upgrading in the manufacturing sector, foster and build up advanced manufacturing clusters, and develop national demonstration zones for new industrialization to make traditional industries higher-end, smarter, and more eco-friendly; all market access restrictions on foreign investment in manufacturing will be abolished; it will consolidate and enhance the leading position in industries such as intelligent connected new-energy vehicles, step up development of hydrogen power, new materials, innovative drugs and other cutting-edge sectors, and foster new growth engines in fields such as bio-manufacturing, commercial spaceflight, and the low-altitude economy.



MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2024, the investment in infrastructure gained a year-on-year increase of 5.4%. Investment in the water conservancy management industry increased by 27.4%, investment in the air transportation industry increased by 23.7%, and investment in the railway transportation industry increased by 18.5%. The construction of projects supported by the additional government bonds was accelerated, especially, the rapid progress of post-disaster recovery and reconstruction projects ensured the steady growth of infrastructure investment. China will earmark RMB700 billion in the central government budget for investment in 2024 with a focus on scientific and technological innovation, new infrastructure, energy conservation and carbon reduction, addressing the weak links in the people's livelihood and other economic and social areas. The investment will also be used to promote the construction of infrastructure for flood control, drainage and disaster relief, to promote the renewal and technological transformation of various production equipment and service equipment, and to accelerate the implementation of the major engineering projects stated in the "14th Five-Year Plan". Moreover, the central government will focus on cultivating and developing the county economy, enhancing the weak links in infrastructure and public services, steadily implementing urban renewal programs, promoting the construction of public infrastructure buildings for daily-use and for emergency and the renovation of urban villages, accelerating the improvement of underground pipe networks, and advancing renovation of old residential compounds.

Overseas:

Thanks to the Belt and Road Initiative (BRI), more and more Chinese companies have explored overseas markets. From January to May 2024, China's non-financial outbound direct investment in its BRI partners was US\$12.81 billion, representing an increase of 12.7% on a year-on-year basis. The turnover of Chinese companies gained from contracting projects in the countries involved in the BRI was worth US\$48.01 billion, an increase of 9.5% on a year-on-year basis, and the value of newly signed construction contracts reached US\$69.71 billion, representing an increase of 20.2% on a year-on-year basis. The following sets forth the specific market environment in some countries where the Company has operated:

The prospects of Malaysia's economic and investment continued to brighten under a number of fiscal policies and institutional reforms and Malaysia was seeing an overall stable domestic situation. Malaysia's manufacturing industry has recovered, so has its agriculture and mining industries. Various sub-sectors of the construction sector in Malaysia will continue to expand. Meanwhile a large number of strategic infrastructure and utility projects were carried out, including Central Spine Road, Pan-Borneo Highway, Mass Rapid Transport ("MRT"), Light Rapid Transit ("LRT"), East Rail, etc. Since the beginning of 2024, the investments approved by the Malaysian Investment Development Authority have been at a high level. In accordance with the New Industrial Master Plan (NIMP) 2030, Malaysia's government proposes to focus on investing in 21 industries, including electronics and electrical appliances, chemicals, advanced materials, aerospace and medical industries, with a total investment of RM94.70 billion.

Indonesia's economy has remained robust. According to the latest statistics released by the Indonesian Central Bureau of Statistics, Indonesia's economy grew by 5.11% year-on-year in the first quarter of 2024, being the highest growth rate since the first quarter of 2019. The Indonesian general election ended in February. Under the premise of the new government's implementing the policies introduced in the past, China-Indonesia economic, trade and investment cooperation will continue to deepen, and Chinese companies operating in Indonesia may have a stable business environment. The new Indonesia President said that he will continue to promote Indonesia's Industry 4.0 roadmap, supporting the development of five leading industries: food and beverage industry, automobile industry, electronics industry, textile industry and chemical industry. He will also promote a number of major projects launched during the Joko government, such as the capital relocation plan and new housing plans in rural, coastal and urban areas. These measures are expected to attract more local and overseas investment, especially in the fields of construction and infrastructure.

MANAGEMENT DISCUSSION AND ANALYSIS

Vietnam has devoted more energy to its economic growth on the basis of maintaining a stable macroeconomic, curbing inflation and ensuring the balance of the economy. In the first half of 2024, the economic development made positive progress with the economic growth rate reaching 6.42%, and the output value of the industrial and construction industries increased by 7.51% year-on-year, contributing 44.28% of the overall economic growth. Vietnam will continue to invest resources in major projects, especially cross-regional key highway projects, energy infrastructure building projects, etc. In the first half of 2024, Vietnam absorbed foreign investment totaling US\$15.2 billion, an increase of 13.1% on a year-on-year basis. According to Decision No. 1603 issued by the Vietnam's Prime Minister, investment in transportation infrastructure building will be the largest, reaching US\$16.6 billion. The impact of public investment will gradually spread to various industries and fields, especially on promoting the development of infrastructure contractors.

Thailand has moved up five places in the IMD World Competitiveness Yearbook 2024 in terms of national competitiveness, has moved up 11 places in economic performance as compared to 2023, and has moved up to 23rd in international trade. The employment rate, commodity prices, and domestic trade performance in Thailand have all improved. In 2024, Thailand's construction sector is expected to expand by 2%, worth more than US\$38 billion, among which the construction value of projects such as high-speed rail projects, double-track railway projects, electric train projects, and expressway projects is US\$22 billion, expanding at a growth rate of 2%. The value of construction project such as residential construction, office buildings, retail space, industrial facilities, as well as improvement and maintenance of hotels are worth about US\$16.3 billion, expanding at a growth rate of 3%.

Saudi Arabia's economy grew by 1.4% on a quarter-on-quarter basis in the first quarter of 2024, which is higher than the average economic growth rate of the G20 during the same period. In this April, the International Monetary Fund (IMF) predicted that the Saudi economy would grow by 2.6% year-on-year in 2024 and 6% in 2025. Saudi's Vision 2030 is the most important long-term strategic development plan for Saudi Arabia. The investment in infrastructure stated in the "Vision 2030" has been highly valued by the Saudi government. According to the plan, Saudi Arabia will invest US\$1.1 trillion in infrastructure and real estate. By 2030, Saudi Arabia will have 660 thousand newly built houses. According to the latest analysis by Knight Frank, the construction industry in Saudi Arabia is booming, with output in the residential, infrastructure, industrial, energy and utilities, and commercial sectors reaching US\$141.5 billion.

The UAE's economy performed well in the first half of 2024. The IMF projects that the UAE's national economy will grow by 4% in 2024, driven by robust activities in the tourism, construction, manufacturing, and financial services sectors. According to Dubai's Economic Agenda "D33", a ten-year plan promulgated in 2023, Dubai will rely on robust infrastructure construction, free trade, and commercial cooperation to further enhance its capabilities in transportation, clean energy manufacturing, and other areas. In addition, under the Dubai 2040 Urban Master Plan, the planned development of Dubai Expo Park, Al Maktoum International Airport, Dubai International Airport, large-scale residential projects in Silicon Oasis Park, and the optimization and development of five urban centers have also stimulated enormous demand across various industrial chains in the construction industry.

MANAGEMENT DISCUSSION AND ANALYSIS

Turkey's economy grew by 5.7% year-on-year in the first quarter of 2024. According to the latest report from Fitch, Turkey actively supports construction of large-scale infrastructure projects, ensuring the stability of development policies for the infrastructure industry and improving the operating environment for contractors. The total output value of Turkey's infrastructure industry is expected to grow by 4.1% in 2024. In the railway sector, Turkey benefits from a superior geographical location for international freight transportation, and the government has launched a large-scale railway construction investment plan. In the highway sector, Turkey plans to construct over 4,000 kilometers of highways between 2023 and 2035, and simultaneously plans to leverage the expansion of the highway network to establish several logistics centers in Istanbul and South-eastern Anatolia.

1.2 Company Business Environment

The Group operates in the machinery leasing and service industry, with its main business covering the integrated operations services of products such as aerial work platform equipment, neo-excavation support system, neo-formwork system, road equipment, and power generation equipment. Meanwhile, the Group actively explores the leasing operation of new products, such as special aerial work equipment (high altitude operation trucks, glass attachment lifts, rail-mounted lifts, etc.), material handling equipment (forklifts, telescopic handlers, etc.), lifting equipment (truck-mounted cranes, spider cranes, etc.) and mining equipment (wide-body dump trucks, mining excavators, etc.).

In Mainland China, with the aging population and rising labor costs, the demand for engineering machinery equipment leasing services will continue to increase, and the growth trend of the engineering machinery leasing market in China will remain unchanged. In the first half of 2024, the total output value of construction industry in China was RMB13,831.2 billion, representing a year-on-year increase of 4.8%, and the value added of industrial enterprises above designated size increased by 6.0% year-on-year. Demands from various sectors such as construction and industry have driven the continuous development of the equipment operation industry. The green, digital and global development of China's construction industry will drive the increase in the penetration rate of equipment leasing with broader application scenarios. The leasing market represented by aerial work platforms, neo-excavation support systems and neo-formwork systems will further expand.

In overseas markets, with the shifting in the international supply chain landscape and the rise of infrastructure construction, many developing countries have increasing demand for the construction of infrastructures, houses and plants. More and more construction enterprises and construction machinery manufacturers with label of "Made in China" are going international and exploring overseas markets. In addition, the 14th Five-Year Plan for the Development of Construction Industry (《「十四五」建築業發展規劃》) also encourages construction enterprises and engineering design enterprises in China to participate in the joint construction of the Belt and Road Initiative. From January to May 2024, the turnover of China's foreign contracted engineering business amounted to RMB417.59 billion, representing a year-on-year increase of 12.3%. New contracts value amounted to RMB620.09 billion, representing an increase of 25.6%. The promising prospect of business in overseas markets provides new business growth opportunities for domestic enterprises associated with construction sector.

MANAGEMENT DISCUSSION AND ANALYSIS

1.3 Company's Strategies

In the first half of 2024, adhering to the concept of high-quality and sustainable development, the Group steadfastly implemented its established strategies to advance towards the vision of becoming a "First-class Global Company". In the domestic market, Horizon Construction Development continuously deepened its presence, refined management of store operations, efficiently integrated equipment resources, and consolidated the domestic fundamentals. Meanwhile, Horizon Construction Development expanded into overseas markets, establishing a foothold in Southeast Asia and the Middle East markets and then steadily progressing towards accumulating customer resources and undertaking high-quality projects.

Deepening the presence in regional markets and expanding network coverage. In the first half of 2024, the Group steadfastly implemented its regional market strategy of "Deepening Presence in Domestic Market", continuously expanding and cultivating in untapped and low-market-share areas in China. The Group had a total of 515 core business outlets in China (including 514 in Mainland China and 1 in Hong Kong), covering over 200 cities, which ensured wide coverage and quick response of its business and services. In overseas markets, the Group accelerated the development of its existing Southeast Asian market while continuing to explore potential markets in the Middle East, expanding its presence and operations in the international markets of Malaysia, Vietnam, Indonesia, Thailand, Saudi Arabia, the United Arab Emirates, and Turkey. As at the end of the first half of 2024, the Company had 35 overseas business outlets.

Enhancing efforts in innovation and expansion and continuously exploring various new types of products and customers. As at the end of the first half of 2024, to best meet the diverse needs of customers for products and services, and in coordination with the operation and development of aerial work platform, neo-excavation support system and neo-formwork system, the Group has incubated and put a wide variety of products and services into operation, including special aerial work equipment (high altitude operation trucks, glass attachment lifts, rail-mounted lifts, etc.), material handling equipment (forklifts, telescopic handlers, etc.), lifting equipment (truck-mounted cranes, spider cranes, etc.) and mining equipment (wide-body dump trucks, mining excavators, etc.). In terms of industries and customer types, the Group has expanded its operations to include diverse customers and scenarios beyond housing construction and infrastructure, such as mining machinery leasing, marine shipyards, petrochemicals, and municipal sanitation, thereby supporting various industries in enhancing the efficiency of construction, production, and operations.

Enriching the business portfolio and continuously developing diverse business models. As at the end of the first half of 2024, the Group continued to develop the equipment-based asset management service business, further integrated and optimized the domestic equipment leasing market, and enhanced the overall management scale of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

2. INCOME STATEMENT ANALYSIS

2.1 Income Statement Analysis (Overview)

In the first half of 2024, the Group managed to achieve revenue growth despite the complex and volatile external environment. Profit before tax was RMB406,890,000, representing an increase of 20.5% from RMB337,696,000 for the same period of the previous year. The Group's EBITDA (a non-HKFRS measure) was RMB2,003,614,000, representing an increase of 2.0% from RMB1,965,122,000 for the same period of the previous year.

The following table sets forth the composition and changes in the Group's profit for the period:

	For the six months ended 30 June		
	2024	2023	Change %
	RMB'000	RMB'000	
Revenue	4,872,421	4,205,971	15.8%
Cost of sales	(3,313,096)	(2,769,819)	19.6%
Gross profit	1,559,325	1,436,152	8.6%
Other income and gains	106,938	111,928	-4.5%
Selling and administrative expenses ⁽¹⁾	(694,651)	(557,614)	24.6%
Provision for assets ⁽²⁾	(162,720)	(167,415)	-2.8%
Other expenses	(19,905)	(30,731)	-35.2%
Finance costs	(382,097)	(454,624)	-16.0%
Profit before tax	406,890	337,696	20.5%
Income tax expenses	(138,662)	(100,555)	37.9%
Profit for the period	268,228	237,141	13.1%

Notes:

- (1) Selling and administrative expenses exclude impairment of repossessed assets under administrative expenses in the interim condensed consolidated statement of profit or loss.
- (2) Provision for assets includes expected credit losses ("ECL") on financial and contract assets, net and impairment of repossessed assets under administrative expenses in the interim condensed consolidated statement of profit or loss.

MANAGEMENT DISCUSSION AND ANALYSIS

Non-HKFRS Measures

To supplement our consolidated results which are prepared and presented in accordance with HKFRS, the Group uses EBITDA, which are not required by, or presented in accordance with HKFRS. The Group believes that such non-HKFRS measures facilitate comparisons of operating performance by eliminating the potential impact of these non-core items. The use of such non-HKFRS measures has limitations as an analytical tool, and you should not consider them in isolation from, as a substitute for, analysis of, or superior to, our results of operations or financial conditions as reported under HKFRS. In addition, such non-HKFRS financial measures may be defined differently by other companies, and may not be comparable to other similarly titled measures used by other companies.

The table below sets forth the reconciliation of our non-HKFRS measures presented to the most directly comparable HKFRS measures:

For the six months ended 30 June			
	2024	2023	
	RMB'000	RMB'000	Change %
Profit for the period	268,228	237,141	13.1%
Less: Bank interest income	10,026	7,746	29.4%
Add: Income tax expenses	138,662	100,555	37.9%
Add: Finance costs	382,097	454,624	-16.0%
Add: Depreciation and Amortization ⁽¹⁾	1,224,653	1,180,548	3.7%
EBITDA (a non-HKFRS measure)	2,003,614	1,965,122	2.0%

Note:

- (1) Depreciation and amortization include depreciation of property, plant and equipment, depreciation of right-of-use assets and amortization of other intangible assets.

2.2 Revenue

In the first half of 2024, the Group recorded revenue of RMB4,872,421,000, representing an increase of 15.8% as compared with RMB4,205,971,000 for the corresponding period last year. The Group's revenue growth was mainly based on the steadily expanding customer base, increasing improvement of project undertaking capacity and the expanding scale of the Group's equipment management. In the first half of 2024, the Group actively deployed overseas outlets and business teams, and achieved overseas revenue of approximately RMB73 million.

Attributable to our comprehensive and multi-dimensional service model covering the full cycle of projects, the Group has established a diversified, stable and high-quality customer base with years of deep cultivation in the industry. The number of the Group's customers (on a standalone basis) increased from approximately 158,000 in 2022 to approximately 232,000 in 2023 and further increased to approximately 271,000 as at 30 June 2024, covering a wide range of industries such as municipal construction, housing construction, transportation construction, shipbuilding and offshore engineering, industrial manufacturing, green energy, warehousing and logistics, culture and art, business and entertainment.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth key operational information related to the Group's revenue:

	For the six months ended 30 June	
	2024	2023
<i>Aerial work platform</i>		
Equipment volume (in thousand units) ⁽¹⁾	204.8	159.9
Utilization rate ⁽²⁾	65.6%	73.5%
<i>Neo-excavation support system</i>		
Equipment volume (in thousand tons)	1,613.2	1,551.4
Utilization rate ⁽²⁾	66.9%	65.0%
<i>Neo-formwork system</i>		
Equipment volume (in thousand tons)	748.4	651.1
Utilization rate ⁽²⁾	75.6%	69.9%

Notes:

- (1) As at 30 June 2024, among the 204,800 aerial work platforms operated and managed by the Group, 72,635 aerial work platforms were entrusted to the Group by equipment owners outside the Group to operate and manage through the asset management service model (formerly "platform service model"). The asset management service model (formerly "platform service model") primarily refer to the model in which the Group leases from other equipment suppliers and enters into sub-leases with customers.
- (2) Calculated as the average of total value of assets the Group leased out during the period divided by the average of total value of equipment the Group owned. "Average of total value of equipment" is the total asset value of all equipment, averaged between the beginning and the end of the period.

In the first half of 2024, the Group proactively expanded its domestic and overseas outlets network to deepen its presence in these markets. The average utilization rate of aerial work platform in the first half of 2024 was lower than that of the corresponding period last year, with the average utilization rate of neo-excavation support system and neo-formwork system higher than that of the corresponding period last year. In addition to the factors from domestic market environment, the Group's used aerial work platform from peers operated and managed under the asset management service model (formerly "platform service model") has a certain acceptance, maintenance and redeployment cycle, resulting in a temporary impact on the utilization rate. At the same time, the Group actively deployed overseas outlets and business teams during the period. As most overseas markets were still in the preliminary development stage, the average utilization rate of aerial work platform in such markets is lower than the overall level of the domestic market due to the impact of shipping delivery cycle and new market development period. In addition to the factors from market environment, the average utilization rates of the neo-excavation support system and the neo-formwork system were better than that of the corresponding period last year, which was benefited from the continuous expansion of the Group's engineering business and gained market recognition.

MANAGEMENT DISCUSSION AND ANALYSIS

2.2.1 Revenue analysis by business segment

The Group's revenue is derived from (i) operating leasing services, which primarily include aerial work platform, neo-excavation support system, neo-formwork system and other equipment; (ii) engineering and technical services, which represent the tailor-made one-stop solutions for different business or operation scenarios; and (iii) asset management and other services (formerly "platform and other services"), which primarily consists of asset management services (formerly "platform services"), and the sales of equipment, materials and spare parts.

The following table sets forth the composition and changes in the Group's revenue by business segment:

For the six months ended 30 June					
	2024		2023		
	RMB'000	Proportion %	RMB'000	Proportion %	Change %
Operating lease services	1,895,622	38.9%	2,505,619	59.6%	-24.3%
Engineering and technical services	1,946,261	39.9%	1,140,634	27.1%	70.6%
Asset management and other services (formerly "platform and other services")	1,030,538	21.2%	559,718	13.3%	84.1%
Total	4,872,421	100.0%	4,205,971	100.0%	15.8%

2.2.1.1 Operating lease services

In the first half of 2024, the Group's revenue from operating lease services amounted to RMB1,895,622,000, representing a decrease of 24.3% as compared with RMB2,505,619,000 for the corresponding period last year, mainly due to the market price fluctuation of certain product lines, and the Group continued to empower business operations through digitalization to hedge against the impact of market rent fluctuation. The Group's portfolio of operating lease services includes various types of leased equipment and materials, and operating lease services are provided on a daily, weekly, monthly, annual or project-by-project basis according to customers' needs.

The downstream application scenarios of the Group's equipment and material leasing services are diverse. For instance, in the manufacturing industry, the neo-excavation support system and neo-formwork system can be used for the construction of inner frames, outer frames and foundation pits of factories, whereas the aerial work platform can be used for the installation of steel structures, lighting, fire-proofing, curtain walls, etc., during the installation phase of a factory construction. In the commercial real estate industry, the neo-excavation support system and neo-formwork system can be used for the construction of the foundation pits and frames of commercial complexes and office buildings, whereas the aerial work platforms can be used for the installation of fixtures, advertising billboards, cleaning or painting on commercial buildings. In cultural, entertainment and consumer industries, the aerial work platform can be used for high altitude video shooting, concerts and exhibitions or trade shows, and the neo-excavation support system and neo-formworks system can be used to building stadiums and exhibition centers.

