宏信建發
CDHORIZON

2024
ANNUAL REPORT

Incorporated in the Cayman Islands with limited liability

Stock Code: 09930.HK

遠東宏信
FAR EAST HORIZON

宏信建發
CDHORIZON

Resilience Extends Horizons
Nurturing New Opportunities

Contents

CORPORATE INFORMATION

BOARD

Chairman and Non-Executive Director

Mr. KONG Fanxing (孔繁星先生)

Executive Directors

Mr. ZHAN Jing (詹靜先生)
(Chief Executive Officer)
(Appointed on 30 December 2024)

Mr. PAN Yang (潘陽先生)
(Former Executive Director and former Chief Executive Officer, resigned on 30 December 2024)

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)
(Former Non-executive Director, resigned on 12 September 2024)

Mr. YUAN Shaozhen (袁少震先生)
(Appointed on 12 September 2024)

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)

AUTHORISED REPRESENTATIVES

Mr. PAN Yang (潘陽先生)
(Resigned on 30 December 2024)

Mr. ZHAN Jing (詹靜先生)
(Appointed on 30 December 2024)

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") are leading equipment operation service providers in China. Being a leading global rental company, the Group is committed to providing one-stop comprehensive solutions of "product + service" for domestic and overseas clients in the construction and industrial sectors. Since its establishment in 2011, the Group has built up comprehensive and diversified equipment offerings and strong service capacities, and maintained industry-leading positions in numerous product lines, providing clients with comprehensive and multi-dimensional services covering the full cycle of projects. Leveraging the synergies among its various product lines and diversified service categories, as well as the ever-improving independent R&D innovation and digital operational capabilities, the Group has fostered a diverse, blue chip, loyal and high-quality customer base. To date, the number of service outlets of the Group ranks first among equipment operation service providers in China. The Group has deployed outlets in several overseas markets, thus continuously improving its global service capabilities.

The Company's shares have been officially listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange" or the "Hong Kong Stock Exchange") since 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.

CHAIRMAN'S STATEMENT

Horizon Construction Development Limited
Chairman of the Board and Non-executive Director

KONG Fanxing

The year 2024 was an important node on the way to strategic upgrades for Horizon Construction Development Limited (the "Company" or "Horizon Construction Development") and its subsidiaries (the "Group"). During the year, while the Group continuously consolidated its leading position in the domestic market by deepening its established strategies and strengthening its core capabilities, it accelerated its global presence with a global operation system to effectively creating a pathway for value enhancement throughout the entire life cycle of operation equipment assets. In the face of the complex and volatile domestic and oversea business environment, Horizon Construction Development endeavors to adapt and respond proactively, and has always maintained a sound financial structure and excellent risk management capacity. At this critical stage of business transformation and upgrade, the unwavering support of all Shareholders is crucial for Horizon Construction Development to remain fully focused on its strategy and move forward steadily. On behalf of the board of directors (the "Board"), the management and all staff of Horizon Construction Development, I would like to hereby express our heartfelt thanks to all Shareholders.

In 2024, the domestic equipment operation service industry continued to see a development trend of in-depth adjustment and differentiation with industry resources further converging towards the leading enterprises. As a leading comprehensive equipment operation service provider in China, Horizon Construction Development continued to give full play to its strengths in resources and operational capabilities over the past year, gathering and invigorate momentum in the market, and optimizing its overall asset structure, thereby effectively consolidated its industry-leading position in the domestic market. As at the end of 2024, the number of aerial work platforms under the management of the Group was approximately 216,300, the total material assets under management were approximately 2.14 million tons, and 528 service outlets were established in China, including Hong Kong, China.

CHAIRMAN'S STATEMENT

China is the second largest economy in the world. As China continues to lead in technological innovation and promote high-level opening-up, it will continue to be a key driver of global growth. Along with the high-quality upgrade of the Chinese economy, Horizon Construction Development's equipment operation services serve China's real economy in much richer dimensions and at various levels. In 2024, Horizon Construction Development deepened its exploration of and expansion into new industries and products, and seized the structural opportunities in the industry brought about by China's macro policies of the "Two Focuses" construction and the "Two Upgrades" work as a pioneer. Through a more comprehensive product matrix, Horizon Construction Development expanded its coverage in non-construction industries, and developed and gradually grew its equipment operation services for customers in the mining, offshore engineering, chemical industries and so on, with the cumulative number of customers served increasing to approximately 325,000, thereby continuously strengthening the Group's business potential in the domestic market.

In 2024, Horizon Construction Development actively implemented its "Three+Three+Three (三+三+三)" development strategy, thereby conducting in-depth and effective exploration and deployment in overseas markets. At the end of 2024, the Group's internationalization deployment was so effective that it established 53 service outlets in seven overseas countries, i.e. Malaysia, Vietnam, Indonesia, Thailand, Saudi Arabia, the UAE and Turkey, and had overseas assets under management of over RMB3,100 million. What is even more encouraging is that through the active exploration of the global market, the global operation system and the local product matrix built by the Group had stimulated good business momentum, and the overseas business not only achieved year-on-year growth of more than 27 times of the total revenue to RMB389 million during the year, but also achieved breakeven for the whole year.

In conclusion, Horizon Construction Development continued to operate at a steady pace in a complex and volatile environment. In 2024, The Group realized revenue of approximately RMB11.58 billion, representing a year-on-year increase of approximately 21% as compared with the previous year; the profit attributable to holders of ordinary shares for the year amounted to approximately RMB900 million, representing a slight year-on-year decrease of approximately 7% as compared with the previous year; and the return on average total assets and return on average equity reached 2.6% and 8.1%, respectively.

Throughout 2024, the Board of Horizon Construction Development had been constantly improving corporate governance and the construction of an effective Board system, promoting the standardized operation of the Board, and giving full play to the scientific decision-making function of the Board, aiming to lay a foundation for building good governance to return its Shareholders. Under the requirements of the Corporate Governance Code of the Stock Exchange, the Company convened a total of four regular Board meetings in Hong Kong in 2024 to discuss and consider significant proposals, concerning the development needs of the Company and in the interests of all Shareholders. At the same time, all the professional committees under the Board fully performed their respective rights and obligations granted by the Board, and thus effectively protected the interests of all Shareholders.

Looking ahead to 2025, the external environment remains complex and volatile. Horizon Construction Development will actively seize opportunities amid challenges during the period of industry consolidation, and, at the same time, continue to adhere to its "Three+Three+Three (三+三+三)" strategic deployment, thereby vigorously expanding its overseas presence, and building a system capable of serving overseas in collaboration with China's strengths in manufacturing. The Group will also strive to create value for Shareholders and society by consolidating a foundation for its domestic and overseas business to steadily improving its business efficiency in order to realize the vision of becoming "a world-class comprehensive equipment operation service provider".

Horizon Construction Development Limited
Chairman of the Board and Non-executive Director
KONG Fanxing

CHIEF EXECUTIVE OFFICER'S STATEMENT

Horizon Construction Development Limited
Executive Director and Chief Executive Officer

ZHAN Jing

Dear Shareholders,

For the year under review, despite a complicated domestic and global landscape, China's economy saw steady progress amidst stability. Its annual GDP increased by 5.0% to RMB134.9 trillion year on year and the total output value of the construction industry increased by 3.9% to RMB32.65 trillion year on year. Meanwhile, the engineering machinery industry is experiencing dual benefits from equipment renewal cycle and policy support.

In 2024, Horizon Construction Development made steady progress by steadfastly implementing its strategies. Following the strategic guidance of "Finance + Industry" provided by Far East Horizon, its controlling Shareholder, and leveraging the support of the capital market, the Group continued to adopt the strategy of deepening its presence in the domestic market with business coverage expansion and integration of resources in the industry, and realized re-utilization of its own assets during their life cycle. The Group also promoted the construction of intelligent supply chain and business visualization, laying a foundation for refined management. On the basis of the Group's comprehensive equipment solutions featuring services covering the full cycle of projects and various types of equipment, Horizon Construction Development actively promoted the incubation of new products and new markets to gain new growth momentum. While cultivating the domestic market in depth, the Group demonstrated its resolute commitment to implement its "Three+Three+Three (三+三+三)" overseas development strategy by continuously stepping up efforts to cultivate the overseas markets. The Group accelerated the development of its existing Southeast Asian market while continuing to explore potential markets in the Middle East. At the end of 2024, the Group had its presence and operations in the international markets of Malaysia, Vietnam, Indonesia, Thailand, Saudi Arabia, the United Arab Emirates, and Turkey. After years of development, the Group had built a customer base boasting of diversity, stability, and high quality. The number of its customers further increased from approximately 232,000 at the end of 2023 to approximately 325,000 at the end of 2024.

Under the guidance of the development strategy of the Company, the Group advanced its integrated operations services of products such as aerial work platform equipment, neo-excavation support system, neo-formwork system, and road equipment. Meanwhile, the Group actively explored the leasing operation of new products. The Group recorded a total revenue of approximately RMB11.58 billion for the year, representing an increase of approximately 21.0% as compared with the same period of the previous year. In terms of the operating leasing services business, the application scenarios of the Group's equipment were further diversified. In 2024, the operating leasing services achieved a revenue of approximately RMB4.62 billion, accounting for 39.9% of the revenue. In terms of engineering and technical services, benefiting from continuously enhancing its engineering and technical services and providing customers with tailor-made construction solutions, Horizon Construction Development gained its strength in technology and its reputation with the accumulative number of service and engineering projects of 3,195 during the year. In 2024, the engineering and technical services achieved a revenue of approximately RMB3.75 billion, accounting for 32.4% of the revenue, representing an increase of 1.6 percentage points as compared with the same period of the previous year. In terms of asset management and other services, leveraging

CHIEF EXECUTIVE OFFICER'S STATEMENT

its nationwide operation network, digitalized management system and profound equipment operation experience, the Group further expanded its market share of equipment operation based on its own resources. As at the end of 2024, the number of partners of the Group increased significantly. Among the 216,300 aerial work platforms operated and managed, approximately 34.6% of them were entrusted by other equipment owners outside the Group for operate and manage. In 2024, the revenue from asset management and other services was approximately RMB3.21 billion, accounting for 27.7% of the revenue, representing an increase of 12.0 percentage points as compared with the same period of the previous year. Horizon Construction Development promoted diversified development in well-ordered steps, expanded its global business development, and devoted itself to improving operational efficiency and enriching the operating connotation of comprehensive equipment operation services.

In 2024, Horizon Construction Development kept on optimizing its revenue and profit and its financial structure with net profit of approximately RMB900 million. As at the end of 2024, the total assets of the Group were approximately RMB36.43 billion, representing an increase of 16.6% as compared with the end of the previous year. With a steady increase in return on assets, in 2024, the Group recorded a return on average total assets of approximately 2.6%, and recorded a return on average equity of approximately 8.1%. The Group also maintained sufficient liquidity, generating higher net operating cash flows of approximately RMB4.2 billion in 2024, representing an increase of 6.4% from RMB3.95 billion for the same period of the previous year. Therefore, the funds of the Group were further replenished and the financial structure became stronger.

After 14 years of vigorous development, Horizon Construction Development had made steady progress since its inception, and 2024 was even more brilliant. With the support of all sectors of society, Horizon Construction Development further consolidated its industry-leading position by ranking 14th in the world in the IRN100 list. It ranked 2nd in the world in Access 50 of Global Aerial Work Machinery Leasing (ACCESS50). During the year, Shanghai Horizon Equipment & Engineering Co., Ltd., a subsidiary of the Company, successfully obtained an "AAA" rating from China Chengxin International Credit Rating Co., Ltd.

The year 2025 marks a year of innovation and change for the Group. The Group remains steadfast in its vision of becoming a first-class global company by implementing strategic upgrades and system reforms, and strengthening domestic presence to reshape core competitiveness in areas such as efficiency, service, and asset operation capabilities. It will continue to develop new products and explore new customer needs, in order to offer quality services and create more value for a larger customer base. Meanwhile, committing to becoming a trustworthy comprehensive equipment operation service provider, the Group will demonstrate its resolute commitment to implement its "Three+Three+Three (三+三+三)" development strategy to seize market opportunities, improve the support for its overseas strategic system, and promote its development in phases and at different levels, thereby realizing high-quality development.

Looking forward, we are confident in development and will move forward courageously with resolve to promote high-quality development of the Group and achieve leapfrog in our development. With an international perspective, we will return to the essence of our operations and invigorate the inherent vitality of Horizon Construction Development, thereby creating value for Shareholders and society. I would like to hereby express my heartfelt thanks to Shareholders, customers, business partners, people from all walks of life and all employees of the Company who care about and support Horizon Construction Development. Let's work hand in hand to draw a grand blueprint and create a bright future together!

Horizon Construction Development Limited
Executive Director and Chief Executive Officer
ZHAN Jing

BUSINESS OVERVIEW

	For the year ended 31 December				
	2024	2023	2022	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Operating results					
Total revenue	**11,581,062**	9,610,581	7,877,646	6,141,168	3,663,595
Operating lease services	**4,620,986**	5,139,275	5,189,949	4,463,348	2,484,554
Engineering and technical services	**3,751,364**	2,964,591	2,136,630	1,519,288	1,062,760
Asset management and other services (formerly "platform and other services")	**3,208,712**	1,506,715	551,067	158,532	116,281
Cost of sales	**(7,806,466)**	(5,849,180)	(4,744,640)	(3,295,231)	(2,015,234)
Operating lease services	**(2,858,228)**	(2,848,976)	(2,870,719)	(2,091,079)	(1,185,393)
Engineering and technical services	**(2,761,118)**	(2,098,931)	(1,496,266)	(1,076,646)	(756,813)
Asset management and other services (formerly "platform and other services")	**(2,187,120)**	(901,273)	(377,655)	(127,506)	(73,028)
Gross profit and gross profit margin	**3,774,596**	3,761,401	3,133,006	2,845,937	1,648,361
Operating lease services	**1,762,758**	2,290,299	2,319,230	2,372,269	1,299,161
Gross profit margin	**38.1%**	44.6%	44.7%	53.1%	52.3%
Engineering and technical services	**990,246**	865,660	640,364	442,642	305,947
Gross profit margin	**26.4%**	29.2%	30.0%	29.1%	28.8%
Asset management and other services (formerly "platform and other services")	**1,021,592**	605,442	173,412	31,026	43,253
Gross profit margin	**31.8%**	40.2%	31.5%	19.6%	37.2%
Profit before tax	**1,200,159**	1,226,523	893,804	902,499	641,507
Profit for the year attributable to holders of ordinary shares of the Company	**896,322**	962,407	664,335	709,638	448,373
Basic earnings per share (RMB)	**0.282**	0.316	0.235	0.261	0.179
Diluted earnings per share (RMB)	**0.282**	0.316	0.235	0.261	0.179
Profitability Indicators					
Return on average equity[1]	**8.1%**	11.0%	10.5%	12.5%	16.7%
Return on average total assets[2]	**2.6%**	3.1%	2.3%	3.3%	3.6%
Gross profit margin	**32.6%**	39.1%	39.8%	46.3%	45.0%
EBITDA margin (a non-HKFRS measure)[3]	**40.0%**	46.6%	51.8%	52.1%	51.4%

BUSINESS OVERVIEW

	31 December 2024	31 December 2023	31 December 2022	31 December 2021	31 December 2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and liabilities					
Total assets	**36,434,181**	31,236,775	30,288,394	26,960,606	15,639,203
Total liabilities	**24,975,831**	20,459,108	23,616,202	20,949,645	10,337,454
Interest-bearing bank and other borrowings	**20,902,895**	17,339,232	21,212,114	17,697,766	7,817,513
Gearing ratio[(4)]	**68.6%**	65.5%	78.0%	77.7%	66.1%
Total equity	**11,458,350**	10,777,667	6,672,192	6,010,961	5,301,749
Equity attributable to holders of ordinary shares of the Company	**11,458,350**	10,777,667	6,672,192	6,010,961	5,301,323
Net assets per share (RMB)[(5)]	**3.66**	3.37	2.36	2.12	2.12

BUSINESS OVERVIEW

Notes:

(1) Return on average equity = profit for the year attributable to holders of ordinary shares of the Company/average balance of total equity at the beginning and the end of the year attributable to holders of ordinary shares of the Company.

(2) Return on average total assets = profit for the year attributable to holders of ordinary shares of the Company/average balance of total assets at the beginning and the end of the year.

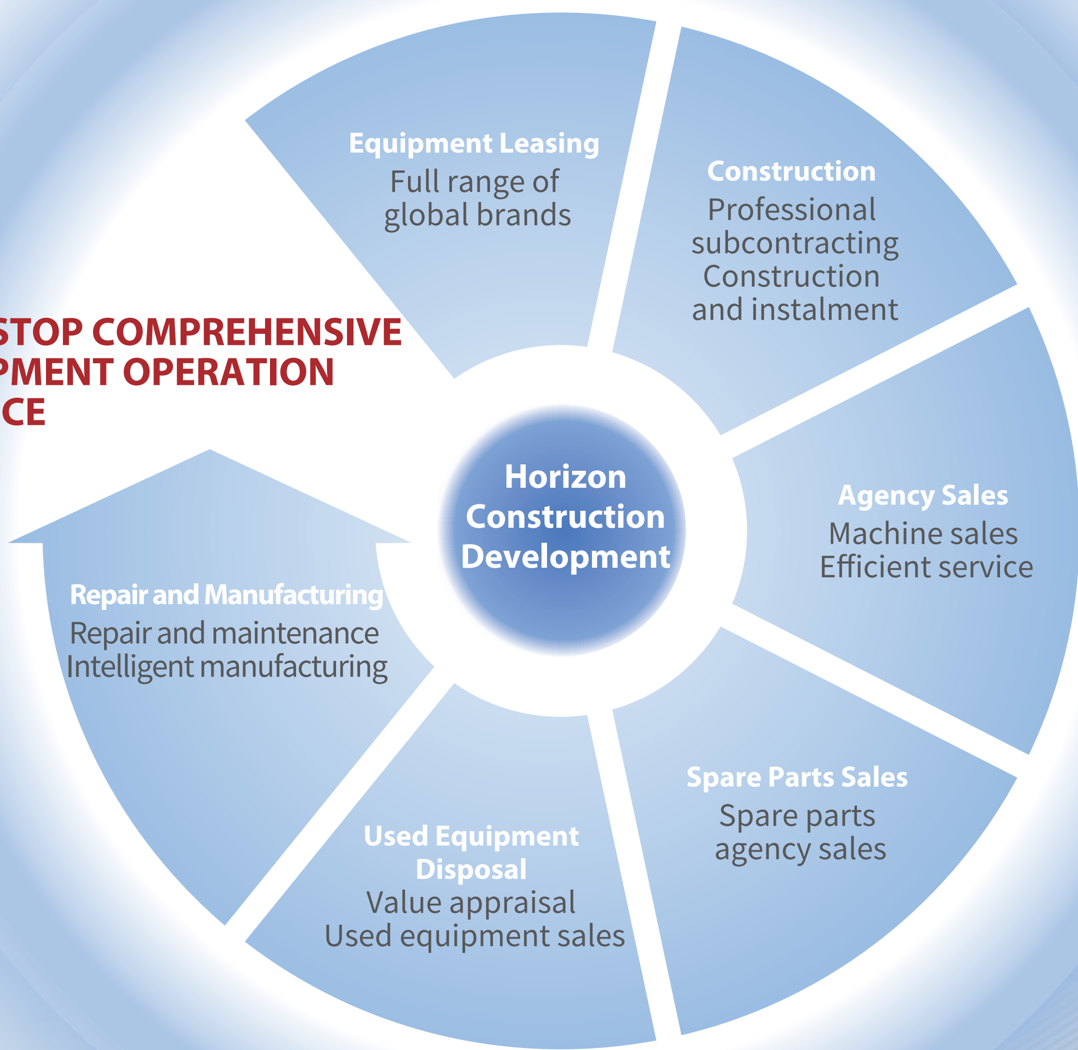
(3) EBITDA margin (a non-HKFRS measure) = EBITDA (a non-HKFRS measure)/total revenue for the year. EBITDA (a non-HKFRS measure) = profit for the year – interest income from the bank + income tax expenses + finance costs + depreciation and amortization.

(4) Gearing ratio = total liabilities at the end of the year/total assets at the end of the year.

(5) Net assets per share = total equity at the end of the year attributable to holders of ordinary shares of the Company/number of ordinary shares outstanding at the end of the year.

BUSINESS OVERVIEW

ONE-STOP COMPREHENSIVE EQUIPMENT OPERATION SERVICE



MANAGEMENT DISCUSSION AND ANALYSIS

1. INDUSTRY ENVIRONMENT AND THE COMPANY'S SOLUTIONS

1.1 National and Regional Environment

Mainland China:

In 2024, the Chinese economy maintained steady with progress made amid the complex domestic and overseas environment. China's GDP reached RMB134.9 trillion, representing a year-on-year increase of 5.0%, with growth rate in the fourth quarter rose to 5.4%, reflecting a positive trend of economic recovery. New quality productive forces became a major driver for economic growth, and facilitated high quality development of economy.

In 2024, the investment in manufacturing industry in China recorded a year-on-year increase of 9.2%, representing an increase of 2.7 percentage points as compared to 2023, thus becoming an important pillar for stable growth. As driven by the "Two Upgrades" policy, the investment in purchase of equipment and tools recorded a year-on-year increase of 15.7%, and the investment in high-tech manufacturing industry and aeronautics, spacecraft and equipment manufacturing industry grew by 7.0% and 39.5% respectively, reflecting the acceleration in high-end and intelligent transformation.

In 2024, the growth rate of the investment in infrastructure was 4.4%, which dropped by 1.5 percentage points as compared to 2023. However, the investment in water conservancy management industry and railway transportation industry increased by 41.7% and 13.5% respectively. Despite the slowdown in overall growth rate, with the support of the project construction under the "Two Focuses" policy and the local-government special bonds, the investment in infrastructure still played a vital role in stabilizing growth.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2024, the output value of the construction industry reached RMB32.65 trillion, representing a year-on-year increase of 3.9%, and the construction area of buildings decreased by 10.6% year-on-year. Despite the continuous bottom out in investment in real estate, the fundamentals for construction industry development have been strengthened with the support of the growth in investment in construction industry and infrastructure investment.

The engineering machinery industry is experiencing dual benefits from equipment renewal cycle and policy support. On one hand, since the last peak of equipment renewal in 2016, the engineering machinery industry has gradually entered the peak of upgrade for another 8 to 10 years. On the other hand, the state continued to promulgate supportive policies. The State Council has issued the Action Plan on Promoting Large-Scale Equipment Renewals and Consumer Goods Trade-ins, which specifically supports the equipment renewals in engineering machinery industry. With the combined effects of domestic and overseas demand improvement, infrastructure investment driver and renewal cycle, the engineering machinery industry has gradually recovered.

Overseas:

In 2024, the outbound direct investment of all industries in China reached RMB1,159.27 billion, representing a year-on-year increase of 11.3%. The State Council issued numerous policies supporting the overseas expansion of enterprises, such as the Several Policies and Measures for Promoting the Steady Growth of Foreign Trade, thereby providing policy protection for overseas investment of enterprises. Currently, the outbound investment made by Chinese companies mainly focus on countries along the Belt and Road Initiative (BRI), especially Southeast Asia. In addition, the target markets of outbound investment gradually shifted to emerging markets such as Middle East and Africa. The following sets forth the specific market environment in some countries where the Company has operated:

MANAGEMENT DISCUSSION AND ANALYSIS

In 2024, Malaysia's economy maintained stable growth, with gross domestic product (GDP) expected to grow by 5.1% year-on-year, which was higher than that of 3.6% in 2023. The year-on-year growth rates in service industry, manufacturing industry, construction industry, agricultural industry and mining industry were higher than those of 2023. In particular, the growth rates of service industry and manufacturing industry were 5.3% and 4.2% as compare to 2023, respectively. The year-on-year growth rate of mining industry significantly increased to 17.2% in 2024 from 6.1% in 2023. The economy growth was primarily attributable to the recovery of domestic demands, export growth, as well as the infrastructure investments in various fields such as renewal energy and data center.

In 2024, Indonesia's economy maintained stable growth trend in general, and its 2024 annual economic growth rate is expected to be 5.0% to 5.2%. Infrastructure construction and construction industry became the important drivers for economic growth. In 2024, the Indonesian Government approved 14 new national strategic projects, covering various sectors including industry, tourism, toll road, offshore oil and gas project and so on. The government allocated budget up to IDR423.4 trillion for infrastructure investment. Key investment projects include infrastructure construction in the new capital city, Trans-Sumatra Highway and numerous national strategic projects.

In 2024, Vietnam's economy experienced strong performance, with GDP growth rate reaching 7.09%, outperforming the target of 6.5% set at the beginning of the year. Economic growth was primarily attributable to drivers in manufacturing industry, service industry and construction industry. In particular, the growth rates of manufacturing industry and construction industry were 8.67% and 7.34% respectively, which were at their respective highest levels for the period from 2020 to 2024. With the implementation of a series of major projects such as Vietnam North-South Express Railway, Ninh Thuận Nuclear Power Plant and Long Thanh International Airport, the infrastructure construction in Vietnam will continue to deliver momentum, thereby supporting economic development.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2024, Thailand's economic growth showed its resilience to a certain extent. The National Economic and Social Development Council (NESDC) of Thailand estimated that the annual economic growth would be 2.6%. The average annual growth rate of construction industry in Thailand is around 3-4%. It is estimated that the total value of construction market would be US$41 billion in 2024. Investment in public facilities and infrastructures became the major driver for growth, including large-scale projects such as express railway, airport expansion and highways.