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According to the statistics of the confirmed turnover derived from the equipment operated and managed by the Group during the first half of 2024, approximately 49.7% were served in the industrial projects (including industrial plants and logistics warehousing), approximately 24.0% in infrastructure and municipal projects, approximately 10.2% in commercial real estate projects (including shopping malls, hotels and offices), approximately 3.4% in residential projects, and approximately 12.7% in daily operations and other projects.

2.2.1.2 Engineering and technical services

In the first half of 2024, the Group's revenue from engineering and technical services amounted to RMB1,946,261,000, representing an increase of 70.6% as compared with RMB1,140,634,000 for the corresponding period last year, due to the Group's active expansion of the business scale of engineering and technology services and significant efforts on the engineering business of the neo-formwork system, which has great achievement, becoming an important supplement to the neo-excavation support system and road engineering. In addition, with the enhancement of the Group's engineering techniques and engineering capacity, the average order volume of engineering projects increased. In the first half of the 2024, the neo-excavation support system and the neo-formwork system served more than 2,630 engineering projects, including representative projects such as Macau Taipa Terminal, Welcome National Backbone Cold Chain Logistics Base (維爾康國家骨幹冷鏈物流基地) and Maojia Village Reservoir Extra Large Steel Cofferdam (毛家村水庫特大鋼圍堰).

2.2.1.3 Asset management and other services (formerly "platform and other services")

In the first half of 2024, the Group's revenue from asset management and other services (formerly "platform and other services") amounted to RMB1,030,538,000, representing an increase of 84.1% as compared to RMB559,718,000 for the corresponding period last year.

Asset management service (formerly "platform service") revenue represent the revenue generated by the Group through the asset management service model (formerly "platform service model"), which refers to the model under which the Group provides management service to other equipment suppliers on the equipment owned by them, and enters into subleasing arrangements with customers. Leveraging on the Group's nationwide operation network, digitalized management system and profound equipment operation experience, the Group has strong equipment management capabilities and further expands its market share of equipment operation based on its own resources through entrusted management.

Trading revenue represents revenue generated from sales of equipment, materials and spare parts by the Group. In the first half of 2024, the Group sold over 800 units of equipment. As the Group further expanded its business in overseas markets and deepened its penetration into overseas markets, the Group's in-depth industry knowledge and extensive experience in the supply, repair and maintenance of aerial work platforms will enable the Group to increase revenue by providing high quality used aerial work platforms at affordable prices to overseas customers.

As at 30 June 2024, the number of partners under the Group's asset management service model (formerly "platform service model") has increased significantly. Among the 204,800 aerial work platforms operated and managed, 72,635 aerial work platforms were entrusted to the Group by other equipment owners outside the Group to operate and manage through the asset management service model (formerly "platform service model").

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The following table sets forth the composition and changes in the Group's asset management and other services (formerly "platform and other services"):

For the six months ended 30 June					
	2024		2023		
	RMB'000	Proportion %	RMB'000	Proportion %	Change %
Asset management services (formerly "platform services")	743,875	72.2%	299,505	53.5%	148.4%
Trade and others	286,663	27.8%	260,213	46.5%	10.2%
Total	1,030,538	100.0%	559,718	100.0%	84.1%

2.3 Gross Profit and Gross Profit Margin

In the first half of 2024, the Group recorded a gross profit of RMB1,559,325,000, representing an increase of 8.6% as compared with RMB1,436,152,000 for the corresponding period last year. The gross profit margin of the Group was 32.0%, representing a decrease of 2.1% as compared with 34.1% for the corresponding period last year, mainly due to the decrease in gross profit margin of operating lease services and asset management and other services (formerly "platform and other services").

The following table sets forth the Group's gross profit and gross profit margin by segment:

For the six months ended 30 June					
	2024		2023		
	RMB'000	Gross profit margin %	RMB'000	Gross profit margin %	Change in gross profit %
Operating lease services	702,774	37.1%	990,474	39.5%	-29.0%
Engineering and technical services	525,491	27.0%	236,111	20.7%	122.6%
Asset management and other services (formerly "platform and other services")	331,060	32.1%	209,567	37.4%	58.0%
Total gross profit/gross profit margin	1,559,325	32.0%	1,436,152	34.1%	8.6%

MANAGEMENT DISCUSSION AND ANALYSIS

2.3.1 Operating lease services

In the first half of 2024, the gross profit of the Group's operating lease services amounted to RMB702,774,000, representing a decrease of 29.0% as compared with RMB990,474,000 for the corresponding period last year. The gross profit margin of the Group's operating lease services was 37.1%, representing a decrease of 2.4% as compared with 39.5% for the corresponding period last year, mainly due to the change in utilization rate of aerial work platform and the fluctuation of the market rent.

2.3.2 Engineering and technical services

In the first half of 2024, the gross profit of the Group's engineering and technical services amounted to RMB525,491,000, representing an increase of 122.6% as compared with RMB236,111,000 for the corresponding period last year. The gross profit margin of the Group's engineering and technical services was 27.0%, representing an increase of 6.3% as compared with 20.7% for the corresponding period last year, which was due to enhancement in the engineering and technical services in recent years and providing customers with the tailor-made construction solutions, in order to enhance reputation and increase market share. In the first half of 2024, the contracted value of order volume of neo-excavation support system and neo-formwork system significantly increased year-on-year, with better average utilization rate than that of the corresponding period last year.

2.3.3 Asset management and other services (formerly the "platform and other services")

In the first half of 2024, the gross profit of the Group's asset management and other services (formerly "platform and other services") amounted to RMB331,060,000, representing an increase of 58.0% as compared to RMB209,567,000 for the corresponding period last year. The gross profit margin of the Group's asset management and other services (formerly "platform and other services") was 32.1%, representing a decrease of 5.3% as compared to 37.4% for the corresponding period last year, which can be further divided into:

In the first half of 2024, the gross profit of the Group's asset management services (formerly "platform services") amounted to RMB214,248,000, representing a significant increase as compared to RMB91,948,000 for the corresponding period last year, which was mainly due to the Group proactively expanded its asset management service model (formerly "platform service model"), and the equipment operation and management capabilities were highly recognised by the market, which enabled the Group, to a large extent, to increase the scale of equipment management and the revenue from asset management services (formerly "platform services") through the asset management service model (formerly "platform service model"), a model to enter into sublease arrangements with customers after leasing equipment from other equipment suppliers. The gross profit margin of the Group's asset management services (formerly "platform services") slightly decreased as compared with that of the corresponding period last year, due to the fluctuation of the market rent of assets under operation and management.

In the first half of 2024, the Group actively adjusted the structure of self-owned lease and service assets by disposal of certain equipment and materials assets that did not meet the efficiency requirements. The gross profit of the Group's sales of equipment, materials and spare parts amounted to RMB116,812,000, representing a slight decrease as compared with RMB117,619,000 for the corresponding period last year, which was mainly due to the change in the structure of sales of equipment, materials and spare parts.

MANAGEMENT DISCUSSION AND ANALYSIS

2.4 Cost of Sales and Selling and Administrative Expenses

In the first half of 2024, the Group's cost of sales amounted to RMB3,313,096,000, representing an increase of 19.6% as compared with RMB2,769,819,000 for the corresponding period last year. The Group's selling and administrative expenses (excluding impairment of repossessed assets) amounted to RMB694,651,000, representing an increase of 24.6% as compared with RMB557,614,000 for the corresponding period last year. The total amount of the above costs and expenses was RMB4,007,747,000, representing an increase of 20.4% as compared with RMB3,327,433,000 for the corresponding period last year, which was mainly due to an increase in staff and labour subcontracting costs, trading and re-rent costs of equipment.

The following table sets forth a breakdown of the Group's cost of sales and selling and administrative expenses (excluding impairment of repossessed assets) by nature:

For the six months ended 30 June					
	2024		2023		
	RMB'000	% of revenue	RMB'000	% of revenue	Change in amount%
Depreciation and amortization ⁽¹⁾	1,196,156	24.5%	1,153,206	27.4%	3.7%
Depreciation and amortization-right-of-use assets ⁽¹⁾	28,495	0.6%	27,342	0.7%	4.2%
Staff and labour subcontracting costs ⁽²⁾	1,014,150	20.8%	642,607	15.3%	57.8%
Trading and re-rent costs ⁽³⁾	571,953	11.7%	335,806	8.0%	70.3%
Maintenance and consumable materials costs ⁽⁴⁾	344,969	7.1%	325,442	7.7%	6.0%
Logistics and lifting costs ⁽⁵⁾	448,274	9.2%	416,124	9.9%	7.7%
Research and development expenses ⁽⁶⁾	70,910	1.5%	112,883	2.7%	-37.2%
Transportation, travelling and information expenses ⁽⁷⁾	124,910	2.6%	93,098	2.2%	34.2%
Rental and property management services expenses ⁽⁸⁾	41,931	0.9%	30,179	0.7%	38.9%
Taxes and surcharges	25,116	0.5%	18,941	0.5%	32.6%
Professional services fee ⁽⁹⁾	35,937	0.7%	21,598	0.5%	66.4%
Other expenses ⁽¹⁰⁾	104,946	2.2%	150,207	3.6%	-30.1%
Total	4,007,747	82.3%	3,327,433	79.2%	20.4%

MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

- (1) Depreciation and amortization are depreciation of property, plant and equipment, depreciation of right-of-use assets and amortization of other intangible assets, but excluding depreciation and amortization included in research and development expenses. The actual economic life of assets used in operating leases and engineering and technical services in the industry is generally up to 15-20 years after regular maintenance and repair. On 12 March 2024, the Group announced that the expected useful life of the hot-dip galvanizing scaffolds in the neo-formwork system would be changed from 10 years to 20 years and the expected net residual value rate would be changed from 10% to 30%. In the first half of 2024, the Group's depreciation and amortization (including the depreciation of leasehold and leased equipment use rights) amounted to RMB1,224,651,000, representing an increase of 3.7% as compared with the RMB1,180,548,000 for the corresponding period last year, which was mainly due to an increase in the scale of equipment attributable to the expansion of the Group's business scale.
- (2) The Group's staff and labour subcontracting costs mainly represent the remuneration expenses of the Group's employees and the labour subcontracting costs incurred in connection with the demand for temporary staff in engineering and technical service projects. In the first half of 2024, the Group's staff and labour subcontracting costs amounted to RMB1,014,150,000, representing an increase of 57.8% as compared with the corresponding period last year, which was mainly due to: (i) a significantly increase in labour subcontracting costs due to increase in the scale of engineering and technical services; and (ii) an increase in the number of employees and remuneration expenses as a result of the progressive expansion of overseas market.
- (3) Trading and re-rent costs mainly represent trading costs of sales of equipment, materials and spare parts and the Group's equipment leasing costs. In the first half of 2024, the Group's trading and re-rent costs amounted to RMB571,953,000, representing an increase of 70.3% as compared with the corresponding period last year, which was mainly due to a significantly increase in re-rent costs as a result of expansion in the scale of equipment management through asset management service model (formerly "platform service model").
- (4) The maintenance and consumable materials costs mainly represent the cost of spare parts for the Group's maintenance and repair of equipment and materials (including the equipment leased under the asset management service model ,the formerly "platform service model"), and the cost of materials consumed by the Group's engineering and technical service projects. In the first half of 2024, the Group's maintenance and consumable materials costs amounted to RMB344,969,000, representing an increase of 6.0% as compared with the corresponding period last year, which was mainly due to the expansion of the scale of asset operated and managed by the Group.
- (5) The logistics and lifting costs mainly represent the logistics costs of equipment for transfers between different projects under the Group's operating lease services and asset management services (formerly "platform services"), and the lifting costs of equipment on site of engineering and technical service projects. In the first half of 2024, the Group's logistics and lifting costs amounted to RMB448,274,000, representing an increase of 7.7% as compared with the corresponding period last year, mainly due to the increase in logistics costs driven by the increase in the utilization of the Group's assets. In the first half of 2024, the Group transported a total of 470,000 vehicles, representing an increase of 22% as compared with the corresponding period last year, in terms of volume of equipment transportation. The Group has established a tracking management system for the rapid delivery of equipment and a cost reduction management system for rapid adjustment of freight rates, which effectively guarantees the timeliness of equipment transportation in all aspects and effectively controls the transportation price of equipment. By continuously improving the logistics monitoring system, improving the delivery mode and capacity structure, and optimizing the allocation and transportation distance, the Group has greatly contributed to the efficiency and cost reduction of the Company's operations, and the unit price of logistics in the first half of 2024 decreased correspondingly as compared with the corresponding period last year.
- (6) The Group's research and development expenses are mainly depreciation, materials and staff cost from research and development activities which are used for the upgrade and digitalization of engineering and technical services and internet of things ("IoT"). In the first half of 2024, the Group's research and development expenses amounted to RMB70,910,000 (including depreciation and amortization amounting to RMB2,000), representing a decrease of 37.2% as compared with the corresponding period last year, mainly because the Group proactively adjusted the pace of research and development projects after the digitalization system matured.
- (7) The Group incurred transportation, travelling and information expenses of RMB124,910,000, representing an increase of 34.2% as compared with the corresponding period last year, which was mainly due to the increase in travel expenses as a result of the Group's steady expansion of overseas market.
- (8) The Group incurred rental and property management services expenses of RMB41,931,000, representing an increase of 38.9% as compared with the corresponding period last year, mainly due to an increase rental and property management services expenses as a result of the further increase of total number of service outlets of the Group.
- (9) The Group incurred professional service fees of RMB35,937,000, representing a significant increase as compared with the corresponding period last year, mainly due to the Group's steady progress in various compliance work, as well as fees incurred by the Group's external professional lawyers' team to diversify collection methods and strengthen collection efforts.
- (10) Other expenses mainly include fuel costs consumed by engineering and technical service projects, office expenses and business entertainment and promotion expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

2.5 Other Income and Gains

In the first half of 2024, the Group's other income and gains amounted to RMB106,938,000, representing a decrease of 4.5% as compared to RMB111,928,000 for the corresponding period last year, mainly due to the decrease in gains from derivative financial instruments used to hedging interest rate and the exchange risk level expired in the first half of the year. In the first half of 2024, the hedging instruments used by the Group met the requirements of hedge accounting, and the corresponding changes in fair value were recognised in equity directly.

2.6 Provision for Assets

The provision for assets of the Group is expected credit losses ("ECL") of the financial assets and impairment of repossessed assets under administrative expenses. The Group adopts a prudent strategy to assess the risk of asset provision, to carry out multi-dimensional quantitative assessment on the imported customers and to strengthen the monitoring of the repayment ability of customers through the linkage mechanism of risk review and risk control, so as to ensure the security of assets of the Group.

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

For the six months ended 30 June					
	2024		2023		
	RMB'000	Proportion %	RMB'000	Proportion %	Change %
Trade receivables and contract assets	168,004	103.3%	89,884	53.7%	86.9%
Notes receivables	-5,183	-3.2%	73,654	44.0%	-107.0%
Other	-101	-0.1%	3,877	2.3%	-102.6%
Total	162,720	100.0%	167,415	100.0%	-2.8%

For details, please refer to the discussion and analysis in 3.3, 3.4 and 3.5 of this section.

2.7 Other Expenses

Other expenses of the Group primarily consist of (i) foreign exchange losses, mainly arising from bank borrowings denominated in foreign currencies of the Group; and (ii) commission expenses, representing commission fees and handling fees charged by banks and non-bank financial institutions in connection with the bank and other borrowings of the Group.

In the first half of 2024, the Group's other expenses amounted to RMB19,905,000, representing a decrease of 35.2% as compared with RMB30,731,000 for the corresponding period last year, mainly due to decrease in foreign exchange losses. The Group's redemption liability on ordinary shares denominated in USD was reclassified from liability to equity on the Listing Date, therefore, no foreign exchange losses were accrued in the first half of 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

2.8 Finance Costs

Finance costs of the Group primarily consist of (i) interest on borrowings; and (ii) interest on lease liabilities.

In the first half of 2024, the Group's finance costs amounted to RMB382,097,000, representing a decrease of 16.0% as compared with RMB454,624,000 for the corresponding period last year, mainly due to the decrease in interest on borrowings of the Group by RMB85,598,000. For details, please refer to the discussion and analysis in 2.8.1 and 3.10 of this section.

2.8.1 Interest on borrowings

The following table sets forth the average balance of interest-bearing bank and other borrowings, interest expense, and average financing rate of the Group:

	For the six months ended 30 June					
	2024			2023		
	Average balance ⁽¹⁾	Interest expense	Average financing rate ⁽²⁾	Average balance ⁽¹⁾	Interest expense	Average financing rate ⁽²⁾
	RMB'000	RMB'000		RMB'000	RMB'000	
Interest-bearing bank and other borrowings	18,382,079	367,027	/	19,749,355	452,625	/
Including: interest-bearing bank and other borrowings, deducting redemption liabilities on ordinary shares	18,382,079	367,027	3.99%	19,035,796	405,997	4.27%

Notes:

- (1) Average balance = (balance of interest-bearing bank and other borrowings at the beginning of the period + balance of interest-bearing bank and other borrowings at the end of the period)/2.
- (2) Average financing rate= interest expense during the period/corresponding average balance, presented on an annualized basis.

In the first half of 2024, average financing rate of interest-bearing bank and other borrowings after deducting redemption liabilities on ordinary shares of the Group was 3.99%, representing a decrease of 0.28% as compared with 4.27% for the corresponding period last year, mainly due to the lower domestic financing rate as a result of the interest rate deduction by the central bank, and the preferential interest rate available to the Group as the Group's main businesses were encouraged by the country.

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2.9 Income Tax Expenses

In the first half of 2024, the Group's income tax expenses amounted to RMB138,662,000, representing an increase of 37.9% as compared with RMB100,555,000 for the corresponding period last year, mainly due to the increase in profit before tax of the Group; effective tax rate of the Group was 34.1%, representing an increase of 4.3% as compared with 29.8% for the corresponding period last year, mainly due to the Group's provision of withholding income tax in the first half of 2024 on the proposed cross-border dividend distribution.

2.10 Profit for the Period

Based on the above discussion and analysis, profit for the period of the Group was RMB268,228,000, representing an increase of 13.1% as compared with RMB237,141,000 for the corresponding period last year.

2.11 Basic Earnings per Share

In first half of 2024, basic earnings per share of the Group amounted to RMB0.084, representing an increase of RMB0.002 or 2.4% from RMB0.082 for corresponding period last year.

For the six months ended 30 June			
	2024	2023	Change %
Profit for the year attributable to holders of ordinary shares of the Company (RMB'000)	268,228	237,141	13.1%
Weighted average number of ordinary shares in issue (share) ⁽¹⁾	3,196,827,500	2,893,332,333	10.5%
Basic earnings per share (RMB)	0.084	0.082	2.4%

Note:

- (1) Weighted average number of ordinary shares in issue (share) = (the number of outstanding ordinary shares at the beginning of the period + positive or negative change of the number of ordinary shares during the period × number of change months)/6

MANAGEMENT DISCUSSION AND ANALYSIS

3. ANALYSIS OF FINANCIAL CONDITION

3.1 Assets (Summary)

As at 30 June 2024, total assets of the Group were RMB35,269,899,000, representing an increase of RMB4,033,124,000 or 12.9% as compared with that of the end of last year. The following table sets forth assets of the Group as at the dates indicated:

	30 June 2024		31 December 2023		Change %
	RMB'000	% of total	RMB'000	% of total	
Property, plant and equipment	21,471,813	60.9%	18,221,107	58.3%	17.8%
Trade receivables and contract assets	6,361,171	18.0%	5,413,683	17.3%	17.5%
Notes receivables ⁽¹⁾	1,009,287	2.9%	1,236,738	4.0%	-18.4%
Prepayments, other receivables and other assets	2,891,190	8.2%	2,684,805	8.6%	7.7%
Cash and bank balances	1,939,103	5.5%	2,166,812	7.0%	-10.5%
Right-of-use assets	1,004,015	2.8%	978,426	3.1%	2.6%
Other assets	593,320	1.7%	535,204	1.7%	10.9%
Total assets	35,269,899	100.0%	31,236,775	100.0%	12.9%
Including: non-current assets	23,392,992	66.3%	20,115,074	64.4%	16.3%
Including: current assets	11,876,907	33.7%	11,121,701	35.6%	6.8%

Note:

(1) Notes receivables are recorded under "debt investments at fair value through other comprehensive income" in the interim condensed consolidated statement of financial position.

3.2 Property, Plant and Equipment

As at 30 June 2024, the property, plant and equipment of the Group amounted to RMB21,471,813,000, representing an increase of RMB3,250,706,000 or 17.8% as compared with that of the end of last year, due to the combined effect of the following factors: (i) in the first half of 2024, the Group expanded the scale of procurement of aerial work platform to maintain the scale growth of its owned assets and optimized the fleet structure to respond to customer needs; and (ii) the provision on depreciation of property, plant and equipment amounted to RMB1,073,569,000 for the period.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the property, plant and equipment of the Group as at the dates indicated:

	30 June 2024		31 December 2023		Change %
	RMB'000	% of total	RMB'000	% of total	
Equipment, materials and moulds for leasing and services	20,865,283	97.2%	17,593,308	96.6%	18.6%
Buildings	526,901	2.5%	544,392	3.0%	-3.2%
Leasehold improvements and others	79,629	0.3%	83,407	0.4%	-4.5%
Total	21,471,813	100.0%	18,221,107	100.0%	17.8%

As at 30 June 2024, the equipment, materials and molds for leasing and services of the Group mainly included aerial work platform of RMB11,449,105,000 (RMB9,215,312,000 as at the end of last year), neo-excavation system of RMB5,313,490,000 (RMB5,011,742,000 as at the end of last year) and neo-formwork system of RMB3,259,138,000 (RMB3,100,784,000 as at the end of last year). During the period, the Group increased investment for the layout of product lines such as special aerial work equipment (high altitude operation trucks, glass attachment lifts, rail-mounted lifts, etc.), material handling equipment (forklifts, telescopic handlers, etc.), lifting equipment (truck-mounted cranes, spider cranes) and mining equipment (wide-body dump trucks, mining excavators, etc.).

The Group researches the operating lease market by product category and by geography (both domestic and overseas) to estimate appropriate time for further actions. The Group would consider disposing of the equipment and material assets which did not meet the efficiency requirements of the Group to second-hand market after such equipment and material assets have been used for a certain period of time.

For equipment maintenance and management, the equipment asset service and maintenance team of the Group has a comprehensive decision-making and balance mechanism comprising front-end monitoring and handling, middle-office process control and back-end supervision and support, and establishes a management system covering the full life circle of asset maintenance, which realises a whole process closed-loop management of "equipment procurement-equipment leasing services flow and process maintenance-equipment overhaul-equipment disposal", with the support of organizational guarantee, technical guarantee and material guarantee to improve the overall efficiency of equipment operation.

3.3 Trade Receivables and Contract Assets

Trade receivables represent amounts receivable by the Group for services rendered and goods sold to customers.

Contract assets represent the right to receive payment arising from the provision of engineering and technical services by the Group to customers; contract assets are initially recognised for revenue earned from engineering and technical services as the receipt of consideration is conditional on successful completion of services and acceptance by the customer, respectively. Upon completion of services and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables.

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The table below sets forth the composition of the trade receivables and contract assets of the Group as at the dates indicated:

	30 June 2024	31 December 2023	
	RMB'000	RMB'000	Change %
Trade receivables and contract assets			
Gross carrying amount ⁽¹⁾	7,547,014	6,457,678	16.9%
Provision ⁽¹⁾	-1,185,843	-1,043,995	13.6%
Net carrying amount	6,361,171	5,413,683	17.5%

(1) In the first half of 2024, the written-off bad debts of trade receivables of the Group amounted to RMB26,156,000 (for the corresponding period last year: nil).

3.3.1 Total trade receivables and contract assets

As at 30 June 2024, the total trade receivables and contract assets of the Group amounted to RMB7,547,014,000, representing an increase of RMB1,089,336,000 or 16.9 % as compared with that of the end of last year, mainly due to the expansion in the scale of the Group's businesses.

3.3.2 Provision for trade receivables and contract assets

As at 30 June 2024, the provision for trade receivables and contract assets of the Group amounted to RMB1,185,843,000 in aggregate, representing an increase of RMB141,848,000 or 13.6% as compared with that of the end of last year, mainly due to the increase in the total trade receivables and contract assets of the Group.

The Group has implemented systematic risk management assessment policies to evaluate the credit and performance of our customers. The Group has a large number of customers, in particular, it needs to deal with a large number of small and medium-sized customers in aerial work platform business, among which the Group used a "Hongxin Score" ("宏信分") model to carry out quantitative risk assessment for such customers. By superimposing historical transaction data, external monitoring data and internal cooperation records accumulated in the course of operation from multiple dimensions, such model performs quantitative analysis on 70 subdivision indicators to screen out the characteristics of high-quality customers, thus realising intelligent and automatic evaluation of small and medium-sized customers. For large-scale engineering projects, the Group selected customers and projects through quantitative and manual evaluation, fully evaluated the potential risks such as project compliance risk, construction technology risk, supply guarantee risk, HSE risk and credit risk from multiple dimensions, and formulated corresponding solutions. In terms of trade receivables management, the Group strengthened risk awareness through risk review and risk control and debt linkage mechanism, and realised effective isolation of risk customers through management mechanisms such as blacklist, and conducted on-site evaluation of our customer's operation as necessary. The Group reviews the trade receivables balance and follows up with our customers with overdue trade receivables on a quarterly basis. At the same time, the Group classified trade receivables into different risk levels and recognised provisions accordingly with reference to our past recoverability, the quarterly review of ageing of trade receivables and observable changes in economic conditions that correlate with default on trade receivables.

MANAGEMENT DISCUSSION AND ANALYSIS

3.3.3 Trade receivables turnover days and ageing distribution

In the first half of 2024, the Group's trade receivables turnover days were 193 days, representing a decrease as compared with 207 days of the same period of the previous year, which is mainly due to the continuous improvement of the Group's ability to collect payments, resulting in higher increase of total revenue than the increase of average net trade receivables.

The table below sets forth the ageing distribution of the trade receivables of the Group as at the dates indicated based on the billing date:

	30 June 2024				31 December 2023				Change, net %
	Total	Provision	Net	Net	Total	Provision	Net	Net	
	RMB'000	RMB'000	RMB'000	% of total	RMB'000	RMB'000	RMB'000	% of total	
Trade receivables									
Within 1 year	5,046,668	-651,633	4,395,035	81.2%	4,527,445	-557,175	3,970,270	78.9%	10.7%
More than 1 year	1,443,018	-423,567	1,019,451	18.8%	1,501,286	-441,736	1,059,550	21.1%	-3.8%
Total	6,489,686	-1,075,200	5,414,486	100.0%	6,028,731	-998,911	5,029,820	100.0%	7.6%

The table below sets forth the trade receivables turnover days for the period indicated:

	Six months ended 30 June	
	2024	2023
Trade receivables turnover days during the period	193	207

Note:

- (1) The trade receivables turnover days equals the average net trade receivables at the beginning and end of the period divided by the total revenue for the period and multiplied by 180.

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3.4 Notes Receivables

As at 30 June 2024, the notes receivables of the Group amounted to RMB1,009,287,000, representing a decrease of RMB227,451,000 or 18.4% as compared with that of the end of previous year, which is mainly due to the Group's prudent collection strategy.

The following table sets forth the notes receivables of the Group as at the dates indicated:

	30 June 2024		31 December 2023		Change%
	RMB'000	% of total	RMB'000	% of total	
Bank acceptances	193,727	19.2%	391,655	31.7%	-50.5%
Commercial acceptance bills	815,560	80.8%	845,083	68.3%	-3.5%
Total	1,009,287	100.0%	1,236,738	100.0%	-18.4%

3.5 Prepayments, Other Receivables and Other Assets

Our prepayments, other receivables and other assets primarily consist of (i) prepayments and deposits, mainly including expenditures related to our procurement and rental of equipment or materials, deposits paid to providers for the re-renting of equipment, deposits paid for financing, and deposits paid to bid for projects; and (ii) tax recoverable, which primarily includes our input VAT to be credited.

As at 30 June 2024, the net prepayments, other receivables and other assets of the Group amounted to RMB2,891,190,000, representing an increase of RMB206,385,000 or 7.7% as compared with that of the end of previous year, which was mainly due to the increase in the tax recoverable.

The following table sets forth a breakdown of the Group's prepayments, other receivables and other assets as at the dates indicated:

	30 June 2024		31 December 2023		Change %
	RMB'000	% of total	RMB'000	% of total	
Prepayments and deposits	1,275,750	43.3%	1,243,020	45.5%	2.6%
Tax recoverable	1,330,896	45.2%	1,085,001	39.7%	22.7%
Other receivables	74,492	2.5%	95,654	3.5%	-22.1%
Other	263,636	9.0%	306,418	11.3%	-14.0%
Total	2,944,774	100.0%	2,730,093	100.0%	7.9%
Provision	-53,584		-45,288		18.3%
Net	2,891,190		2,684,805		7.7%

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3.6 Cash and Bank Balances

As at 30 June 2024, the cash and bank balances of the Group amounted to RMB1,939,103,000, representing a decrease of RMB227,709,000, or 10.5% as compared with that of the end of the previous year, mainly due to flexible adjustment to the position by the Group. The following table sets forth a breakdown of cash and bank balances of the Group as at the dates indicated:

	30 June 2024		31 December 2023		Change %
	RMB'000	% of total	RMB'000	% of total	
Cash and cash equivalents	1,932,626	99.7%	2,166,798	100.0%	-10.8%
Restricted bank balances	6,477	0.3%	14	0.0%	46,164.3%
Total	1,939,103	100.0%	2,166,812	100.0%	-10.5%

The Group retains relatively abundant cash and cash equivalents to support its business development needs and ensure the liquidity safety of the Group. The cash and cash equivalents of the Group are mainly RMB-denominated assets, as well as a small amount of foreign currencies, including Hong Kong Dollar, US Dollar, Malaysian Ringgit, Indonesian Rupiah, Thai Baht, Vietnamese Dong, Singapore Dollar, UAE Dirham, Saudi Riyal, Turkish Lira, etc.

3.7 Right-of-Use Assets

As at the lease commencement date, the Group recognise right-of-use assets and the corresponding lease liabilities, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. As at 30 June 2024, the right-of-use assets of the Group amounted to RMB1,004,015,000, representing an increase of RMB25,589,000, or 2.6% as compared with that of the end of the previous year, mainly due to the increase in balance of right-of-use assets as a result of the expanded equipment operated and managed by the Group with the asset management service model (formerly "platform service model").

The following table sets forth a breakdown of right-of-use assets of the Group as at the dates indicated:

	30 June 2024		31 December 2023		Change %
	RMB'000	% of total	RMB'000	% of total	
Equipment	692,507	69.0%	667,209	68.2%	3.8%
Leasehold land	179,045	17.8%	181,398	18.5%	-1.3%
Offices	132,463	13.2%	129,819	13.3%	2.0%
Total	1,004,015	100.0%	978,426	100.0%	2.6%

MANAGEMENT DISCUSSION AND ANALYSIS

3.8 Other Assets

As at 30 June 2024, The Group's other assets amounted to RMB593,320,000, mainly including (i) RMB400,917,000 of the balance of deferred tax assets recognised for the provision for asset and deductible temporary differences; (ii) RMB188,857,000 of balance of inventories for the purpose of raw materials used for manufacturing neo-formwork system and spare parts used for repairing aerial work platform, self-manufactured neo-formwork system and finished goods held for sale in the ordinary course of business.

3.9 Liabilities (Overview)

As at 30 June 2024, the total liabilities of the Group were RMB24,238,127,000, representing an increase of RMB3,779,019,000, or 18.5% as compared with that of the end of previous year.

The following table sets forth the details of the Group's liabilities as at the dates indicated:

	30 June 2024		31 December 2023		Change %
	RMB'000	% of total	RMB'000	% of total	
Interest-bearing bank and other borrowings	19,424,925	80.1%	17,339,232	84.8%	12.0%
Trade and bills payables	3,286,827	13.6%	1,552,487	7.6%	111.7%
Other payables and accruals	636,775	2.6%	682,688	3.3%	-6.7%
Lease liabilities	768,918	3.2%	693,604	3.4%	10.9%
Tax payables	103,358	0.4%	173,588	0.8%	-40.5%
Derivative financial instruments	2,982	0.0%	2,581	0.0%	15.5%
Deferred revenue	14,342	0.1%	14,928	0.1%	-3.9%
Total liabilities	24,238,127	100.0%	20,459,108	100.0%	18.5%
Including: Current liabilities	10,752,973	44.4%	9,281,519	45.4%	15.9%
Including: Non – current liabilities	13,485,154	55.6%	11,177,589	54.6%	20.6%

MANAGEMENT DISCUSSION AND ANALYSIS

3.10 Interest-bearing Bank and Other Borrowings

As at 30 June 2024, the Group's interest-bearing bank and other borrowings were RMB19,424,925,000, representing an increase of RMB2,085,693,000, or 12.0% as compared with that of the end of previous year, mainly due to the increase in scale of procurement of equipment owned by the Group.

In the first half of 2024, the Group has made good progress towards borrowings, mainly representing (i) the Group proactively expanded long-term products within 5 to 7 years so that the debt structure was continuously optimized, with non-current interest-bearing bank and other borrowings accounting for 66.4%, representing an increase of 5.0% as compared with that of the end of the previous year; (ii) the Group increased channel resources and credit ratings scales in Tianjin and Guangzhou, leading to greater financing stability; and (iii) the Group actively promoted green syndicated loans, supply chain financing, loan products for technology startups and other products, further reducing financing costs with average financing rate of 3.99% in the first half of 2024, representing a decrease of 0.28% as compared with that of the same period of previous year.

The following table sets forth the compositions of the Group's interest-bearing bank and other borrowings as at the dates indicated:

	30 June 2024		31 December 2023		Change%
	RMB'000	Proportion %	RMB'000	Proportion %	
Secured	6,474,406	33.3%	5,077,287	29.3%	27.5%
Unsecured	12,950,519	66.7%	12,261,945	70.7%	5.6%
Total	19,424,925	100.0%	17,339,232	100.0%	12.0%
Including: Current liabilities	6,536,459	33.6%	6,694,592	38.6%	-2.4%
Non-current liabilities	12,888,466	66.4%	10,644,640	61.4%	21.1%

In the first half of 2024, the Group has prudentially managed financial risk. As at 30 June 2024, the unsecured interest-bearing bank and other borrowings represented a slight decrease to 66.7% as compared with that of 70.7% at the end of the previous year, while the secured interest-bearing bank and other borrowings represented a slight increase to 33.3% as compared with that of the end of previous year. Changes in the Group's secured and unsecured structure are mainly attributable to the Group obtaining financing with more favourable costs and term through asset pledge.

As at the dates indicated, other borrowings of the Group were pledged by equipment, materials and moulds for leasing and services.

MANAGEMENT DISCUSSION AND ANALYSIS

3.11 Trade and Bills Payables

Trade and bills payables are amounts payable to suppliers.

As at 30 June 2024, the Group's trade and bills payables were RMB3,286,827,000, representing an increase of RMB1,734,340,000 or 111.7% as compared with that of the end of the previous year, which is mainly due to the increase in the scale of procurement of the Group's own asset in the first half of 2024 and active management of payments to suppliers based on the recovery of payments from business.

3.12 Other Payables and Accruals

The Group's other payables and accruals primarily include (i) deposits, which represent deposits paid by our customers; (ii) salary and welfare payable to our employees; (iii) advanced rentals and contract liabilities, which represent amounts received from customers by the Group in advance for services according to the payment schedule as agreed in the contract; (iv) interest payables relating to bank and other borrowings; and (v) other tax payables (primarily VAT payables).

As at 30 June 2024, the Group's balance of other payables and accruals was RMB636,775,000, representing a decrease of RMB45,913,000 or 6.7% as compared with that of the end of previous year, which is mainly due to the fact that the Group paid the outstanding performance payable at the end of the previous year in the first half of 2024.

3.13 Lease Liabilities

As mentioned in 3.7, other than part of leases, the right-of-use assets and corresponding lease liabilities are recognised by the Group at the commencement date of the lease. The land leased by the Group has been prepaid and no subsequent payment is required, therefore there is no balance of land lease liabilities. The lease liabilities of the Group mainly arise from leases of office and equipment.

As at 30 June 2024, the lease liabilities of the Group amounted to RMB768,918,000, representing an increase of RMB75,314,000 as compared with that of the end of previous year, which is mainly due to the increase in the balance of lease liabilities as a result of the expansion of the scale of equipment operated and managed by the Group through the asset management service model (formerly "platform service model").

3.14 Shareholders' equity

As at 30 June 2024, the Company's total equity was RMB11,031,772,000, representing an increase of RMB254,105,000 or 2.4% as compared with that of the end of the previous year, mainly including: (i) the increase of equity of RMB268,228,000 upon the realization of profit for the period in the first half of 2024; and (ii) the net decline of equity of RMB14,123,000 from other items.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the analysis of the Company's equity as at the dates indicated:

	30 June 2024	31 December 2023	
	RMB'000	RMB'000	Change %
Share capital	421	421	-
Reserves	11,031,351	10,777,246	2.4%
Total equity	11,031,772	10,777,667	2.4%

4. CAPITAL MANAGEMENT

For the purpose of stable capital management and subject to the changes of economic environment, the Group has adopted prudential capital management strategy. The Group regulates capital structure and financial management efficiency through financial return criteria (i.e. "return on average equity", "return on average total assets" and others) and leverage ratio (i.e. "gearing ratio").

The following table sets forth the key financial ratios of the Group:

	For the six months ended 30 June	
	2024	2023
Return on average equity ⁽¹⁾	4.9%	5.7%
Return on average total assets ⁽²⁾	1.6%	1.6%
Gearing ratio ⁽³⁾	68.7%	67.1%

Notes:

- (1) Return on average equity = profit for the period attributable to holders of ordinary shares of the Company/average balance of total equity at the beginning and the end of the period attributable to holders of ordinary shares of the Company, presented on an annualized basis.
- (2) Return on average total assets = profit for the period attributable to holders of ordinary shares of the Company/average balance of total assets at the beginning and the end of the period, presented on an annualized basis.
- (3) Gearing ratio=the total liabilities for the end of year or period/the total assets for the end of year or period. As at 31 December 2023, the Group's gearing ratio was 65.5%.

MANAGEMENT DISCUSSION AND ANALYSIS

4.1 Return on Average Equity

In the first half of 2024, the Group's return on average equity was 4.9%, representing a decrease of 0.8% as compared with the same period of the previous year, primarily because the increase of the profit for the period of the Group was lower than that of average equity. The Group's pre-IPO investment of US\$204,910,000 and accrued interest expenses and foreign exchange gains and losses were recorded as liabilities prior to listing, and reclassified to equity upon listing, resulting in fluctuations in the Group's return on average equity; excluding the impact of these events, the Group's return on average equity decreased by 0.3% in the first half of 2024 as compared to that of the same period of the previous year.

4.2 Return on Average Total Assets

In the first half of 2024, the Group's return on average total assets was 1.6%, flat from the same period of the previous year, primarily because the increase of the profit for the period of the Group was in line with the increase of the average total assets for the period.

4.3 Gearing Ratio

As at 30 June 2024, the Group's gearing ratio was 68.7%, representing an increase of 3.2% as compared with that of 65.5% at the end of the previous year, mainly due to the increase in the scale of assets purchased by the Group in the first half of 2024.

5. CAPITAL EXPENDITURE

The Group's capital expenditure consisted of additions to property, plant and equipment and other intangible assets. In the first half of 2024, our capital expenditure amounted to RMB4,372,002,000, representing an increase of 364.7 % as compared with RMB940,822,000 of the same period of the previous year, mainly because on the one hand, the Group increased the procurement scale of aerial work platform to maintain the scale growth and high performance of its own assets in response to diversified customer needs; on the other hand, the Group actively explored new products and increased the layout of product lines such as special aerial work equipment (high altitude operation trucks, glass attachment lifts, rail-mounted lifts, etc.), material handling equipment (forklift, telescopic handlers), small lifting equipment (automobile crane, spider cranes) and mining equipment (wide-body dump trucks, excavators for mines, etc.). The Group intends to finance future capital expenditure plans through cash flow from operating activities and bank and other borrowings.

6. RISK MANAGEMENT

The Group is exposed to various types of financial risks in the ordinary course of business, including foreign currency risk, liquidity risk etc. Overall risk management strategy of the Group focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance.