As facilitated by the Vision 2030 Initiative, Saudi Arabia continues to promote the industrial structure transformation and upgrade, and plans to increase the non-oil revenue under fiscal revenue of Saudi Arabia to 1 trillion Saudi Riyal (equivalent to approximately US$226.7 billion) in 2030. Under this backdrop, the surging demand of infrastructures under national construction plans, such as "NEOM New City", "THE LINE Plan" and "OXAGON Industrial Park" etc., continues. The estimated market size of construction industry in Saudi Arabia in 2024 would be US$70.33 billion, and is expected to increase to US$91.36 billion in 2029.

The political situation in the UAE has been stable for a long period. With well-established infrastructures and high economic openness, the UAE is one of the most attractive countries for investment in the Gulf and Middle East Region. The Central Bank of the UAE (CBUAE) and International Monetary Fund (IMF) both estimated that the GDP growth rate of the UAE in 2024 would be 4.0%. According to the UAE Centennial Plan 2071, the Abu Dhabi Economic Vision 2030 and the Dubai 2040, the state policies are with a clear mission of increasing the proportion of non-oil revenue and improving economic development level on continuous basis. According to the Dubai Budget Plan for 2025-2027, 46% of funds will be invested in major infrastructure and facility construction projects, including roads, bridges, energy facilities and drainage system.

Despite facing numerous challenges such as high inflation and high interest rate, Turkey's economic growth remained resilient to a certain extent. International Monetary Fund (IMF) estimated that Turkey's GDP would grow by 3.4% and 2.7% in 2024 and 2025 respectively, and that the inflation rate would be around 43% as of the end of the year. In 2024, Turkey initiated a series of new major construction projects in various sectors, covering infrastructure, energy and high-tech industry. For example, in respect of Ankara-Istanbul High-Speed Railway and the first Turkish GW-level energy storage project, the Turkish Government has introduced an incentive plan of US$30 billion in aggregate, which focuses on supporting electric vehicle, battery production, semi-conductor manufacturing, energy technology and other sectors.

MANAGEMENT DISCUSSION AND ANALYSIS

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 and road equipment. Meanwhile, the Group actively explores the leasing operation of new products, such as special aerial work equipment (truck-mounted aerial work platforms, glass attachment boom lifts, track-based aerial trucks, etc.), material handling equipment (forklifts, telescopic handlers, etc.), lifting equipment (truck-mounted cranes, spider cranes, etc.) and mining equipment.

In Mainland China, with the aging population, rising labor costs and emphasis on safety production and energy saving and environmental protection requirements, the penetration rate of engineering machinery equipment leasing services in China will continue to grow. Benefiting from the accelerated national infrastructure construction, the upgrade and transformation in manufacturing industry, and the implementation of regional coordinated economic development strategy, the growth trend of the engineering machinery leasing market in China will remain unchanged. In respect of infrastructure construction, large-scale investments in road, railway, water conservation and other fields have created huge market opportunities in the engineering machinery leasing industry. As the transformation and upgrade in manufacturing industry accelerated, the corporate demands for engineering machinery have been increasing. The leasing mode has become an important option for enterprises to reduce costs and improve efficiency. With the application of internet of things (IoT), artificial intelligence (AI) and other technologies, the engineering machinery leasing industry is developing itself towards intelligent and digitalized operation.

According to IPAF Rental Market Report 2024, the unit volume of the Chinese aerial work platform leasing market amounted to approximately 524,600 units in 2023, representing a year-on-year increase of 17%. It is expected that the Chinese aerial work vehicle leasing market will continue to grow in 2024 and 2025, with volume reaching 603,300 units in 2024, representing a year-on-year increase of 15%. The application fields of aerial work platform have been expanding and widely applied in various fields, such as construction work, municipal engineering, operation maintenance, landscaping and advertisement installation, etc. The penetration rate of Chinese aerial work platform leasing market is much lower than that in developed markets such as Europe and the U.S. Looking forward, with the increasing acknowledgement of different industries on the practical and economical benefits of aerial work platform, the market demand will further grow.

MANAGEMENT DISCUSSION AND ANALYSIS

The neo-excavation support system mainly refers to the steel structures support system, providing clients with benefits such as a safe and green construction environment, accelerated construction progress, and construction cost reduction. The neo-excavation support system has been widely used in municipal pipeline support, construction work, infrastructure construction and other fields. Over the past few years, water conservancy policies have been introduced continuously. According to the Guidelines on Implementation of Major National Water Conservancy Projects issued by the Ministry of Water Resources, it is aimed to complete the construction of a series of major water diversion projects and key water resources engineering works. Meanwhile, during the year, the national water conservancy project focused on disaster recovery and reconstruction, and put every effort in facilitating hydraulic infrastructure construction. As driven by various policies, the demand for neo-excavation support system in hydraulic construction is expected to further increase.

The ringlock scaffold of the neo-formwork system has the characteristics of high safety, labor saving, convenient installation and disassembly, consumption saving and overall aesthetic appearance. It can be widely used in the fields such as the construction of infrastructures, plants and houses. At present, the neo-formwork system lease market is in an increase-slowdown cycle. As estimated based on the statistics from China Construction Materials Rental Contractor Association, as of the end of 2023, the volume of ringlock scaffold in Chinese construction market was 25.80 million tons, representing a year-on-year increase of 11.2%. As of the end of July 2024, the volume of ringlock scaffold in Chinese construction market was 26.30 million ton. In 2024, the operation and development index of the ringlock scaffold industry in China was below the boom-bust line (less than 50%) every month. The ringlock scaffold lease market is facing challenges of continuous sluggish market demand, price competition and lengthened capital return cycle as a whole, and the market landscape is looking for further player exit and consolidation.

In overseas market, the demand for infrastructure investment in countries along the BRI, Africa and Middle East is high, which creates abundant global market opportunities for construction companies and engineering machinery companies, and promotes the acceleration of overseas expansion and business presence expansion of companies within the industrial chain. In 2024, the turnover of China's foreign contracted engineering business amounted to RMB1,181.99 billion, representing a year-on-year increase of 4.2%. Moreover, at the Central Economic Working Conference held in December 2024, it was specifically highlighted the goal of "facilitating quality co-development of the Belt and Road Initiative and optimizing overseas integrated service system", which will provide stronger support for overseas expansion of enterprises.

MANAGEMENT DISCUSSION AND ANALYSIS

1.3 Company's Solutions

In 2024, adhering to the concept of high-quality and sustainable development, the Group insisted on strategy implementation, aiming to achieve its mission of "becoming a leading global company". The Group has been deepening its presence in global market areas and expanding business coverage. As at the end of 2024, the total number of business outlets across the world was 581.

The Group continued to adopt the strategy of deepening its presence in domestic market, exploring regions with zero presence or low market share. As at the end of 2024, the Company had 528 outlets in mainland China and Hong Kong, covering over 220 cities, thus achieving wide coverage of and quick response to business and service. Meanwhile, the Group strengthened the foundation of its traditional business and created new momentum for growth. The Group refined its operation management, and implemented the policy of asset handling and management at stores, thus improving independent management of frontline operation. On one hand, the Group facilitated the shift of asset to regions and countries with high efficiency through asset relocation, thereby realizing asset re-utilization and improving operational efficiency. On the other hand, based on the changes in market demand, the Group optimized its asset structure, timely identified and disposed low-efficiency assets, and consolidated market resources within the industry.

By synchronizing business scenario and customer of traditional products, the Group achieved the integration and operation of various new products, thereby fulfilling customers' needs for diversified services. At present, the Group has incubated and put a wide variety of products and services into operation, including special aerial work equipment (truck-mounted aerial work platforms, glass attachment boom lifts, track-based aerial trucks 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.). Meanwhile, the Group actively expanded its operations into a wider range of fields beyond the traditional construction industry, and achieved coverage of diversified scenario for mining machinery leasing, marine & shipyards, petrochemicals and other fields, thus fulfilling the diversified demands of different customers in construction, production and operation.

MANAGEMENT DISCUSSION AND ANALYSIS

In addition, the Group continued to implement the concept of digital operation. With the support of the professional digitalization system independently developed by the Group based on the equipment operation industry, the digitalization rate of operation progress of the Group was nearly 100% at present. The proportion of full-time equipment deployment and manoeuvre personnel to equipment is 1:7,100, while the proportion of full-time service personnel to equipment is 1:234. During the year, the Group further developed the customer management platform for in-force leases and vehicle-free transportation platform, and upgraded the management and scheduling of variety of assets under the existing digitalized management system, thus improving operation efficiency and quality of large-scale operation.

The Group adheres to the implementation of its "Three+Three+Three (三+三+三)" overseas development strategy. In respect of overseas markets, while accelerating its existing expansion in Southeast Asia markets, the Group continued to explore the market potential in Middle East, so that the Group gradually established global presence and operation in Malaysia, Vietnam, Indonesia, Thailand, Saudi Arabia, the UAE and Turkey. As at the end of 2024, the Group had 53 overseas outlets. Meanwhile, based on the market characteristics of different regions, by matching diversified product demands, the Group has established local business team and service team, and thus realized in-depth localization development.

MANAGEMENT DISCUSSION AND ANALYSIS

2. INCOME STATEMENT ANALYSIS

2.1 Income Statement Analysis (Overview)

In 2024, the Group experienced a complex and volatile external environment. Profit before tax was RMB1,200,159,000, representing a decrease of 2.1% from RMB1,226,523,000 of the previous year. The Group's EBITDA (a non-HKFRS measure) was RMB4,628,654,000, representing an increase of 3.3% from RMB4,480,251,000 of the previous year.

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

	For the year ended 31 December		
	2024	2023	
	RMB'000	RMB'000	Change %
Revenue	**11,581,062**	9,610,581	20.5%
Cost of sales	**(7,806,466)**	(5,849,180)	33.5%
Gross profit	**3,774,596**	3,761,401	0.4%
Other income and gains	**238,667**	210,092	13.6%
Selling and administrative expenses[(1)]	**(1,866,205)**	(1,540,538)	21.1%
Provision for assets[(2)]	**(120,831)**	(336,343)	-64.1%
Other expenses	**(20,241)**	(33,926)	-40.3%
Finance costs	**(805,827)**	(834,163)	-3.4%
Profit before tax	**1,200,159**	1,226,523	-2.1%
Income tax expenses	**(303,837)**	(264,116)	15.0%
Profit for the year	**896,322**	962,407	-6.9%

Notes:

(1) Sales and administrative expenses exclude impairment of repossessed assets under administrative expenses in the consolidated statement of profit or loss.

(2) Provision for assets includes expected credit losses ("ECL"), net and impairment of repossessed assets under administrative expenses in the 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 is 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 year ended 31 December		
	2024	2023	
	RMB'000	RMB'000	Change %
Profit for the year	**896,322**	962,407	-6.9%
Less: Bank interest income	**17,246**	15,630	10.3%
Add: Income tax expenses	**303,837**	264,116	15.0%
Add: Finance costs	**805,827**	834,163	-3.4%
Add: Depreciation and Amortization(1)	**2,639,914**	2,435,195	8.4%
EBITDA (a non-HKFRS measure)	**4,628,654**	4,480,251	3.3%

Note:

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

MANAGEMENT DISCUSSION AND ANALYSIS

2.2 Revenue

In 2024, the Group recorded revenue of RMB11,581,062,000, representing an increase of 20.5% as compared with RMB9,610,581,000 of the previous year. The Group's revenue and profitability were mainly based on the steadily expanding domestic and overseas customer base, the continuous asset structure optimization, the continuous improvement of project undertaking capacity and the expanding scale of the Group's equipment management. In 2024, the Group actively deployed overseas outlets and business teams, and recorded revenue of approximately RMB389 million from overseas operations.

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 to approximately 325,000 in 2024 (including approximately 1,700 overseas customers), 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.

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

	For the year ended 31 December	
	2024	2023
Aerial work platform		
Equipment volume (in thousand units)[1]	**216.3**	177.6
Utilization rate[2]	**73.8%**	80.0%
Neo-excavation support system		
Equipment volume (in thousand tons)	**1,449**	1,556
Utilization rate[2]	**72.5%**	70.1%
Neo-formwork system		
Equipment volume (in thousand tons)	**693**	721
Utilization rate[2]	**76.2%**	73.2%

MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

(1) As at 31 December 2024, among the 216,300 aerial work platforms operated and managed by the Group, 74,790 aerial work platforms were entrusted to the Group by other equipment owners outside the Group to operate and manage through asset management service model (formerly "platform service model"). Asset management service model (formerly "platform service model") primarily refers 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 year divided by the average of total value of equipment the Group owned during the corresponding year. "Average of total value of equipment" is the total asset value of all equipment, averaged between the beginning and the end of the year.

In 2024, based on the analysis on productions of major operations of the Group, the average utilization rate of aerial work platform in 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 year. As most overseas markets were still in the preliminary development stage during the first half of 2024, 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 asset structure optimization and 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 lease 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 consist 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 year ended 31 December				
	2024		2023		
	RMB'000	Proportion %	RMB'000	Proportion %	Change %
Operating lease services	4,620,986	39.9%	5,139,275	53.5%	-10.1%
Engineering and technical services	3,751,364	32.4%	2,964,591	30.8%	26.5%
Asset management and other services (formerly "platform and other services")	3,208,712	27.7%	1,506,715	15.7%	113.0%
Total	11,581,062	100.0%	9,610,581	100.0%	20.5%

MANAGEMENT DISCUSSION AND ANALYSIS

2.2.1.1 *Operating lease services*

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. In 2024, the Group's revenue from operating lease services amounted to RMB4,620,986,000, representing a decrease of 10.1% as compared with RMB5,139,275,000 of the previous year, mainly due to the effects of market price adjustment for product lines such as aerial work platform and neo-formwork system in Chinese Mainland, as well as the decrease in revenue from operating lease services for neo-excavation support system as more products under neo-excavation support system product line were delivered to customers in the form of engineering and technical services during the year.

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 for building stadiums and exhibition centers. At the same time, various new product leasing operation of the Group can fulfil the diversified needs of customers in construction, production and operation.

According to the statistics of the confirmed turnover derived from the equipment operated and managed by the Group during 2024, approximately 47.5% were served in the industrial projects (including industrial plants and logistics warehousing), approximately 24.5% in infrastructure and municipal projects, approximately 10.5% in commercial real estate projects (including shopping malls, hotels and offices), approximately 3.6% in residential projects, and approximately 13.9% in daily operations and other projects.

MANAGEMENT DISCUSSION AND ANALYSIS

2.2.1.2 Engineering and technical services

In 2024, the Group's revenue from engineering and technical services amounted to RMB3,751,364,000, representing an increase of 26.5% as compared with RMB2,964,591,000 of the previous year. As the Group continuously strengthened its capability in engineering and technical services over the years, the Group is able to provide customised construction solutions for EPC customers, thus reducing the proportion of material leasing. Meanwhile, with the growing technical strength and market reputation of Horizon Construction Development, the contracted value of order volume of neo-excavation support system and neo-formwork system significantly increased year-on-year during the year. In 2024, the neo-excavation support system and the neo-formwork system served 3,195 engineering projects, including representative projects such as Welcome National Backbone Cold Chain Logistics Base (維爾康國家骨幹冷鏈物流基地), Maojia Village Reservoir Extra Large Steel Cofferdam (毛家村水庫特大鋼圍堰), Hangzhuo Bay Bridge and Guangxi Liucheng-Rongjiang Bridge.

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

In 2024, the Group's revenue from asset management and other services (formerly "platform and other services") amounted to RMB3,208,712,000, representing an increase of 113.0% as compared to RMB1,506,715,000 of the previous year.

Asset management services (formerly "platform services") 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 manages equipment owned by other equipment owners and enters into subleasing arrangements with customers. Leveraging the Group's national operation network, digitalized management system and extensive experience in equipment operation, the Group possesses strong equipment management capability, and further increases its market share in equipment operation through the entrusted management model and on the basis of its own resources.

MANAGEMENT DISCUSSION AND ANALYSIS

Trading revenue represents revenue generated from sales of equipment, materials and spare parts by the Group. In 2024, the Group sold 1,523 units of equipment and 455,768 tons of materials, thus achieving continuous asset structure optimization.

As at the end of 2024, the number of partners under the Group's asset management service model (formerly "platform service model") has increased significantly. Among the 216,300 aerial work platforms operated and managed, 74,790 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").

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 year ended 31 December				
	2024		2023		
	RMB'000	Proportion %	RMB'000	Proportion %	Change %
Asset management services (formerly "platform services")	1,727,229	53.8%	984,456	65.3%	75.5%
Trade and others	1,481,483	46.2%	522,259	34.7%	183.7%
Total	3,208,712	100.0%	1,506,715	100.0%	113.0%

MANAGEMENT DISCUSSION AND ANALYSIS

2.2.1 Revenue analysis by region

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

	For the year ended 31 December				
	2024		2023		
	RMB'000	Proportion %	RMB'000	Proportion %	Change %
China (including Hong Kong and Macau)	**11,192,099**	**96.6%**	9,597,008	99.9%	16.6%
Overseas	**388,963**	**3.4%**	13,573	0.1%	2,765.7%
Total	**11,581,062**	**100.0%**	9,610,581	100.0%	20.5%

As at 31 December 2024, the number of equipment under management in China (including Hong Kong and Macau) was 212,600 sets, while the number of equipment under management in overseas markets was 10,400 sets. Equipment managed by the Group include aerial work equipment (truck-mounted aerial work platforms, glass attachment boom lifts, track-based aerial trucks, 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.).

As at 31 December 2024, there were 1,433,000 tons support materials under management and 578,000 tons formwork assets in China (including Hong Kong and Macau); and there were 16,000 tons support materials under management and 115,000 tons formwork assets in overseas markets.

MANAGEMENT DISCUSSION AND ANALYSIS

2.3 Gross Profit and Gross Profit Margin

In 2024, the Group recorded a gross profit of RMB3,774,596,000, representing an increase of 0.4% as compared with RMB3,761,401,000 of the previous year. The gross profit margin of the Group was 32.6%, representing a decrease of 6.5% as compared with 39.1% of the previous year, mainly due to the effects of rental or service price arising from market and environment fluctuation.

2.3.1 Gross profit and gross profit margin by business segment

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

	For the year ended 31 December				
	2024		2023		
	RMB'000	Gross profit margin %	RMB'000	Gross profit margin %	Change in gross profit %
Operating lease services	**1,762,758**	**38.1%**	2,290,299	44.6%	-23.0%
Engineering and technical services	**990,246**	**26.4%**	865,660	29.2%	14.4%
Asset management and other services (formerly "platform and other services")	**1,021,592**	**31.8%**	605,442	40.2%	68.7%
Total gross profit/gross profit margin	**3,774,596**	**32.6%**	3,761,401	39.1%	0.4%

2.3.1.1 Operating lease services

In 2024, the gross profit of the Group's operating lease services amounted to RMB1,762,758,000, representing a decrease of 23.0% as compared with RMB2,290,299,000 of the previous year. The gross profit margin of the Group's operating lease services was 38.1%, representing a decrease of 6.5% as compared with 44.6% of the previous year, mainly due to the changes in utilization rate and the fluctuation of market rental price of aerial work platform of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

*2.3.1.2 **Engineering and technical services***

In 2024, the gross profit of the Group's engineering and technical services amounted to RMB990,246,000, representing an increase of 14.4% as compared with RMB865,660,000 of the previous year. The gross profit margin of the Group's engineering and technical services was 26.4%, representing a decrease of 2.8% as compared with 29.2% of the previous year, which was mainly due to the intensified competition in the engineering and technical services market in recent years, making the Group constantly enhance its capacities of engineering and technical services to address the fluctuation of gross profit margin caused by market competition.

*2.3.1.3 **Asset management and other services (formerly "platform and other services")***

In 2024, the gross profit of the Group's asset management and other services (formerly "platform and other services") amounted to RMB1,021,592,000, representing an increase of 68.7% as compared with RMB605,442,000 of the previous year. The gross profit margin of the Group's asset management and other services (formerly "platform and other services") was 31.8%, representing a decrease of 8.4% as compared with 40.2% of the previous year, which can be further divided into:

In 2024, the gross profit of the Group's asset management services (formerly "platform services") amounted to RMB497,503,000, which increased significantly as compared with RMB362,280,000 of the previous year, mainly because the Group expanded its asset management service model (formerly "platform service model") proactively, 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 subleasing arrangements with customers after leasing equipment from other equipment suppliers). The gross profit of the Group's asset management services (formerly "platform services") has decreased as compared to that of the previous year, which was mainly due to the fluctuation of market rental price of assets under operation management.

In 2024, the Group actively adjusted the structure of self-owned lease and service assets through disposal of certain equipment and materials assets that did not meet the efficiency requirements of the Group, thus achieving gross profit of sales of equipment, materials and spare parts of RMB514,895,000, which significantly increased as compared with RMB236,472,000 of the previous year. However, the corresponding gross profit margin had dropped, which was mainly due to the changes in structure of equipment, materials and spare parts sold.

MANAGEMENT DISCUSSION AND ANALYSIS

2.3.2 Gross profit by region

The following table sets forth the composition and changes in the Group's gross profit by regions:

	For the year ended 31 December				
	2024		2023		
	RMB'000	Proportion %	RMB'000	Proportion %	Change %
China (including Hong Kong and Macau)	3,604,726	95.5%	3,761,541	100.0%	-4.2%
Overseas	169,870	4.5%	-140	-0.0%	N/A
Total	3,774,596	100.0%	3,761,401	100.0%	0.4%

MANAGEMENT DISCUSSION AND ANALYSIS

2.4 Cost of Sales and Selling and Administrative Expenses

In 2024, the Group's cost of sales amounted to RMB7,806,466,000, representing an increase of 33.5% as compared with RMB5,849,180,000 of the previous year. The Group's selling and administrative expenses (excluding impairment of repossessed assets) amounted to RMB1,866,205,000, representing an increase of 21.1% as compared with RMB1,540,538,000 of the previous year. The total amount of the above costs and expenses was RMB9,672,671,000, representing an increase of 30.9% as compared with RMB7,389,718,000 of the previous year, which was mainly due to the increase of trading and re-rent costs, and staff and labour subcontracting costs.

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 year ended 31 December				
	2024		2023		
	RMB'000	% of revenue	RMB'000	% of revenue	Change in amount %
Depreciation and amortization[(1)]	**2,573,978**	**22.2%**	2,374,920	24.7%	8.4%
Depreciation and amortization – leasehold use rights[(1)]	**63,452**	**0.5%**	58,117	0.6%	9.2%
Staff and labour subcontracting costs[(2)]	**2,349,804**	**20.3%**	1,588,101	16.5%	48.0%
Trading and re-rent costs[(3)]	**1,960,256**	**16.9%**	818,875	8.5%	139.4%
Maintenance and consumable materials costs[(4)]	**578,633**	**5.0%**	715,046	7.4%	-19.1%
Logistics and lifting costs[(5)]	**1,022,747**	**8.8%**	934,829	9.7%	9.4%
Research and development expenses[(6)]	**381,242**	**3.3%**	328,196	3.4%	16.2%
Transportation, travelling and information expenses[(7)]	**297,188**	**2.6%**	234,317	2.4%	26.8%
Rental and property management services expenses[(8)]	**96,266**	**0.8%**	59,054	0.6%	63.0%
Taxes and surcharges	**48,968**	**0.4%**	46,218	0.5%	6.0%
Professional services fee[(9)]	**67,170**	**0.6%**	59,478	0.6%	12.9%
Other expenses[(10)]	**232,967**	**2.0%**	172,567	1.8%	35.0%
Total	**9,672,671**	**83.5%**	7,389,718	76.9%	30.9%

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. The Group currently adopts a prudent and conservative depreciation policy, and most of the assets used in leases and services are depreciated on a straight-line basis within 10 years. In 2024, the Group's depreciation and amortization (including the depreciation of leasehold use rights) amounted to RMB2,637,430,000, representing an increase of 8.4% as compared with the previous year, which was mainly due to the 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 2024, the Group's staff and labour subcontracting costs amounted to RMB2,349,804,000, representing an increase of 48.0% as compared with the previous year, which was mainly due to: (i) the significant increase in labour subcontracting costs due to the increase in the scale of engineering and technical service of the Group; (ii) the increase in number of employees and remuneration expenses as a result of the progressive expansion of overseas market by the Group.

(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 2024, the Group's trading and re-rent costs amounted to RMB1,960,256,000, representing an increase of 139.4% as compared with the previous year, including re-rent costs of RMB1,002,862,000, which increased by 85.8% as compared with the previous year, which was mainly due to the 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 2024, the Group's maintenance and consumable materials costs amounted to RMB578,633,000, representing a decrease of 19.1% as compared with the previous 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 2024, the Group's logistics and lifting costs amounted to RMB1,022,747,000, representing an increase of 9.4% as compared with the previous year, mainly due to the one-off increase in sea freight as a result of export of the Group's equipment. In 2024, the Group transported a total of 1,017,000 vehicles, representing an increase of 13% as compared with the previous 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 2024 decreased correspondingly as compared with the previous 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 2024, the Group's research and development expenses amounted to RMB381,242,000 (including depreciation and amortization amounting to RMB2,484,000), representing an increase of 16.2% as compared with the previous year, mainly because the Group facilitated the global upgrade of digitalization system.

(7) The Group incurred transportation, travelling and information expenses of RMB297,188,000, representing an increase of 26.8% as compared with the previous 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 RMB96,266,000, representing an increase of 63.0% as compared with the previous year, mainly due to the further increase of total number of service outlets of the Group.