6.1 Foreign Currency Risk

The Group's monetary assets, liabilities and transactions are principally denominated in RMB, and the business dominated in other currencies is still in the preliminary stage of development with a relatively small scale. As at 30 June 2024, the Group adopted prudent currency risk management, and most of currencies, excluding those hedged by derivative financial instruments against foreign exchange exposure, owned by the Group were dominated with RMB. Therefore, the Group's foreign exchange risk exposure is limited and there is a low foreign currency risk.

MANAGEMENT DISCUSSION AND ANALYSIS

6.2 Liquidity Risk

The Group's objective is to maintain balance between continuity of funding and flexibility by using interest-bearing bank and other borrowings. The Group managed to control the liquidity risk through the following measures: (i) optimize our financing structure by expanding long-term financing products to mitigate the maturity mismatches between assets and liabilities; and (ii) operate effective capital plan and management mechanism and maintain a certain percentage of capital position to ensure the safe liquidity.

7. PLEDGE OF ASSETS

As at 30 June 2024, the Group had pledged its property, plant and equipment of RMB7,513,058,000 to non-bank financial institutes in order to secure other borrowings, and used deposits of RMB6,460,000 as collateral for bank borrowings.

8. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

As at 30 June 2024 and 31 December 2023, the Group did not have any material contingent liability, guarantees or any other material litigation or claims outstanding or threatened against the Group that could have a material adverse effect on its business, financial condition or results of operations.

As at the dates indicated, the capital commitments of the Group are as follows:

	30 June 2024	31 December 2023
	RMB'000	RMB'000
Contracted, but not provided for:		
Purchase of plant and machinery	403,264	108,067

9. MATERIAL INVESTMENTS, ACQUISITIONS OR DISPOSALS

In the first half of 2024, the Group did not have any material investments, acquisitions or disposals of subsidiaries, associates and joint ventures.

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10. HUMAN RESOURCES

As at 30 June 2024, the Group had a total of 5,346 employees (same period of 2023: 4,156 employees).

10.1 Share Incentive Scheme

With a view of promoting the Group to establish and improve the medium-long term incentive and restriction mechanisms for motivating initiative 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 Company, as considered and approved by the board (the "Board") of directors (the "Directors") of the Company, established an equity incentive plan in 2024, including a restricted share award scheme and a share option scheme. The restricted share award scheme was contemplated to be funded solely by existing shares of the Company (the "Shares") and will not involve the issuance of new Shares, while the grant of share options under the share option scheme will be satisfied by the issuance of new Shares upon exercise.

The Board approved the adoption of the restricted share award scheme (the "2024 Restricted Share Award Scheme") and the share option scheme (the "2024 Share Option Scheme") on 12 March 2024, and the adoption of the 2024 Share Option Scheme was approved by the shareholders of the Company (the "Shareholders") at the annual general meeting (the "AGM") held by the Company on 4 June 2024. For details of the 2024 Share Option Scheme, please refer to the announcement of the Company dated 12 March 2024 and the circular of the Company dated 2 May 2024. For details of the 2024 Restricted Share Award Scheme, please refer to the announcement of the Company dated 12 March 2024.

10.1.1 2024 Share Option Scheme

The total number of new Shares in respect of the share options which may be granted under the 2024 Share Option Scheme shall not exceed 1.5% of the Company's total issued Shares as at the date of approval of the adoption of the 2024 Share Option Scheme by the Shareholders, which is 47,958,660 Shares. Meanwhile, the Board approved on 12 March 2024 that the Company 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. In any event, the total number of shares which may be issued in respect of all share options and awards to be granted under the 2024 Share Option Scheme and any other share schemes will not exceed 10% of the Company's total issued shares as at the date of approval of the adoption of the 2024 Share Option Scheme by the Shareholders.

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As at 30 June 2024, no share options had been granted, agreed to be granted, exercised, cancelled or lapsed pursuant to the 2024 Share Option Scheme and therefore the total number of shares available for issue upon exercise of share options to be granted under the 2024 Share Option Scheme was 47,958,660 Shares as at 4 June 2024 (the date of adoption of the 2024 Share Option Scheme) and 30 June 2024. The number of Shares that may be issued in respect of share options to be granted under the 2024 Share Option Scheme during the reporting period divided by the weighted average number of ordinary Shares in issue for the reporting period is not applicable.

According to the 2024 Share Option Scheme, the Company has granted options to certain participants (the “Share Option Grantees”) under the 2024 Share Option Scheme on 8 July 2024, in order to subscribe for up to a total of 15,330,000 ordinary Shares in the share capital of the Company, representing approximately 0.48% of the total Shares in issue as at the date of this report. Each Share Option Grantee is required to pay HK\$1.00 upon acceptance of the options granted. The granted share option shall be vested over a period of three years with one-third of which shall be vested at each anniversary of the date of grant during the vesting period subject to the satisfaction of the relevant performance target. The Share Option Grantees can exercise the options within ten years from the date of grant. The subscription price is HK\$1.45 per Share, which is the higher of (i) the closing price of HK\$1.45 per Share as stated in the Stock Exchange’s daily quotations sheet on 8 July 2024 (being the date of grant), and (ii) the average closing price of approximately HK\$1.35 per Share as stated in the Stock Exchange’s daily quotations sheets for the five trading days immediately preceding 8 July 2024. Among the share options granted above, Mr. PAN Yang, the executive Director and the chief executive officer of the Company, is entitled to subscribe for a total of 3,610,000 Shares, Mr. TANG Li, executive Director and co-chief financial officer of the Company, is entitled to subscribe for a total of 610,000 Shares, and the remaining 47 Share Option Grantees are entitled to subscribe for a total of 11,110,000 Shares. The grant of the share options to each of the above Directors was reviewed and approved by the independent non-executive Directors in accordance with Rule 17.04(1) of the Listing Rules. The grant of the share options to the above Share Option Grantees were approved by the Administration Committee. Immediately following the completion of aforesaid grant, the number of shares available for future grant is 32,628,660 Shares under the 2024 Share Option Scheme, representing approximately 1.02% of the total number of issued Shares as at the date of this report.

10.1.2 2024 Restricted Share Award Scheme

On 12 March 2024, as approved by the Board, the number of restricted shares to be granted under the 2024 Restricted Share Award Scheme shall not exceed 3.5% of the total number of issued Shares as at the date of approval and adoption of the Restricted Share Award Scheme by the Board, namely 111,903,540 Shares. The Board also approved that the Company may grant not more than 55,951,770 restricted shares within the year of 2024 on 12 March 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2024, no restricted shares had been granted or vested pursuant to the 2024 Restricted Share Award Scheme and therefore the total number of restricted shares available for grant under the 2024 Restricted Share Award Scheme was 111,903,540 Shares as at 12 March 2024 (the date of adoption of the 2024 Restricted Share Award Scheme) and 30 June 2024.

Pursuant to the 2024 Restricted Share Award Scheme, the Board (including all the independent non-executive directors) has resolved to grant Mr. PAN, an executive Director and chief executive officer of the Company, up to 8,430,000 restricted shares on 8 July 2024, representing approximately 0.26% of the total number of issued Shares as at the date of this report. Restricted Share grantees are not required to pay any amount upon acceptance of restricted shares awards granted.

For details of the grants under the 2024 Share Option Scheme and the 2024 Restricted Share Award Scheme which occurred on 8 July 2024, please refer to the announcements of the Company dated 8 July 2024.

10.2 Employee benefits

The Group provides competitive remuneration packages for employees based on their qualifications, capabilities, performance and comparable information on the market, in order to attract, retain and encourage excellent talents. The remuneration packages generally include salary, contributions to pension schemes and discretionary bonuses. The Group also offers training for employees. The Group will regularly review the remuneration packages to reflect market practices and employees' performance.

The Chinese employees of the Group are entitled to participate in several government-regulated housing fund, medical insurance and other social insurance schemes. The Group makes monthly contributions to those funds based on a certain percentage of employees' salaries, subject to certain ceilings. The Group's obligations in respect of these funds are limited to the contributions payable each year. The contributions to the housing fund, medical insurance and other social insurance are expensed when incurred. In accordance with the PRC Labor Law, the Group has made contributions to social insurance (including endowment insurance, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance) and the housing fund for employees. The Group also provides supplemental medical insurance, group accident insurance and employer liability insurance in addition to those required under the PRC regulations. As at 30 June 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.

MANAGEMENT DISCUSSION AND ANALYSIS

11. USE OF PROCEEDS

On the Listing Date, the Company issued 364,694,000 ordinary Shares to the public at HK\$4.52 per Shares and such Shares were listed on the Stock Exchange. The Group has received net proceeds from the global offering of approximately RMB1,466,813,000, after deducting underwriting commission and other issuance expenses recorded in Shareholders' equity. As at 30 June 2024, the funds raised from the listing by the Group were utilised for the same purposes as the intended use of proceeds and expected timetable disclosed previously in the section headed "Future Plans and Use of Proceeds" in the prospectus dated 12 May 2023 (the "Prospectus"). The table below sets out details of the allocation plan of net proceeds, as well as the amount of utilised and unutilised net proceeds as at 30 June 2024:

Use	Designated allocation of net proceeds	Proportion %	Amount of utilised net proceeds as at 30 June 2024	Amount of unutilised net proceeds as at 30 June 2024	Expected timetable for fully utilising balances
	RMB'000		RMB'000	RMB'000	
Optimize equipment portfolio	982,765	67.0%	982,765	–	–
Enhance one-stop solution capabilities	161,349	11.0%	161,349	–	–
Expand service outlet network	58,673	4.0%	58,673	–	–
Digitalization upgrade	117,345	8.0%	114,612	2,733	Before 31 December 2024
Working capital and general corporate purposes	146,681	10.0%	146,681	–	–
Total	1,466,813	100.0%	1,464,080	2,733	

The unutilized amount is expected to be used in accordance with the Company's plan as disclosed in the Prospectus and stated above. To the extent that the net proceeds are not applied to the above purposes in real time or if the Group is unable to effect any part of our future development plans as envisaged, the Group intends to hold such funds in short-term demand deposits with authorized financial institutions or licensed banks as defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") or applicable PRC laws and regulations for so long as it is deemed to be in the interests of the Company and the Shareholders as a whole.

MANAGEMENT DISCUSSION AND ANALYSIS

12. EVENTS AFTER THE REPORTING PERIOD

The Group had no significant subsequent events requiring disclosure after 30 June 2024 up to the date of this report.

13. FUTURE PROSPECT

In the second half of 2024, the Group will align with the new development trends such as the “new infrastructures” and “three major projects”, seize the development opportunities of the advanced manufacturing industry with new quality productive forces and follow the national export policies of the “Belt and Road Initiative” with the vision of becoming a first-class global company. The Group will work with upstream equipment suppliers and downstream service partners to continuously expand the scope of service coverage in the domestic regional market and deepen its operations, and continuously explore and meet the equipment operation service needs of various industries, keeping up with the development and demand changes of the times and the market.

In the domestic regional market, the Company will continue to refine its operation and management, adopt specialized management methods and business strategies for each store to improve operating efficiency, better serving every customer in the business area where it reached, and creating value for them; on the basis of lean management, the Company will unswervingly develop new products and new industry needs, and explore more methods and channels to meet customer needs. In the overseas regional market, the Company will adhere to overseas development strategy to achieve continuous exploration and operation in the markets of Southeast Asia and the Middle East. Meanwhile, the Company will also continue to enhance its specialization in engineering and asset management to consolidate its domestic business advantages, and improve the overall operational management efficiencies through digitalization and technology advancement.

DISCLOSURE OF INTERESTS

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

As at 30 June 2024, the interests or short positions of the Directors and chief executive 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 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:-

(1) Interest in the Company:

Name of Director and chief executive	Capacity/nature of interest	Total number of ordinary Shares ⁽¹⁾	Approximate percentage of interest ⁽²⁾
KONG Fanxing	Beneficial owner	8,078,052(L) ⁽³⁾	0.25%
PAN Yang	Beneficial owner	634,392(L) ⁽⁴⁾	0.02%
TANG Li	Beneficial owner	239,125(L) ⁽⁵⁾	0.01%
XU Huibin	Beneficial owner	1,215,290(L) ⁽⁶⁾	0.04%
HE Ziming	Beneficial owner	3,031,665(L) ⁽⁷⁾	0.09%
	Interest in a controlled corporation	177,090,112(L) ⁽⁷⁾⁽⁸⁾	5.54%
	Interest of spouse	30,979,332(L) ⁽⁷⁾⁽⁹⁾	0.97%
GUO Lina	Beneficial owner	122,184(L) ⁽¹⁰⁾	0.00%
LIU Jialin	Beneficial owner	27,777(L) ⁽¹¹⁾	0.00%
	Interest of spouse	27,777(L) ⁽¹¹⁾	0.00%

Notes:

(1) The letter "L" denotes long position in the Shares.

(2) The percentage is calculated on the basis of 3,197,244,000 Shares in issue as at 30 June 2024.

(3) These interests include (i) 1,346,342 ordinary Shares of the Company distributed to Mr. KONG Fanxing by the resolution on declaration of special dividend by way of distribution in specie of Shares of the Company considered and approved at the general meeting of Far East Horizon held on 22 December 2023, to the shareholders whose names appear on the register of members of Far East Horizon on the record date, being 3 January 2024 on a pro-rata basis of 1 Share for every 27 shares held, the certificate of which had been despatched to the shareholders on 16 January 2024; and (ii) 6,731,710 ordinary Shares of the Company distributed to Mr. KONG Fanxing pursuant to the resolution on declaration of special dividend by way of distribution in specie of Shares of the Company considered and approved at the general meeting of Far East Horizon held on 5 June 2024, to the shareholders whose names appear on the register of members of Far East Horizon on the record date, being 14 June 2024 on a pro-rata basis of 10 Shares of the Company for every 54 shares held, the certificate of which had been despatched to the shareholders on 28 June 2024.

(4) These interests include (i) 72,398 ordinary Shares of the Company distributed to Mr. PAN Yang by the resolution on declaration of special dividend by way of distribution in specie of Shares of the Company considered and approved at the general meeting of Far East Horizon held on 22 December 2023, to the shareholders whose names appear on the register of members of Far East Horizon on the record date, being 3 January 2024 on a pro-rata basis of 1 Share for every 27 shares held, the certificate of which had been despatched to the shareholders on 16 January 2024; and (ii) 361,994 ordinary Shares of the Company distributed to Mr. PAN Yang pursuant to the resolution on declaration of special dividend by way of distribution in specie of Shares of the Company considered and approved at the general meeting of Far East Horizon held on 5 June 2024, to the shareholders whose names appear on the register of members of Far East Horizon on the record date, being 14 June 2024 on a pro-rata basis of 10 Shares of the Company for every 54 shares held, the certificate of which had been despatched to the shareholders on 28 June 2024.

DISCLOSURE OF INTERESTS

- (5) These interests include (i) 8,743 ordinary Shares of the Company distributed to Mr. TANG Li by the resolution on declaration of special dividend by way of distribution in specie of Shares of the Company considered and approved at the general meeting of Far East Horizon held on 22 December 2023, to the shareholders whose names appear on the register of members of Far East Horizon on the record date, being 3 January 2024 on a pro-rata basis of 1 Share for every 27 shares held, the certificate of which had been despatched to the shareholders on 16 January 2024; and (ii) 30,382 ordinary Shares distributed to Mr. TANG Li pursuant to the resolution on declaration of special dividend by way of distribution in specie of Shares of the Company considered and approved at the general meeting of Far East Horizon held on 5 June 2024, to the shareholders whose names appear on the register of members of Far East Horizon on the record date, being 14 June 2024 on a pro-rata basis of 10 Shares of the Company for every 54 shares held, the certificate of which had been despatched to the shareholders on 28 June 2024.
- (6) These interests include (i) 202,531 ordinary Shares of the Company distributed to Mr. XU Huibin by the resolution on declaration of special dividend by way of distribution in specie of Shares of the Company considered and approved at the general meeting of Far East Horizon held on 22 December 2023, to the shareholders whose names appear on the register of members of Far East Horizon on the record date, being 3 January 2024 on a pro-rata basis of 1 Share for every 27 shares held, the certificate of which had been despatched to the shareholders on 16 January 2024; and (ii) 1,012,759 ordinary Shares of the Company distributed to Mr. XU Huibin pursuant to the resolution on declaration of special dividend by way of distribution in specie of Shares of the Company considered and approved at the general meeting of Far East Horizon held on 5 June 2024, to the shareholders whose names appear on the register of members of Far East Horizon on the record date, being 14 June 2024 on a pro-rata basis of 10 Shares of the Company for every 54 shares held, the certificate of which had been despatched to the shareholders on 28 June 2024.
- (7) These interests include (i) 44,667, 104,889 and 81,519 ordinary Shares of the Company distributed to Mr. HE Ziming, his spouse, Ms. LIU Lifang and Shanghai Lanjin Stone Decoration Co., Ltd., (上海藍金石材裝飾有限公司), a corporation wholly-owned by Mr. HE Ziming respectively by the resolution on declaration of special dividend by way of distribution in specie of Shares of the Company considered and approved at the general meeting of Far East Horizon held on 22 December 2023, to the shareholders whose names appear on the register of members of Far East Horizon on the record date, being 3 January 2024 on a pro-rata basis of 1 Share for every 27 shares held, the certificate of which had been despatched to the shareholders on 16 January 2024; and (ii) 294,998, 524,443 and 407,593 ordinary Shares of the Company distributed to Mr. HE Ziming and his spouse, Ms. LIU Lifang and Shanghai Lanjin Stone Decoration Co., Ltd., (上海藍金石材裝飾有限公司), a corporation wholly-owned by Mr. HE Ziming respectively pursuant to the resolution on declaration of special dividend by way of distribution in specie of Shares of the Company considered and approved at the general meeting of Far East Horizon held on 5 June 2024, to the shareholders whose names appear on the register of members of Far East Horizon on the record date, being 14 June 2024 on a pro-rata basis of 10 Shares of the Company for every 54 shares held, the certificate of which had been despatched to the shareholders on 28 June 2024.
- (8) Farsighted Wit Limited is wholly owned by Tianjin Hongjian Enterprise Management Consulting Center (Limited Partnership) ("Tianjin Hongjian"). The limited partner of Tianjin Hongjian holding 68.72% of partnership interest in Tianjin Hongjian is Tianjin Lanjin Enterprise Management Consulting Center (Limited Partnership) ("Tianjin Lanjin"), which is controlled by Tianjin Hongsheng Leasing Co., Ltd. ("Tianjin Hongsheng") as general partner and owned 79.37% of partnership interest in Tianjin Lanjin by Mr. HE Ziming as limited partner. In addition, Shanghai Lanjin Stone Decoration Co., Ltd., (上海藍金石材裝飾有限公司) is wholly owned by Mr. HE Ziming. Accordingly, Mr. HE Ziming is deemed to be interested in the 176,600,000 Shares held by Farsighted Wit Limited and 490,112 Shares held by Shanghai Lanjin Stone Decoration Co., Ltd., (上海藍金石材裝飾有限公司) for the purpose of Part XV of the SFO.
- (9) Ms. LIU Lifang, the spouse of Mr. HE Ziming, holds the Shares through Lanjin Limited, which was incorporated in the British Virgin Islands as an exempted company with limited liability and is wholly owned by Ms. LIU Lifang.
- (10) These interests include (i) 20,364 ordinary Shares of the Company distributed to Ms. GUO Lina by the resolution on declaration of special dividend by way of distribution in specie of Shares of the Company considered and approved at the general meeting of Far East Horizon held on 22 December 2023, to the shareholders whose names appear on the register of members of Far East Horizon on the record date, being 3 January 2024 on a pro-rata basis of 1 Share for every 27 shares held, the certificate of which had been despatched to the shareholders on 16 January 2024; and (ii) 101,820 ordinary Shares of the Company distributed to Ms. GUO Lina pursuant to the resolution on declaration of special dividend by way of distribution in specie of Shares of the Company considered and approved at the general meeting of Far East Horizon held on 5 June 2024, to the shareholders whose names appear on the register of members of Far East Horizon on the record date, being 14 June 2024 on a pro-rata basis of 10 Shares of the Company for every 54 shares held, the certificate of which had been despatched to the shareholders on 28 June 2024.
- (11) These interests include (i) 4,629 ordinary Shares of the Company distributed to each Mr. LIU Jialin and his spouse, Ms. WU Ke by the resolution on declaration of special dividend by way of distribution in specie of Shares of the Company considered and approved at the general meeting of Far East Horizon held on 22 December 2023, to the shareholders whose names appear on the register of members of Far East Horizon on the record date, being 3 January 2024 on a pro-rata basis of 1 Share for every 27 shares held, the certificate of which had been despatched to the shareholders on 16 January 2024; and (ii) 23,148 ordinary Shares of the Company distributed to each Mr. LIU Jialin and his spouse, Ms. WU Ke pursuant to the resolution on declaration of special dividend by way of distribution in specie of Shares of the Company considered and approved at the general meeting of Far East Horizon held on 5 June 2024, to the shareholders whose names appear on the register of members of Far East Horizon on the record date, being 14 June 2024 on a pro-rata basis of 10 Shares of the Company for every 54 shares held, the certificate of which had been despatched to the shareholders on 28 June 2024.