(9) The Group incurred professional service fees of RMB67,170,000, representing an increase of 12.9% as compared with the previous 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 2024, the Group realised other income and gains of RMB238,667,000, representing an increase of 13.6% as compared with RMB210,092,000 of the previous year, mainly due to the increase in exchange gain for the period.

	For the year ended 31 December		
	2024	2023	
	RMB'000	RMB'000	Change %
Interest income	**17,246**	15,630	10.3%
Government grant and gain on additional reduction	**151,873**	162,051	-6.3%
Gain on disposal of items of property, plant and equipment and early termination of right-of-use assets	**14,082**	3,412	312.7%
Exchange gain	**39,949**	–	100.0%
Net fair value gains:			
Derivative instruments – not for hedge accounting	**3,732**	10,279	-63.7%
Other	**11,785**	18,720	-37.0%
Total	**238,667**	210,092	13.6%

MANAGEMENT DISCUSSION AND ANALYSIS

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 year ended 31 December				
	2024		2023		
	RMB'000	Proportion %	RMB'000	Proportion %	Change %
Trade receivables and contract assets	175,327	163.2%	152,054	53.6%	15.3%
Notes receivables	-72,521	-67.5%	115,007	40.6%	N/A
Other	4,568	4.3%	16,410	5.8%	-72.2%
Total	107,374	100.0%	283,471	100.0%	-62.1%

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 2024, the Group's other expenses amounted to RMB20,241,000, representing a decrease of 40.3% as compared with RMB33,926,000 of the previous year, mainly due to no foreign exchange losses incurred during the year.

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 2024, the Group's finance costs amounted to RMB805,827,000, representing a decrease of 3.4% as compared with RMB834,163,000 of the previous year, mainly due to the decrease in interest on borrowings of the Group by RMB42,990,000. 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 year ended 31 December					
	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	**19,121,064**	**777,240**	**/**	19,275,673	820,230	/
Including: interest-bearing bank and other borrowings, deducting redemption liabilities on ordinary shares	**19,121,064**	**777,240**	**4.06%**	18,562,114	773,602	4.17%

Notes:

(1) Average balance = (interest-bearing bank and other borrowings or balance of interest-bearing bank and other borrowings at the beginning of the year + interest-bearing bank and other borrowings or balance of interest-bearing bank and other borrowings at the end of the year)/2.

(2) Average financing rate = interest expense during the year/corresponding average balance.

In 2024, average financing rate of interest-bearing bank and other borrowings after deducting redemption liabilities on ordinary shares of the Group was 4.06%, representing a decrease of 0.11% as compared with 4.17% of the previous 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 state.

MANAGEMENT DISCUSSION AND ANALYSIS

2.9 Income Tax Expenses

In 2024, the Group's income tax expenses amounted to RMB303,837,000, representing an increase of 15% as compared with RMB264,116,000 of the previous year; effective tax rate of the Group was 25.3%, representing an increase of 3.8% as compared with 21.5% of the previous year, mainly due to the Group's provision of withholding income tax of RMB20,000,000 in 2024 on the proposed cross-border dividend distribution.

2.10 Profit for the Year

Based on the above discussion and analysis, profit for the year of the Group was RMB896,322,000, representing a decrease of 6.9% as compared with RMB962,407,000 of the previous year.

The following table sets forth the composition and changes in the Group's net profit after tax by regions:

	For the year ended 31 December				
	2024		2023		
	RMB'000	Proportion %	RMB'000	Proportion %	Change %
China (including Hong Kong and Macau)	**817,127**	**91.2%**	968,329	100.6%	-15.6%
Overseas[1]	**79,195**	**8.8%**	-5,922	-0.6%	N/A
Total	**896,322**	**100.0%**	962,407	100.0%	-6.9%

Note:

(1) Exchange gain arising from profit of overseas operation in transactions denominated in non-local currency amounted to RMB40,319,000.

MANAGEMENT DISCUSSION AND ANALYSIS

2.11 Basic Earnings per Share

In 2024, basic earnings per share of the Group amounted to RMB0.282, representing a decrease of RMB0.034 or 10.8% from RMB0.316 of the previous year.

	For the year ended 31 December		
	2024	2023	Change %
Profit for the year attributable to holders of ordinary shares of the Company (RMB'000)	**896,322**	962,407	-6.9%
Weighted average number of ordinary shares in issue (share)[1]	**3,176,285,333**	3,045,288,167	4.3%
Basic earnings per share (RMB)	**0.282**	0.316	-10.8%

Note:

(1) Weighted average number of ordinary shares in issue (share) = the number of outstanding ordinary shares at the beginning of the year + the number of ordinary shares newly issued during the year × number of issue months/12.

3. ANALYSIS OF FINANCIAL CONDITION

3.1 Assets (Summary)

As at 31 December 2024, total assets of the Group were RMB36,434,181,000, representing an increase of RMB5,197,406,000 or 16.6% as compared with the end of the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS

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

	31 December 2024		31 December 2023		
	RMB'000	% of total	RMB'000	% of total	Change %
Property, plant and equipment	**22,245,403**	**61.1%**	18,221,107	58.3%	22.1%
Trade receivables and contract assets	**6,624,774**	**18.2%**	5,413,683	17.3%	22.4%
Notes receivables[(1)]	**871,920**	**2.4%**	1,236,738	4.0%	-29.5%
Cash and bank balances	**1,793,336**	**4.9%**	2,166,812	7.0%	-17.2%
Prepayments, other receivables and other assets	**3,377,515**	**9.3%**	2,684,805	8.6%	25.8%
Right-of-use assets	**905,139**	**2.5%**	978,426	3.1%	-7.5%
Other assets	**616,094**	**1.6%**	535,204	1.7%	15.1%
Total assets	**36,434,181**	**100.0%**	31,236,775	100.0%	16.6%
Including: Non-current assets	**24,225,463**	**66.5%**	20,115,074	64.4%	20.4%
Including: Current assets	**12,208,718**	**33.5%**	11,121,701	35.6%	9.8%

Note:

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

	For the year ended 31 December				
	2024		2023		
	RMB'000	Proportion %	RMB'000	Proportion %	Change %
Domestic regions (including Hong Kong and Macau)	32,886,413	90.3%	31,174,383	99.8%	5.5%
Overseas regions	3,547,768	9.7%	62,392	0.2%	5,586.3%
Total	36,434,181	100.0%	31,236,775	100.0%	16.6%

3.2 Property, Plant and Equipment

As at 31 December 2024, the property, plant and equipment of the Group amounted to RMB22,245,403,000, representing an increase of RMB4,024,296,000 or 22.1% as compared with the end of the previous year, which was due to the combined effect of the following factors: (i) in 2024, the Group expanded the scale of procurement of aerial work platform to maintain the scale growth of its owned assets and optimized the asset structure to respond to customer needs; and (ii) the depreciation made for property, plant and equipment amounted to RMB2,367,962,000 for the current year.

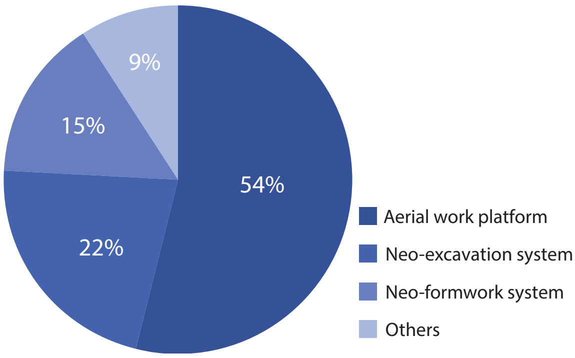
The following table sets forth the property, plant and equipment of the Group as at the dates indicated:

	31 December 2024		31 December 2023		
	RMB'000	% of total	RMB'000	% of total	Change %
Equipment, materials and moulds for leasing and services	21,611,798	97.2%	17,593,308	96.6%	22.8%
Buildings	519,141	2.3%	544,392	3.0%	-4.6%
Leasehold improvements and others	114,464	0.5%	83,407	0.4%	37.2%
Total	22,245,403	100.0%	18,221,107	100.0%	22.1%

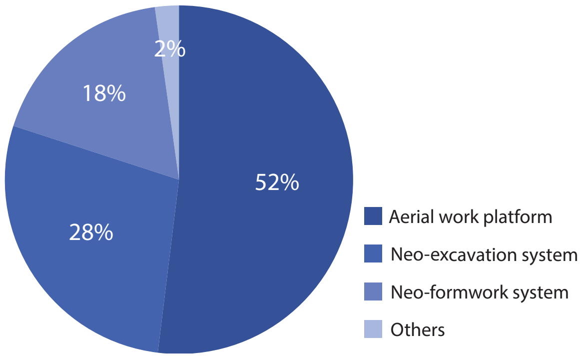
MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2024, the equipment, materials and moulds for leasing and services of the Group mainly included aerial work platform of RMB11,739,849,000 (RMB9,215,312,000 as at the end of last year), neo-excavation system of RMB4,850,942,000 (RMB5,011,742,000 as at the end of last year) and neo-formwork system of RMB3,187,393,000 (RMB3,100,784,000 as at the end of last year). During the year, the Group increased investment for the layout of product lines such as special aerial work equipment (truck-mounted aerial work platforms, glass attachment boom lifts, track-based aerial trucks, 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.).

Asset distribution by product line in 2024



Asset distribution by product line in 2023



The Group researches the operating lease market by product category and by geography (both domestic and overseas) to estimate appropriate timing 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 cycle 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

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

	31 December 2024	31 December 2023	
	RMB'000	RMB'000	Change %
Trade receivables and contract assets			
Total[(1)]	**7,817,941**	6,457,678	21.1%
Provision[(1)]	**-1,193,167**	-1,043,995	14.3%
Net	**6,624,774**	5,413,683	22.4%

Note:

(1) As at 31 December 2024, the written-off bad debts of trade receivables of the Group amounted to RMB26,155,000 (31 December 2023: RMB39,223,000).

MANAGEMENT DISCUSSION AND ANALYSIS

3.3.1 Total trade receivables and contract assets

As at 31 December 2024, the total trade receivables and contract assets of the Group amounted to RMB7,817,941,000, representing an increase of RMB1,360,263,000 or 21.1% as compared with the end of previous year, mainly due to the expansion in the scale of the Group's business.

3.3.2 Provision for trade receivables and contract assets

As at 31 December 2024, the provision for trade receivables and contract assets of the Group aggregated to RMB1,193,167,000, representing an increase of RMB149,172,000 or 14.3% as compared with the end of previous year, which is 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 2024, the trade receivables turnover days were 172 days, representing a decrease as compared with 181 days of the previous year, which is mainly due to the optimization of the Group's asset structure and the continuous enhancement of its ability to collect payments, resulting in the increase of total revenue higher 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:

	31 December 2024				31 December 2023				
	Total	Provision	Net	Net	Total	Provision	Net	Net	Change, net %
	RMB'000	RMB'000	RMB'000	% of total	RMB'000	RMB'000	RMB'000	% of total	
Trade receivables									
Within 1 year	5,209,993	-590,038	4,619,955	78.7%	4,527,445	-557,175	3,970,270	78.9%	16.4%
More than 1 year	1,778,584	-527,613	1,250,971	21.3%	1,501,286	-441,736	1,059,550	21.1%	18.1%
Total	6,988,577	-1,117,651	5,870,926	100.0%	6,028,731	-998,911	5,029,820	100.0%	16.7%

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

	For the year ended 31 December	
	2024	2023
Trade receivables turnover days during the year	172	181

Note:

(1) The trade receivables turnover days equals the average net trade receivables at the beginning and end of the year divided by the total revenue for the year and multiplied by 365.

MANAGEMENT DISCUSSION AND ANALYSIS

3.4 Notes Receivables

As at 31 December 2024, the notes receivables of the Group amounted to RMB871,920,000, representing a decrease of RMB364,818,000 or 29.5% as compared with 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:

	31 December 2024		31 December 2023		
	RMB'000	% of total	RMB'000	% of total	Change %
Bank acceptances	296,947	34.1%	391,655	31.7%	-24.2%
Commercial acceptance bills and letters of credit	574,973	65.9%	845,083	68.3%	-32.0%
Total	871,920	100.0%	1,236,738	100.0%	-29.5%

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 31 December 2024, the net prepayments, other receivables and other assets of the Group amounted to RMB3,377,515,000, representing an increase of RMB692,710,000 or 25.8% as compared with the end of the previous year, which was mainly due to the increase in the export tax rebates that could be claimed.

MANAGEMENT DISCUSSION AND ANALYSIS

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

	31 December 2024		31 December 2023		
	RMB'000	% of total	RMB'000	% of total	Change %
Prepayments and deposits	**1,451,147**	**42.3%**	1,243,020	45.5%	16.7%
Other receivables	**69,204**	**2.0%**	95,654	3.5%	-27.7%
Tax recoverable	**1,524,137**	**44.5%**	1,085,001	39.7%	40.5%
Other	**382,883**	**11.2%**	306,418	11.3%	25.0%
Total	**3,427,371**	**100.0%**	2,730,093	100.0%	25.5%
Provision	**-49,856**		-45,288		10.1%
Net	**3,377,515**		2,684,805		25.8%

3.6 Cash and Bank Balances

As at 31 December 2024, the cash and bank balances of the Group amounted to RMB1,793,336,000, representing a decrease of RMB373,476,000, or 17.2% 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:

	31 December 2024		31 December 2023		
	RMB'000	% of total	RMB'000	% of total	Change %
Cash and cash equivalents	**1,783,418**	**99.4%**	2,166,798	100.0%	-17.7%
Restricted bank balances	**9,918**	**0.6%**	14	0.0%	70,742.9%
Total	**1,793,336**	**100.0%**	2,166,812	100.0%	-17.2%

MANAGEMENT DISCUSSION AND ANALYSIS

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 recognises 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 31 December 2024, the right-of-use assets of the Group amounted to RMB905,139,000, representing a decrease of RMB73,287,000, or 7.5% as compared with that of the end of the previous year, mainly due to the normal depreciation of right-of-use assets.

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

	31 December 2024		31 December 2023		
	RMB'000	% of total	RMB'000	% of total	Change %
Equipment	**609,296**	**67.3%**	667,209	68.2%	-8.7%
Leasehold land	**176,693**	**19.5%**	181,398	18.5%	-2.6%
Offices	**119,150**	**13.2%**	129,819	13.3%	-8.2%
Total	**905,139**	**100.0%**	978,426	100.0%	-7.5%

MANAGEMENT DISCUSSION AND ANALYSIS

3.8 Other Assets

As at 31 December 2024, The Group's other assets amounted to RMB616,094,000, mainly including (i) RMB362,808,000 of the balance of deferred tax assets recognised for the provision for asset and deductible temporary differences; (ii) RMB245,111,000 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 31 December 2024, the total liabilities of the Group were RMB24,975,831,000, representing an increase of RMB4,516,723,000, or 22.1% as compared with the end of the previous year.

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

	31 December 2024		31 December 2023		
	RMB'000	% of total	RMB'000	% of total	Change %
Interest-bearing bank and other borrowings	20,902,895	83.7%	17,339,232	84.8%	20.6%
Trade and bills payables	2,395,257	9.6%	1,552,487	7.6%	54.3%
Other payables and accruals	886,686	3.5%	682,688	3.3%	29.9%
Lease liabilities	633,582	2.5%	693,604	3.4%	-8.7%
Tax payables	141,922	0.6%	173,588	0.8%	-18.2%
Derivative financial instruments	1,732	0.0%	2,581	0.0%	-32.9%
Deferred revenue	13,757	0.1%	14,928	0.1%	-7.8%
Total liabilities	24,975,831	100.0%	20,459,108	100.0%	22.1%
Including: Current liabilities	10,149,736	40.6%	9,281,519	45.4%	9.4%
Non-current liabilities	14,826,095	59.4%	11,177,589	54.6%	32.6%

MANAGEMENT DISCUSSION AND ANALYSIS

3.10 Interest-bearing Bank and Other Borrowings

Facing a complex domestic and international financial environment, the Group has made good progress towards borrowings, the debt structure continuously being optimized. In 2024, the Group has proactively expanded long-term products within 5 to 7 years in order to further enhance liquidity security. Channel resources and credit ratings scales in Tianjin and Guangzhou rise up, as the result, financing stability becomes greater. We actively promoted green syndicated loans, supply chain financing, loan products for technology startups and other products, so that financing costs further decreased.

As at 31 December 2024, the Group's interest-bearing bank and other borrowings was RMB20,902,895,000, representing an increase of RMB3,563,663,000, or 20.6% as compared with the end of the previous year, with average financing rate of 4.06% after deducting redemption liabilities on ordinary shares. The increase in balance of interest-bearing bank and other borrowings was mainly attributable to the increased scale of procurement of equipment owned by the Group.

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

	31 December 2024		31 December 2023		
	RMB'000	Proportion %	RMB'000	Proportion %	Change %
Secured	**8,036,093**	**38.4%**	5,077,287	29.3%	58.3%
Unsecured	**12,866,802**	**61.6%**	12,261,945	70.7%	4.9%
Total	**20,902,895**	**100.0%**	17,339,232	100.0%	20.6%
Including: Current liabilities	**6,535,498**	**31.3%**	6,694,592	38.6%	-2.4%
Non-current liabilities	**14,367,397**	**68.7%**	10,644,640	61.4%	35.0%

In 2024, the Group prudentially managed financial risk. As at 31 December 2024, the proportion of the unsecured interest-bearing bank and other borrowings to the total decreased to 61.6% from that of 70.7% at the end of the previous year, while the secured interest-bearing bank and other borrowings represented an increase as compared with the end of the 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 31 December 2024, the Group's trade and bills payables were RMB2,395,257,000, representing an increase of 54.3% as compared with that of RMB1,552,487,000 at the end of the previous year, which is mainly attributable to reasonable management of the expected recovery from suppliers and appropriate extension of payment cycles.

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 31 December 2024, the Group's balance of other payables and accruals was RMB886,686,000, representing an increase of RMB203,998,000 or 29.9% as compared with the end of the previous year, which is mainly due to the increase in the scale of procurement of the Group's own asset and active management of payments to suppliers based on the recovery of payments from business.

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 31 December 2024, the lease liabilities of the Group amounted to RMB633,582,000, representing a decrease of RMB60,022,000, or 8.7% as compared with that of the end of previous year, which is mainly due to the normal amortization of lease liabilities.

3.14 Derivative Financial Instruments

The Group's derivative financial instruments liability is interest rate swap financial instrument, which is used to hedge for interest risk exposure of floating rate borrowings of the Group. The Group adopted hedge accounting, the change in fair value of interest rate swap amount instrument was recorded in change in equity.

MANAGEMENT DISCUSSION AND ANALYSIS

3.15 Shareholders' Equity

As at 31 December 2024, the Company's total equity was RMB11,458,350,000, representing an increase of RMB680,683,000, or 6.3% as compared with that of the end of the previous year. The following table sets forth the analysis of the Company's equity as at the dates indicated:

	31 December 2024	31 December 2023	
	RMB'000	RMB'000	Change %
Share capital(1)	421	421	–
Reserves	11,457,929	10,777,246	6.3%
Total equity	11,458,350	10,777,667	6.3%

Note:

(1) The changes in the Company's equity during 2024 are shown in the table below.

	Equity of the Company
	RMB'000
31 December 2023	10,777,667
Profit for the year	896,322
Dividend distribution	-146,646
Other changes in equity	-68,993
31 December 2024	11,458,350

On 8 August 2024, the Board of the Company considered and approved the payment of an interim dividend of HK$0.05 per share for the period ended 30 June 2024, which was paid on 31 October 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

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:

	2024	2023
Return on average equity[1]	8.1%	11.0%
Return on average total assets[2]	2.6%	3.1%
Gearing ratio[3]	68.6%	65.5%

Notes:

(1) Return on average equity = profit for the year attributable to holders of ordinary shares of the Company/average balance of total equity at the beginning and the end of the year attributable to holders of ordinary shares of the Company.

(2) Return on average total assets = profit for the year attributable to holders of ordinary shares of the Company/average balance of total assets at the beginning and the end of the year.

(3) Gearing ratio = total liabilities at the end of the year/total assets at the end of the year.

MANAGEMENT DISCUSSION AND ANALYSIS

4.1 Return on Average Equity

As at 31 December 2024, the Group's return on average equity was 8.1%, representing a decrease of 2.9% as compared with the previous year. 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 2.0% in 2024 as compared to that of the previous year, primarily due to the decrease in the Group's profit for the year and the increase in average equity.

4.2 Return on Average Total Assets

As at 31 December 2024, the Group's return on average total assets was 2.6%, representing a decrease of 0.5% as compared with the previous year, primarily due to the decrease in the Group's profit for the year and the increase in average total assets.

4.3 Gearing Ratio

As at 31 December 2024, the Group's gearing ratio was 68.6%, representing an increase of 3.1% 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 2024.

5. CAPITAL EXPENDITURE

The Group's capital expenditure consisted of additions to property, plant and equipment and other intangible assets. In 2024, our capital expenditure amounted to RMB7,104,623,000, representing an increase of 249.5% as compared with RMB2,032,537,000 of the previous year. Net capital expenditure after deduction of sales of used equipment and materials amounted to RMB4,832,205,000, representing an increase of 847.3% from RMB510,111,000 of the previous year. The increase in the Group's capital expenditure was mainly due to: optimizing and adjusting the portfolio of domestic typical assets (achieving a higher level of electric assets in the domestic market), actively exploring new domestic equipment offering (such as special aerial work platforms, material handling equipment, small lifting equipment, and mining equipment), and deploying overseas assets in accordance with overseas strategies. The Group intends to finance future capital expenditure plans through cash flow from operating activities and bank and other borrowings.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Currently, the exchange rate risk of the Group is primarily concentrated in the RMB foreign exchange exposure arising from trade receivables between related parties and loans from related parties. Such exposure has an impact on the consolidated income statement and a reverse impact on the consolidated statement of equity. The internal exposure is currently considered to be mitigated by stage through daily monitoring. The overall internal related-party foreign exchange exposure is planned to be gradually mitigated within 5 years through financing, repayments, and debt-to-equity swaps.

The external foreign exchange exposure currently accounts for a relatively small proportion. For the foreign exchange exposure on the liability side, such as bank borrowings, which will have a substantive exchange impact on the Company, the hedging ratio is maintained at around 100%.

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 31 December 2024, the Group had pledged its property, plant and equipment of RMB8,985,210,000 to non-bank financial institutes in order to secure other borrowings, and used deposits of RMB9,899,000 as collateral for bank borrowings.

MANAGEMENT DISCUSSION AND ANALYSIS

8. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

As at 31 December 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:

	31 December 2024	31 December 2023
	RMB'000	RMB'000
Contracted, but not provided for:		
Purchase of plant and machinery	212,503	108,067

9. MATERIAL INVESTMENTS, ACQUISITIONS OR DISPOSALS

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

MANAGEMENT DISCUSSION AND ANALYSIS

10. HUMAN RESOURCES

As at 31 December 2024, the Group had a total of 4,929 employees (31 December 2023: 4,563 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 of directors (the "Directors") of the Company (the "Board"), established an equity incentive plan in 2024, including a restricted share award scheme and a share option scheme. For details of the share incentive scheme, please refer to the section headed "Directors' Report – Incentive Schemes".

10.2 Employee benefits

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

The Chinese employees of the Group are entitled to participating 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 the 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 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 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 31 December 2024, the Group complied with all statutory social insurance and housing fund obligations applicable to the Group under the PRC laws in all material aspects.

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 share 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 31 December 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, and the net proceeds have been fully utilised as at 31 December 2024:

			As at 31 December 2024	As at 31 December 2024	
Use	Designated allocation of net proceeds	Proportion %	Amount of utilised net proceeds	Amount of unutilised net proceeds	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%	**117,345**	–	–
Working capital and general corporate purposes	146,681	10.0%	**146,681**	–	–
Total	1,466,813	100.0%	**1,466,813**	–	

MANAGEMENT DISCUSSION AND ANALYSIS

12. EVENTS AFTER THE REPORTING PERIOD

The Group had no significant subsequent events requiring disclosure after 31 December 2024 up to the date of this report.

13. OTHER INFORMATION

13.1 Changes in Accounting Estimates

On 12 March 2024, in order to more accurately reflect the actual conditions of the useful life and expected net residual value of relevant category of fixed assets of the Group, to enhance the reliability, relevance and comparability of the financial statements of the Group and to promote the sustainable and high-quality development of the Group, the Group resolved to change the accounting estimates of the depreciation life and expected net residual value rate of the relevant fixed assets for the accounting or reporting period commencing on 1 January 2024. Therefore, 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%. The changes in accounting estimates are adopted with prospective application method without retrospective adjustments, which will not have impacts on the Group's disclosed financial statements and reports. Please refer to the announcement of the Company dated 12 March 2024 for details.

14. FUTURE PROSPECT

The year 2025 marks a year of innovation and change for the Group. In response to a complex external environment, the Group remains steadfast in its vision of becoming a first-class global company by implementing strategic upgrades and systemic reforms, and continue its resolute commitment to implement the "Three+Three+Three (三+三+三)" development strategy and seize market opportunities to achieve high-quality development, thereby constantly creating value for all stakeholders.

For strengthening domestic presence to reshape core competitiveness, the Group will continue to refine its management practices, and enhance its business strategies and supporting management systems from the regional level down to individual stores while adapting to market characteristics, so as to develop a better-established business model, improve operational efficiency, and provide customers with better services. Meanwhile, the Group will actively expand its business territory, continue to develop new products, and explore new customer needs, in order to offer quality services and create more value for a larger customer base.