DISCLOSURE OF INTERESTS

(2) Interest in the shares or underlying shares of associated corporation of the Company:

Name of the Director and chief executive	Name of associated corporation	Nature of interest	Number of shares/ underlying shares ⁽¹⁾	Approximate percentage of interest in shares/underlying shares of associated corporation ⁽⁸⁾
KONG Fanxing	Far East Horizon	Beneficial owner	83,860,620(L) ⁽²⁾	1.94%
		Interest in a controlled corporation	868,947,897(L) ⁽³⁾	20.11%
XU Huibin	Far East Horizon	Beneficial owner	13,840,925(L) ⁽⁴⁾	0.32%
PAN Yang	Far East Horizon	Beneficial owner	6,390,224(L) ⁽⁵⁾	0.15%
GUO Lina	Far East Horizon	Beneficial owner	1,315,953(L) ⁽⁶⁾	0.03%
TANG Li	Far East Horizon	Beneficial owner	164,771(L) ⁽⁷⁾	0.00%
HE Ziming	Far East Horizon	Beneficial owner	1,593,000(L)	0.04%
		Interest in a controlled corporation	2,201,000(L)	0.05%
		Interest of spouse	2,832,000(L)	0.07%
LIU Jialin	Far East Horizon	Beneficial owner	125,000(L)	0.00%
		Interest of spouse	125,000(L)	0.00%

Notes:

- (1) The letter "L" denotes long position in the shares/underlying shares.
- (2) These interests include Mr. KONG Fanxing's entitlement to receive shares in Far East Horizon pursuant to share schemes of Far East Horizon.
- (3) These interests include 272,237,062 shares held directly by Idea Delicacy Limited, 40,726,000 shares held directly by Powerful Force HK Limited, 159,670,000 shares held directly by Will of Heaven HK Limited, 107,503,000 shares held directly by Swallow Gird HK Limited, 197,945,000 shares held directly by Energon HK Limited and an aggregate of 90,866,835 shares held directly by certain employees of Far East Horizon. All of them had unconditionally, irrevocably and permanently entrusted Idea Prosperous Limited, a company 100% owned by Mr. KONG Fanxing, to exercise the voting rights attached to the Shares.
- (4) These interests include Mr. XU Huibin's entitlement to receive shares in Far East Horizon pursuant to share schemes of Far East Horizon.
- (5) These interests include Mr. PAN Yang's entitlement to receive shares in Far East Horizon pursuant to share schemes of Far East Horizon.
- (6) These interests include Ms. GUO Lina's entitlement to receive shares in Far East Horizon pursuant to share schemes of Far East Horizon.
- (7) These interests include Mr. TANG Li's entitlement to receive shares in Far East Horizon pursuant to share schemes of Far East Horizon.
- (8) The percentage is calculated on the basis of 4,319,907,153 shares in issue of Far East Horizon as at 30 June 2024.

DISCLOSURE OF INTERESTS

Saved as disclosed above, as at 30 June 2024, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its 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, as at 30 June 2024 (including such information as was available on the website of the Stock Exchange) or so far as they are aware of, as at 30 June 2024, other than the Directors and chief executives of the Company, the entities or individuals who had interests or short positions in the Shares or underlying Shares 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 the Shareholder	Nature of interest	Number of ordinary Shares ⁽¹⁾	Approximate percentage of interest ⁽²⁾
Far East Horizon	Beneficial owner	1,333,247,413(L)	41.70%
	Interest in a controlled corporation	176,600,000(L) ⁽³⁾	5.52%
Farsighted Wit Limited	Beneficial owner	176,600,000(L) ⁽³⁾	5.52%
Tianjin Hongsheng	Interest in a controlled corporation	176,600,000(L) ⁽³⁾	5.52%
Tianjin Hongjian	Interest in a controlled corporation	176,600,000(L) ⁽³⁾	5.52%
Tianjin Lanjin Enterprise Management Consulting Center (Limited Partnership)	Interest in a controlled corporation	176,600,000(L) ⁽³⁾	5.52%
International Far Eastern Financial Leasing Co., Ltd.	Interest in a controlled corporation	176,600,000(L) ⁽³⁾	5.52%
Far East Horizon (Tianjin) Financial Leasing Co., Ltd.	Interest in a controlled corporation	176,600,000(L) ⁽³⁾	5.52%

Notes:

- (1) The letter "L" denotes the long position in the Shares.
- (2) The percentage is calculated on the basis of 3,197,244,000 Shares in issue as at 30 June 2024.
- (3) Tianjin Hongshen is owned as to 100% by Far East Horizon (Tianjin) Financial Leasing Co., Ltd., which is in turn owned as to 55.38% by Far East Horizon and 44.62% by International Far Eastern Financial Leasing Co., Ltd. (a wholly-owned subsidiary of Far East Horizon). Please refer to Note (8) of the section headed "Directors' and Chief Executives' Interests and/or Short Positions in the Shares, Underlying Shares and Debentures of the Company or any of its Associated Corporations – (1) Interest in the Company" for further details of the shareholding structure.

Saved as disclosed above, as at 30 June 2024, 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.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE CODE

The Company has applied the principles and code provisions as set out in the part 2 of Appendix C1 (Corporate Governance Code, the “CG Code”) to the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”).

The Company has complied with the code provisions of the CG Code throughout the period from 1 January 2024 to 30 June 2024, except for Code Provision F.2.2 as explained below.

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

At the AGM of the Company, Mr. KONG Fanxing (Chairman of the Board), Mr. XU Min (Chairman of Audit Committee and member of Environmental, Social and Governance Committee), Ms. JIN Jinping (Chairwoman of Nomination Committee and Remuneration Committee and member of Audit Committee), Mr. SUM Siu Kei (Chairman of Environmental, Social and Governance Committee and member of Audit Committee), Mr. XU Huibin (member of Nomination Committee), Mr. HE Ziming (member of Environmental, Social and Governance Committee), Ms. GUO Lina (member of Remuneration Committee) and Mr. LIU Jialin (member of Nomination Committee and Remuneration Committee) were unable to attend due to other work commitments. In order to ensure smooth holding of the AGM, Mr. PAN Yang (executive Director and chief executive officer) chaired the AGM and answered questions where necessary.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in the Appendix C3 to the Listing Rules as its own code of conduct for its directors and relevant employees regarding their dealings in the Company’s securities.

Specific enquiry had been made to all the Directors and the Directors have confirmed that they had complied with the Model Code throughout the six months ended 30 June 2024.

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the period from 1 January 2024 to 30 June 2024, the Board had been in compliance with Rule 3.10(1) of the Listing Rules, which requires a listed company to maintain at least three independent non-executive directors in the Board; with Rules 3.10(2) of the Listing Rules, which requires one of those independent non-executive directors to be specialized in accounting or relevant financial management; and with Rule 3.10A of the Listing Rules, which requires independent non-executive directors representing at least one-third of the Board.

CORPORATE GOVERNANCE

AUDIT COMMITTEE

The Company has established the Audit Committee in compliance with Rules 3.21 and 3.22 of the Listing Rules. The Audit Committee comprises three members, including Mr. XU Min, as Chairman, Mr. SUM Siu Kei and Ms. JIN Jinping. This interim report has been reviewed by the Audit Committee.

The Audit Committee has reviewed, with the management and the external auditor, the condensed consolidated financial statements for the six months ended 30 June 2024 of the Group, including the accounting principles and practices adopted by the Group.

OTHER INFORMATION

INTERIM DIVIDEND

The Board of Directors approved the declaration of an interim dividend of HK\$0.05 per Share (the “Interim Dividend”) for the six months ended 30 June 2024 (30 June 2023: nil) to the Shareholders whose names appear on the register of members of the Company on Thursday, 10 October 2024. The Interim Dividend will be paid on Thursday, 31 October 2024.

CLOSE OF REGISTER OF MEMBERS IN RELATION TO INTERIM DIVIDEND

For the purpose of determining the entitlement of the Shareholders to receive the proposed Interim Dividend, the register of members of the Company will be closed from Tuesday, 8 October 2024 to Thursday, 10 October 2024, both days inclusive. The record date for determining the entitlement of the Shareholders to the Interim Dividend will be on Thursday, 10 October 2024. To be eligible to receive the Interim Dividend, all completed transfer forms accompanied by the relevant certificates must be lodged with the Company’s share registrar, Computer share 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 Monday, 7 October 2024.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company during the six months ended 30 June 2024.

MEMORANDUM AND ARTICLES OF ASSOCIATION

The Shareholders have approved and the Company has adopted the fourth amended and restated memorandum and articles of association proposed at the AGM on 4 June 2024 so that the memorandum and articles of association of the Company is in compliance with the latest legal and regulatory requirements, which include, among others, (i) with effect from 31 December 2023 the latest regulatory requirements in relation to expanding paperless listing regime and electronic dissemination of corporate communications by listed issuers and relevant amendments to the Listing Rules; and (ii) better alignment with the Listing Rules and the applicable laws of Cayman Islands. For the detail of the fourth amended and restated memorandum and articles of association of the Company, please refer to the announcement of the Company dated 22 April 2024 and the circular of the Company dated 2 May 2024.

OTHER INFORMATION

CHANGE OF INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

As at the disclosure date of this report, details of the change of Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are as follows:

Name of Director/senior management	Details of change
Mr. TANG Li	Served as the co-chief financial officer since January 2024.
Mr. DENG Huanan	Joined the Company and served as the co-chief financial officer since January 2024.

INDEPENDENT REVIEW REPORT



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To the board of directors of Horizon Construction Development Limited

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 55 to 120, which comprises the condensed consolidated statement of financial position of Horizon Construction Development Limited (the “Company”) and its subsidiaries (the “Group”) as at 30 June 2024 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Ernst & Young
Certified Public Accountants
Hong Kong
8 August 2024

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

				For the six months ended 30 June	
				2024	2023
				RMB'000	RMB'000
				(Unaudited)	(Unaudited)
	Notes				
REVENUE	6		4,872,421		4,205,971
Cost of sales	8		(3,313,096)		(2,769,819)
Gross profit			1,559,325		1,436,152
Other income and gains	7		106,938		111,928
Selling and distribution expenses	8		(262,742)		(121,640)
Administrative expenses	8		(423,512)		(435,974)
Expected credit losses ("ECLs") on financial and contract assets, net	8		(171,117)		(167,415)
Other expenses	8		(19,905)		(30,731)
Finance costs	9		(382,097)		(454,624)
PROFIT BEFORE TAX	8		406,890		337,696
Income tax expense	10		(138,662)		(100,555)
PROFIT FOR THE PERIOD			268,228		237,141
Attributable to:					
Owners of the parent			268,228		237,141
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		RMB		RMB
Basic					
Earnings per share			0.08		0.08
Diluted					
Earnings per share			0.08		0.08

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	268,228	237,141
Other comprehensive income that may be reclassified to profit or loss in the subsequent period:		
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the period	(400)	(20)
Income tax effect	(114)	342
Exchange differences:		
Exchange differences on translation of foreign operations	(7,725)	97
Net other comprehensive income that may be reclassified to profit or loss in the subsequent period	(8,239)	419
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	(8,239)	419
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	259,989	237,560
Attributable to:		
Owners of the parent	259,989	237,560

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2024

		30 June 2024	31 December 2023
		RMB'000	RMB'000
	Notes	(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	13	21,471,813	18,221,107
Right-of-use assets	14(a)	1,004,015	978,426
Other intangible assets	15	3,307	3,745
Investments in associate	16	239	–
Prepayments, other receivables and other assets	20	512,701	563,206
Deferred tax assets	17	400,917	348,590
Total non-current assets		23,392,992	20,115,074
CURRENT ASSETS			
Inventories	18	188,857	170,211
Trade receivables	19	5,414,486	5,029,820
Contract assets	21	946,685	383,863
Prepayments, other receivables and other assets	20	2,378,489	2,121,599
Debt investments at fair value through other comprehensive income	22	1,009,287	1,236,738
Derivative financial instruments	27	–	12,658
Restricted bank balances	23	6,477	14
Cash and cash equivalents	23	1,932,626	2,166,798
Total current assets		11,876,907	11,121,701
CURRENT LIABILITIES			
Trade and bills payables	24	3,286,827	1,552,487
Other payables and accruals	25	623,758	668,839
Derivative financial instruments	27	1,159	–
Interest-bearing bank and other borrowings	26	6,536,459	6,694,592
Lease liabilities	14(b)	201,412	192,013
Tax payables		103,358	173,588
Total current liabilities		10,752,973	9,281,519
NET CURRENT ASSETS		1,123,934	1,840,182
TOTAL ASSETS LESS CURRENT LIABILITIES		24,516,926	21,955,256

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2024

		30 June 2024	31 December 2023
		RMB'000	RMB'000
	Notes	(Unaudited)	(Audited)
NON-CURRENT LIABILITIES			
Other payables and accruals	25	13,017	13,849
Derivative financial instruments	27	1,823	2,581
Interest-bearing bank and other borrowings	26	12,888,466	10,644,640
Lease liabilities	14(b)	567,506	501,591
Deferred revenue	28	14,342	14,928
Total non-current liabilities		13,485,154	11,177,589
Net assets		11,031,772	10,777,667
EQUITY			
Equity attributable to owners of the parent			
Share capital	29	421	421
Reserves	30	11,031,351	10,777,246
		11,031,772	10,777,667
Total equity		11,031,772	10,777,667

Pan Yang

Director

Tang Li

Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	Attributable to owners of the parent							Total equity		
	Share capital	Share premium*	Share	Merger reserve*	Capital reserve*	Shares held for the share award scheme*	Special reserve*		Other comprehensive income*	Retained profits*
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 29)	(note 30)	(note 30)	(note 30)	(note 30)	(note 30)	(note 30)	(note 30)		
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 31 December 2023 (Audited)	421	7,533,457	(29,862)	394,456	-	113,755	(2,309)	2,767,749	10,777,667	
Profit for the period	-	-	-	-	-	-	-	268,228	268,228	
Other comprehensive income for the period:										
Cash flow hedges, net of tax	-	-	-	-	-	-	(514)	-	(514)	
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(7,725)	-	(7,725)	
Total comprehensive income for the period	-	-	-	-	-	-	(8,239)	268,228	259,989	
Purchase of shares held for the share award scheme	-	-	-	(5,884)	-	-	-	-	(5,884)	
Special reserve – safety fund appropriation	-	-	-	-	-	34,228	-	(34,228)	-	
At 30 June 2024	421	7,533,457	(29,862)	394,456	(5,884)	147,983	(10,548)	3,001,749	11,031,772	

* These reserve accounts comprise the consolidated reserves of RMB11,031,351,000 in the interim condensed consolidated statement of financial position as at 30 June 2024 (30 June 2023: RMB10,052,420,000).

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	Attributable to owners of the parent							Total equity
	Share capital	Share premium*	Merger reserve*	Capital reserve*	Special reserve*	Comprehensive income*	Retained profits*	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 29)	(note 30)	(note 30)	(note 30)	(note 30)	(note 30)	(Unaudited)	(Unaudited)
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 31 December 2022 (Audited)	370	6,066,695	(29,862)	(1,281,820)	92,151	(2,288)	1,826,946	6,672,192
Profit for the period	-	-	-	-	-	-	237,141	237,141
Other comprehensive income for the period:								
Cash flow hedges, net of tax	-	-	-	-	-	322	-	322
Exchange differences on translation of foreign operations	-	-	-	-	-	97	-	97
Total comprehensive income for the period	-	-	-	-	-	419	237,141	237,560
Issue of shares	51	1,488,278	-	-	-	-	-	1,488,329
Share issue expenses	-	(21,516)	-	-	-	-	-	(21,516)
The termination of the redemption obligation of ordinary shares (note 30)	-	-	-	1,676,276	-	-	-	1,676,276
Special reserve – safety fund appropriation	-	-	-	-	20,078	-	(20,078)	-
At 30 June 2023	421	7,533,457	(29,862)	394,456	112,229	(1,869)	2,044,009	10,052,841

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	Notes	For the six months ended 30 June	
		2024	2023
		RMB'000 (Unaudited)	RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:		406,890	337,696
Adjustments for:			
Finance costs	9	382,097	454,624
Gains on financial assets at fair value through profit or loss	7	(288)	(3,723)
Fair value gains on derivative instruments – not for hedge accounting	7	(3,732)	(10,271)
Gain on disposal of items of property, plant and equipment and early termination of right-of-use assets	7	(6,559)	(6,055)
Loss on scrapped and physical items of property, plant and equipment	8	345	249
ECLs on financial and contract assets, net	8	171,117	167,415
Impairment of repossessed assets	8	(8,397)	–
Depreciation of property, plant and equipment	13	1,073,569	1,147,676
Depreciation of right-of-use assets	14(a)	150,646	32,467
Amortisation of other intangible assets	15	438	405
Deferred revenue	28	(586)	(1,171)
Additional value-added tax (VAT) reduction	7	(18,381)	(21,794)
Exchange loss	8	10,293	22,666
		2,157,452	2,120,184
(Increase)/decrease in inventories		(18,646)	3,996
Increase in trade receivables		(799,931)	(774,715)
Decrease/(increase) in debt investments at fair value through other comprehensive income		232,634	(31,222)
Decrease in prepayments, other receivables and other assets		418,237	332,176
Increase in contract assets		(628,381)	(85,054)
Increase in trade and bills payables		271,886	12,238
Decrease in other payables and accruals		(60,084)	(99,290)
Cash generated from operations		1,573,167	1,478,313
Tax paid		(224,653)	(179,389)
Net cash flows from operating activities		1,348,514	1,298,924

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

				For the six months ended 30 June	
				2024	2023
				RMB'000	RMB'000
				(Unaudited)	(Unaudited)
	Notes				
Net cash flows from operating activities			1,348,514		1,298,924
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of items of property, plant and equipment			(3,161,906)		(879,261)
Proceeds from disposal of items of property, plant and equipment			53,532		273,088
Investment in an associate			(239)		–
Net cash received for investments			288		3,723
Net cash flows used in investing activities			(3,108,325)		(602,450)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares			–		1,488,329
Share issue expenses			–		(21,516)
New bank and other borrowings	31		6,089,533		2,567,425
Interest paid	31		(360,580)		(409,739)
Deposits paid			(34,671)		(25,000)
Repayment of bank and other borrowings	31		(4,030,421)		(4,055,088)
Principal portion of lease payments, net	31		(115,582)		(41,539)
(Increase)/decrease in restricted deposits			(6,463)		1,026
Purchase of shares held for the share award scheme			(5,884)		–
Net cash flows from/(used in) financing activities			1,535,932		(496,102)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS					
Cash and cash equivalents at beginning of period			2,166,798		2,159,325
Effect of foreign exchange rate changes, net			(10,293)		4,343
CASH AND CASH EQUIVALENTS AT END OF PERIOD	23		1,932,626		2,364,040

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

1. CORPORATE INFORMATION

Horizon Construction Development Limited (the “Company”) was incorporated in the Cayman Islands on 28 September 2020 as an exempted company with limited liability under the Companies Law Chapter 22 of the Cayman Islands. The registered office address of the Company is P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands.

The Company and its subsidiaries (the “Group”) are principally engaged in the provision of the following services:

- (i) Operating lease services, including operational leasing of aerial work platform, turnover materials and mould bases;
- (ii) Engineering and technical services, including construction and related services, electric power supply services, equipment repair and maintenance services and logistics services; and
- (iii) Asset management and other services (formerly “platform and other services”), including asset management services (mainly referring to subleasing services and related maintenance services) and sales of goods (mainly referring to the sale of new equipment, second-hand equipment and materials).

The immediate holding company of the Company is Far East Horizon Limited (the “Controlling Shareholder”).

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2024 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The Group has prepared the financial statements on the basis that it will continue to operate as a going concern. The Directors consider that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2023.

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

3. CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the "2020 Amendments")</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the "2022 Amendments")</i>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

The nature and 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. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. The Group is assessing the impact amendments and expects the amendments will not have significant impact on the Group's consolidated financial information.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

4. CHANGES IN ACCOUNTING ESTIMATES

The Group'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 the Group can continuously repair the galvanised layer, which effectively extend 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.

The Group 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 expense) in open market for the last five years, the net residual value of the Group's hot-dip galvanised scaffolds equivalents to 30% of the original cost.

Pursuant to the review result, since 1 January 2024, the Group 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 the Group's hot-dip galvanised scaffolds and to improve the quality of accounting information. The change in accounting estimate will be applied prospectively.

The aforesaid changes resulted in a decrease of depreciation cost by RMB135,976,000 for the six months ended 30 June 2024, and an increase of the profit for the period by RMB103,627,000 from RMB164,601,000 to RMB268,228,000.

5. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

- (i) Operating lease services: leasing of equipment and materials to customers and generating revenue mainly from rental fees payable by customers. The equipment and materials are property of the Group and are leased out to different customers with the same or similar requirements;
- (ii) Engineering and technical services: provision of construction services, electric power supply services, equipment repair and maintenance services and logistics services, and related value-added services, and generating revenue mainly from service fees charged to customers; and
- (iii) Asset management and other services (formerly "platform and other services"): subleasing and sale of equipment and materials.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

5. OPERATING SEGMENT INFORMATION (continued)

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that other income and gains (other than gain on disposal of items of property, plant and equipment and early termination of right-of-use assets), non-financial lease-related finance costs, ECLs of other receivables, as well as other expenses (other than loss on scrapped and physical items of property, plant and equipment).

Segment assets exclude investments in associate, deferred tax assets, derivative financial instruments, restricted bank balances, cash and cash equivalents as well as other receivables and other assets.

Segment liabilities exclude other payables and accruals (other than lease deposits, salary and welfare payables, advanced from customers and contract liabilities), interest-bearing bank and other borrowings, tax payables, derivative financial instruments, deferred tax liabilities and deferred revenue.

As at and for the six months ended 30 June 2024

	Operating lease services	Engineering and technical services	Asset management and other services (formerly "platform and other services")	Total
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue (note 6)				
Sales to external customers	1,895,622	1,946,261	1,030,538	4,872,421
Intersegment sales	-	-	-	-
Revenue from continuing operations	1,895,622	1,946,261	1,030,538	4,872,421
Segment results	380,051	146,291	175,119	701,461
<i>Reconciliation:</i>				
Unallocated other income and gains				100,379
Unallocated other expenses				(19,627)
Unallocated finance costs				(367,027)
Unallocated ECLs				(8,296)
Profit before tax				406,890

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

5. OPERATING SEGMENT INFORMATION (continued)

As at and for the six months ended 30 June 2024 (continued)

	Operating lease services	Engineering and technical services	Asset management and other services (formerly “platform and other services”)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment assets	18,210,390	11,529,599	874,786	30,614,775
<i>Reconciliation:</i>				
Corporate and other unallocated assets				4,655,124
Total assets				35,269,899
Segment liabilities	2,941,470	1,397,088	50,590	4,389,148
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				19,848,979
Total liabilities				24,238,127
Other segment information				
Impairment losses recognised in profit or loss, net	49,519	102,507	10,795	162,821
Unallocated impairment losses of financial and contract assets				8,296
Unallocated impairment losses of repossessed assets				(8,397)
Total impairment losses recognised in profit or loss, net				162,720
Depreciation and amortisation	854,373	370,280	–	1,224,653
Capital expenditure*	3,050,104	1,321,898	–	4,372,002

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

5. OPERATING SEGMENT INFORMATION (continued)

As at and for the six months ended 30 June 2023

	Operating lease services	Engineering and technical services	Asset management and other services (formerly “platform and other services”)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue (note 6)				
Sales to external customers	2,505,619	1,140,634	559,718	4,205,971
Intersegment sales	–	–	–	–
Revenue from continuing operations	2,505,619	1,140,634	559,718	4,205,971
Segment results	571,375	23,064	124,584	719,023
<i>Reconciliation:</i>				
Unallocated other income and gains				105,873
Unallocated other expenses				(30,698)
Unallocated finance costs				(452,625)
Unallocated ECLs				(3,877)
Profit before tax				337,696
Segment assets	16,595,729	8,891,195	488,594	25,975,518
<i>Reconciliation:</i>				
Corporate and other unallocated assets				4,626,267
Total assets				30,601,785
Segment liabilities	1,343,799	583,762	56,079	1,983,640
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				18,565,304
Total liabilities				20,548,944
Other segment information				
Impairment losses recognised in profit or loss, net	89,856	62,903	10,779	163,538
Unallocated impairment losses of financial and contract assets				3,877
Total impairment losses recognised in profit or loss, net				167,415
Depreciation and amortisation	867,001	313,547	–	1,180,548
Capital expenditure*	690,945	249,877	–	940,822

* Capital expenditure consists of additions to property, plant and equipment, and other intangible assets during the period.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

5. OPERATING SEGMENT INFORMATION (continued)

Geographical information

No further geographical information is presented as the Group's revenue from the external customers is derived mostly from its operations in Chinese Mainland and no significant non-current assets of the Group are located outside Chinese Mainland.

Information about major customers

Total revenue from sales to the five largest customers accounted for 15% of the Group's revenue for the six months ended 30 June 2024 (30 June 2023: 18%).

6. REVENUE

An analysis of the revenue is as follows:

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from operating lease income		
Operating lease service	1,895,622	2,505,619
Subleasing	748,026	300,622
Revenue from contracts with customers	2,228,773	1,399,730
Total	4,872,421	4,205,971

For the six months ended 30 June 2024, RMB72,869,000 of the revenue was generated from overseas.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

6. REVENUE (continued)

Disaggregated revenue information for revenue from contracts with customers:

(a) Disaggregated revenue information:
For the six months ended 30 June 2024

Segments	Engineering and technical services	Asset management and other services (formerly "platform and other services")	Total
	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)
Type of goods or services			
Engineering and technical services	1,946,261	–	1,946,261
Sale of goods	–	282,512	282,512
Total	1,946,261	282,512	2,228,773
Timing of revenue recognition			
Goods transferred at a point in time	–	282,512	282,512
Services transferred over time	1,946,261	–	1,946,261
Total	1,946,261	282,512	2,228,773

For the six months ended 30 June 2023

Segments	Engineering and technical services	Asset management and other services (formerly "platform and other services")	Total
	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)
Type of goods or services			
Engineering and technical services	1,140,634	–	1,140,634
Sale of goods	–	259,096	259,096
Total	1,140,634	259,096	1,399,730

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

6. REVENUE (continued)

Disaggregated revenue information for revenue from contracts with customers: (continued)

(a) Disaggregated revenue information: (continued)

For the six months ended 30 June 2023 (continued)

Segments	Engineering and technical services	Asset management and other services (formerly “platform and other services”)	Total
	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)
Timing of revenue recognition			
Goods transferred at a point in time	–	259,096	259,096
Services transferred over time	1,140,634	–	1,140,634
Total	1,140,634	259,096	1,399,730

The following table shows the amounts of revenue recognised in the period that were included in the contract liabilities at the beginning of the respective period:

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue recognised that was included in contract liabilities at the beginning of the period:		
Sale of goods	28,968	15,003
Engineering and technical services	7,385	16,149
Total	36,353	31,152

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

6. REVENUE (continued)

Disaggregated revenue information for revenue from contracts with customers: (continued)

(b) 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 180 days from delivery.

Engineering and technical 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.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at the end of the reporting period are as follows:

	30 June 2024	31 December 2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Amounts expected to be recognised as revenue:		
Within one year	1,175,310	744,019
After one year	503,704	318,865
Total	1,679,014	1,062,884

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year are related to engineering and technical services, of which the performance obligations are to be satisfied within three 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 INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

7. OTHER INCOME AND GAINS

				For the six months ended 30 June	
				2024	2023
				RMB'000	RMB'000
				(Unaudited)	(Unaudited)
	Notes				
Other income					
Government grants	(a)		63,628		57,583
Additional VAT reduction	(b)		18,381		21,794
Bank interest income			10,026		7,746
Total other income			92,035		87,123
Other gains					
Gain on disposal of items of property, plant and equipment and early termination of right-of-use assets			6,559		6,055
Fair value gains on derivative instruments – not for hedge accounting			3,732		10,271
Gains on financial assets at fair value through profit or loss			288		3,723
Others			4,324		4,756
Total other gains			14,903		24,805
Total			106,938		111,928

Notes:

(a) Government grants

Government grants have been received from local government authorities as subsidies to the Group. In the opinion of management, there were no unfulfilled conditions or contingencies relating to these grants.

				For the six months ended 30 June	
				2024	2023
				RMB'000	RMB'000
				(Unaudited)	(Unaudited)
Government special subsidies			63,628		57,583

- (b)** According to *Announcement of the Ministry of Finance and the State Taxation Administration on the Clarification of Value-Added Tax Reduction and Exemption for Small-Scale Value-Added Tax Taxpayers and Other Policies* (Announcement No. 1 2023 of the Ministry of Finance and the State Taxation Administration), the additional VAT reduction policy continued to be implemented by 31 December 2023.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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8. PROFIT BEFORE TAX

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

		For the six months ended 30 June	
		2024	2023
		RMB'000	RMB'000
	Notes	(Unaudited)	(Unaudited)
Cost of operating lease services		1,192,848	1,515,145
Cost of engineering and technical services provided		1,420,770	904,523
Cost of asset management and other services (formerly "platform and other services") provided		699,478	350,151
Depreciation of property, plant and equipment ^(a)	13	35,527	37,219
Depreciation of right-of-use assets ^(b)	14(a)	30,848	32,467
Amortisation of intangible assets	15	438	405
Rental expenses	14(c)	23,251	22,206
Auditor's remuneration		2,105	825
Employee benefit expense (including directors' and chief executive's remuneration)			
Wages and salaries		220,834	129,612
Pension scheme contributions		27,640	10,567
Other employee benefits		45,097	20,628
ECLs on financial and contract assets:			
ECLs on trade receivables	19	102,445	81,901
ECLs on contract assets	21	65,559	7,983
ECLs on financial assets included in prepayments, other receivables and other assets	20	8,296	3,877

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

8. PROFIT BEFORE TAX (continued)

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

	Notes	For the six months ended 30 June	
		2024	2023
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
ECLs on debt investments at fair value through other comprehensive income	22	(5,183)	73,654
Impairment of repossessed assets		(8,397)	–
Research and development expenses:			
Current period expenditure		70,910	112,883
Business travelling and transportation expenses		97,303	75,875
Taxes and surcharges		25,116	18,941
Litigation expenses		19,243	930
Property management service expenses		18,680	7,973
Information expenses		18,345	17,223
Consultancy fees		14,589	7,276
Office expenses		14,223	13,881
Exchange losses		10,293	22,666
Entertainment expenses		9,090	10,107
Commission expenses		6,793	7,135
Advertising and promotional expenses		1,201	1,732
Loss on scrapped and physical items of property, plant and equipment		345	249
Listing expenses		–	12,567
Others		22,685	24,978

(a) Besides the depreciation as mentioned above, the depreciation of property, plant and equipment amounting to RMB1,038,042,000 for the six months ended 30 June 2024 is included in cost of sales and research and development expenses (30 June 2023: RMB1,110,457,000).

(b) Besides the depreciation as mentioned above, the depreciation of right-of-use assets amounting to RMB119,798,000 for the six months ended 30 June 2024 is included in cost of sales (30 June 2023: Nil).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

9. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on interest-bearing bank and other borrowings	367,027	452,625
Interest on lease liabilities (note 14(b))	15,070	1,999
Total	382,097	454,624

10. INCOME TAX

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current – Chinese Mainland		
Charge for the period	191,103	120,145
Deferred tax (note 17)	(52,441)	(19,590)
Total	138,662	100,555

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands, the Company and the Group's subsidiaries incorporated in the Cayman Islands are not subject to any income tax.

According to applicable tax regulations prevailing in the PRC, dividends distributed by a company established in Chinese Mainland to a foreign investor with respect to profit derived after 1 January 2008 are generally subject to a 10% withholding tax. If a foreign investor is incorporated in Hong Kong, under the double taxation arrangement between Chinese Mainland and Hong Kong, the relevant withholding tax rate applicable to such foreign investor will be reduced from 10% to 5% subject to the fulfillment of certain conditions.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

10. INCOME TAX (continued)

Dividends distributed from certain jurisdictions that the Group's entities operate in are also subject to withholding tax at respective applicable tax rates.

The provision for Chinese Mainland current income tax was based on a statutory rate of 25% of the taxable profits for the period as determined in accordance with the PRC Income Tax Law and the respective regulations.

Subsidiaries of the Group operating in Chinese Mainland were subject to the PRC corporate income tax with a tax rate of 25% for the period except for the following subsidiaries:

Company name	Corporate income tax rate
Shanghai Horizon Equipment & Engineering Co., Ltd.	15%
Guangzhou Hongtu Equipment & Engineering Co., Ltd.	15%

Shanghai Horizon Equipment & Engineering Co., Ltd. was accredited as High and New Technology Enterprise (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 in order to enable 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 is expected to continue to enjoy this thereafter. 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 INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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10. INCOME TAX (continued)

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

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit before tax	406,890	337,696
Tax at the statutory income tax rate	101,723	84,424
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	20,000	–
Effects of different tax rates applicable to different subsidiaries of the Group	7,869	20,364
Effects of preferential tax benefits to subsidiaries incorporated in Chinese Mainland	(33,088)	(26,802)
Expenses not deductible for tax	8,108	4,178
Adjustment on current income tax in respect of prior periods	16,573	15,301
Utilisation of previously unrecognised tax losses and temporary differences	(383)	(35)
Unrecognised tax losses and temporary differences	17,860	3,125
Total tax charge at the Group's effective rate	138,662	100,555

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 period. 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 the Group 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.

11. DIVIDENDS

The Board of Directors approved the declaration of an interim dividend of HKD0.05 per share for the six months ended 30 June 2024 (30 June 2023: Nil) to the shareholders of the Company whose names appear on the register of members of the Company on 10 October 2024. The interim dividend will be paid on 31 October 2024.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

The calculation of the basic earnings per share amounts is based on the consolidated profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,196,827,500 in issue during the period (30 June 2023: 2,893,332,333).

The calculation of the diluted earnings per share amounts is based on the consolidated profit for the period attributable to ordinary equity holders of the parent, adjusted to reflect the effects as if the dilutive potential ordinary shares do not exist at the beginning of the period. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed conversion of all dilutive potential ordinary shares into ordinary shares.

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

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<u>Earnings</u>		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	268,228	237,141
	Number of shares	
	2024	2023
	(Unaudited)	(Unaudited)
<u>Shares</u>		
Weighted average number of ordinary shares outstanding during the period, used in the basic earnings per share calculation	3,196,827,500	2,893,332,333

As at 30 June 2023, because the diluted earnings per share amount was increased when taking the interest expense and the put options of the borrowings on ordinary shares with a redemption obligation into account, the redemption obligation had an anti-dilutive effect on the basic earnings per share for the period and were ignored in the calculation of diluted earnings per share. Therefore, the diluted earnings per share amounts were calculated using the same earnings amount and the number of weighted average shares as the basic earnings per share.

The Group had no potentially dilutive ordinary shares in issue during the six month period ended 30 June 2024.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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13. PROPERTY, PLANT AND EQUIPMENT

As at 30 June 2024

	Buildings	Leasehold improvements	Equipment, materials and moulds for leasing and services	Equipment, materials and moulds for own use	Office and other equipment	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 January 2024:							
Cost	720,429	87,779	24,657,552	83,632	61,112	61,524	25,672,028
Accumulated depreciation and impairment	(176,037)	(71,892)	(7,064,244)	(44,935)	(44,110)	(49,703)	(7,450,921)
Net carrying amount	544,392	15,887	17,593,308	38,697	17,002	11,821	18,221,107
At 1 January 2024, net of accumulated depreciation and impairment	544,392	15,887	17,593,308	38,697	17,002	11,821	18,221,107
Additions	-	1,748	4,347,338	15,209	2,848	4,859	4,372,002
Disposals	-	-	(45,542)	(1,251)	(857)	(77)	(47,727)
Depreciation provided during the period	(17,491)	(9,679)	(1,029,821)	(7,038)	(4,413)	(5,127)	(1,073,569)
At 30 June 2024, net of accumulated depreciation and impairment	526,901	7,956	20,865,283	45,617	14,580	11,476	21,471,813
At 30 June 2024:							
Cost	720,429	89,527	28,592,803	97,156	62,305	65,615	29,627,835
Accumulated depreciation and impairment	(193,528)	(81,571)	(7,727,520)	(51,539)	(47,725)	(54,139)	(8,156,022)
Net carrying amount	526,901	7,956	20,865,283	45,617	14,580	11,476	21,471,813

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

13. PROPERTY, PLANT AND EQUIPMENT (continued)

As at 31 December 2023

	Buildings	Leasehold improvements	Equipment, materials and moulds for leasing and services	Equipment, materials and moulds for own use	Office and other equipment	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
At 1 January 2023:							
Cost	719,692	80,979	24,156,638	78,282	63,261	63,065	25,161,917
Accumulated depreciation and impairment	(141,055)	(52,555)	(5,756,210)	(34,482)	(36,915)	(38,310)	(6,059,527)
Net carrying amount	578,637	28,424	18,400,428	43,800	26,346	24,755	19,102,390
At 1 January 2023, net of accumulated depreciation and impairment	578,637	28,424	18,400,428	43,800	26,346	24,755	19,102,390
Additions	737	6,800	2,009,116	12,113	2,418	565	2,031,749
Disposals	–	–	(593,657)	(5,215)	(684)	(578)	(600,134)
Depreciation provided during the period	(34,982)	(19,337)	(2,222,579)	(12,001)	(11,078)	(12,921)	(2,312,898)
At 31 December 2023, net of accumulated depreciation and impairment	544,392	15,887	17,593,308	38,697	17,002	11,821	18,221,107
At 31 December 2023:							
Cost	720,429	87,779	24,657,552	83,632	61,112	61,524	25,672,028
Accumulated depreciation and impairment	(176,037)	(71,892)	(7,064,244)	(44,935)	(44,110)	(49,703)	(7,450,921)
Net carrying amount	544,392	15,887	17,593,308	38,697	17,002	11,821	18,221,107

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Certain of the Group's property, plant and equipment with a net carrying amount of RMB7,513,058,000 as at 30 June 2024 were pledged to secure other borrowings granted to the Group (31 December 2023: RMB6,476,770,000).

Movements in provision for impairment of property, plant and equipment in the period are as follows:

As at 30 June 2024

	Equipment, materials and moulds for leasing and services
	RMB'000
	(Unaudited)
At 1 January 2024:	101,805
Disposals	(20,768)
At 30 June 2024	81,037

As at 31 December 2023

	Equipment, materials and moulds for leasing and services
	RMB'000
	(Audited)
At 1 January 2023:	153,494
Disposals	(51,689)
At 31 December 2023	101,805

Measurement basis and major assumptions for determining the recoverable amount of the above asset groups are as follows:

The recoverable amount is determined based on the higher of the net amount of fair value of the cash-generating unit ("CGU") less costs to sell and the present value of the estimated future cash flows of the CGUs ("VIU").

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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14. LEASES

The Group as a lessee

The Group has lease contracts for various items of leasehold land, offices, 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 offices generally have lease terms between 1 and 6 years, while equipment generally has a five-year lease term or 12 months or less and/or is individually of low value.