For pursuing steady overseas development to achieve profitability at scale, the Group's domestic headquarters will develop a well-established business model to empower its overseas operations. Depending on the development stages of the countries it is planning for, the Group will establish management dashboards to implement differentiated asset and resource allocation, and operate with a local focus to establish overseas markets as a second growth curve.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2024.

CORPORATE GOVERNANCE PRACTICES

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

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

The Company 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 (the "Listing Rules").

The Company has complied with the code provisions of the CG Code throughout the accounting period for the year ended 31 December 2024, except for code provision F.2.2 as explained in the paragraph headed "Communication with Shareholders and Investors/Investor Relations" below.

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

CORPORATE CULTURE

The corporate culture of the Company comprises four components: corporate mission, corporate vision, FEHORIZON spirit, and talent concept. Our corporate mission: Safer and more efficient production and operation for customers. Our corporate vision: To be the trustworthy equipment operation service provider. FEHORIZON spirit: Resolution to seek after truth, rigorous and practical style, idea of renewal and innovation, courage to face difficulties, relentless and constant desire, aspiration and responsibility, heroic and fearless spirit. Talent concept: Strive to create a fair, impartial and open competitive growth platform so that honest, hardworking and dedicated employees can get due rewards and recognition in a clear, pure and clean working environment. The Company adheres to the "Four-Regardless" Talent Concept – Regardless of Age, Regardless of Length of Service, Regardless of Seniority, and Regardless of Educational Background, All Only About Contribution.

CORPORATE GOVERNANCE REPORT

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

The Company has formulated anti-corruption and whistleblowing policies and code of conduct to ensure continuous compliance with anti-corruption policies and regulations. Employees are encouraged to report corruption, bribery, fraud and unethical behavior. The Company also enhances publicity on anti-corruption and whistleblowing policies in daily employee training.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix C3 to the Listing Rules as its code of conduct regarding dealings in securities of the Company by its Directors and relevant employees.

Having made specific enquiry of all Directors, the Directors confirmed that they have complied with the Model Code throughout the year ended 31 December 2024.

BOARD OF DIRECTORS

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

The Board has a balance of skills, experience, and diversity of perspectives appropriate to the requirements of the Company's business. The Board regularly reviews the contribution of each Director to fulfill his/her duties to the Company and whether the Directors have devoted sufficient time to fulfilling their duties that are commensurate with their role and board responsibilities. The Board includes a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

CORPORATE GOVERNANCE REPORT

COMPOSITION OF THE BOARD

The Board currently comprises 11 members, consisting of 2 executive Directors, 5 non-executive Directors and 4 independent non-executive Directors.

The list of all Directors, which also specifies the post(s) held by each Director, is set out in "Corporate Information" on page 4. The list of independent non-executive Directors is disclosed in all corporate communications issued pursuant to the Listing Rules.

For the year ended 31 December 2024 and as at the date of this report, the Board comprised the following Directors:

Executive Directors:
Mr. ZHAN Jing *(Chief Executive Officer) (Appointed on 30 December 2024)*[1]
Mr. PAN Yang *(Former Executive Director and former Chief Executive Officer, resigned on 30 December 2024)*
Mr. TANG Li *(Co-Chief Financial Officer)*

Non-executive Directors:
Mr. KONG Fanxing *(Chairman)*
Mr. XU Huibin
Mr. HE Ziming
Mr. LI Qianjin *(Former Non-executive Director, resigned on 12 September 2024)*
Mr. YUAN Shaozhen *(Appointed on 12 September 2024)*[2]
Ms. GUO Lina

Independent non-executive Directors:
Mr. LIU Jialin
Mr. XU Min
Ms. JIN Jinping
Mr. SUM Siu Kei

None of the members of the Board is related to other members of the Board.

1 Mr. ZHAN Jing obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 27 December 2024, and Mr. ZHAN Jing confirmed that he understood his obligations as a Director.

2 Mr. YUAN Shaozhen obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 22 August 2024, and Mr. YUAN Shaozhen confirmed that he understood his obligations as a Director.

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company fully supports the division of responsibilities between the Chairman of the Board and the Chief Executive Officer to ensure a balance of power and authority. The positions of Chairman and Chief Executive Officer are currently held by Mr. KONG Fanxing and Mr. ZHAN Jing, respectively. Their respective responsibilities have been clearly established and set out in writing. The Chairman takes the primary responsibility for providing leadership for the Board in accordance with good corporate governance practices and is responsible for the effective operation of the Board, while the Chief Executive Officer is responsible for the management of the Group's business.

INDEPENDENT NON-EXECUTIVE DIRECTORS

For the year ended 31 December 2024, the Board has at all times complied with the requirement of Rule 3.10(1) of the Listing Rules, which stipulates that every board of directors of a listed issuer must include at least three independent non-executive directors, the requirement of Rule 3.10(2) of the Listing Rules, which stipulates that at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise, and the requirement of Rule 3.10A of the Listing Rules, which stipulates that independent non-executive directors must account for at least one-third of the board.

The Company has received an annual confirmation in writing from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company has satisfied itself with the independence of all independent non-executive Directors.

BOARD INDEPENDENCE EVALUATION

The Company recognizes the importance of the Board independence to Corporate Governance. In particular, in order to ensure the strong independence of the Board and make ensure that the Board can obtain independent views and opinions, the following mechanisms are required: 1) in assessing the qualification of potential candidates to become independent Directors, the Nomination Committee and the Board will consider, among other things, whether the candidates are able to dedicate sufficient time to fulfill their duties as independent Directors and the candidates' backgrounds and qualifications, in order to assess whether such candidates are able to bring an independent view to the Board; and 2) the Nomination Committee is authorized to assess the independence of all independent non-executive Directors on an annual basis with reference to the independence criteria set out in the Listing Rules so as to ensure that they can continue to exercise independent judgment.

CORPORATE GOVERNANCE REPORT

All Directors have full and timely access to all information of the Company and to the advice and services of the company secretary and senior management. Directors are generally entitled to seek independent professional advice on the discharge of their duties to the Company in appropriate circumstances upon request and at our Company's expense.

At the same time, the Company has formulated internal policies (including but not limited to the Company's Articles of Association, the terms of reference of the Remuneration Committee, the Audit Committee and the Nomination Committee) to ensure that the Board is provided with independent views and opinions. For the year ended 31 December 2024, the Company has reviewed the implementation and effectiveness of the above mechanism and is of the view that the above mechanism is able to ensure that the Board is provided with independent views and opinions.

NON-EXECUTIVE DIRECTORS AND DIRECTORS RE-ELECTION

Code Provision B.2.2 of the Corporate Governance Code provides that each Director (including those designated for a specific term) shall be subject to retirement by rotation at least once every three years.

Subject to Article 16.2 of the Company's Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director, either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election at that meeting.

Subject to Article 16.3 of the Company's Articles of Association, the Company may from time to time in general meeting by ordinary resolution increase or reduce the number of Directors but so that the number of Directors shall never be less than two. Subject to the provisions of the Company's Articles of Association and the Companies Act, the Company may by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting.

Subject to Article 16.18 of the Company's Articles of Association, at every annual general meeting of the Company one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat.

The Directors of the Company (including executive Directors, non-executive Directors and independent non-executive Directors) are appointed for a term of three years and shall be subject to retirement by rotation at least once every three years.

CORPORATE GOVERNANCE REPORT

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board shall assume the responsibility for the leadership and supervision of the Company and shall be jointly responsible for directing and supervising the affairs of the Company.

The Board, directly and indirectly through its committees, leads and guides the management, which includes setting and monitoring the implementation of strategies, overseeing the Group's operations and financial performance to ensure that good internal control and risk management systems are in place.

All Directors (including non-executive Directors and independent non-executive Directors) provide a wide range of business experience, knowledge and expertise for the efficient operation of the Board.

The independent non-executive Directors are responsible for ensuring that the Company has high standards of regulatory reporting and for providing a balancing act to the Board, enabling the Board to exercise effective independent judgment in relation to corporate actions and operations.

All Directors shall ensure that they perform their duties in good faith, comply with applicable laws and regulations and act for the benefit of the Company and its Shareholders at all times.

Directors are required to disclose to the Company details of other positions held by them and the Board regularly reviews the contribution of each Director necessary to fulfill their responsibilities to the Company.

The Board reserves the right to make decisions on all important matters relating to the Company's policy matters, strategy and budget, internal control and risk management, corporate governance, major transactions (in particular those that may involve conflicts of interest), financial information, appointment of Directors and other important operational matters. The responsibilities of executing Board decisions, directing and coordinating the daily operation and management of the Company are delegated to the management.

The Company has put in place appropriate insurance arrangements for its Directors and senior management against legal actions and/or litigation liabilities that may be incurred as a result of the Company's activities.

CONTINUOUS PROFESSIONAL DEVELOPMENT FOR DIRECTORS

The Board should keep abreast of regulatory developments and changes in order to perform its duties effectively and ensure that their contribution to the Board is informed and relevant.

Each new Director will receive a formal, comprehensive and tailor-made induction program upon his/her first appointment to ensure that he/she has a proper understanding of the Company's business and operations and is fully aware of the duties and obligations of a Director under the Listing Rules and relevant statutory requirements.

CORPORATE GOVERNANCE REPORT

Directors are expected to engage in appropriate continuous professional development to develop and refresh their knowledge and skills in order to ensure that their contribution to the Board is informed and relevant. Internal circulars for Directors will be arranged and reading materials on relevant topics (where applicable) will be issued to Directors. All Directors are encouraged to attend relevant training courses at the Company's expense.

For the year ended 31 December 2024, all Directors participated in appropriate continuous professional development activities by reading, among other things, regulatory updates and seminar information as well as papers and circulars provided by the Company. As part of the continuous professional development program, arranged and funded by the Company, the Directors are also encouraged to attend various briefings and visits to the management and facilities of the Company to emphasize the roles, functions and responsibilities of the Directors. Details are set out below:

Directors	**Reading the relevant material**	**Attending seminars/ visiting/interviewing key management**
Executive Directors		
Mr. PAN Yang *(Resigned on 30 December 2024)*	✓	✓
Mr. ZHAN Jing *(Appointed on 30 December 2024)*	✓	✓
Mr. TANG Li	✓	✓
Non-executive Directors		
Mr. KONG Fanxing	✓	✓
Mr. XU Huibin	✓	✓
Mr. HE Ziming	✓	✓
Mr. LI Qianjin *(Resigned on 12 September 2024)*	✓	✓
Mr. YUAN Shaozhen *(Appointed on 12 September 2024)*	✓	✓
Ms. GUO Lina	✓	✓
Independent non-executive Directors		
Mr. LIU Jialin	✓	✓
Mr. XU Min	✓	✓
Ms. JIN Jinping	✓	✓
Mr. SUM Siu Kei	✓	✓

CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY POLICY AND GENDER DIVERSITY

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

Pursuant to the Board Diversity Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors when selecting the candidates to our Board, including but not limited to gender, skills, age, professional experience, knowledge, cultural and education background, ethnicity and length of service. The ultimate decision of appointment will be based on merit and the contribution that the selected candidates will bring to our Board. A summary of the Board Diversity Policy is set out as follows:

Purpose:	The Board Diversity Policy (the "Policy") sets out the approach to Board diversity.
Policy Statement:	The Company recognizes and embraces the benefits of having a diverse Board, and sees diversity at Board level as an essential element in maintaining a competitive advantage. A truly diverse Board will include and make good use of differences in the perspectives, professional experience, talents, skills, knowledge, cultural and educational background, gender, age, ethnicity, length of service and other qualities of the members of the Board. These differences will be considered in determining the optimal composition of the Board and when possible should be balanced appropriately. All appointments of the members of the Board are made on merits, in the content of perspectives, talents, skills and experience the Board considers valid as a whole. The nomination committee of the Company (the "Nomination Committee") reviews and assesses the composition of the Board and makes recommendations to the Board on appointment of new Directors of the Company, and oversees the conduct of the annual review of the effectiveness of the Board. The Nomination Committee also develops and maintains the Policy and periodically reviews the effectiveness of the Policy and whether the measurable objectives are achieved and/or should be amended. The Nomination Committee will disclose the Policy (or a summary thereof) and the progress towards achieving the measurable objectives in the Company's Corporate Governance Report. In reviewing and assessing the composition of the Board, the Nomination Committee will consider the benefits of all aspects of diversity, including without limitation, those described above, in order to maintain an appropriate range and balance of perspectives, talents, skills, experience and background on the Board as a whole.

CORPORATE GOVERNANCE REPORT

	In recommending candidates for appointment to the Board, the Nomination Committee will consider candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board. In overseeing the conduct of the annual review of the effectiveness of the Board, the Nomination Committee will consider the balance of perspectives, talents, skills, experience, independence and knowledge on the Board and the diversity representation of the Board.
Measurable Objectives:	The Nomination Committee will discuss and agree annually all measurable objectives for achieving diversity on the Board and recommend them to the Board for adoption. At any given time, the Board may seek to improve one or more aspects of its diversity and measure progress accordingly.
Review of the Policy:	The Nomination Committee will review the Policy annually, which will include an assessment of the effectiveness of the Policy. The Nomination Committee will discuss any revisions that may be required and recommend any such revisions to the Board for approval.

The Nomination Committee is responsible for ensuring the diversity of the Board members and will review the Board Diversity Policy from time to time to ensure its continued effectiveness.

Currently, the Board consists of eleven members who have accounting or financial expertise, legal professional qualifications, financial investment experience, or experience related to the industry where the Company operates, two of whom are female Directors. The Nomination Committee has reviewed the policy concerning the diversity of Board members and believes that the Board has already had a diverse mix of gender, skills, knowledge and experience. The Company will strive to achieve gender balance of the Board through the following measures to be implemented by the Nomination Committee in accordance with the Board Diversity Policy. We will actively identify female individuals suitably qualified to become the Board members. To further ensure gender diversity of the Board in the long run, the Group will take opportunities to increase the proportion of female members of the Board, identify and select several female individuals with a diverse range of skills, experience and knowledge in different fields from time to time, and maintain a list of such female individuals who possess qualities to become the Board members, which will be reviewed by the Nomination Committee periodically in order to develop a pipeline of potential successors to the Board to promote gender diversity of the Board.

In addition, as at 31 December 2024, female employees accounted for 9.3% of all employees of the Company (including senior management). The Company will adopt measures to maintain gender diversity among all employees (including senior management). The Company plans to offer all-rounded trainings to female employees whom we consider to have the suitable experience, skills and knowledge of our operation and business, including but not limited to, business operation, management, accounting and finance, legal and compliance and research and development.

CORPORATE GOVERNANCE REPORT

POLICY FOR THE NOMINATION OF DIRECTORS

The Company has adopted policy for the nomination of Directors, which is included in the terms of reference of the Nomination Committee. The Nomination Committee shall develop, review and implement, as appropriate, the policy, criteria and procedures for the identification, selection and nomination of candidates for Directors for the Board's approval; and identify individuals who are suitably qualified to become Directors and select or make recommendations to the Board on the selection of individuals nominated for directorships; and assess the independence of the independent non-executive Directors. A summary of the policy for the nomination of Directors and related nomination procedures is set out as follows:

(i) To review the structure, size and composition of the Board (including the skills, knowledge, gender, age, cultural and educational background, independence and experience) at least annually, and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy. Make full consideration about the followings before making proposal, to ensure the diversity of the Board: The Board shall be composed of members having accounting or financial expertise, legal professional qualification, financial investment experience or industry experience related to the Company;

(ii) To review the policy for the diversity of the Board and the measurable objectives that the Board has set for implementing such policy and the progress on achieving the objectives, as appropriate;

(iii) To develop, review and implement, as appropriate, the policy, criteria and procedures for the identification, selection and nomination of candidates for directorship for the Board's approval;

(iv) To identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(v) To assess the independence of independent non-executive Directors;

(vi) To evaluate the performance of Directors, and make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive;

(vii) Other matters required by laws, administrative regulations, rules, and the securities regulatory authorities of the jurisdictions where the shares of the Company are listed, and as may be authorized by the Board.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

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

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

AUDIT COMMITTEE

The Audit Committee comprises three members, all of whom are independent non-executive Directors, namely, Mr. XU Min (Chairman of the Committee), Mr. SUM Siu Kei, and Ms. JIN Jinping. Mr. XU Min possesses the appropriate accounting or related financial management expertise pursuant to Rule 3.10(2) and Rule 3.21 of the Listing Rules.

The primary duties of the Audit Committee include, but are not limited to, the following:

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

The Audit Committee is also responsible for performing the corporate governance duties which are set out under "Corporate Governance" on page 80.

The Audit Committee held four meetings during the year ended 31 December 2024 to review the financial results and reports, financial reporting and compliance procedures, scope of work and appointment of external auditors and other related matters. The attendance records of the Audit Committee are set out under "Attendance Record of Directors and Committee Members" on pages 76 to 77.

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

The Company's annual results for the year ended 31 December 2024 have been reviewed by the Audit Committee.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

The Remuneration Committee consists of three members, including two independent non-executive Directors (namely, Ms. JIN Jinping (Chairwoman) and Mr. LIU Jialin), and one non-executive Director (namely, Ms. GUO Lina). The majority of them are independent non-executive Directors.

The primary duties of the Remuneration Committee include, but are not limited to, the following:

- make recommendations to the Board on the policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy

- review and approve the management's remuneration proposals with reference to the corporate goals and objectives stated by the Board

- make recommendations on the remuneration packages of individual executive Directors and senior management to the Board

- make recommendations to the Board on the remuneration of non-executive Directors

The Remuneration Committee held three meetings during the year ended 31 December 2024 to make recommendations to the Board on the Company's remuneration policy and structure, remuneration packages of executive Directors and senior management, changes in Directors, and other related matters including matters regarding share schemes as set out in Chapter 17 of the Listing Rules. The attendance records of the Remuneration Committee are set out under "Attendance Record of Directors and Committee Members" on pages 76 to 77.

During the year ended 31 December 2024, the Remuneration Committee considered and adopted a restricted share award scheme (the "2024 Restricted Share Award Scheme") and a share option scheme (the "2024 Share Option Scheme") in March 2024, and then submitted them to the Board for approval. In March 2024, the Board approved the adoption of the 2024 Restricted Share Award Scheme and the 2024 Share Option Scheme, and authorized the administration committee to operate, manage and implement the share incentive schemes to review and approve the list of grantees under the 2024 Share Option Scheme and the 2024 Restricted Share Award Scheme. 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. The Board reviewed and approved the announcement in relation to the grant of share options of the 2024 Share Option Scheme in June 2024. Save as disclosed above, there were no other material matters relating to the 2024 Share Option Scheme and the 2024 Restricted Share Award Scheme that were required to be reviewed for approval by the Remuneration Committee during the reporting period in accordance with Rule 17.07A of the Listing Rules.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

The Nomination Committee consists of three members, including two independent non-executive Directors (namely, Ms. JIN Jinping (Chairwoman) and Mr. LIU Jialin), and one non-executive Director (namely, Mr. XU Huibin). The majority of them are independent non-executive Directors.

The primary duties of the Nomination Committee include, but are not limited to, the following:

- review the structure, size and composition of the Board at least annually, to ensure the diversity of the Board
- review the diversity policy of the Board and the measurable objectives that the Board has set for implementing such policy and the progress of achieving the objectives, as appropriate
- assess the independence of independent non-executive Directors
- assess the performance of Directors, and make recommendations to the Board on the appointment or re-appointment of Directors and succession planning of Directors

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

The Nomination Committee held two meetings during the year ended 31 December 2024 to review the structure, size and composition of the Board to ensure that it has the balance of expertise, skills and experience required by the Company's business, assess the independence of independent non-executive Directors, and make recommendations to the Board on other related matters including changes in executive Directors and non-executive Directors. The attendance records of the Nomination Committee are set out under "Attendance Record of Directors and Committee Members" on pages 76 to 77.

CORPORATE GOVERNANCE REPORT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

The Environmental, Social and Governance ("ESG") Committee consists of three members, namely, Mr. SUM Siu Kei (an independent non-executive Director and chairman of the Committee), Mr. XU Min (an independent non-executive Director) and Mr. HE Ziming (a non-executive Director). The majority of them are independent non-executive Directors.

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

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

ATTENDANCE RECORDS OF DIRECTORS AND COMMITTEES

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

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

	Attendance/Number of Meetings					
Name of Director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Environmental, Social and Governance Committee**	**Annual General Meeting**
Executive Directors						
Mr. PAN Yang *(Resigned on 30 December 2024)*	4/4	N/A	N/A	N/A	N/A	1/1
Mr. ZHAN Jing *(Appointed on 30 December 2024)*(Note 1)	0/0	N/A	N/A	N/A	N/A	0/0
Mr. TANG Li	4/4	N/A	N/A	N/A	N/A	1/1

CORPORATE GOVERNANCE REPORT

	Attendance/Number of Meetings					
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Environmental, Social and Governance Committee	Annual General Meeting
Non-executive Directors						
Mr. KONG Fanxing	4/4	N/A	N/A	N/A	N/A	0/1
Mr. XU Huibin	4/4	N/A	N/A	2/2	N/A	0/1
Mr. HE Ziming	4/4	N/A	N/A	N/A	0/0	0/1
Mr. LI Qianjin *(Resigned on 12 September 2024)*(Note 2)	3/3	N/A	N/A	N/A	N/A	0/1
Mr. YUAN Shaozhen *(Appointed on 12 September 2024)*(Note 3)	1/1	N/A	N/A	N/A	N/A	0/0
Ms. GUO Lina	4/4	N/A	3/3	N/A	N/A	0/1
Independent non-executive Directors						
Mr. LIU Jialin	4/4	N/A	3/3	2/2	N/A	0/1
Mr. XU Min	4/4	4/4	N/A	N/A	0/0	0/1
Ms. JIN Jinping	4/4	4/4	3/3	2/2	N/A	0/1
Mr. SUM Siu Kei	4/4	4/4	N/A	N/A	0/0	0/1

Note 1. During the year ended 31 December 2024, no Board meeting and annual general meeting was held after the appointment of Mr. ZHAN Jing as an executive Director.

Note 2. Mr. LI Qianjin resigned as a non-executive Director with effect from 12 September 2024, and was no longer required to attend any Board meeting upon the effective date of his resignation.

Note 3. Mr. YUAN Shaozhen was appointed as a non-executive Director on 12 September 2024, and attended all Board meetings held upon his appointment.

Apart from the Board meetings stated above, the Chairman of the Board also held a meeting with the independent non-executive Directors on 8 August 2024 without the presence of other Directors.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

The Company has established the Environmental, Social and Governance Committee, the Audit Committee and the Internal Audit Department.

The Environmental, Social and Governance Committee is responsible for, among other things, environmental, social and governance risks and opportunities relating to the Company, assessing the effect of such risks or opportunities on the Group, and providing suggestions to the Board regarding the response to risks or opportunities and implement the Company's environmental, social and governance activities in general.

The Audit Committee is responsible for discussing the risk management and internal control systems with the management to ensure that the management has performed its duty to build an effective system, and to conduct research on major investigation findings on risk management and internal control matters, as well as the management's response to these findings on its own initiative or as delegated by the Board. Meanwhile, as for the internal audit function of the Company, the Audit Committee is responsible for ensuring that the internal audit function is adequately resourced and has appropriate standing within the Company, and for discussing and monitoring its effectiveness.

The operation of the Internal Audit Department of the Company is independent from the business operation and management of the Company. It reports directly to the Audit Committee on a regular basis and performs independent audits of the reasonableness, completeness and effectiveness of the operational management and risk controls. There are three segments under the Internal Audit Department, namely Business Audit Department, Supervision and Security Department and Procurement Internal Control Department. The Internal Audit Department sets up work plans and arranges resources to ensure supervision and assessment of the key control aspects, including but not limited to operational monitoring, financial monitoring, compliance monitoring, information security and management duties supervision.

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

CORPORATE GOVERNANCE REPORT

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

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

The Board, as supported by the Audit Committee as well as the management report, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2024, and no matters of concern were identified in the review and no changes to the relevant systems were implemented by the Company during the year, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and staff qualifications, experiences and relevant resources.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

AUDITORS' REMUNERATION

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

Type of services provided by the external auditors	Amount of fees
	RMB'000
Audit services	4,380
Non-audit service	1,878
Total	6,258

The Group's non-audit service fees mainly comprise of: (i) interim review service fee amounted to RMB1,200,000; (ii) tax service fee amounted to RMB158,000; and (iii) service for due diligence on overseas investments amounted to RMB520,000.

CORPORATE GOVERNANCE

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

(a) to develop and review the Company's policy and practices on corporate governance and make recommendations to the Board;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) to review the Company's compliance with the CG Code and its disclosure in the Corporate Governance Report.

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

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

Mr. CHIU Ming King ("Mr. Chiu") was appointed as the company secretary of the Company on 28 May 2021.

Mr. Chiu was nominated by Vistra Corporate Services (HK) Limited, an external service provider, and engaged by the Company as its company secretary. His primary contact person at the Company is Mr. ZHAN Jing, the current executive Director and chief executive officer of the Company.

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

SHAREHOLDERS' RIGHTS

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

CONVENING A GENERAL MEETING

Pursuant to Article 12.3 of the Articles of Association of the Company, general meetings shall also be convened on the written requisition of any one or more members of the Company deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and the resolutions to be added to the meeting agenda, and signed by the requisitionist(s), provided that such requisitionist(s) held as at the date of deposit of the requisition not less than one-tenth of the voting rights, on a one vote per share basis, of the issued shares of the Company which as at that date carries the right to vote at general meetings of the Company. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

PUTTING FORWARD PROPOSALS AT GENERAL MEETING

There is no provision in the Memorandum and Articles of Association of the Company empowering Shareholders any rights to make any proposals at an annual general meeting or at an extraordinary general meeting not convened by such Shareholders.