(a) Right-of-use assets:

The carrying amounts of right-of-use assets and the movements during the period are as follows:

As at 30 June 2024

	Leasehold land	Offices	Equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
As at 1 January 2024	181,398	129,819	667,209	978,426
Additions	–	65,972	145,096	211,068
Depreciation charge	(2,353)	(28,495)	(119,798)	(150,646)
Disposal	–	(34,833)	–	(34,833)
As at 30 June 2024	179,045	132,463	692,507	1,004,015

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

14. LEASES (continued)

The Group as a lessee (continued)

(a) Right-of-use assets: (continued)

As at 31 December 2023

	Leasehold land	Offices	Equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000
	(Audited)	(Audited)	(Audited)	(Audited)
As at 1 January 2023	186,103	149,119	–	335,222
Additions	–	101,970	725,844	827,814
Depreciation charge	(4,705)	(58,117)	(58,635)	(121,457)
Disposal	–	(63,153)	–	(63,153)
As at 31 December 2023	181,398	129,819	667,209	978,426

As at 30 June 2024 and 31 December 2023, the Group has obtained all the land use right certificates.

At the end of the reporting period, no leasehold land of the Group was pledged as security for the Group's bank borrowings.

(b) Lease liabilities:

The carrying amounts of lease liabilities and the movements during the period are as follows:

	30 June 2024	31 December 2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Carrying amount at beginning of period	693,604	131,259
New leases	211,068	827,814
Accretion of interest recognised during the period (note 9)	15,070	13,933
Payments	(115,582)	(213,161)
Disposal	(35,242)	(66,241)
Carrying amount at end of period	768,918	693,604
Analysed into:		
Current portion	201,412	192,013
Non-current portion	567,506	501,591

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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14. LEASES (continued)

The Group as a lessee (continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on lease liabilities (note 9)	15,070	1,999
Depreciation charge on right-of-use assets	150,646	32,467
Rental expenses (note 8)	23,251	22,206
Cost of re-rent fee	409,829	193,211
Total amount recognised in profit or loss	598,796	249,883

(d) The total cash outflow for leases is disclosed in note 31 to the interim condensed consolidated financial information.

The Group as a lessor

The Group mainly leases its equipment, materials and moulds in Chinese Mainland 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 was amounted to RMB2,643,648,000 for the six months ended 30 June 2024, details of which are included in note 6 to the interim condensed consolidated financial information (30 June 2023: RMB2,806,241,000).

At the end of the reporting period, the undiscounted lease payments receivable by the Group in the future period under non-cancellable operating leases with its tenants are as follows:

	30 June 2024	31 December 2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 1 year	3,393,506	4,367,659
After 1 year but within 2 years	423,300	536,734
After 2 years but within 3 years	11,048	17,458
Total	3,827,854	4,921,851

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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15. OTHER INTANGIBLE ASSETS

	30 June 2024	31 December 2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Software		
At beginning of period:		
Cost	8,997	8,209
Accumulated amortisation	(5,252)	(4,412)
Net carrying amount	3,745	3,797
Carrying amount at beginning of period:	3,745	3,797
Additions	–	788
Amortisation provided during the period	(438)	(840)
Carrying amount at end of period	3,307	3,745
At end of period:		
Cost	8,997	8,997
Accumulated amortisation	(5,690)	(5,252)
Net carrying amount	3,307	3,745

16. INVESTMENTS IN ASSOCIATE

	30 June 2024	31 December 2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Share of net assets	239	–

The Group's associate is as follows:

Name	Registered share capital	Place of registration and business	Percentage of		Principal activities
			Ownership interest	Profit sharing	
CT HORIZON (THAILAND) CO., LTD.	THB10,000,000	Thailand	49	49	Rental, trade and repair of construction machinery and construction materials

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

17. DEFERRED TAX

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

Deferred tax assets

As at 30 June 2024

	Government special subsidy	Provision for impairment losses	Salaries and benefits payable	Deductible tax loss	Unrealised profit	Accrued interest expenses	Lease liabilities	Deferred tax asset arising from an interest rate swap	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 31 December 2023	1,505	245,613	32,383	50,830	-	36,518	109,828	387	520	477,584
Deferred tax credited/(charged) to profit or loss during the period (note 10)	-	20,373	(20,182)	(19,793)	68,883	(3,852)	16,713	-	268	62,410
Deferred tax credited to other comprehensive income during the period	-	-	-	-	-	-	-	(114)	-	(114)
Gross deferred tax assets at 30 June 2024	1,505	265,986	12,201	31,037	68,883	32,666	126,541	273	788	539,880

As at 31 December 2023

	Government special subsidy	Provision for impairment losses	Salaries and benefits payable	Deductible tax loss	Unrealised profit	Accrued interest expenses	Lease liabilities	Deferred tax asset arising from an interest rate swap	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
At 31 December 2022	1,505	221,757	35,888	-	-	70,469	20,240	-	3,462	353,321
Deferred tax credited/(charged) to profit or loss during the period (note 10)	-	23,856	(3,505)	50,830	-	(33,951)	89,588	-	(2,942)	123,876
Deferred tax credited to other comprehensive income during the period	-	-	-	-	-	-	-	387	-	387
Gross deferred tax assets at 31 December 2023	1,505	245,613	32,383	50,830	-	36,518	109,828	387	520	477,584

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

17. DEFERRED TAX (continued)

The movements in deferred tax assets and liabilities during the period are as follows: (continued)

Deferred tax liabilities

As at 30 June 2024

	Right-of-use assets	Deferred tax liability arising from a cross-currency interest rate swap	Deferred tax liability arising from additional tax deduction for fixed assets of high-tech enterprises	Total
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 31 December 2023	126,358	–	2,636	128,994
Deferred tax charged to profit or loss during the period (note 10)	10,122	–	(153)	9,969
Gross deferred tax liabilities at 30 June 2024	136,480	–	2,483	138,963

As at 31 December 2023

	Right-of-use assets	Deferred tax liability arising from a cross-currency interest rate swap	Deferred tax liability arising from additional tax deduction for fixed assets of high-tech enterprises	Total
	RMB'000	RMB'000	RMB'000	RMB'000
	(Audited)	(Audited)	(Audited)	(Audited)
At 31 December 2022	23,283	357	–	23,640
Deferred tax charged to profit or loss during the period (note 10)	103,075	(357)	2,636	105,354
Gross deferred tax liabilities at 31 December 2023	126,358	–	2,636	128,994

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

17. DEFERRED TAX (continued)

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

	30 June 2024	31 December 2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Net deferred tax assets recognised in the consolidated statement of financial position	400,917	348,590
Net deferred tax liabilities recognised in the consolidated statement of financial position	-	-

Tax losses arising in Chinese Mainland will expire in five years for offsetting against future taxable profits. As at 30 June 2024, the Group had tax losses of RMB127,348,000 that will expire in one to five years (31 December 2023: RMB108,485,000). As at 30 June 2024, the unrecognised deferred tax assets in respect of tax losses outside Chinese Mainland was RMB8,657,000 (31 December 2023: RMB9,547,000).

18. INVENTORIES

	30 June 2024	31 December 2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Raw materials	144,297	127,101
Work in progress	14,854	15,160
Finished goods	29,706	27,950
Total	188,857	170,211

For the six months ended 30 June 2024, no impairment loss on inventories was recognised as an expense (31 December 2023: Nil).

At the end of the reporting period, no inventories of the Group were pledged as security for the Group's bank borrowings.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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19. TRADE RECEIVABLES

	30 June 2024	31 December 2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade receivables	6,489,686	6,028,731
ECLs	(1,075,200)	(998,911)
Total	5,414,486	5,029,820

Trade receivables mainly represent rentals and services receivables from tenants and engineering services. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified individual customers, there is no significant concentration of credit risk. The Group does not hold any other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

As at 30 June 2024, trade receivables of RMB61,238,000 (31 December 2023: RMB79,922,000) were factored out but were not derecognised. In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such factoring trade receivables, and accordingly, it continued to recognise the full carrying amounts of the trade receivables and the factoring amount was recognised as borrowings.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the billing date and net of loss allowance, is as follows:

	30 June 2024	31 December 2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 6 months	3,186,815	3,053,377
6 months to 1 year	1,208,220	916,893
1 to 2 years	801,268	872,495
2 to 3 years	181,687	143,376
Over 3 years	36,496	43,679
Total	5,414,486	5,029,820

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

19. TRADE RECEIVABLES (continued)

The movements in the credit loss for trade receivables are as follows:

	30 June 2024	31 December 2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
At beginning of period	998,911	900,355
ECLs (note 8)	102,445	137,779
Write-off	(26,156)	(39,223)
At end of period	1,075,200	998,911

A credit loss analysis was performed at the end of the reporting period using the simplified approach. Under the simplified approach, the Group did not track changes in credit risk, but instead recognised a credit loss 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.

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

As at 30 June 2024

	Ageing					Total
	Less than 6 months	6 months to 1 year	1 to 2 years	2 to 3 years	Over 3 years	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
Gross carrying amount (RMB'000)	3,643,369	1,403,299	1,100,934	277,684	64,400	6,489,686
ECLs (RMB'000)	456,554	195,079	299,666	95,997	27,904	1,075,200
ECLs rate	12.53%	13.90%	27.22%	34.57%	43.33%	16.57%

As at 31 December 2023

	Ageing					Total
	Less than 6 months	6 months to 1 year	1 to 2 years	2 to 3 years	Over 3 years	
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	
Gross carrying amount (RMB'000)	3,472,375	1,055,070	1,205,550	218,520	77,216	6,028,731
ECLs (RMB'000)	418,998	138,177	333,055	75,144	33,537	998,911
ECLs rate	12.07%	13.10%	27.63%	34.39%	43.43%	16.57%

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2024	31 December 2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Current		
Prepayments	569,730	490,991
Deposits*	450,360	493,040
Due from related parties (note 35(c))	6,595	2,009
Other receivables	74,492	95,654
Tax recoverable	1,330,896	1,085,001
ECLs	(53,584)	(45,096)
Subtotal	2,378,489	2,121,599
Non-current		
Deposits	255,660	258,989
Reposessed assets**	253,361	300,320
Others	3,680	4,089
ECLs	-	(192)
Subtotal	512,701	563,206
Total	2,891,190	2,684,805

* As at 30 June 2024, none of the current deposits were pledged for other borrowings granted to the Group (31 December 2023: RMB47,173,000).

** As at 30 June 2024, the carrying amount of reposessed assets was RMB253,361,000 (31 December 2023: RMB300,320,000), mainly comprising of properties. Related allowance for impairment was RMB44,475,000 (31 December 2023: RMB52,872,000). The reposessed assets amounting to RMB1,186,000 (31 December 2023: RMB6,720,000) and RMB366,989,000 (31 December 2023: RMB52,277,000) were disposed of and settled by trade and bills payables for the six months ended 30 June 2024, respectively. The Group plans to dispose of the reposessed assets held at 30 June 2024 by auction, bidding or transfer. The application of the certificates of some properties with a carrying amount of RMB246,885,000 (31 December 2023: RMB274,491,000) is still in process and the directors of the Company believe there is no significant impact on the Group's financial statements.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (continued)

A credit loss analysis was performed at the end of the reporting period by considering the probability of default of comparable companies with published credit ratings. At the end of the reporting period, the ECLs of the financial assets included in prepayments, other receivables and other assets were measured based on the 12-month ECLs if they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, they were measured based on the lifetime ECLs.

Movements in the credit loss for amounts due from related parties, other receivables, and rental and project deposits are as follows:

	30 June 2024	31 December 2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
At beginning of period	45,288	28,878
ECLs (note 8)	8,296	16,410
At end of period	53,584	45,288

21. CONTRACT ASSETS

	30 June 2024	31 December 2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Contract assets arising from:		
Construction and related services	1,057,328	428,947
ECLs	(110,643)	(45,084)
Total	946,685	383,863

Contract assets are initially recognised for revenue earned from construction and related services as the receipt of consideration depends on the milestone achieved and accepted by the customer. Included in contract assets for construction and related services are retention receivables. Upon completion of installation or construction and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. The increase in contract assets during the period was the result of the increase in construction and related services provided at the end of the reporting period.

The Group's credit policy with customers is disclosed in note 19 to the interim condensed consolidated financial information.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

21. CONTRACT ASSETS (continued)

An ageing analysis of the contract assets as at the end of the reporting period are as follows:

	30 June 2024	31 December 2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 1 year	906,845	353,459
1 to 2 years	19,808	30,404
2 to 3 years	20,032	–
Total	946,685	383,863

The movements in the credit losses for contract assets are as follows:

	30 June 2024	31 December 2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
At beginning of period	45,084	30,809
ECLs (note 8)	65,559	14,275
At end of period	110,643	45,084

A credit loss analysis was performed at the end of the reporting period using the simplified approach. Under the simplified approach, the Group did not track changes in credit risk, but instead recognised a credit loss based on lifetime ECLs at the end of the reporting period. 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. The provision rates for the measurement of the ECLs of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

21. CONTRACT ASSETS (continued)

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

	30 June 2024	31 December 2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Gross carrying amount	1,057,328	428,947
ECLs	110,643	45,084
ECLs rate	10.46%	10.51%

22. DEBT INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2024	31 December 2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Measured at fair values:		
Notes receivable	1,187,267	1,419,901
ECLs	(177,980)	(183,163)
Total	1,009,287	1,236,738

The above debt investments were classified as financial assets at fair value through other comprehensive income as the business model for the notes receivable was for both collecting contractual cash flows and discounting.

A credit loss analysis was performed at the end of the reporting period by considering the probability of default of comparable companies with published credit ratings. At the end of the reporting period, the ECLs of the notes receivable were measured based on the 12-month ECLs if they were not past due and if there was no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, they were measured based on the lifetime ECLs.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

22. DEBT INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

Movements in the credit losses for debt investments at fair value through other comprehensive income are as follows:

	30 June 2024	31 December 2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
At beginning of period	183,163	68,156
ECLs (note 8)	(5,183)	115,007
At end of period	177,980	183,163

Transferred financial assets that are not derecognised in their entirety:

During the period, the Group endorsed certain notes receivable accepted by banks in Chinese Mainland to certain of its suppliers in order to settle the trade payables due to such suppliers (the "Endorsement"). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such endorsed bills, and accordingly, it continued to recognise the full carrying amounts of the endorsed bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the endorsed bills, including the sale, transfer or pledge of the endorsed bills to any other third parties. The incurred amount of the trade payables settled by the endorsed bills as at 30 June 2024 was RMB125,638,000 (31 December 2023: RMB79,760,000).

During the period, the Group discounted certain notes receivable to banks in exchange for cash (the "Discounted Bills"). The incurred amount of the notes receivable as at 30 June 2024 was RMB231,573,000 (31 December 2023: Nil). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Discounted Bills, and accordingly, it continued to recognise the full carrying amounts of the Discounted Bills and the associated interest-bearing bank borrowings.

Transferred financial assets that are derecognised in their entirety:

During the period, the Group endorsed/discounted certain notes receivable accepted by banks in Chinese Mainland to certain of its suppliers or in exchange for cash (the "Derecognised Bills"). The incurred amount of the notes receivable as at 30 June 2024 was RMB42,651,000 (31 December 2023: RMB32,869,000). In the opinion of the directors, the Group had transferred substantially all risk and rewards relating to the Derecognised Bills. Accordingly, it had derecognised the full carrying amount of the Derecognised Bills. The maximum exposure to loss from the Group's continuing involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's continuing involvement in the Derecognised Bills are not significant.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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23. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK BALANCES

	30 June 2024	31 December 2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Cash and bank balances	1,939,103	2,166,812
Less: Restricted bank balances	(6,477)	(14)
Cash and cash equivalents	1,932,626	2,166,798

As at 30 June 2024, the cash and bank balances of the Group denominated in RMB amounted to RMB1,762,450,268 (31 December 2023: RMB2,124,028,000). The RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, and 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 floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

As at 30 June 2024, cash at banks of RMB6,460,000 was pledged for bank borrowings (31 December 2023: Nil).

As at 30 June 2024, the combined Paypal and Alipay balance was RMB17,000 (31 December 2023: RMB14,000), which will be released only after the customer confirms receipt of the goods.

24. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the receipt date, is as follows:

	30 June 2024	31 December 2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 1 year	3,154,378	1,464,337
1 to 2 years	78,763	40,037
2 to 3 years	38,021	38,557
Over 3 years	15,665	9,556
Total	3,286,827	1,552,487

The trade and bills payables are non-interest-bearing.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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25. OTHER PAYABLES AND ACCRUALS

		30 June 2024	31 December 2023
		RMB'000	RMB'000
	Notes	(Unaudited)	(Audited)
Current			
Other taxes payable		187,202	129,196
Advances from customers		143,293	170,290
Salary and welfare payables		95,897	194,865
Other payables	(a)	62,698	59,910
Contract liabilities	(b)	55,817	45,075
Interest payable		49,738	43,291
Lease deposits		29,090	26,189
Due to related parties (note 35(c))		23	23
Subtotal		623,758	668,839
Non-current			
Lease deposits		9,306	11,768
Provisions		3,711	2,081
Subtotal		13,017	13,849
Total		636,775	682,688

Notes:

(a) Other payables are non-interest-bearing and repayable on demand.

(b) Details of contract liabilities are as follows:

		30 June 2024	31 December 2023
		RMB'000	RMB'000
		(Unaudited)	(Audited)
Short-term advances received from customers			
Sale of goods		20,827	19,695
Engineering and technical services		34,990	25,380
Total contract liabilities		55,817	45,075

Contract liabilities include short-term advances received to deliver goods and engineering and technical services. The change in contract liabilities in the period was mainly due to the change in short-term advances received from customers in relation to the delivery of goods and provision of engineering and technical services at the end of the reporting period.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

26. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2024			31 December 2023		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
			(Unaudited)			(Audited)
Current						
Bank borrowings – unsecured (b)	2.75-5.15	2024-2025	499,493	3.40-3.75	2024	285,777
Current portion of long-term bank borrowings – unsecured	3.05-4.90	2024-2025	4,228,790	1.30-4.98	2024	4,539,149
Current portion of long-term bank borrowings – secured (d)	3.50-3.80	2025	40,000	–	–	–
Other borrowings – unsecured (c)	–	2024-2025	61,238	–	2024	32,749
Other borrowings – secured (a)	3.08-5.37	2024-2025	1,706,938	3.65-5.68	2024	1,836,917
Subtotal			6,536,459			6,694,592
Non-current						
Bank borrowings – unsecured	3.05-4.90	2025-2031	8,160,998	3.05-4.90	2025-2030	7,404,270
Bank borrowings – secured (d)	3.50-3.80	2029	283,000	–	–	–
Other borrowings – secured (a)	3.42-5.37	2025-2030	4,444,468	3.08-5.37	2025-2030	3,240,370
Subtotal			12,888,466			10,644,640
Total			19,424,925			17,339,232

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

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

Analysed into:

	30 June 2024	31 December 2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Bank borrowings repayable:		
Within one year	4,768,283	4,824,926
In the second year	4,214,651	3,833,657
In the third to fifth years, inclusive	3,597,342	3,289,140
Beyond five years	632,005	281,473
Subtotal	13,212,281	12,229,196
Other borrowings repayable:		
Within one year	1,768,176	1,869,666
In the second year	1,418,238	1,077,170
In the third to fifth years, inclusive	2,801,534	1,972,226
Beyond five years	224,696	190,974
Subtotal	6,212,644	5,110,036
Total	19,424,925	17,339,232

Notes:

- (a) As at 30 June 2024, the Group's other borrowings included financial liabilities recognised in accordance with certain of leaseback transaction arrangements of the Group, which amounted to RMB6,151,406,000 and were secured by the Group's property, plant and equipment (31 December 2023: RMB5,030,113,000). None of the Group's other borrowings arising from the factoring of accounts receivable were secured by deposits at 30 June 2024 (31 December 2023: RMB47,173,000).
- (b) As at 30 June 2024, the Group's bank borrowings of RMB231,573,000 arose from un-derecognised discounted notes receivable, of which the Group retained the substantial risks and rewards (31 December 2023: Nil). As at 30 June 2024, bank borrowings of RMB42,972,000 arose from supplier financing arrangements (31 December 2023: RMB12,113,000).
- (c) As at 30 June 2024, other borrowings of RMB61,238,000 arose from the factoring of accounts receivable without being secured by deposits (31 December 2023: RMB32,749,000).
- (d) As at 30 June 2024, long-term bank borrowings of RMB323,000,000 were secured by cash at banks (31 December 2023: Nil).
- (e) All bank and other borrowings are denominated in RMB at the end of the reporting period, except for bank borrowings of RMB135,500,000 equivalent as at 30 June 2024, which are denominated in Japanese Yen (JPY) (31 December 2023: RMB166,391,000, which are denominated in United States dollars (USD)).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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27. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2024		31 December 2023	
	Asset	Liability	Asset	Liability
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
Cross-currency interest rate swap	-	-	12,658	-
Forward currency contract	-	(1,159)	-	-
Interest rate swap	-	(1,823)	-	(2,581)
Total	-	(2,982)	12,658	(2,581)
Portion classified as non-current:				
Interest rate swap	-	(1,823)	-	(2,581)
Current portion:				
Cross-currency interest rate swap	-	-	12,658	-
Forward currency contract	-	(1,159)	-	-

As at 30 June 2024, the Group held no cross-currency interest rate swaps (31 December 2023: one cross-currency interest rate swap with Ping An Bank). The contract with Ping An Bank was not designated in hedge relationships, but was, nevertheless, intended to reduce the level of foreign currency exchange risks for the borrowings denominated in USD.