Shareholders who wish to put forward proposals at general meetings may refer to the preceding paragraph to make a written requisition to require the convening of an extraordinary general meeting of the Company.

CORPORATE GOVERNANCE REPORT

PUTTING FORWARD ENQUIRIES TO THE BOARD

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

CONTACT DETAILS

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

Address:	Room 1901, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong
Email:	hcd-ir@fehorizon.com
Attention:	Board of Directors

For the avoidance of doubt, Shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full names, contact details and identification for the Company to response. Shareholders' information may be disclosed as required by laws.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATION

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

The Company has established a Shareholders' Communication Policy (the "Policy") with the objective of ensuring that the Company's Shareholders and, in appropriate circumstances, ordinary investors, are provided with comprehensive, equal and understandable information about the Company (including its financial performance, strategic goals and plans, material developments, governance and risk profile) in a timely manner, in order to enable Shareholders to exercise their powers in an informed manner, and to allow Shareholders and investors to engage actively with the Company. The Policy also sets out multiple key channels to ensure effective and efficient communication with Shareholders and other stakeholders, including but not limited to the Company's financial reports (including interim and annual reports), annual general meetings and other general meetings that may be held, all information disclosed on the website of the Stock Exchange, as well as corporate communications published on the official website of the Company and other publications published on the Company's website.

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

CORPORATE GOVERNANCE REPORT

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

At the annual general meeting of the Company held on 4 June 2024 (the "AGM"), 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 (former executive Director and former Chief Executive Officer, resigned on 30 December 2024) chaired the AGM and answered questions where necessary.

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

The Fourth Amended and Restated Memorandum and Articles of Association of the Company was approved and adopted at the AGM held on 4 June 2024, and became effective from 4 June 2024. An up-to-date version of the Company's Memorandum and Articles of Association is also available on the Company's website and the Stock Exchange's website. Except for the above, there were no material changes in the Company's constitutional documents during the reporting period.

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

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILES

Mr. KONG Fanxing (孔繁星先生) – Non-executive Director, Chairman of the Board

Mr. KONG Fanxing (孔繁星先生), aged 61, is a non-executive Director and the Chairman of the Board of the Company. Mr. Kong received an EMBA degree from Peking University in March 2005, a master's degree in Economics and a bachelor's degree in Economics from University of International Business and Economics (對外經濟貿易大學) in China in June 1991 and July 1986, respectively.

Mr. Kong has over 30 years of experience in enterprise management. Mr. Kong joined Sinochem Group in August 1991. During the period which Mr. Kong worked for Sinochem Group, he had been the general manager of Sinochem International Engineering Trade Company (中化國際工程貿易公司), the deputy general manager of Sinochem International Industrial Company (中化國際實業公司), the deputy general manager, general manager of Sinochem International Tendering Co., Ltd. (中化國際招標有限責任公司), the deputy chief of the fertilizer division of China National Chemicals Import & Export Corporation (中國化工進出口總公司), the executive deputy general manager of Sinochem International Fertilizer Trading Company (中化國際化肥貿易公司), etc., respectively. In April 2001, he joined International Far Eastern Leasing Co., Ltd. (遠東國際融資租賃有限公司) and has become an executive director and the general manager since then. Mr. Kong has been the President and Chief Executive Officer of Far East Horizon since September 2009, and has been the chairman of the board of Far East Horizon since December 2022. Currently, Mr. Kong is also an executive director and general manager of International Far Eastern Leasing Co., Ltd., the chairman and general manager of Far East Horizon (Tianjin) Financial Leasing Co., Ltd. (遠東宏信(天津)融資租賃有限公司), Far East Horizon Financial Leasing Co., Ltd. (遠東宏信融資租賃有限公司), Far East Horizon Inclusive Financial Leasing (Tianjin) Co., Limited (遠東宏信普惠融資租賃(天津)有限公司) and Far East Horizon Leasing (Guangdong) Co., Ltd. (遠東宏信融資租賃(廣東)有限公司), the executive director and general manager of Shanghai Donghong Industrial Development Co., Ltd. (上海東泓實業發展有限公司), Donghong Investment Co., Ltd. (東泓投資有限公司) and Yuanhong Investment (Guangdong) Co., Ltd. (遠宏投資(廣東)有限公司), an executive director of Far East Horizon Healthcare Industry Development Co., Ltd. (遠東宏信健康產業發展有限公司) and Far East Horizon Industrial Investment (Tianjin) Co., Ltd. (遠東宏信實業投資(天津)有限公司) and a director of Far East Horizon Shipping Holdings Co., Ltd. (遠東宏信航運控股有限公司), etc.

Mr. ZHAN Jing (詹靜先生) – Executive Director, Chief Executive Officer

Mr. ZHAN Jing (詹靜先生), aged 50, is an executive Director and the Chief Executive Officer of the Company. Mr. Zhan graduated from Nanjing Audit University in July 1997 with a bachelor's degree in international finance, and obtained an MBA degree from Peking University in China in July 2004.

Mr. Zhan has over 20 years of experience in financial leasing. Before he joined International Far Eastern Leasing Co., Ltd. (遠東國際融資租賃有限公司) in June 2004, Mr. Zhan worked in Nanjing branch of China Citic Bank. From June 2004 to January 2013, Mr. Zhan worked in International Far Eastern Leasing Co., Ltd., and served as the project manager of business division III, the assistant to director of business division III and the deputy general manager of business development department. From January 2013 to December 2024, Mr. Zhan worked in Far East Horizon, and successively served as the general manager of electronic information business division, the general manager of livelihood and consumption business division, the general manager of strategic operations department, the assistant president and the vice president. From October 2019 to August 2020, Mr. Zhan concurrently served as the general manager of Horizon Education Investment Holding (Shanghai) Co., Ltd. (上海宏信教育投資控股有限公司), the general manager of Shanghai Grand Glory Eco Technology Co., Ltd. (上海宏瑞環保科技有限公司), the general manager of Far East Horizon Shipping Holdings Co., Ltd. (遠東宏信航運控股有限公司), the general manager of Shanghai Zhouji Tongli Asset Management Co., Ltd (上海周濟同歷資產管理有限公司), and the general manager of Hongxin Jinfu (Tianjin) Information Technology Co., Ltd (宏信金服(天津)信息科技有限公司). In December 2024, Mr. Zhan joined the Company and served as an executive Director and the Chief Executive Officer.

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILES

Mr. PAN Yang (潘陽先生) – Executive Director, Chief Executive Officer (Until 30 December 2024)

Mr. PAN Yang (潘陽先生), aged 48, was appointed as an executive Director and the Chief Executive Officer of the Company in April 2022, and subsequently resigned as an executive Director and the Chief Executive Officer of the Company on 30 December 2024 due to his work commitments. Mr. Pan received a bachelor's degree in Marketing from Liaoning University (遼寧大學) in China in July 1999, a master's degree in International Financial Markets from University of Southampton (南安普敦大學) in United Kingdom in February 2003 and a master's degree in Business Administration from Fudan University (復旦大學) in June 2015.

Mr. Pan joined Far East Horizon in June 2003, and successively held positions including the project manager and division leader of business division III, the quality-control manager of project management center of quality-control department, the assigned chief quality-control officer of shipping system department, an assistant general manager of shipping system department, a deputy general manager of transportation system department, an executive deputy general manager of transportation & logistics system department (in charge of routine work), the general manager of public utilities department III, a co-general manager of asset center, and a vice president of Far East Horizon. Mr. Pan served as a director of Horizon Construction Overseas (Hong Kong) Limited (宏信建發海外(香港)有限公司) from May 2022 to December 2022. From May 2022 to December 2024, Mr. Pan served as a director and the general manager of Tianjin Horizon Construction Development Investment Co., Ltd.* (天津宏信建發投資有限公司), Shanghai Horizon Construction Technology Co., Ltd. (上海宏信建築科技有限公司), Shanghai Horizon Engineering Technology Co., Ltd. (上海宏信工程技術有限公司), and Tianjin Horizon Equipment Leasing Co., Ltd.* (天津宏信設備租賃有限公司), and Tianjin Horizon Construction Development Leasing Co., Ltd.* (天津宏信建發租賃有限公司), and a director of Horizon Construction (Hong Kong) Limited, respectively. From June 2022 to December 2024, he served as a director and the general manager of Shanghai Horizon Construction Development Co., Ltd.* (上海宏信建設發展有限公司), Shanghai Horizon Equipment & Engineering Co., Ltd.* (上海宏信設備工程有限公司), and Shanghai Hongjin Equipment & Engineering Co., Ltd.* (上海宏金設備工程有限公司), and the general manager of Guangzhou Hongtu Equipment & Engineering Co., Ltd.* (廣州宏途設備工程有限公司), respectively.

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILES

Mr. TANG Li (唐立先生) – Executive Director, Co-Chief Financial Officer

Mr. TANG Li (唐立先生), aged 44, is an executive Director and the co-chief financial officer of the Company (appointed as the chief financial officer of the Company on 28 May 2021 and served as the co-chief financial officer of the Company since January 2024). Mr. Tang obtained a college diploma with a major in Accounting from Lixin Accounting College (立信會計高等專科學校) (currently known as Shanghai Lixin University of Accounting and Finance (上海立信會計金融學院)) in July 2002, and an undergraduate diploma with a major in Accounting from Tongji University (同濟大學) in January 2007.

Mr. Tang has over 20 years of experience in auditing, accounting and financial management. Mr. Tang worked at Shanghai Shenqiang Investment Co., Ltd. (上海申強投資有限公司) and Capital Dragon City (Shanghai) Commercial Land Co., Ltd. (凱德龍城(上海)商用置業有限公司) prior to joining Far East Horizon in May 2008. From May 2008 to June 2019, Mr. Tang worked at Far East Horizon Limited, where he was primarily responsible for the accounting and financial management and successively served as the accounting assistant of finance department, the accounting manager of finance department, the accounting management manager of finance department, the deputy manager and the assistant to director (in charge of work) of finance department, the financial director of textile system business division, and the financial director of industrial and equipment business division and the senior strategic operation director of industrial and equipment business division. From April 2020 to October 2020, Mr. Tang served as a director of Shanghai Horizon Construction Development Co., Ltd. From January 2015 to March 2021, Mr. Tang also served as the chief financial officer of Guangzhou Kangda Industrial Technology Co., Ltd. (廣州康大工業科技產業有限公司). Mr. Tang served as a director of Horizon Construction Overseas (Hong Kong) Limited (宏信建發海外(香港)有限公司) from April 2021 to December 2022. Currently, Mr. Tang is also the chief financial officer of Shanghai Horizon Construction Development Co., Ltd., Tianjin Horizon Equipment Leasing Co., Ltd., Shanghai Horizon Equipment & Engineering Co., Ltd., Guangzhou Hongtu Equipment & Engineering Co., Ltd., Tianjin Horizon Construction Development Investment Co., Ltd., Shanghai Hongjin Equipment & Engineering Co., Ltd., Shanghai Horizon Construction Technology Co., Ltd., Tianjin Horizon Construction Development Leasing Co., Ltd. and Shanghai Horizon Engineering Technology Co., Ltd.

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILES

Mr. XU Huibin (徐會斌先生) – Non-executive Director

Mr. XU Huibin (徐會斌先生), whose former name was XU Huibing (徐會兵), aged 53, is a non-executive Director and a member of the Nomination Committee of the Company. Mr. Xu obtained a bachelor's degree in engineering with a major in industrial electric automation from University of Science and Technology Beijing (北京科技大學) in the PRC in July 1995, an undergraduate diploma with a major in finance from Zhongnan University of Economics and Law (中南財經政法大學) in the PRC in June 2003, and a master's degree in business administration from Fudan University (復旦大學) in the PRC in June 2005.

Mr. Xu has over 15 years of experience in risk control and operation management. From December 2007 to May 2008, Mr. Xu worked at International Far Eastern Leasing Co., Ltd. (遠東國際融資租賃有限公司), where he served as the deputy general manager of the construction group and was primarily responsible for business operations and overall risk control. From May 2008 to December 2018, Mr. Xu worked at Far East Horizon, where he was primarily responsible for business operations and overall risk control and successively served as the deputy general manager of the construction group, the deputy general manager of business operation center, and the general manager of the business operation center. Mr. Xu served as a director of Shanghai Horizon Construction Development Co., Ltd. from March 2020 to March 2021. Mr. Xu served as the assistant to the chief executive officer of Far East Horizon Limited from December 2021 to December 2023. He has also been the general manager of strategic center and the vice president of Far East Horizon since December 2018 and December 2023, respectively.

Mr. Xu was granted the qualification of mid-level economist (financial economics) by the Ministry of Personnel of the PRC (中華人民共和國人事部) in November 1999 and the qualification of financial risk manager by the Global Association of Risk Professionals in April 2008.

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILES

Mr. HE Ziming (何子明先生) – Non-executive Director

Mr. HE Ziming (何子明先生), aged 69, is a non-executive Director and a member of the Environmental, Social and Governance Committee of the Company. Mr. He has been the executive director and the general manager of Lanjin Stone Decoration Co., Ltd.* (藍金石材裝飾有限公司), a company principally engaged in the production and sales of stone, since March 1998, the general manager and an executive director of Shanghai Lanjin Construction Machinery Leasing Co., Ltd. (上海藍金建築機械租賃有限公司), a company principally engaged in the machinery and leasing, since March 2004, the consultant of the strategic center of Far East Horizon since January 2020.

Mr. He has over 24 years of experience in corporate operations management. From May 2013 to December 2018, Mr. He served as the special consultant to the general manager of the construction group of Far East Horizon, where he was primarily responsible for engineering and construction operations. From December 2018 to December 2019, Mr. He served as, the deputy general manager of Shanghai Zhenjing Industrial Development Co., Ltd. (上海臻璟實業發展有限公司), a company principally engaged in property and consulting, where he was primarily responsible for engineering and construction operation. From July 2013 to December 2018, Mr. He served as the general manager of Shanghai Hongjin Equipment & Engineering Co., Ltd. Mr. He served as a director of Shanghai Horizon Construction Development Co., Ltd. from March 2020 to March 2021.

Mr. He obtained a college diploma with a major in electronics from Shanghai Television University (上海電視大學) (currently known as Shanghai Open University (上海開放大學)) in the PRC in February 1982. Mr. He was appointed as the vice president of the association of socket-type ringlock scaffold in China (中國承插型盤扣式腳手架品質聯盟), a member of the standards committee (標準委員會) and the vice president of the green development branch concerning China building aluminum alloy formwork (中國建築鋁合金模板綠色發展分會) under China Construction Materials Rental Contractor Association (中國基建物資租賃承包協會) in March 2016, November 2016 and December 2017, respectively. In 2016 and 2017, Mr. He was awarded as the top ten influential figures in China's construction materials leasing and contracting industry.

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILES

Mr. LI Qianjin (李前進先生) – Non-executive Director (Until 12 September 2024)

Mr. LI Qianjin (李前進先生), aged 53, was appointed as a non-executive Director of the Company in August 2022, and subsequently resigned as a non-executive Director of the Company on 12 September 2024 due to his work commitments. Mr. Li obtained a college diploma with a major in Machinery Technology and Equipment from Zhengzhou Industrial College (鄭州工業高等專科學校) (currently known as Henan University of Technology) in July 1994, an in-service bachelor's diploma with a major in Management Engineering from China University of Mining and Technology (中國礦業大學) in June 2005, a master's degree in Business Administration from Xi'an University of Architecture and Technology (西安建築科技大學) in June 2014.

After joining XCMG Group Construction Machinery Co., Ltd. (徐工集團工程機械股份有限公司) (the "XCMG Group") (a company listed on the Main Board of the Shenzhen Stock Exchange, stock code: 000425) in August 1994, Mr. Li has been working in the company since then. During his service, Mr. Li successively served as a designer, engineer, chief, manager and director in Xuzhou Heavy Machinery Factory (徐州重型機械廠); the deputy director (in charge of work) and the director of technology cooperation department (工藝協作部), the director of manufacturing department of Jinshan bridge manufacturing base (金山橋製造基地), the director of construction and manufacturing department and assistant to general manager, and the deputy general manager of Xuzhou Heavy Machinery Co., Ltd. (徐州重型機械有限公司); the deputy general manager of Xuzhou XCMG Schwing Machinery Co., Ltd. (徐州徐工施維英機械有限公司); the general manager and deputy secretary of Party committee of XCMG Brazil Manufacturing Co., Ltd. (徐工巴西製造有限公司), the general manager and deputy secretary of Party committee of XCMG Fire-Fighting Safety Equipment Co., Ltd. (徐工消防安全裝備有限公司). Mr. Li has been the assistant to general manager of XCMG Group since January 2022, the general manager and the secretary of the Party committee of XCMG Fire-Fighting Safety Equipment Co., Ltd. (徐工消防安全裝備有限公司) since January 2022.

Mr. Li was also granted the qualification of senior engineer (正高級工程師) by Jiangsu Mechanical Engineering Senior Professional Technique Qualification Evaluation Committee (江蘇省機械工程高級專業技術資格評審委員會) in November 2019.

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILES

Mr. Yuan Shaozhen (袁少震先生) – Non-executive Director

Mr. Yuan Shaozhen (袁少震先生), aged 50, is a non-executive Director of the Company and a senior engineer. Mr. Yuan obtained a bachelor's degree in mechatronics engineering from Guilin Institute of Electronic Engineering (桂林電子工業學院) in the PRC in July 1996 and a master's degree in engineering from Jilin University in the PRC in June 2011.

Mr. Yuan has over 28 years of experience in construction machinery operation and management. He currently serves as the secretary of the Party Committee and the general manager of XCMG Fire-Fighting Safety Equipment Co., Ltd. (徐工消防安全裝備有限公司). From August 1996 to January 2002, Mr. Yuan worked at Xuzhou Heavy Machinery Factory (徐州重型機械廠) as a bench worker, a designer and an on-site engineer successively. From February 2002 to July 2011, Mr. Yuan served successively as the deputy factory director of the fire truck sub-factory, the deputy factory director of the general assembly sub-factory, the factory director and the sixth factory director of Xuzhou Heavy Machinery Co., Ltd. (徐州重型機械有限公司). From July 2011 to January 2016, Mr. Yuan served as the assistant general manager, the general manager of the fire truck business division, and the factory director of the fire truck sub-factory of Xuzhou Heavy Machinery Co., Ltd. (徐州重型機械有限公司). From June 2013 to January 2016, Mr. Yuan also served as the assistant general manager of the hoisting machinery business division of Xuzhou Construction Machinery Group Co., Ltd. (徐州工程機械集團有限公司). From January 2016 to October 2019, Mr. Yuan served as the deputy general manager of XCMG Fire-Fighting Safety Equipment Co., Ltd. (徐工消防安全裝備有限公司). From October 2019 to September 2022, Mr. Yuan served as the general manager of Inner Mongolia Yiji Xugong Special Equipment Co., Ltd. (內蒙古一機徐工特種裝備有限公司). From September 2022 to August 2024, Mr. Yuan served as the secretary of the Party Committee and the general manager of Xuzhou Construction Machinery Co., Ltd. (徐州建機工程機械有限公司), and served as the deputy general manager of the hoisting machinery business division of Xuzhou Construction Machinery Group Co., Ltd. (徐州工程機械集團有限公司) from July 2024 to August 2024. From August 2024, Mr. Yuan has served as the secretary of the Party Committee and the general manager of XCMG Fire-Fighting Safety Equipment Co., Ltd. (徐工消防安全裝備有限公司).

Ms. GUO Lina (郭麗娜女士) – Non-executive Director

Ms. GUO Lina (郭麗娜女士), aged 47, is a non-executive Director and a member of the Remuneration Committee of the Company. Ms. Guo obtained a bachelor's degree in Economics with a major in International Economics and Trade from Beijing Wuzi University (北京物資學院) in the PRC in July 2000, a master's degree in Human Resources Management from Durham University in the United Kingdom in January 2007, and a master's degree in Applied Psychology from Peking University (北京大學) in the PRC in January 2009.

Ms. Guo has over 16 years of experience in human resources management. From August 2000 to August 2004, Ms. Guo worked for Sinochem International Tendering Co., Ltd. (中化國際招標有限責任公司) (currently known as Sinochem Commerce Co., Ltd. (中化商務有限公司)) as a business manager. From July 2007 to March 2010, Ms. Guo was employed as a human resources consultant by ManpowerGroup (China) Human Resources Co., Ltd. (萬寶盛華人力資源(中國)有限公司). From October 2011 to June 2012, Ms. Guo worked for EDF (China) Investment Co., Ltd. (EDF(中國)投資有限公司) as the head of human resources department. After joining Far East Horizon in June 2012, Ms. Guo has worked there since then, and successively served as the human resources manager, the human resources director of the education group, the director of the integrated operation management center of human resources department and the senior director of cadre management department of human resources department. Ms. Guo has also been a director of Hebei Asset Management Co., Ltd. (河北省資產管理有限公司) from December 2020 to June 2024.

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILES

Mr. LIU Jialin (劉嘉凌先生) – Independent Non-executive Director

Mr. LIU Jialin (劉嘉凌先生), aged 62, is an independent non-executive Director and a member of the Nomination Committee and the Remuneration Committee of the Company. From 1992 to 2007, Mr. Liu worked at Morgan Stanley, and served as a member of each of the Corporate Management Committee and Asia Executive Committee, as well as a Managing Director in the Fixed Income Division in Hong Kong. Mr. Liu is the managing director of Cinda International Asset Management Limited (信達國際資產管理有限公司) and an independent non-executive director of Far East Horizon. Mr. Liu has 36 years of experience in finance and securities industry.

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

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

Mr. XU Min – Independent Non-executive Director

Mr. XU Min, aged 61, is an independent non-executive Director, the chairman of the Audit Committee and a member of the Environmental, Social and Governance Committee of the Company. Mr. Xu obtained a bachelor's degree in Science with a major in Geography from East China Normal University (華東師範大學) in the PRC in July 1985 and a master's degree in Arts with a major in Urban Geography from the University of Toronto in Canada in March 1989.

Mr. Xu has over 26 years of experience in accounting. After joining KPMG ("KPMG") in December 1997, Mr. Xu has worked there since then, and was engaged in auditing in KPMG Shanghai; engaged in the M&A financial advisory business in KPMG Shanghai, Hangzhou and Beijing; and became a partner of KPMG China in 2005. From October 2010 to June 2015, Mr. Xu acted as the private equity fund leading partner of KPMG China, in charge of the M&A financial advisory business of KPMG's northern region. From April 2015 to September 2018, Mr. Xu led the advisory business in M&A and restructuring, strategy, risk management and other areas of KPMG's northern region of China. From April 2015 to July 2020, Mr. Xu served as the legal representative of Beijing Branch of KPMG Enterprise Consulting (China) Co., Ltd. (畢馬威企業諮詢(中國)有限公司北京分公司), where he was primarily responsible for corporate operations and management. From May 2018 to September 2020, Mr. Xu served as a managing partner of northern China region of KPMG, where he was primarily responsible for market strategy and daily operations management.

Mr. Xu was also certified as a chartered accountant by The Institute of Chartered Accountants of Ontario, Canada in December 1996 and a merger and acquisition dealer by the China Mergers and Acquisitions Association (中國併購公會) in February 2015.

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILES

Ms. JIN Jinping (金錦萍女士) – Independent Non-executive Director

Ms. JIN Jinping (金錦萍女士), aged 52, is an independent non-executive Director, the chairman of the Nomination Committee and the Remuneration Committee and a member of the Audit Committee of the Company. Ms. Jin obtained a bachelor's degree in Economic Law from Peking University in the PRC in July 1995, a master's degree in Civil and Commercial Law from Peking University in the PRC in July 2001, and a doctorate degree in Civil and Commercial Law from Peking University in the PRC in June 2004.

Ms. Jin has over 25 years of experience in law. Ms. Jin has served as an associate professor of Peking University Law School and director of the Non-profit Organization Law Research Center of the Law School since September 2006. She has served as an independent director of Beijing Orient Zhongke Integration Technology Co., Ltd. (北京東方中科集成科技股份有限公司) (a company listed on the Main Board of the Shenzhen Stock Exchange stock, stock code: 002819) from July 2018 to June 2024, an independent director of Beijing UCAS Technology Co., Ltd. (北京國科環宇科技股份有限公司) from December 2018 to December 2023, an independent director of China Automotive Engineering Research Institute Co., Ltd. (中國汽車工程研究院股份有限公司) (a company listed on the Main Board of the Shanghai Stock Exchange, stock code: 601965) since January 2020, and an independent non-executive director of Sichuan Kelun-Biotech Biopharmaceutical Co., Ltd. (四川科倫博泰生物醫藥股份有限公司) (a company listed on the Main Board of the Stock Exchange stock, stock code: 6990) since July 2023.

Ms. Jin also obtained a lawyer qualification granted by the Ministry of Justice of the PRC in June 1997 and higher education teacher qualification granted by the Beijing Municipal Education Commission in December 2008. Ms. Jin has served as a director of the China Red Cross Foundation since September 2016.

Mr. SUM Siu Kei (岑兆基先生) – Independent Non-executive Director

Mr. SUM Siu Kei (岑兆基先生), aged 48, is an independent non-executive Director, the chairman of the Environmental, Social and Governance Committee and a member of the Audit Committee of the Company. Mr. Sum obtained a bachelor's degree of Science in Mathematics and a master's degree of Philosophy in Mathematics from Hong Kong University of Science and Technology in November 1998 and November 2000, respectively.

Mr. Sum has over 22 years of experience in finance, business management and education. From 2006 to 2008, Mr. Sum was a private portfolio investor. From January 2009 to August 2015, Mr. Sum acted as an investment representative of KGI Hong Kong Limited. From September 2012 to January 2015, Mr. Sum was a visiting lecturer at Hong Kong Community College of The Hong Kong Polytechnic University. Mr. Sum has been the senior programme director and principal lecturer at Institute for China Business (中國商業學院) of Hong Kong University (香港大學) since September 2017, where he is mainly responsible for academic and administrative management at the Department of Finance and teaching subjects related to investment, accounting, finance and business management.

Mr. Sum also holds the professional qualification of ESG Planner from the International Council for Sustainable Development.

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILES

Mr. DENG Huanan (鄧華南先生) – Co-Chief Financial Officer

Mr. DENG Huanan (鄧華南先生), aged 44, is the co-chief financial officer of the Company. Mr. Deng obtained a bachelor's degree in Financial Management from Hubei University (湖北大學) in 2001 and a master's degree in Accounting from Fudan University (復旦大學) in 2016. Mr. Deng worked for two listed companies, namely Anhui Conch Cement Company Limited (安徽海螺水泥股份有限公司) (a company listed on both the Main Board of the Shanghai Stock Exchange and the Stock Exchange, stock code on the Shanghai Stock Exchange: 600585, stock code on the Stock Exchange: 0914) and Cathay Biotech Inc. (上海凱賽生物技術股份有限公司) (a company listed on the Main Board of the Shanghai Stock Exchange, stock code: 688065), and joined Far East Horizon in 2009. During his employment with Far East Horizon, Mr. Deng served as the director of the finance department of the Urban Utilities Segment (城市公用事業部), the director of the finance department of Shanghai Horizon Equipment & Engineering Co., Ltd., the director of the finance department of the Infrastructure Construction Segment (建設系統事業部), and the director of the finance department of Guangzhou Kangda Industrial Technology Co., Ltd. (廣州康大工業科技有限公司) and other positions. In January 2024, Mr. Deng joined the Company as the co-chief financial officer.

Mr. Deng has over 24 years of experience in financial management.

Mr. SHEN Liang (沈亮先生) – Chief Operational Officer

Mr. SHEN Liang (沈亮先生), aged 48, serves as the chief operational officer of the Company. Mr. Shen obtained a bachelor's degree in investment economics from Jiangxi University of Finance and Economics (江西財經大學) in 1999 and an FMBA from Cheung Kong Graduate School of Business (長江商學院) in 2017. Mr. Shen worked at Bank of China (中國銀行) and China Chengxin Securities Rating Co., Ltd. (中誠信證券評估有限公司), and joined Far East Horizon in 2007. During the period which he worked for Far East Horizon, Mr. Shen served as a deputy general manager of the industrial and equipment business division, a deputy general manager of the business operation center and a senior director of the operation center and other positions. In December 2023, Mr. Shen joined the Company as the chief operational officer.

Mr. Shen has over 25 years of experience in corporate business operations and risk management.

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal business of the Group is equipment operation service. An analysis of the Group's operational status for the year by business segments is detailed in Note 5 to the financial statements.

As a leading equipment operation service provider in China and a leading global rental company, the Group has built up comprehensive and diversified equipment offerings and strong service capacities, and maintained industry-leading positions in numerous product lines, providing clients with comprehensive and multi-dimensional services covering the full cycle of projects. Leveraging the synergies among its various product lines and diversified service categories, as well as the ever-improving independent R&D innovation and digital operational capabilities, the Group has fostered a diverse, blue chip, loyal and high-quality customer base. The number of our outlets ranked first in China among all equipment operation service providers. The Group has deployed outlets in several overseas markets, thus continuously improving its global service capabilities.

In addition, the Group has consistently adhered to the philosophy of steady and prudent operation in its long-term business operation process, and well understands that the sustainability of business development and growth also relies heavily on the Group's ability to respond to or manage various major risks and uncertainties, such as customer credit risks, inventory risks, accident risks of leased equipment and so forth. The Group has accumulated advanced risk management capability and practical experience in the industry over the past ten years of development, while benefiting from the genes and culture of standardized management from Far East Horizon, the holding company of our Company, the Group values the importance of standardized management and have implemented high standards on risk management and internal control to facilitate our business growth. In the course of overseas expansion, the Group focuses on risk management of local law compliance risk, customer credit risk, labor law compliance risk and other risk in countries where the Group commenced operation. It has also formulated detailed management and control strategies based on local circumstances. In the foreseeable future, the Group believes that the impact of the risks and uncertainties will remain manageable and will not cause any material adverse effect on its long-term healthy development.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2024 are set out in the Consolidated Statement of Profit or Loss on page 131 of this annual report.

The Board recommends the declaration of a final dividend of HK$0.045 per Share (2023: nil) for the year ended 31 December 2024 to the Shareholders whose names appear on the register of members of the Company on Wednesday, 11 June 2025, subject to approval at the annual general meeting to be held on Monday, 14 April 2025 (the "2025 AGM"). The proposed final dividend is expected to be distributed to Shareholders on Wednesday, 2 July 2025.

DIRECTORS' REPORT

CLOSURE OF SHARE REGISTER

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

The proposed final dividend is subject to Shareholders' approval at the AGM, and is expected to be distributed on Wednesday, 2 July 2025. For the purpose of determining the entitlement of the Shareholders to receive the proposed final dividend, the register of members of the Company will be closed from Monday, 9 June 2025 to Wednesday, 11 June 2025, both days inclusive. The record date for determining the entitlement of the Shareholders to the final dividend will be on Wednesday, 11 June 2025. To be eligible to receive the final 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 Friday, 6 June 2025, being the last registration date.

RESULTS/BUSINESS REVIEW

The restatement and fair review of the business of the Group for the year ended 31 December 2024, a discussion of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year 2024, and an indication of likely future development in the Group's business, are set out in the "Chairman's Statement", "Chief Executive Officer's Statement", "Management Discussion and Analysis", "Corporate Governance Report" and "Notes to Financial Statements" sections of this annual report. The above sections form a part of the Directors' Report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group believes that environment, health and safety are indispensable pillars for sustainable business, and is committed to integrating this philosophy into all aspects of daily business operations. In 2024, the Group's business achieved environmentally friendly and safe operation. For a discussion of the Group's environmental policies and performance, please refer to the "Corporate Governance Report" and "Corporate Social Responsibility Report" of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

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

DIRECTORS' REPORT

PROPERTY, PLANT AND EQUIPMENT

The movements in the Group's property, plant and equipment for the year are set out in Note 14 to the financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in Note 30 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

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

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Memorandum and Articles of Association of the Company or the relevant laws of the Cayman Islands where the Company is incorporated, under which the Company would be obliged to offer new shares on a pro-rata basis to existing Shareholders.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year ended 31 December 2024 are set out in the Consolidated Statement of Changes in Equity on pages 135 to 136 of this report and Note 33 to the financial statements respectively.

DONATIONS

The total amount of charity and other donations made by the Group for the year ended 31 December 2024 amounted to RMB140,000.

PERMITTED INDEMNITY

Pursuant to the Articles of Association, every Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director or other officer of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted. The Company has taken out insurance against all losses and liabilities associated with defending any proceedings which may be brought against Directors and other officers of the Company.

DIRECTORS' REPORT

DIRECTORS

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

Executive Directors
Mr. ZHAN Jing *(Chief Executive Officer) (Appointed on 30 December 2024)*
Mr. PAN Yang *(Former Executive Director and former Chief Executive Officer, resigned on 30 December 2024)*
Mr. TANG Li *(Co-Chief Financial Officer)*

Non-executive Directors
Mr. KONG Fanxing *(Chairman)*
Mr. XU Huibin
Mr. HE Ziming
Mr. LI Qianjin *(Former Non-executive Director, resigned on 12 September 2024)*
Mr. YUAN Shaozhen *(Appointed on 12 September 2024)*
Ms. GUO Lina

Independent Non-executive Directors
Mr. LIU Jialin
Mr. XU Min
Ms. JIN Jinping
Mr. SUM Siu Kei

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors and senior management are set out on pages 84 to 93 of this annual report.

DIRECTORS' REPORT

CHANGES IN DIRECTORS' INFORMATION

As of the date of disclosure of this report, the changes in Directors' information of the Company to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

Name of Director	Details of the change
PAN Yang	Resigned as an Executive Director and the Chief Executive Officer of the Company on 30 December 2024
ZHAN Jing	Appointed as an Executive Director and the Chief Executive Officer of the Company since 30 December 2024
TANG Li	Served as the Co-Chief Financial Officer of the Company since 9 January 2024
LI Qianjin	Resigned as a Non-executive Director of the Company on 12 September 2024
YUAN Shaozhen	Appointed as a Non-executive Director of the Company since 12 September 2024
GUO Lina	No longer served as a director of Hebei Asset Management Co., Ltd. (河北省資產管理有限公司) since 13 June 2024
JIN Jinping	No longer served as an independent director of Beijing Orient Zhongke Integration Technology Co., Ltd. (北京東方中科集成科技股份有限公司) since June 2024

DIRECTORS' SERVICE AGREEMENTS

For the year ended 31 December 2024, none of the Directors had a service agreement with the Company or any of its subsidiaries which cannot be terminated within one year without payment of compensation other than statutory compensation.

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

Executive Directors

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

The appointment of Mr. TANG Li is for a term of three years commencing from 25 May 2023. Under the service agreements, Mr. TANG Li will not receive any remuneration as an executive Director. For holding other positions with the Company and other members of the Group, Mr. TANG Li will receive an aggregate amount of the annual remuneration of RMB1,898,000 from the Group, and is entitled to a salary and bonus payment, allowance and benefits-in-kind, at the discretion of the Board, and social welfare benefits provided under the relevant PRC laws and regulations.

As disclosed in the announcement of the Company dated 30 December 2024, Mr. ZHAN Jing was appointed as an executive Director with a service term of three years commencing from 30 December 2024. The Company has entered into a service contract with Mr. ZHAN Jing for a term of three years, pursuant to which, Mr. ZHAN Jing will not receive any remuneration as an executive Director. Mr. ZHAN Jing is entitled to an annual salary of RMB1,320,000 for his roles as the Chief Executive Officer and other positions in other members of the Group, and is also entitled to discretionary bonuses and other allowances and benefits-in-kind, at the discretion of the Board, and social welfare benefits provided under the relevant PRC laws and regulations.

DIRECTORS' REPORT

Non-Executive Directors

Each of the non-executive Directors has entered into a service agreement with the Company.

Each of the appointments of Mr. KONG Fanxing, Ms. GUO Lina, Mr. XU Huibin and Mr. HE Ziming is for a term of three years commencing from 25 May 2023.

Under the service agreements, no Director's fee shall be made by the Company to each of Mr. KONG Fanxing, Mr. XU Huibin and Ms. GUO Lina. Under the appointment letters, the Company shall pay HK$420,000 p.a. as Director's fee to Mr. HE Ziming.

As disclosed in the announcement of the Company dated 12 September 2024, Mr. YUAN Shaozhen was appointed as a non-executive Director with a service term of three years commencing from 12 September 2024. The Company has entered into a letter of appointment with Mr. YUAN Shaozhen for a term of three years, pursuant to which, Mr. YUAN will not receive any remuneration as a non-executive Director.

Independent Non-Executive Directors

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

Each of the appointments of Mr. LIU Jialin, Mr. XU Min, Ms. JIN Jinping and Mr. SUM Siu Kei is for a term of three years commencing from 25 May 2023.

Under the appointment letters, the Company shall pay HK$420,000 p.a. as Director's fee to each of Mr. LIU Jialin, Mr. XU Min, Ms. JIN Jinping and Mr. SUM Siu Kei.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence prepared pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers that each of the independent non-executive Directors, namely Mr. LIU Jialin, Mr. XU Min, Ms. JIN Jinping, and Mr. SUM Siu Kei, is independent.

DIRECTORS' EMOLUMENTS AND SENIOR MANAGEMENT'S EMOLUMENTS

The Company has established the Remuneration Committee in accordance with the CG Code. The Remuneration Committee shall make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy. These remuneration policies shall formulate remuneration incentive plans for Directors and senior management based upon the main scope, duties and importance of the management positions of Directors and senior management and the remuneration levels of relevant positions in other related enterprises; and remuneration incentive plans, mainly including but not limited to remuneration levels and packages, performance evaluation standards (including indicators and target values) and procedures, as well as key proposals and systems on other rewards and punishments.

Details of the remuneration of the Directors and that of the senior management of the Group for the year ended 31 December 2024 are set out in Note 8 and Note 9 to the financial statements of the Group.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2024, none of the Directors of the Company are interested in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

NON-COMPETITION DEED OF UNDERTAKING

On 12 November 2021, Far East Horizon, the controlling shareholder of the Company, executed an enforceable non-competition deed of undertaking (the "Deed of Undertaking") in favor of the Company. For details of the Deed of Undertaking, please refer to the section headed "Relationship with Controlling Shareholders-Undertaking from Far East Horizon" in the Prospectus.

The Company has received an annual confirmation letter from Far East Horizon, confirming that Far East Horizon and/or its associates (excluding the Group) have complied with the undertakings under the Deed of Undertaking during the year ended 31 December 2024. The independent non-executive Directors have conducted an annual review on the compliance and performance of undertakings in the Deed of Undertaking and are satisfied that the undertakings under the Deed of Undertaking have been complied with.

PENSION SCHEME

In accordance with applicable PRC regulations, the Group has made contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for our employees, details of which are set out in Note 2.4 (Summary of Significant Accounting Policies-Employee benefits) to the financial statements.

MANAGEMENT CONTRACTS

No contracts concerning the management or administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year ended 31 December 2024.

DIRECTORS' REPORT

ARRANGEMENTS FOR THE DIRECTORS TO PURCHASE SHARES OR DEBENTURES

At no time during the year ended 31 December 2024 were there any rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, nor were there any such rights exercised by them. Also, there was no arrangement to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries is a party that would enable the Directors to acquire such rights in any other body corporate.

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

As at 31 December 2024, the interests or short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were 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 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%
ZHAN Jing	Beneficial owner	1,000,186 (L)	0.03%
TANG Li	Beneficial owner	2,269,125 (L)[4]	0.07%
XU Huibin	Beneficial owner	1,215,290 (L)[5]	0.04%
HE Ziming	Beneficial owner	3,031,665 (L)[6]	0.09%
	Interest in a controlled corporation	177,090,112 (L)[7]	5.54%
	Interest of spouse	30,979,332 (L)[8]	0.97%
GUO Lina	Beneficial owner	122,184 (L)[9]	0.00%
LIU Jialin	Beneficial owner	27,777 (L)[10]	0.00%
	Interest of spouse	27,777 (L)[10]	0.00%

DIRECTORS' REPORT

Notes:

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

(2) The percentage is calculated on the basis of 3,197,244,000 Shares in issue of the Company as at 31 December 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) 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; (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; and (iii) share option in respect of 610,000 Shares granted to Mr. TANG Li by the Company pursuant to the 2024 Share Option Scheme on 8 July 2024. On the same day, the Company granted 1,420,000 restricted Shares to Mr. TANG Li pursuant to the 2024 Restricted Share Award Scheme.

(5) 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.

(6) 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.

(7) 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.

(8) 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.

DIRECTORS' REPORT

(9) 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.

(10) 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.

(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	96,127,463 (L)[(2)]	2.22%
		Interest in a controlled corporation	868,947,897(L)[(3)]	20.11%
XU Huibin	Far East Horizon	Beneficial owner	16,503,450 (L)[(4)]	0.38%
ZHAN Jing	Far East Horizon	Beneficial owner	18,037,912 (L)[(5)]	0.41%
GUO Lina	Far East Horizon	Beneficial owner	1,524,315 (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)	0.03%
		Interest in a controlled corporation	2,201,000 (L)	0.05%
		Interest of spouse	2,832,000 (L)	0.06%
LIU Jialin	Far East Horizon	Beneficial owner	125,000 (L)	0.00%
		Interest of spouse	125,000 (L)	0.00%

DIRECTORS' REPORT

Notes:

(1) The letter "L" denotes long position in the ordinary 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. ZHAN Jing'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 4,320,075,666 shares in issue of Far East Horizon as at 31 December 2024.

Saved as disclosed above, as at 31 December 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 of Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES

Based on the information available to the directors of the Company, as at 31 December 2024 (including such information as was available on the website of the Stock Exchange) or so far as they are aware of, as at 31 December 2024, 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 Leasing Co., Ltd.	Interest in a controlled corporation	176,600,000 (L)(3)	5.52%
Tianjin Hongjian Enterprise Management Consulting Center (Limited Partnership)	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 Leasing Co., Ltd. Interest	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 of the Company as at 31 December 2024.

(3) Tianjin Hongsheng Leasing Co., Ltd. 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 Leasing Co., Ltd. (a wholly-owned subsidiary of Far East Horizon). Please refer to Note (7) 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 31 December 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.

DIRECTORS' REPORT

PUBLIC FLOAT

Rule 8.08 (1) of the Listing Rules stipulates that there must be an open market in the securities for which listing is sought and the Issuer's listed securities must maintain sufficient public float. In general, at least 25% of the issuer's total number of issued share capital must at all times be held by the public. In accordance with Rule 8.08(1)(d) of the Listing Rules, the Stock Exchange may, at its discretion, accept a lower percentage of between 15% and 25% under certain circumstances in the case of issuers with an expected market capitalisation at the time of listing of over HK$10,000,000,000.

The Company had applied to the Stock Exchange, and the Stock Exchange had granted to the Company, a waiver from strict compliance with the requirement under Rule 8.08(1)(a) of the Listing Rules, provided that the minimum public float of our Company should be the higher of the following: (i) 21.80% of the total issued shares; and (ii) the percentage of shares held by the public immediately following the completion of the global offering. According to the publicly available data of the Company and as far as the Directors are aware, the Directors confirm that the Company has maintained the above minimum public float required by the Stock Exchange as at the date of this report.

MAJOR CUSTOMERS AND SUPPLIERS

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

	For the year ended 31 December 2024 **Percentage of the total income (%)**
Top five customers	11.23%
The largest customer	4.30%

	For the year ended 31 December 2024 **Percentage of total purchases (%)**
Top five suppliers	38.95%
The largest supplier	12.46%

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

DIRECTORS' REPORT

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND OTHERS

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

CONNECTED TRANSACTIONS

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

NON-EXEMPT ONE-OFF CONNECTED TRANSACTION

Grant of Restricted Shares to Mr. PAN Yang

On 8 July 2024 (the "Grant Date"), pursuant to the 2024 Restricted Share Award Scheme Rules, the Board (including all the independent non-executive Directors) has resolved to grant Mr. PAN Yang, the former executive Director and former Chief Executive Officer who resigned on 30 December 2024, with 8,430,000 restricted shares, representing approximately 0.26% of the total number of issued Shares of the Company as at the Grant Date. As at the Grant Date, Mr. Pan was an executive Director and Chief Executive Officer of the Company, and therefore was a connected person of the Company. As such, the grant of restricted shares constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio for the grant of restricted shares exceeds 0.1% but is less than 5%, the grant of restricted shares is subject to the reporting, announcement and annual review requirements but is exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The purposes of the Restricted Share Award Scheme are to provide participants with an opportunity to acquire equity interest of the Company, encourage and retain participants to work for the Company, provide additional incentives which motivate them to strive for performance targets, and attract external talents, so as to fulfill the goal of increasing the value of the Company and connect the participants' interests directly to those of the Shareholders of the Company through the ownership of Shares. When assessing whether the grant of restricted shares is fair and reasonable, the Board (including the independent non-executive Directors) has taken into account the role of Mr. PAN Yang, his historical performance and length of service in the Group. The Board is of the view that the grant of restricted shares will recognize previous contributions of Mr. PAN Yang to the business performance of the Group and will ensure his continuous support and loyalty to the Group in the years to come and motivate him to perform his duties diligently and conscientiously, which is essential to the future development and business expansion of the Group. Having considered the above factors, the Board (including the independent non-executive Directors) is of the view that although the grant of restricted shares is not made in the ordinary and usual course of business of the Group, it is on normal commercial terms, fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

DIRECTORS' REPORT

The restricted shares granted to Mr. PAN Yang represents the value of HK$12,223,500, taking into account the number of restricted shares granted and the closing price of HK$1.45 per Share as stated in the daily quotation sheet issued by the Stock Exchange on the date of grant of restricted shares. Mr. PAN Yang is not required to pay any subscription price of the restricted shares granted to him.

For details, please refer to the announcement of the Company dated 8 July 2024 in relation to the grant of restricted shares.

Mr. PAN Yang resigned as an executive Director and the Chief Executive Officer of the Company on 30 December 2024. Pursuant to the 2024 Restricted Share Award Scheme Rules, the aforesaid restricted shares granted have lapsed on the date of his resignation.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Office Seats Leasing Agreement with Far East Horizon

On 11 April 2023, the Company entered into an office seats leasing services framework agreement (the "Office Seats Leasing Agreement") with Far East Horizon, pursuant to which Far East Horizon and its associates (the "Far East Horizon Connected Persons") agreed to lease certain office seats to the Group for a term commencing from the Listing Date to 31 December 2025.

The rental to be paid by the Group under the Office Seats Leasing Agreement shall be in line with normal commercial terms and determined on arm's length basis with reference to (i) the number, area, location and lease term of the office seats; and (ii) the prevailing market rates of similar office seats leasing services provided by the Independent Third Parties. The maximum annual rental to be paid by the Group to the Far East Horizon Connected Persons in relation to the Office Seats Leasing Agreement for the year ended 31 December 2024 will not exceed RMB9,564,000. For the year ended 31 December 2024, the annual rental actually paid by the Group to the Far East Horizon Connected Persons is RMB nil.

Far East Horizon is a controlling shareholder of the Company and is therefore a connected person of the Company. The leasing of certain office seats by the Group from the Far East Horizon Connected Persons under the Office Seats Leasing Agreement constitutes a continuing connected transaction of the Company. As the highest applicable percentage ratio in respect of the annual caps of the Office Seats Leasing Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Office Seats Leasing Agreement are subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

For details, please refer to the section headed "Connected Transactions – Our Continuing Connected Transactions – (B) Continuing Connected Transactions Subject to the Reporting, Annual Review and Announcement Requirements but Exempt from the Independent Shareholders' Approval Requirement – 1. Office Seats Leasing Agreement" in the Prospectus.

DIRECTORS' REPORT

Construction and Decoration Services Agreement with Far East Horizon

On 11 April 2023, our Company entered into a construction and decoration services framework agreement (the "Construction and Decoration Services Agreement") with Far East Horizon, pursuant to which the Far East Horizon Connected Persons agreed to provide construction and decoration services, including but not limited to indoor and outdoor decoration such as plant decoration, water supply and drainage construction, electrical engineering, smart light current engineering system construction and maintenance, outdoor waterscape construction and secondary fire protection engineering services, to our Group from the Listing Date to 31 December 2025.

The service fees to be paid by our Group under the Construction and Decoration Services Agreement shall be in line with normal commercial terms and determined on arm's length basis with reference to (i) the status, complexity and construction period of each project, and the type, market price and costs of construction and decoration raw materials; and (ii) the prevailing market rates of comparable construction and decoration services provided by the Independent Third Parties. For the Construction and Decoration Services Agreement, the maximum total annual service fees to be paid by our Group to the Far East Horizon Connected Persons for construction and decoration services for the year ended 31 December 2024 shall not exceed RMB376,000. For the year ended 31 December 2024, the total service fees actually paid by the Group to the Far East Horizon Connected Persons for construction and decoration services were RMB nil.

Far East Horizon is a controlling shareholder of the Company and is therefore a connected person of the Company. The provision of construction and decoration services by the Far East Horizon Connected Persons to the Group pursuant to the Construction and Decoration Services Agreement constitutes a continuing connected transaction of the Company. As the highest applicable percentage ratio in respect of the annual caps of the Construction and Decoration Services Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Construction and Decoration Services Agreement are subject to the reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

For details, please refer to the section headed "Connected Transactions – Our Continuing Connected Transactions – (B) Continuing Connected Transactions Subject to the Reporting, Annual Review and Announcement Requirements but Exempt from the Independent Shareholders' Approval Requirement – 2. Construction and Decoration Services Agreement" of the Prospectus.

Material Procurement Agreement with Shangyu Boteng

On 11 April 2023, our Company entered into a materials procurement framework agreement (the "Materials Procurement Agreement") with Shaoxing Shangyu Boteng Metal Products Co., Ltd. ("Shangyu Boteng"), pursuant to which our Group agreed to purchase certain materials, including but not limited to connection accessories of ringlock scaffolds, from Shangyu Boteng and its associates during the period from the Listing Date to 31 December 2025.

The amount paid by our Group under the Materials Procurement Agreement shall be in line with normal commercial terms and determined on arm's length basis with reference to (i) the specification, model, unit price, type and quality of the materials; and (ii) the prevailing market rates of similar materials provided by the Independent Third Parties. The maximum annual procurement costs to be paid by the Group to Shangyu Boteng and its associates in relation to the Materials Procurement Agreement for the year ended 31 December 2024 will not exceed RMB165,600,000. For the year ended 31 December 2024, the procurement costs actually paid by the Group to Shangyu Boteng and its associates are approximately RMB102,234,000.