As at 30 June 2024, the Group had one forward currency contract with a total notional amount of JPY2,972,013,000 (31 December 2023: Nil). The contract was designated in hedge relationships, intended to reduce the risk of cash flow changes due to foreign currency related to the borrowings denominated in JPY. Loss in the fair value of the hedging currency amounting to RMB1,159,000 was charged to other comprehensive income during the six months ended 30 June 2024 (30 June 2023: Nil).

As at 30 June 2024, the Group held one interest rate swap with China Construction Bank (31 December 2023: one interest rate swap). The contract was designated in hedge relationships, intended to reduce the risk of cash flow changes due to interest rate risk related to the borrowings denominated in RMB. Gain in the fair value of the hedging interest rate swap amounting to RMB759,000 was charged to other comprehensive income during the six months ended 30 June 2024 (30 June 2023: Loss of RMB20,000).

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30 June 2024

27. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedge under HKFRS 9

There is an economic relationship between the hedged items and the hedging instruments as the terms of the forward currency contract and the interest rate swap match the terms of the borrowing contracts (i.e., notional amount, expected payment date and interest rate). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risks of the forward currency contract and the interest rate swap are identical to those of 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
- Changes to the forecasted amounts of cash flows of hedged items and hedging instruments

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

27. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedge under HKFRS 9 (continued)

The Group holds the following hedging instruments:

As at 30 June 2024

	Maturity					Total
	Less than 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 3 years	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
Forward currency contract						
Notional amount (in RMB'000)	-	-	-	135,500	-	135,500
Forward exchange rate (JPY/RMB)	-	-	-	0.0468	-	
Interest rate swap						
Notional amount (in RMB'000)	-	-	-	-	267,270	267,270
Fixed interest rate	-	-	-	-	3.70%	

As at 31 December 2023

	Maturity					Total
	Less than 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 3 years	
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	
Interest rate swap						
Notional amount (in RMB'000)	-	-	-	-	267,270	267,270
Fixed interest rate	-	-	-	-	3.70%	

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

27. 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:

As at 30 June 2024

	Notional amount	Carrying amount	Line item in the statement of financial position	Change in fair value used for measuring hedge ineffectiveness for the period
	RMB'000	RMB'000		RMB'000
	(Unaudited)	(Unaudited)		(Unaudited)
Forward currency contract	135,500	(1,159)	Derivative financial instruments (liabilities)	(1,159)
Interest rate swap	267,270	(1,823)	Derivative financial instruments (liabilities)	759

As at 31 December 2023

	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
	(Audited)	(Audited)		(Audited)
Interest rate swap	267,270	(2,581)	Derivative financial instruments (liabilities)	(324)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

27. 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)

As at 30 June 2024

	Change in fair value used for measuring hedge ineffectiveness for the period	Cash flow hedge reserve
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Forward currency contract	(1,159)	(1,159)
Interest rate swap	759	1,549

As at 31 December 2023

	Change in fair value used for measuring hedge ineffectiveness for the year	Cash flow hedge reserve
	RMB'000	RMB'000
	(Audited)	(Audited)
Interest rate swap	(324)	(2,581)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

27. 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:

As at 30 June 2024

	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
	Gross amount	Tax effect	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
Forward currency contract	(1,159)	–	(1,159)	–	N/A
Interest rate swap	759	(114)	645	–	N/A
Total	(400)	(114)	(514)	–	N/A

As at 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
	Gross amount	Tax effect	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	
	(Audited)	(Audited)	(Audited)	(Audited)	
Interest rate swap	(324)	387	63	–	N/A

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

28. DEFERRED REVENUE

	30 June 2024	31 December 2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
At beginning of period	14,928	16,684
Amortised to profit or loss	(586)	(1,756)
At end of period	14,342	14,928

29. SHARE CAPITAL

Shares	30 June 2024	31 December 2023
	(Unaudited)	(Audited)
Authorised		
5,000,000,000 shares of a par value of USD0.00002 each	100,000	100,000

Shares	30 June 2024	31 December 2023
	(Unaudited)	(Audited)
Issue and paid:		
2,832,550,000 shares of a par value of USD0.00002 each	56,651	56,651
364,694,000 shares of a par value of USD0.00002 each*	7,294	7,294
Total	63,945	63,945
Equivalent to RMB	421,000	421,000

* On 25 May 2023, the ordinary shares of the Company were listed on the Hong Kong Stock Exchange, and in connection with the Company's listing, 364,694,000 ordinary shares of the Company were issued through global offering to public and international investors at the offer price of HKD4.52 per share for aggregate cash proceeds before expenses of HKD1,648,417,000 (equivalent to RMB1,488,329,000).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

30. RESERVES

The amounts of the Group's reserves and the movements therein for the six months ended 30 June 2024 and 2023 are presented in the consolidated statements of changes in equity.

(a) Share premium

The share premium represents the difference between the par value of the shares issued and the consideration received.

(b) Merger reserve

The merger reserve of the Group represents the difference between the changes of the contribution from the then holding company before the completion of the Reorganisation and the consideration paid by the Group for the business combination under common control.

(c) Capital reserve

(1) Ordinary shares with a redemption obligation

Pursuant to the Share Purchase Agreement signed by and among the pre-IPO investors of the Group on 16 April 2021, an aggregate of 6,651 ordinary shares with a redemption obligation were issued and allocated to the Pre-IPO investors at a consideration of USD204,910,000 (equivalent to RMB1,326,185,000). On 25 May 2023, the ordinary shares of the Company were listed on the Hong Kong Stock Exchange, the redemption obligation with a carrying amount of RMB1,676,276,000 (including principal of RMB1,445,212,000 and interest of RMB231,064,000) was classified to capital reserve.

(2) Other capital reserve

Other capital reserve represents any difference between the carrying amount of net assets attributable to the non-controlling shareholders and the fair value of the consideration paid.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

30. RESERVES (Continued)

(d) Shares held for the share award scheme

The Board approved the adoption of the restricted share award scheme (the “2024 Restricted Share Award Scheme”) on 12 March 2024. Subject to the approval of the Board, the number of restricted shares to be granted under the 2024 Restricted Share Award Scheme shall not exceed 3.5% of the total number of issued Shares of the Company as at the date of approval and adoption of the 2024 Restricted Share Award Scheme by the Board, namely 111,903,540 Shares. The Board also approved the grant of not more than 55,951,770 restricted shares within the year of 2024 on 12 March 2024.

As of 30 June 2024, no restricted shares had been granted or vested pursuant to the 2024 Restricted Share Award Scheme and therefore the total number of restricted shares available for grant under the 2024 Restricted Share Award Scheme was 111,903,540 shares as of 12 March 2024 (the date of adoption of the 2024 Restricted Share Award Scheme) and 30 June 2024.

Pursuant to the rules of the 2024 Restricted Share Award Scheme, the Company set up two trusts, and each using a third-party company as the trustee (the “Trustees”). The restricted shares under the 2024 Restricted Share Award Scheme will be shares purchased in the secondary market by the Trustees out of the Company’s own funds to the Trustees, and will be held in trusts on behalf of the grantees until such restricted shares are vested to the grantees in accordance with the 2024 Restricted Share Award Scheme.

The vesting of the restricted shares under the 2024 Restricted Share Award Scheme is mainly subject to the fulfilment of the Company’s performance targets, as well as selected grantees remaining as an employee of the Group.

A summary of movements in the shares held for the share award scheme is as follows:

	Number of shares	Amounts
		RMB'000
At 1 January 2024 and 31 December 2023 (Audited)	–	–
Purchase of shares under 2024 Restricted Share Award Scheme*	3,335,000	5,884
As at 30 June 2024 (Unaudited)	3,335,000	5,884

* The Company purchased its own shares through the trusts under the 2024 Restricted Share Award Scheme, which were presented as shares held for the share award scheme.

(e) Special reserve

Special reserve mainly represents funds set aside for the purpose of certain safety production activities. Pursuant to certain regulations issued by the State Administration of Work Safety of the PRC and other relevant regulatory bodies, the subsidiaries, Shanghai Horizon Equipment & Engineering 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. The amounts are generally expenses in nature and charged to profit or loss as incurred, and at the same time, the corresponding amounts of safety reserve fund were utilised and transferred back to retained profits until such special reserve was fully utilised.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

For the six months ended 30 June 2024, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB211,068,000, in respect of lease arrangements for offices and equipment (30 June 2023: RMB130,959,000).

For the six months ended 30 June 2024, the Group did not offset its loan with deposits (30 June 2023: RMB30,000,000).

For the six months ended 30 June 2024, the Group had entered certain supplier financing arrangements with the banks. Under such arrangements, the banks will pay upon delivery of products by the supplier and the Group will subsequently settle the liability directly with banks. No cash flow was involved, and no cash flow is presented in the consolidated statement of cash flows. The derecognition of the payables to the bank and other borrowings amounted to RMB42,972,000 (30 June 2023: RMB13,627,000).

For the six months ended 30 June 2024, the trade receivables for several customers were settled by certain properties of RMB312,819,000 (30 June 2023: RMB3,695,000). For the six months ended 30 June 2024, the trade and bills payables for several suppliers were settled by certain properties of RMB366,989,000 (30 June 2023: Nil).

For the six months ended 30 June 2023, the ordinary shares of the Company were listed on the Hong Kong Stock Exchange, the redemption obligation with a carrying amount of RMB1,676,276,000 (including principal of RMB1,445,212,000 and interest of RMB231,064,000) was classified to capital reserve.

(b) Changes in liabilities arising from financing activities

As at and for the six months ended 30 June 2024

	Interest payable	Bank and other borrowings	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 January 2024	43,291	17,339,232	693,604	18,076,127
Changes in principal from financing cash flows	–	2,059,112	(115,582)	1,943,530
Supplier financing arrangements	–	42,972	–	42,972
Maturity of unhedged derivative financial instruments	–	(16,391)	–	(16,391)
New leases	–	–	211,068	211,068
Disposal	–	–	(35,242)	(35,242)
Interest accrued	367,027	–	15,070	382,097
Interest paid	(360,580)	–	–	(360,580)
At 30 June 2024	49,738	19,424,925	768,918	20,243,581

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Changes in liabilities arising from financing activities (continued)

As at and for the six months ended 30 June 2023

	Interest payable	Bank and other borrowings	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 January 2023	246,934	21,212,114	131,259	21,590,307
Changes in principal from financing cash flows	–	(1,487,663)	(41,539)	(1,529,202)
Supplier financing arrangements	–	13,627	–	13,627
Repayment of loan with deposits	–	(30,000)	–	(30,000)
Derecognition of redemption obligation	(231,064)	(1,445,212)	–	(1,676,276)
New leases	–	–	130,959	130,959
Disposal	–	–	(57,954)	(57,954)
Foreign exchange movement	3,277	23,730	–	27,007
Interest accrued	452,625	–	1,999	454,624
Interest paid	(409,739)	–	–	(409,739)
At 30 June 2023	62,033	18,286,596	164,724	18,513,353

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Within operating activities	(433,080)	(215,417)
Within financing activities	(115,582)	(41,539)
Total	(548,662)	(256,956)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

32. CONTINGENT LIABILITIES

As at 30 June 2024 and 31 December 2023, the Group did not have any material contingent liability, guarantees or any other material litigation or claims outstanding or threatened against the Group that could have a material adverse effect on its business, financial condition or results of operations.

33. PLEDGE OF ASSETS

Details of the Group's assets pledged under bank and other borrowings and restricted bank balances are contained in notes 13, 14, 18, 19, 20, 22, 23 and 26 to the interim condensed consolidated financial information.

34. COMMITMENTS

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

	30 June 2024	31 December 2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Contracted, but not provided for:		
Purchase of plant and machinery	403,264	108,067

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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35. RELATED PARTY TRANSACTIONS

(a) Name and relationship

Name of related party	Relationship with the Group
Far East Horizon Limited (遠東宏信有限公司)	Controlling Shareholder
Shanghai Lanjin Stone Decoration Co., Ltd. (上海藍金石材裝飾有限公司)	Company controlled by key management personnel
Shaoxing Shangyu Boteng Metal Products Co., Ltd. (紹興市上虞博騰金屬製品有限公司)	Company controlled by a close family member of key management personnel
Sinochem Finance Co., Ltd. (中化集團財務有限責任公司)	Subsidiary of a group which has significant influence over the Controlling Shareholder of the Company
Shanghai Jinmao Construction & Decoration Co., Ltd. (上海金茂建築裝飾有限公司)	Subsidiary of a group which has significant influence over the Controlling Shareholder of the Company
Sinochem Environment Air Pollution Control Co., Ltd. (中化環境大氣治理股份有限公司)	Subsidiary of a group which has significant influence over the Controlling Shareholder of the Company
Luxi Industrial Equipment Co., Ltd. (魯西工業裝備有限公司)	Subsidiary of a group which has significant influence over the Controlling Shareholder of the Company
Shanghai Yijia Construction Development Co., Ltd. (上海藝佳建設發展有限公司)	Associate of the Controlling Shareholder

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

35. RELATED PARTY TRANSACTIONS (continued)

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

		For the six months ended 30 June	
		2024	2023
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
(1)	Interest income		
	Sinochem Finance Co., Ltd.	-	1
(2)	Purchases of goods		
	Shaoxing Shangyu Boteng Metal Products Co., Ltd.	56,859	41,339
	Shanghai Lanjin Stone Decoration Co., Ltd.	-	360
		56,859	41,699
(3)	Operating lease income		
	Shanghai Yijia Construction Development Co., Ltd.	6	-
	Luxi Industrial Equipment Co., Ltd.	6	-
	Sinochem Environment Air Pollution Control Co., Ltd.	3	-
		15	-

Notes:

- (i) The interest income was earned at a rate of 0.55% per annum.
- (ii) The transaction prices were determined on an arm's length basis with reference to (a) the specification, model, unit price type and quality of the materials; and (b) the prevailing market rates of similar materials provided by the independent third parties.
- (iii) The operating lease income from related parties arose from the operating lease of vehicles. The prices were determined on arm's length basis with reference to (a) the specifications, technical requirements, model and lease term of the service vehicles; and (b) the rates of service vehicles with similar specifications, technical requirements and model for similar leasing services provided to the independent third parties.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

35. RELATED PARTY TRANSACTIONS (continued)

(c) Outstanding balance with related parties:

	30 June 2024	31 December 2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
(1) Due from related companies		
Prepayments, other receivables and other assets:		
Shanghai Yijia Construction Development Co., Ltd.	4,206	2,009
Shaoxing Shangyu Boteng Metal Products Co., Ltd.	2,389	–
	6,595	2,009
Trade receivables:		
Shanghai Yijia Construction Development Co., Ltd.	4	–
Luxi Industrial Equipment Co., Ltd.	3	–
Shanghai Jinmao Construction & Decoration Co., Ltd.	–	28
	7	28
(2) Due to related companies		
Other payables:		
Far East Horizon Limited	23	23
Trade and bills payables:		
Shaoxing Shangyu Boteng Metal Products Co., Ltd.	–	4,596
Shanghai Yijia Construction Development Co., Ltd.	–	61
	–	4,657

At the end of the reporting period, the balances due from/to related parties were unsecured, interest-free and repayable on demand.

At the end of the reporting period, except for the trade receivables to Shanghai Yijia Construction Development Co., Ltd., and Luxi Industrial Equipment Co., Ltd., the balances due from/to related parties were non-trade in nature.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

35. RELATED PARTY TRANSACTIONS (continued)

(d) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short-term employee benefits	4,813	3,579
Post-employment benefits	219	151
Total	5,032	3,730

As at 30 June 2024, none of the key management personnel of the Group has been granted restricted shares in respect of their services to the Group under the 2024 Restricted Share Award Scheme of the Company, further details of which are set out in note 30 to the interim condensed consolidated financial information.

36. 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:

As at 30 June 2024

Financial assets	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Total
	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)
Financial assets included in prepayments, other receivables and other assets	726,928	–	726,928
Trade receivables	5,414,486	–	5,414,486
Debt investments at fair value through other comprehensive income	–	1,009,287	1,009,287
Restricted bank balances	6,477	–	6,477
Cash and bank balances	1,932,626	–	1,932,626
Total	8,080,517	1,009,287	9,089,804

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

36. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:
(continued)

As at 30 June 2024 (continued)

Financial liabilities	Financial liabilities	Hedging instruments	Total
	at amortised cost	designated in cash flow hedges	
	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)
Trade and bills payables	3,286,827	–	3,286,827
Financial liabilities included in other payables and accruals	150,855	–	150,855
Interest-bearing bank and other borrowings	19,424,925	–	19,424,925
Derivative financial instruments	–	2,982	2,982
Total	22,862,607	2,982	22,865,589

As at 31 December 2023

Financial assets	Financial assets	Financial assets	Financial assets	Total
	at amortised cost	at fair value through other comprehensive income	at fair value through profit and loss	
	RMB'000	RMB'000	RMB'000	RMB'000
	(Audited)	(Audited)	(Audited)	(Audited)
Financial assets included in prepayments, other receivables and other assets	802,395	–	–	802,395
Derivative financial instruments	–	–	12,658	12,658
Trade receivables	5,029,820	–	–	5,029,820
Debt investments at fair value through other comprehensive income	–	1,236,738	–	1,236,738
Restricted bank balances	14	–	–	14
Cash and bank balances	2,166,798	–	–	2,166,798
Total	7,999,027	1,236,738	12,658	9,248,423

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

36. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:
(continued)

As at 31 December 2023 (continued)

Financial liabilities	Financial liabilities	Hedging instruments	Total
	at amortised cost	designated in cash flow hedges	
	RMB'000	RMB'000	RMB'000
	(Audited)	(Audited)	(Audited)
Trade and bills payables	1,552,487	–	1,552,487
Financial liabilities included in other payables and accruals	141,181	–	141,181
Interest-bearing bank and other borrowings	17,339,232	–	17,339,232
Derivative financial instruments	–	2,581	2,581
Total	19,032,900	2,581	19,035,481

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Financial instruments not measured at fair value

Management has assessed that the fair values of cash and cash equivalents, restricted bank balances, trade receivables, financial assets included in prepayments, other receivables and other assets, trade and bills payables, and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments. Interest-bearing bank and other borrowings and lease liabilities are mostly on floating rate terms and bear interest at prevailing market interest rates and their carrying values approximate to their fair values.

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)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Assets and liabilities measured at fair value:

As at 30 June 2024

Financial assets and liabilities	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Debt investments at fair value through other comprehensive income	–	1,009,287	–	1,009,287
Derivative financial instruments				
Forward currency contract – liabilities	–	(1,159)	–	(1,159)
Interest rate swap – liabilities	–	(1,823)	–	(1,823)
Total	–	1,006,305	–	1,006,305

As at 31 December 2023

Financial assets and liabilities	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	RMB'000
	(Audited)	(Audited)	(Audited)	(Audited)
Debt investments at fair value through other comprehensive income	–	1,236,738	–	1,236,738
Derivative financial instruments				
Cross-currency interest rate swap - assets	–	12,658	–	12,658
Interest rate swap – liabilities	–	(2,581)	–	(2,581)
Total	–	1,246,815	–	1,246,815

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

The fair values of debt investments at fair value through other comprehensive income have been calculated by discounting the future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The fair value of the cross-currency interest rate swap, forward currency contract and interest rate swap were calculated by discounting the future cash flows using the forward exchange rate and RMB risk-free rate that are observable market inputs.

The changes in fair values as a result of the Group for debt investments at fair value through other comprehensive income as at 30 June 2024 and as at 31 December 2023 were assessed to be insignificant.

38. EVENTS AFTER THE REPORTING PERIOD

There have been no significant events since the end of the reporting period.

39. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial information was approved and authorised for issue by the Board on 8 August 2024.



宏信建設發展有限公司

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