DIRECTORS' REPORT

Shangyu Boteng is an associate of Mr. HE Ziming, and is therefore a connected person of the Company. As at the latest practicable date of the Prospectus, Shangyu Boteng was owned as to 98% by Mr. HE Mengguang, a brother of Mr. HE Ziming, and 2% by Mr. DONG Yuejin. To the best knowledge of our Directors, Mr. DONG Yuejin is Mr. HE Ziming's cousin, therefore the Group's procurement of certain materials from Shangyu Boteng and its associates under the Materials Procurement Agreement constitutes a continuing connected transaction of the Company. As the highest applicable percentage ratio in respect of the annual caps of the Materials Procurement Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Materials Procurement Agreement are subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

For details, please refer to the section headed "Connected Transactions－Our Continuing Connected Transactions－(B) Continuing Connected Transactions Subject to the Reporting, Annual Review and Announcement Requirements but Exempt from the Independent Shareholders' Approval Requirement－3. Materials Procurement Agreement" in the Prospectus.

Financing Lease Agreement with Far East Horizon

On 11 April 2023, the Company entered into a financial leasing services framework agreement (the "Financial Leasing Agreement") with Far East Horizon, pursuant to which the Far East Horizon Connected Persons agreed to provide financing lease services to our Group from the Listing Date up to 31 December 2025, including direct leasing and sale-leaseback of equipment and/or materials.

The amounts to be paid by our Group under the Financial Leasing Agreement shall be in line with normal commercial terms and determined on arm's length basis with reference to (i) the expected financing needs of our Group; (ii) the prevailing market rates of similar financial leasing services provided by the Independent Third Parties; and (iii) the benchmark leasing rates published by People's Bank of China from time to time or the rates charged by the major financial service providers for similar financial leasing services. As for the Financial Leasing Agreement, the annual maximum transaction amounts of our Group's equipment and/or materials that were under direct leasing transactions and sale-leaseback transactions with the Far East Horizon Connected Persons for the year ended 31 December 2024 shall not exceed RMB65,161,000 and RMB931,225,000, respectively. For the year ended 31 December 2024, the actual transaction amounts of our Group's equipment and/or materials that were under sale-leaseback transactions and direct leasing transactions with the Far East Horizon Connected Persons were RMB nil and RMB nil, respectively.

Far East Horizon is a controlling shareholder of the Company and is therefore a connected person of the Company. The financing lease services provided by Far East Horizon Connected Persons to our Group under the Financing Lease Agreement constitute continuing connected transactions of the Company. As the highest applicable percentage ratio in respect of the annual caps of the Financial Leasing Agreement is more than 5%, the transactions contemplated under the Financial Leasing Agreement are subject to the reporting, annual review, announcement and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

For details, please refer to the section headed "Connected Transactions – Our Continuing Connected Transactions – (C) Continuing Connected Transactions Subject to the Reporting, Annual Review, Announcement and the Independent Shareholders' Approval Requirements – 1. Financial Leasing Agreement" in the Prospectus.

DIRECTORS' REPORT

Referable Amount Framework Agreement with Teeroy Limited and CDHorizon Employee Incentive (CP) Limited

Immediately following the grant of restricted shares by the Company pursuant to the 2024 Restricted Share Award Scheme on 8 July 2024, the aggregate interest of connected persons of the Company in the Trust exceeded 30%. As such, Teeroy Limited, being the trustee (the "Trustee"), and its wholly-owned subsidiary, namely CDHorizon Employee Incentive (CP) Limited (the "BVI Holding Company"), became associates of connected persons of the Company. The Company's payments to BVI Holding Company designated by the Trustee for purchasing Restricted Shares in the open market constitute connected transactions of the Company. Given that the Company may make payments to BVI Holding Company during the financial period ending 31 December 2024 to 2026 for purchasing Shares to satisfy the vesting of the restricted shares under the Restricted Share Award Scheme, the Company entered into a referable amount framework agreement (the "Referable Amount Framework Agreement") with the Trustee and BVI Holding Company on 8 August 2024, pursuant to which, the Company agreed that the relevant payments shall be made by the Company or via the person designated by the Company (including a subsidiary of the Company) with its own funds to BVI Holding Company for purchasing Shares in the open market from 8 August 2024 until 31 December 2026 (the "Agreement Term"). The restricted shares under the Restricted Share Award Scheme will be held by BVI Holding Company on behalf of the grantees in form of trust of the Company or the person designated by the Company (including a subsidiary of the Company) until such restricted shares are vested to the grantees in accordance with the Restricted Share Award Scheme.

The payments made by the Company or via the person designated by the Company (including a subsidiary of the Company) with its own funds to BVI Holding Company for each financial year ending 31 December during the Agreement Term shall not exceed HK$90 million. As the highest applicable percentage ratio of the proposed annual caps under the Referable Amount Framework Agreement exceeds 0.1% but is less than 5%, the Referable Amount Framework Agreement and the transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. The actual payment made by the Company or via the person designated by the Company (including a subsidiary of the Company) for purchasing Restricted Shares in the open market amounted to approximately RMB54.854 million (equivalent to approximately HK$59.235 million, an exchange rate of 1HKD = RMB0.92604 published by The People's Bank of China on 31 December 2024 was adopted for illustration purpose only) during the period ended 31 December 2024.

For details, please refer to the announcement of the Company dated 8 August 2024 in relation to the entering into of the Referable Amount Framework Agreement.

Details of related party transactions of the Company for the year ended 31 December 2024 are set out in Note 38 to the consolidated financial statements. Save as the related party transactions as set out under item (1) (excluding the transactions therein with Far East Horizon Leasing (Guangdong) Co., Ltd., International Far Eastern Leasing Co., Ltd. and Shanghai Yijia Construction Development Co., Ltd.) and item (2) (excluding the transactions therein with Shanghai Yijia Construction Development Co., Ltd.), all the related party transactions as set out under Note 38 constitute connected transactions of the Company under Chapter 14A of the Listing Rules. The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of all such connected transactions.

DIRECTORS' REPORT

CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

(a) in the ordinary and usual course of business of the Group;

(b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and

(c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

CONFIRMATION OF THE AUDITOR

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

(a) have received the approval of the Board;

(b) have been entered into in accordance with the pricing policies of the Group;

(c) have been entered into in accordance with the relevant agreements governing the transactions; and

(d) have not exceeded the relevant annual caps for the financial year ended 31 December 2024.

DIRECTORS' REPORT

INCENTIVE SCHEMES

The Company adopted the 2024 Restricted Share Award Scheme on 12 March 2024, and adopted the 2024 Share Option Scheme on 4 June 2024. For details of the 2024 Restricted Share Award Scheme, please refer to the announcement of the Company dated 12 March 2024. For details of the 2024 Share Option Scheme, please refer to the announcements of the Company dated 12 March 2024 and 4 June 2024 and the circular of the Company dated 2 May 2024.

2024 Share Option Scheme

The purposes of the 2024 Share Option Scheme are to reward the participants for their contribution to the Company and to encourage the participants to continue their efforts towards enhancing the value of the Company and its Shares in the interests of the Company and all its Shareholders as a whole. Participants who meet the conditions of participation as set out in the Listing Rules and the 2024 Share Option Scheme Rules, specifically, include the directors, senior management, middle management and other key employees of the Company and/or the subsidiaries of the Company who meet the conditions of participation as set out in the Listing Rules and the 2024 Share Option Scheme. The qualification of the selected participants shall be determined by the Board or the administration committee of the scheme at its sole discretion based on their contributions to the Company or any of its subsidiaries. The 2024 Share Option Scheme will remain in force for a period of 10 years commencing 4 June 2024 (i.e. the adoption date), unless otherwise being early terminated. Hence, the 2024 Share Option Scheme will still remain in force for around 9 years.

The total number of Shares to be issued in respect of which the share options 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 2024 Share Option Scheme at the general meeting, which is 47,958,660 Shares (representing 1.5% of the issued share capital of the Company (excluding treasury shares) as at the date of disclosure of this report).

The maximum number of Shares which are issued and to be issued upon exercise of options (including exercised and unexercised options) by any participant within any 12-month period must not exceed 1% of the issued Shares from time to time (the "Individual Limit"). In the event the grant of options to such participant will result in the number of Shares issued and to be issued under all options granted to him/her (excluding the lapsed options under the terms of the scheme) within the 12-month period up to and inclusive of the grant date of such option in excess of 1% of the total number of Shares in issue of the Company, the Company shall convene another general meeting to seek the approval of the Shareholders, and such participant and his/her close associates (or his/her associates if such participant is a connected person) shall abstain from voting. In the event the grant of options to any substantial shareholder or independent non-executive Director of the Company or any of their respective associates will result in the total number of Shares issued to him/her within the 12-month period prior to and inclusive of the grant date and Shares to be issued to him/her upon the exercise of all options granted or to be granted to him/her (excluding any lapsed options under the 2024 Share Option Scheme Rules) in excess of 0.1% of the number of Shares in issue, such further grant of options shall require the prior approval of the Shareholders of the Company, and the grantee and his/her associates and all core connected persons of the Company shall abstain from voting. A circular shall be despatched to Shareholders under the Listing Rules.

DIRECTORS' REPORT

In accordance with the 2024 Share Option Scheme Rules, participants who have been granted options should decide whether or not to accept the offer of options within 14 days after the grant date. If the Company receives, within the period of the acceptance date, a letter of offer of share options signed by such participant specifying the number of Shares in respect of which he/she accepts the offer of options and, at the same time, receives from him/her a remittance to the Company of the consideration for the grant of the options in the amount of HK$1.00, the options in respect of the letter of offer of share options shall be deemed to be granted and effective. The consideration of HK$1.00 for the grant of the options is nominal only and taking into account the contributions made or to be made by the participants to the Group, the Board considers that the nominal consideration of HK$1.00 to be paid by each participant for the purchase of each of the options is fair and reasonable and that such arrangement is in line with the purpose of the Share Option Scheme, i.e. it is intended to grant options to the participants as an incentive for their contribution to the Group. Upon fulfillment of the vesting conditions and subject to relevant provisions of 2024 Share Option Scheme, the options will be granted to participants in batches in accordance with the vesting plan: (i) one-third of the options shall be vested on the first anniversary of the grant date, (ii) one-third of the options shall be vested on the second anniversary of the grant date, and (iii) the remaining shall be vested on the third anniversary of the grant date.

Share options shall be exercised within the Share Option Period determined by the Board or the Administration Committee (which may not be later than 10 years from the grant date of relevant share options), after which any unexercised options shall automatically lapse, except in certain circumstances as otherwise expressly provided for in the 2024 Share Option Scheme Rules. The exercise price shall be determined in the sole discretion of the Board or the Administration Committee but shall in no event be less than the higher of: (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the grant date, which must be a business day; and (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the grant date.

During the reporting period, two executive Directors were granted options to subscribe for an aggregate of 4,220,000 Shares, of which options entitled to subscribe for 3,610,000 Shares lapsed during the reporting period, while the remaining 47 share option grantees were granted options to subscribe for an aggregate of 11,110,000 Shares. A summary of the movements of the outstanding share options under the 2024 Share Option Scheme during the year is as follows:

					Number of share options					
Grantee	Date of grant	Vesting period	Exercise period	Exercise price per share HK$	Outstanding as at 1 January 2024	Granted	Exercised	Lapsed	Cancelled	Outstanding as at 31 December 2024
		(Note 1)	(Note 2)	(Note 3)		(Note 4)	(Note 5)	(Note 6)		
PAN Yang Former executive Director and former Chief Executive Officer (resigned on 30 December 2024)	8 July 2024	8 July 2025 – 8 July 2027	8 July 2025 – 8 July 2034	1.45	–	3,610,000	–	3,610,000	–	–
TANG Li Executive Director and Co-Chief Financial Officer	8 July 2024	8 July 2025 – 8 July 2027	8 July 2025 – 8 July 2034	1.45	–	610,000	–	–	–	610,000
Subtotal for Directors					–	4,220,000	–	3,610,000	–	610,000

DIRECTORS' REPORT

					Number of share options					
Grantee	Date of grant	Vesting period	Exercise period	Exercise price per share HK$	Outstanding as at 1 January 2024	Granted	Exercised	Lapsed	Cancelled	Outstanding as at 31 December 2024
		(Note 1)	(Note 2)	(Note 3)		(Note 4)	(Note 5)	(Note 6)		
Employees	8 July 2024	8 July 2025 – 8 July 2027	8 July 2025 – 8 July 2034	1.45	–	11,110,000	–	300,000	–	10,810,000
Total					–	15,330,000	–	3,910,000	–	11,420,000

Note 1: Subject to the 2024 Share Option Scheme Rules, the share options granted are subject to a vesting scheme in tranches: one-third shall be vested on the first anniversary of the granting date, one-third shall be vested on the second anniversary of the granting date, and the remaining shall be vested on the third anniversary of the granting date.

Note 2: According to the 2024 Share Option Scheme, the share options shall be exercised within the Share Option Period. "Share Option Period" shall mean, in respect of any particular share option, a period (which may not be later than 10 years from the offer date of that share option) to be determined and notified by the Board or the Administration Committee to the grantee thereof and, in the absence of such determination, from the offer date to the earlier of (i) the date on which such share option lapses; and (ii) 10 years from the offer date of such share option. There is no minimum period for which any vested share option must be held before it can be exercised, and no performance target is required for a grantee before the exercise of vested share options.

Note 3: The exercise price is not less than the higher of (i) the closing price of HK$1.45 per Share on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on 8 July 2024 (i.e. the grant date); and (ii) the average closing price of 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. The closing price immediately preceding the date of grant of share options was HK$1.56 per Share.

Note 4: The performance targets attached to the grant of options include (a) measurable performance benchmark which the Board considers relevant to the grantee, such as key performance indicators of respective department(s) and/or subsidiary(ies) to which the grantee belongs, individual position, ranking, annual appraisal results and performance of the grantee as determined under the Company's employee performance evaluation system; (b) the grantee's fulfilment of milestones with respect to, including but not limited to, the business development of the Group; (c) such performance targets as the Board considers appropriate, such as the Company's annual results, the annual growth in the revenue of the Group as compared to the previous financial year and the performance of the Group. The Board or the Administration Committee will conduct assessment by comparing the actual performance, operating or financial results of the Company, the Company's subsidiary(ies) and the actual performance of the grantee with the pre-determined targets or individual performance indicators to determine whether or to what extent the performance targets have been met. Such pre-determined targets or individual performance indicators specified in the Share Option Offer letter may be set by the Board or the Administration Committee on a case by case basis with reference to factors including the specific position and role of the relevant grantee, and the overall business plan, strategy and the expected financial performance of the Group in the relevant period. The performance targets will be deemed to be met when the actual level achieved reaches or exceeds the level of the pre-determined targets or individual performance indicators. For details, please refer to the section headed "V. Grant Of Share Options" set forth in Appendix I to the circular of the Company dated 2 May 2024.

Note 5: No options were exercised under the 2024 Share Option Scheme during the reporting period. Therefore, the weighted average closing price of such shares immediately prior to the exercise date of the options as required to be disclosed under Rule 17.07(1)(d) of the Listing Rules is not applicable.

Note 6: On 30 December 2024, Mr. PAN Yang resigned as an executive Director and the Chief Executive Officer of the Company. Pursuant to the 2024 Share Option Scheme Rules, the 3,610,000 share options granted to Mr. PAN Yang on 8 July 2024 lapsed on the effective date of his resignation.

Note 7: The number of share options that may be granted under the 2024 Share Option Scheme as at the end of the reporting period was 36,538,660. The number of shares to be issued under the share options granted but remain outstanding was 11,420,000. The weighted average number of Shares that may be issued in respect of share options granted under the 2024 Share Option Scheme divided by the number of shares in issue (excluding treasury shares) during the reporting period is 0.4%.

DIRECTORS' REPORT

As of 31 December 2024, the aggregated fair value of the share options granted on 8 July 2024 under the 2024 Share Option Scheme was RMB10,584,000. The estimated value of the share options granted to Mr. PAN Yang (former executive Director and former Chief Executive Officer, resigned on 30 December 2024), Mr. TANG Li and other eligible employees on that date was RMB2,492,000, RMB421,000 and RMB7,670,000, respectively.

Grantee	Date of grant	Total number of options granted	Fair value of options granted
			RMB'000
Mr. PAN Yang (former executive Director and former Chief Executive Officer (resigned on 30 December 2024) (Note 1)	8 July 2024	3,610,000	2,492
Mr. TANG Li	8 July 2024	610,000	421
Employees	8 July 2024	11,110,000	7,670
Total		15,330,000	10,584

Note 1: On 30 December 2024, Mr. PAN Yang resigned as an executive Director and the Chief Executive Officer of the Company. The 3,610,000 share options granted to Mr. PAN Yang on 8 July 2024 lapsed on the date of his resignation.

Please refer to note 31 to the financial statements for details of accounting standards and policies for the fair value of options granted as at 8 July 2024 and the remaining life of the 2024 Share Option Scheme.

2024 Restricted Share Award Scheme

The purposes of the 2024 Restricted Share Award Scheme are to provide participants with an opportunity to acquire equity interest of the Company; to encourage and retain participants to contribute for the development of the Company; to provide additional incentives to motivate them to strive for performance targets; and to attract external talents, so as to achieve the goal of increasing the value of the Company and to connect participants' interests directly to those of the Shareholders of the Company through ownership of Shares. Participants who meet the conditions of participation as set out in the 2024 Restricted Share Award Scheme Rules, specifically, include the Directors, senior management, middle management and other key employees of the Company and/or the subsidiaries of the Company who meet the conditions of participation as set out in the 2024 Restricted Share Award Scheme. The eligibility of the selected participants is determined by the Board or the Administration Committee in consideration of their employment status with the Group, such as for how long they have been an employee, the managerial or key positions held and the corresponding functions assumed, individual expertise, skills or experience, contribution to the operation and management of the Company or any of its subsidiaries, and such other factors as may be deemed appropriate by the Board or the Administration Committee in its sole discretion. Pursuant to the 2024 Restricted Share Award Scheme Rules, the Restricted Shares will be Shares purchased by the Trustee in cash out of the Company's own funds to the Trustee, and will be held in trust on behalf of relevant selected grantees until such Restricted Shares are vested to relevant selected grantees in accordance with the Share Award Scheme Rules and the award conditions of such Restricted Shares, if any.

DIRECTORS' REPORT

On 12 March 2024, as approved by the Board, the number of Restricted Shares granted under the 2024 Restricted Share Award Scheme shall not exceed 3.5% of the total number of Shares of the Company in issue as at the date of the approval and adoption of the Restricted Share Award Scheme by the Board, i.e., 111,903,540 Shares (representing 3.5% of the share capital of the Company in issue (excluding treasury shares) as at the date of disclosure of this report). The grantees of Restricted Shares are not required to pay any consideration for the acceptance of the Restricted Share awards granted.

The Selected grantees shall return the duly executed acceptance notice to the Board or the Administration Committee within 28 days for accepting the grant of Restricted Shares in accordance with the terms of the Restricted Share Award Scheme Rules. Otherwise, the Restricted Shares granted will be deemed as unaccepted Shares. Upon satisfaction of vesting conditions, the Restricted Shares granted to the selected grantees are subject to a vesting scheme in tranches: one-third shall be vested on the first anniversary of the granting date, one-third shall be vested on the second anniversary of the granting date, and the remaining shall be vested on the third anniversary of the granting date.

Pursuant to the 2024 Restricted Share Award Scheme Rules, the 2024 Restricted Share Award Scheme shall remain valid unless it is terminated early according to the resolution of the Board.

During the reporting period, the Company granted a total of 35,710,000 Shares under the 2024 Restricted Share Award Scheme, with a total of 0 Share being vested and 9,130,000 Shares being lapsed. As at 31 December 2024, there were 85,323,540 Shares remained to be granted under the 2024 Restricted Share Award Scheme. A summary of the movements of the outstanding Restricted Shares under the 2024 Restricted Share Award Scheme during 2024 is as follows:

			Movements of the number of Restricted Shares during 2024					
Grantees	Date of grant	Vesting Period	Outstanding as at 1 January 2024	Granted	Vested	Lapsed	Cancelled	**Outstanding as at 31 December 2024**
		(Note 1)		(Notes 2 and 3)	(Note 4)	(Note 5)		
PAN Yang Former executive Director and former Chief Executive Officer (resigned on 30 December 2024)	8 July 2024	8 July 2025 to 8 July 2027	–	8,430,000	–	8,430,000	–	**–**
TANG Li Executive Director and Co-Chief Financial Officer	8 July 2024	8 July 2025 to 8 July 2027	–	1,420,000	–	–	–	**1,420,000**
Subtotal for Directors			–	9,850,000	–	8,430,000	–	**1,420,000**

DIRECTORS' REPORT

Grantees	Date of grant	Vesting Period	Outstanding as at 1 January 2024	Granted	Vested	Lapsed	Cancelled	Outstanding as at 31 December 2024
			Movements of the number of Restricted Shares during 2024					
		(Note 1)		(Notes 2 and 3)	(Note 4)	(Note 5)		
Employees	8 July 2024	8 July 2025 to 8 July 2027	–	25,860,000	–	700,000	–	**25,160,000**
Subtotal for employees			–	25,860,000	–	700,000	–	**25,160,000**
Total			–	35,710,000	–	9,130,000	–	**26,580,000**
Five highest paid employees	8 July 2024	8 July 2025 to 8 July 2027	–	14,110,000	–	8,430,000	–	**5,680,000**
Total (five highest paid employees)			–	14,110,000	–	8,430,000	–	**5,680,000**

Note 1: Subject to the 2024 Restricted Share Award Scheme Rules, upon satisfaction of vesting conditions, the Restricted Shares granted to the grantees are subject to a vesting scheme in tranches: one-third shall be vested on the first anniversary of the granting date, one-third shall be vested on the second anniversary of the granting date, and the remaining shall be vested on the third anniversary of the granting date. The exercise period for Restricted Shares granted has not been specified under the rules of the award scheme.

Note 2: According to the 2024 Restricted Share Award Scheme Rules, in determining the number of Restricted Shares to be granted to any selected grantee, the Board or the Administration Committee shall take into account certain matters, including but not limited to: i. the current and expected contribution of the the Group's profits from relevant selected grantees; ii. the expertise, skills or experience, performance and synergies at work and achievement of performance targets of relevant selected grantees; iii. the general financial condition, overall business objectives and future development plans of the Group; and iv. any other matters that the Board or the Administration Committee deems relevant. The grantee of Restricted Shares is not required to pay any consideration for the acceptance of the Restricted Share awards granted. For details, please refer to the announcement of the Company dated 12 March 2024.

Note 3: The closing price immediately preceding the date of grant of Restricted Shares was HK$1.56 per Share.

Note 4: No shares were vested under the 2024 Restricted Share Award Scheme during the reporting period. Therefore, the weighted average closing price of such shares immediately prior to the vesting date as required to be disclosed under Rule 17.07(1)(d) of the Listing Rules is not applicable.

Note 5: On 30 December 2024, Mr. PAN Yang resigned as an executive Director and the Chief Executive Officer of the Company. Pursuant to the 2024 Restricted Share Award Scheme Rules, the 8,430,000 Restricted Shares granted to Mr. PAN Yang on 8 July 2024 lapsed on the effective date of his resignation.

Note 6: As at 31 December 2024, the number of shares that may be granted under the 2024 Restricted Share Award Scheme was 85,323,540.

Note 7: The 2024 Restricted Share Award Scheme does not involve the issue of new shares. Therefore, the weighted average number of Shares that may be issued in respect of the Restricted Shares granted under the 2024 Restricted Share Award Scheme during the reporting period divided by the number of issued shares (excluding treasury shares) during the reporting period as required to be disclosed under Rule 17.07(3) of the Listing Rules is not applicable.

DIRECTORS' REPORT

As of 31 December 2024, the aggregated fair value of the Restricted Shares granted on 8 July 2024 under the 2014 Restricted Share Award Scheme was RMB41,162,000. The estimated value of the Restricted Shares granted to Mr. PAN Yang (former executive Director and former Chief Executive Officer, resigned on 30 December 2024), Mr. TANG Li, other eligible employees and the five highest paid employees on that date was RMB9,717,000, RMB1,637,000, RMB29,808,000 and RMB16,264,000, respectively.

Grantee	Date of grant	Total number of Restricted Shares granted	Fair value of Restricted Shares granted
			RMB'000
Mr. PAN Yang (former executive Director and former Chief Executive Officer, resigned on 30 December 2024) (Note 1)	8 July 2024	8,430,000	9,717
Mr. TANG Li	8 July 2024	1,420,000	1,637
Employees	8 July 2024	25,860,000	29,808
Total		35,710,000	41,162
Five highest paid employees	8 July 2024	14,110,000	16,264

Note 1: On 30 December 2024, Mr. PAN Yang resigned as an executive Director and the Chief Executive Officer of the Company. The 8,430,000 Restricted Shares granted to Mr. PAN Yang on 8 July 2024 lapsed on the effective date of his resignation.

Please refer to note 32 to the financial statements for details of the accounting standards and policies for the fair value of Restricted Shares granted on 8 July 2024.

AUDIT COMMITTEE

The Audit Committee comprises three members, including Mr. XU Min (Chairman), Ms. JIN Jinping and Mr. SUM Siu Kei, all of whom are independent non-executive directors (including one independent non-executive director who possesses appropriate professional qualifications or expertise in accounting or relevant finance management). They have reviewed the accounting principles and practices adopted by the Group and discussed matters regarding auditing and financial reporting, including reviewing the financial results of the Group for the year ended 31 December 2024.

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

DIRECTORS' REPORT

AUDITOR

Pursuant to the resolution of the 2024 AGM of the Company, the Company reappointed Ernst & Young as the auditor of the Company in 2024. The Company has not changed its auditor from the Listing Date to the date of this report.

By order of the Board
KONG Fanxing
Chairman
6 March 2025

CORPORATE SOCIAL RESPONSIBILITY REPORT

PHILOSOPHY OF RESPONSIBILITY

Be Global for Shared Prosperity

Horizon Construction Development strives to become a trustworthy comprehensive equipment operation service provider and pursues a contribution to customers' safer and more efficient production and operation. With such vision and mission, Horizon Construction Development is committed to providing customers with multi-functional, multi-latitude and full-cycle comprehensive services and consistently creating value for customers, holding onto its core value of "customer first, hard work, and win-win through cooperation".

"Be global for shared prosperity" is the Group's idea about environmental, social and governance (ESG) issues, which has been factored into the corporate culture and the long-term business development strategy of the Group. The Group advances its ESG efforts and continues to raise the level of its ESG management to address the concerns of the key stakeholders, such as "environment", "customers", "employees and communities" and "investors", while endeavoring to create long-term sustainable shared value for all stakeholders.

ACCOUNTABLE TO INVESTORS

Strengthening the Governance for Laying the Foundation for High-quality Development

Horizon Construction Development has been listed on the Main Board of the Stock Exchange since 25 May 2023. Putting customers at the heart of everything it does, Horizon Construction Development conducts customer need-oriented operations, committed to providing customers with one-stop integrated comprehensive equipment operation services that are delivered on all fronts, multiple dimensions, and full cycle. On a steady growth path, Horizon Construction Development will relentlessly return its Shareholders and investors by creating higher value.

ACCOUNTABLE TO EMPLOYEES

Creating Better Lives Together with Its Valued Employees

Horizon Construction Development remains attentive to the personal lives of its employees, respects individuality and develops their differentiated talent, and emphasizes the enhancement of their sense of happiness and team cohesion. Horizon Construction Development is committed to nurturing a culture of fairness, impartiality and transparency, creating and maintaining a safe and healthy workplace, and building a growth platform that has employees' trust and dedication.

Employees' Rights and Interests

In pursuit of developing a culture of fairness, impartiality and transparency, Horizon Construction Development has constructed sound and standardized human resources management systems and rules, which clearly provide for working hours, leave, remuneration and benefits to fully protect the legitimate rights, interests, and benefits of employees. In addition, to ensure democratic management, the Group has built a democratic system which centers on the general meeting of employee representatives and the labor union and established a communication and feedback mechanism for employees. Horizon Construction Development has set up a platform dubbed "Tea Bar" to collect reasonable advice from its employees, which encourages employees to speak out and make recommendations to the Group for its operation and management. Further, the Group conducts periodic surveys on employees' devotion to work.

CORPORATE SOCIAL RESPONSIBILITY REPORT

Horizon Construction Development persists in achieving equitable access to employment and workplace diversity. Employees are given equal opportunities in respect of recruitment, training and development, promotion, and compensation and benefits. The Group recruits capable employees regardless of age, gender, ethnicity and educational background. The Group makes contributions to the five types of social insurance and the mandatory housing fund for all employees, buys supplemental medical insurance and group personal accident insurance for employees, and provides other non-statutory benefits such as festival grants, festival bonuses to employees' parents, and meal subsidies.

Employee Development

Talents serve as the foundation and the driver of value creation, and a well-rounded and sound training system plays an important role in cultivating talent and improving corporate competitiveness. Horizon Construction Development has developed a powerful training support system to upskill each employee and help the employees build fulfilling careers to the greatest extent. Also, by establishing an online learning platform and giving an allowance to employees who have obtained qualification certificates in relation to the construction industry, the Group assists its employees with their enhancement of professional competence and builds itself into a learning organization encouraging self-evaluation, self-motivation, and self-improvement, which has created a vibe featuring lifelong learning among its people.

Employee Care

It is important to let employees know that they are under care. To this end, Horizon Construction Development has formulated the Labor Union Welfare Specifications, organizes labor union welfare events at regular intervals, and provides employees with the necessary support by extending compassionate care, regard and relief to them. In this way, the Group fully showcases its care about employees' personal lives and enhances their sense of happiness and team cohesion, while striving to build a growth platform that has employees' trust and dedication. Horizon Construction Development takes actions to express its care about employees, including compassionate care about employees, condolences from the labor union, relief from the labor union, and women's empowerment.

Employee Health and Safety

HSE is short for Health, Safety and Environment. Taking HSE management as the foundation of the Group's operations and the guarantee of the Group's sustainable development, Horizon Construction Development has established a HSE system mainly backed by the HSE Management Regulations and makes every effort to create and maintain a safe and healthy workplace freeing its employees from safety accidents and occupational diseases.

Horizon Construction Development's occupational disease risks are largely related to noise, dust and high temperature. Risk management remains the core of the Group's safety management. Bearing this core in mind, the Group has formulated occupational health related rules such as the Administrative Measures for Occupational Health Management to build a comprehensive occupational health and safety management system. The Group promotes periodic identification of occupational disease risks throughout the whole production cycle at each base, monitors occupational disease risks and addresses such risks by rectifying vulnerable spots, and bolsters its employee occupational health management through both equipment improvement and health prevention.

CORPORATE SOCIAL RESPONSIBILITY REPORT

SOCIAL WELFARE ACTIONS

Community Engagement and Development

In strict compliance with the Law of the PRC on Prevention and Control of Noise Pollution, the Law of the PRC on the Prevention and Control of Atmospheric Pollution and other laws and regulations, Horizon Construction Development has been conscious of its impact on the local communities and responded with control measures in the course of its business operations. The Group enhanced the performance of environmental protection responsibilities and proactively participates in community engagement and development and closely aligns its development with the development of the local communities. Focusing on areas including environmental protection and voluntary blood donation, the Group attempts to promote shared prosperity and development with the communities where it operates and improve the residents' livelihood. In 2024, the Group organized its staff to participate in blood donation activities in Jinshan District and Jiading District in Shanghai, visit fire brigade in Jinshan District in Shanghai and provide gratitude materials, and participated in green environment protection campaign in roads within Qixia District in Nanjing and various public charity activities.

Rural Revitalization and Public Charity

In response to the "call for fully promoting rural revitalization" by the Chinese government, Horizon Construction Development has been an active participant in charitable activities and supporter of the development of various social and public undertakings, strictly abiding by the Charity Law of the PRC, the Law of the PRC on Donations for Public Welfare and other laws and regulations. In 2024, the Group made charitable donations totaling RMB140,000 in the areas of rural revitalization and emergency relief. For example, during the year, the Group continuously provided paired assistance to certain needy groups in Waigang Town, Jiading District, Shanghai. Particularly, the staff visited poverty-stricken families in Shijin Village and provided them with financial support and daily necessities such as rice, eggs, and cooking oil. In addition, the Group provided paired assistance to women in need in Waigang Town, Jiading District, Shanghai, and provided allowance for those who are suffering from cancer.

CORPORATE SOCIAL RESPONSIBILITY REPORT

ACCOUNTABLE TO ENVIRONMENT

Exploring New Green Paths to Save Energy and Reduce Carbon Footprint

Continually improving its climate change management system and environmental management system, Horizon Construction Development sets targets and roadmap to achieve carbon neutrality and keeps track of the progress. Therefore, the Group can effectively manage climate-related risks while seizing climate-related opportunities and continuously better its management accordingly to minimize the carbon footprint generated from its operational activities. As regards environmental management, the Group invests "consistent efforts to energy conservation and emission reduction, low-carbon commitment and sustainable development". Energy consumption can be reduced while the green and efficient use of energy is promoted through measures such as energy conservation and efficiency enhancement as well as green reengineering on the business side and the use of new energy on the operational side. Besides, substantial improvements to society and the environment can be materialized while the sustainable development of the Company is realized.

ACCOUNTABLE TO CUSTOMERS

Improving Customer Satisfaction by Delivering Better Services

Putting customers at the center, Horizon Construction Development conducts customer need-oriented operations. It has established a customer service management system covering product consultation, after-sales service and customer satisfaction management and formulated corresponding systems and processes to constantly improve the efficiency of its customer service, committed to providing customers services on all fronts, multiple dimensions and full cycle. Meanwhile, the Group focuses on technological innovation. With the integration of IUR (Industry-University-Research) sectors, the Group constantly innovates products and techniques while focusing on the development of software systems and intelligent hardware in a bid to furnish customers with safer, more eco-friendly and more economical solutions.

INDEPENDENT AUDITOR'S REPORT

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道 979號
太古坊一座27樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

To the shareholders of Horizon Construction Development Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Horizon Construction Development Limited (the "Company") and its subsidiaries (the "Group") set out on pages 131 to 252, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
For the year ended 31 December 2024, the revenue of the Group was mainly generated from operating lease services of RMB6,357 million, engineering and technical services of RMB3,751 million and sale of goods of RMB1,472 million. Generally lease income is recognised net of discount, in accordance with the terms of lease contracts over the lease term on a straight line basis. Also there are few lease arrangements where the revenue recognition is not subject to straight line basis, depending on the nature of the lease arrangements and performance of the leases. Revenue from the provision of engineering and technical services is recognised over time, on a percentage of completion basis. We identified revenue recognition as a key audit matter as there is an inherent risk around the accuracy of the revenue recorded given the huge transaction volumes, special terms of lease agreements and the determination of the completion progress. The determination of the completion progress involves the use of significant judgements and estimates. The related disclosure is included in note 2.4, note 4 and note 5 to the consolidated financial statements.	We considered the appropriateness of the Group's revenue recognition accounting policies and assessed compliance with the policies in terms of HKFRSs. We assessed and evaluated the design and operating effectiveness of the key controls, with the assistance of our IT specialists, over the process of revenue recognition. On a sample basis, we performed test of details to: • review the contracts entered into with the customers to identify any non-standard clauses and assess whether the revenue recognition is in compliance with the accounting policies; • review the contracts entered into with the customers to assess whether the key contracts terms of the lease contracts and engineering and technical service contracts are consistent with those recorded in the IT system; • check the statements confirmed by the customers regarding the lease items and lease term, or the construction completed; • re-calculated the accuracy of the revenue recognised; • and assessing the reasonableness of the proportion of revenue recognised on a provisional basis. We performed monthly trend and margin analysis considering both internal and external benchmarks, to compare the reported results with our expectation. We also assessed the relevant disclosures of revenue recognition with reference to the requirements of the prevailing accounting standards.

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of financial assets and contract assets	
HKFRS 9 requires the use of the "expected credit loss" ("ECL") model for the measurement of impairment allowances of financial assets and contract assets. In measuring the ECLs of financial assets and contract assets under HKFRS 9, management need to apply judgement, make necessary assumptions and select the reasonable ECL model, in aspects such as determining whether there are significant increases in credit risk, and determining the parameters and the forward-looking adjustments. As at 31 December 2024, the balance of the Group's financial assets and contract assets, including trade receivables, debt investments at fair value through other comprehensive income, other receivables, deposits and contract assets, amounted to RMB9,614 million and accounted for 26.39% of the Group's total assets. We identified impairment assessment of financial assets and contract assets as a key audit matter because of the significance of the balances and significant judgements and estimates involved in the process, including the classification of stages for measurement of ECLs and the estimation of future cash flows. The related disclosure is included in note 2.4, note 3, note 20, note 21, note 22, note 23 and note 41 to the consolidated financial statements.	We assessed and evaluated the design and operating effectiveness of the key controls, over the process of impairment assessment of financial assets and contract assets. On a sample basis, we evaluated and tested the key parameters of the ECL model, management's major judgements and related assumptions, mainly focusing on the following aspects: • Assessing the reasonableness of the ECL model and related parameters, including probability of default, loss given default, exposure at default, and significant increase in credit risk; and • Assessing the reasonableness of the management's consideration of forward-looking adjustment information when determining ECL, including the use of macroeconomic information and the judgement of adjustments. We also assessed the relevant disclosures of impairment assessment of financial assets and contract assets with reference to the requirements of the prevailing accounting standards.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT (continued)

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

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

Ernst & Young
Certified Public Accountants
Hong Kong
6 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2024

		For the year ended 31 December	
	Notes	**2024**	2023
		RMB'000	RMB'000
REVENUE	5	**11,581,062**	9,610,581
Cost of sales	7	**(7,806,466)**	(5,849,180)
Gross profit		**3,774,596**	3,761,401
Other income and gains	6	**238,667**	210,092
Selling and distribution expenses	7	**(608,675)**	(516,062)
Administrative expenses	7	**(1,270,987)**	(1,077,348)
Expected credit losses ("ECLs") of financial and contract assets, net	7	**(107,374)**	(283,471)
Other expenses	7	**(20,241)**	(33,926)
Finance costs	10	**(805,827)**	(834,163)
PROFIT BEFORE TAX	7	**1,200,159**	1,226,523
Income tax expense	11	**(303,837)**	(264,116)
PROFIT FOR THE YEAR		**896,322**	962,407
Attributable to:			
Owners of the parent		**896,322**	962,407
		896,322	962,407
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13	RMB	RMB
Basic			
Earnings per share		**0.28**	0.32
Diluted			
Earnings per share		**0.28**	0.32

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2024

	For the year ended 31 December	
	2024	2023
	RMB'000	RMB'000
PROFIT FOR THE YEAR	**896,322**	962,407
Other comprehensive income that may be reclassified to profit or loss in the subsequent periods:		
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the year	**2,015**	(324)
Offset foreign exchange loss	**(1,895)**	–
Income tax effect	**(127)**	387
Exchange differences:		
Exchange differences on translation of foreign operations	**6,129**	(84)
Net other comprehensive income that may be reclassified to profit or loss in the subsequent periods	**6,122**	(21)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**6,122**	(21)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**902,444**	962,386
Attributable to:		
Owners of the parent	**902,444**	962,386

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Year ended 31 December 2024

	Notes	31 December 2024 RMB'000	31 December 2023 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**22,245,403**	18,221,107
Right-of-use assets	15(a)	**905,139**	978,426
Other intangible assets	16	**6,749**	3,745
Investment in associate	17	**260**	–
Prepayments, other receivables and other assets	21	**705,104**	563,206
Deferred tax assets	18	**362,808**	348,590
Total non-current assets		**24,225,463**	20,115,074
CURRENT ASSETS			
Inventories	19	**245,111**	170,211
Trade receivables	20	**5,870,926**	5,029,820
Contract assets	22	**753,848**	383,863
Prepayments, other receivables and other assets	21	**2,672,411**	2,121,599
Debt investments at fair value through other comprehensive income	23	**871,920**	1,236,738
Derivative financial instruments	28	**1,166**	12,658
Restricted bank balances	24	**9,918**	14
Cash and cash equivalents	24	**1,783,418**	2,166,798
Total current assets		**12,208,718**	11,121,701
CURRENT LIABILITIES			
Trade and bills payables	25	**2,395,257**	1,552,487
Other payables and accruals	26	**871,239**	668,839
Derivative financial instruments	28	**1,732**	–
Interest-bearing bank and other borrowings	27	**6,535,498**	6,694,592
Lease liabilities	15(b)	**204,088**	192,013
Tax payables		**141,922**	173,588
Total current liabilities		**10,149,736**	9,281,519
NET CURRENT ASSETS		**2,058,982**	1,840,182
TOTAL ASSETS LESS CURRENT LIABILITIES		**26,284,445**	21,955,256

Continued/…

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Year ended 31 December 2024

		31 December 2024	31 December 2023
	Notes	RMB'000	RMB'000
NON-CURRENT LIABILITIES			
Other payables and accruals	26	15,447	13,849
Derivative financial instruments	28	–	2,581
Interest-bearing bank and other borrowings	27	14,367,397	10,644,640
Lease liabilities	15(b)	429,494	501,591
Deferred revenue	29	13,757	14,928
Total non-current liabilities		14,826,095	11,177,589
Net assets		11,458,350	10,777,667
EQUITY			
Equity attributable to owners of the parent			
Share capital	30	421	421
Reserves	33	11,457,929	10,777,246
		11,458,350	10,777,667
Total equity		11,458,350	10,777,667

Zhan Jing	Tang Li	Deng Huanan
Director	*Director*	*Co-Chief Financial Officer*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2024

	Attributable to owners of the parent									
	Share capital	Share premium*	Merger reserve*	Capital reserve*	Shares held for the share award scheme*	Share-based compensation reserve*	Special reserve*	Other comprehensive income*	Retained profits*	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 30)	(note 33)	(note 33)	(note 33)	(note 32)		(note 33)			
At 31 December 2023	421	7,533,457	(29,862)	394,456	–	–	113,755	(2,309)	2,767,749	10,777,667
Profit for the year	–	–	–	–	–	–	–	–	896,322	896,322
Other comprehensive income for the year:										
Cash flow hedges, net of tax	–	–	–	–	–	–	–	(7)	–	(7)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	6,129	–	6,129
Total comprehensive income for the year	–	–	–	–	–	–	–	6,122	896,322	902,444
2024 interim dividend	–	–	–	–	–	–	–	–	(146,646)	(146,646)
Purchase of shares under a restricted share award scheme	–	–	–	–	(89,455)	–	–	–	2,086	(87,369)
Recognition of equity-settled share-based payments	–	–	–	–	–	12,254	–	–	–	12,254
Special reserve – safety fund appropriation	–	–	–	–	–	–	51,365	–	(51,365)	–
At 31 December 2024	421	7,533,457	(29,862)	394,456	(89,455)	12,254	165,120	3,813	3,468,146	11,458,350

* These reserve accounts comprise the consolidated reserves of RMB11,457,929,000 in the consolidated statements of financial position as at 31 December 2024 (31 December 2023: RMB10,777,246,000).

Continued/…

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2024

	Attributable to owners of the parent							
	Share capital	Share premium*	Merger reserve*	Capital reserve*	Special reserve*	Other comprehensive income*	Retained profits*	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 30)	(note 33)	(note 33)	(note 33)	(note 33)			
At 31 December 2022	370	6,066,695	(29,862)	(1,281,820)	92,151	(2,288)	1,826,946	6,672,192
Profit for the year	–	–	–	–	–	–	962,407	962,407
Other comprehensive income for the year:								
Cash flow hedges, net of tax	–	–	–	–	–	63	–	63
Exchange differences on translation of foreign operations	–	–	–	–	–	(84)	–	(84)
Total comprehensive income for the year	–	–	–	–	–	(21)	962,407	962,386
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 33)	–	–	–	1,676,276	–	–	–	1,676,276
Special reserve – safety fund appropriation	–	–	–	–	21,604	–	(21,604)	–
At 31 December 2023	421	7,533,457	(29,862)	394,456	113,755	(2,309)	2,767,749	10,777,667

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2024

		For the year ended 31 December	
	Notes	2024	2023
		RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		1,200,159	1,226,523
Adjustments for:			
Finance costs	10	805,827	834,163
Gains on financial assets at fair value through profit or loss	6	(570)	(4,128)
Fair value gains on derivative instruments – not for hedge accounting	6	(3,732)	(10,279)
Gain on disposal of items of property, plant and equipment and early termination of right-of-use assets	6	(14,082)	(3,412)
Loss on scrapped and physical items of property, plant and equipment	7	478	1,643
ECLs on financial and contract assets, net	7	107,374	283,471
Impairment of repossessed assets	7	13,457	52,872
Depreciation of property, plant and equipment	14	2,367,962	2,312,898
Depreciation of right-of-use assets	15(a)	271,166	121,457
Amortisation of other intangible assets	16	786	840
Deferred revenue	29	(1,171)	(1,756)
Additional value-added tax ("VAT") reduction	6	(18,381)	(60,304)
Equity-settled share-based payment expense	7	12,254	–
Provision	6/7	2,217	(7,584)
Exchange (gains)/losses	6/7	(39,949)	19,190
		4,703,795	4,765,594
(Increase)/decrease in inventories		(74,900)	16,006
Increase in trade receivables		(1,588,998)	(1,021,277)
Increase in debt investments at fair value through other comprehensive income		(547,312)	(315,390)
Decrease in prepayments, other receivables and other assets		837,204	626,761
Increase in contract assets		(400,417)	(93,843)
Decrease in trade and bills payables		1,486,380	369,126
Increase/(decrease) in other payables and accruals		161,803	(109,159)
Cash generated from operations		4,577,555	4,237,818
Tax paid		(373,537)	(287,514)
Net cash flows from operating activities		4,204,018	3,950,304

Continued/…

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2024

		For the year ended 31 December	
	Notes	2024	2023
		RMB'000	RMB'000
Net cash flows from operating activities		4,204,018	3,950,304
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(7,522,166)	(2,434,585)
Proceeds from disposal of items of property, plant and equipment		757,448	598,815
Investment in associate	17	(260)	–
Net cash received for investments	6	570	4,128
Net cash flows used in investing activities		(6,764,408)	(1,831,642)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		–	1,488,329
Share issue expenses		–	(21,516)
New bank and other borrowings	34	11,881,010	5,538,716
Dividends paid		(136,656)	–
Interest paid	34	(743,775)	(796,086)
Deposits paid		(38,557)	(225,989)
Repayment of bank and other borrowings	34	(8,439,521)	(7,946,593)
Principal portion of lease payments, net	34	(286,081)	(213,161)
(Placement of)/withdrawal of restricted deposits		(9,904)	62,930
Purchase of shares held for the share award scheme	32	(89,455)	–
Net cash flows generated/(used in) from financing activities		2,137,061	(2,113,370)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(423,329)	5,292
Cash and cash equivalents at beginning of year		2,166,798	2,159,325
Effect of foreign exchange rate changes, net		39,949	2,181
CASH AND CASH EQUIVALENTS AT END OF YEAR	24	1,783,418	2,166,798

NOTES TO FINANCIAL STATEMENTS

31 December 2024

1. CORPORATE AND GROUP 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 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 is an investment holding company. During the reporting period, 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; and

(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 sale of goods (mainly referring to the sales of new equipment, second-hand equipment and materials).

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

As at the date of this report, the Company has direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	Place of incorporation/ registration and place of operations	Date of incorporation	Registered share capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Horizon Construction (Hong Kong) Limited	Hong Kong	19-Dec-14	HKD1 and RMB 4,800,000,000	100	–	Investment holding
Tianjin Horizon Construction Development Investment Co., Ltd. (天津宏信建發投資有限公司)	PRC/Mainland China	20-Jun-19	USD 1,100,000,000	–	100	Investment holding
Shanghai Horizon Construction Development Co., Ltd. (上海宏信建設發展有限公司)	PRC/Mainland China	14-Apr-14	RMB 5,550,000,000	–	100	Engineering and technical services, and sale of equipment and spare parts

Continued/…

NOTES TO FINANCIAL STATEMENTS

31 December 2024

1. CORPORATE AND GROUP INFORMATION (continued)

Name	Place of incorporation/ registration and place of operations	Date of incorporation	Registered share capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Shanghai Hongjin Equipment & Engineering Co., Ltd. (上海宏金設備工程有限公司)	PRC/Mainland China	2-Aug-13	RMB 600,000,000	–	100	Engineering and technical services, operating lease services, and maintenance, installation and sale of equipment
Shanghai Horizon Equipment & Engineering Co., Ltd. (上海宏信設備工程有限公司)	PRC/Mainland China	13-Jul-11	RMB 5,920,000,000	–	100	Engineering and technical services, operating lease services, and maintenance, installation and sale of equipment
Tianjin Horizon Equipment Leasing Co., Ltd. (天津宏信設備租賃有限公司)	PRC/Mainland China	27-Jul-12	RMB 100,000,000	–	100	Engineering and technical services, operating lease services, and maintenance, installation and sale of equipment
Guangzhou Hongtu Equipment & Engineering Co., Ltd. (廣州宏途設備工程有限公司)	PRC/Mainland China	23-Mar-15	RMB 1,133,220,000	–	100	Engineering and technical services, operating lease services, and maintenance, installation and sale of equipment
Shanghai Horizon Engineering Technology Co., Ltd. (上海宏信工程技術有限公司)	PRC/Mainland China	11-Sep-20	RMB 200,000,000	–	100	Engineering and technical services, operating lease services, and sale of equipment and spare parts

Continued/…

NOTES TO FINANCIAL STATEMENTS

31 December 2024

1. CORPORATE AND GROUP INFORMATION (continued)

Name		Place of incorporation/ registration and place of operations	Date of incorporation	Registered share capital	Percentage of equity attributable to the Company		Principal activities
					Direct	Indirect	
Shanghai Horizon Construction Technology Co., Ltd. (上海宏信建築科技有限公司)		PRC/Mainland China	20-Apr-20	RMB 200,000,000	–	100	Engineering and technical services, and operating lease services
Tianjin Horizon Construction Development Leasing Co., Ltd. (天津宏信建發租賃有限公司)		PRC/Mainland China	16-Apr-20	RMB 955,000,000	–	100	Operating lease services, and sale of equipment and spare parts
Beijing Hongtu Equipment Leasing Co., Ltd. (北京宏途設備租賃有限公司)		PRC/Mainland China	2-Dec-20	RMB 1,000,000	–	100	Engineering and technical services, operating lease services, and sale of equipment and spare parts
Tianjin Horizon Construction Development Engineering Technology Co., Ltd. (天津宏信建發工程技術有限公司)		PRC/Mainland China	23-Nov-20	RMB 60,000,000	–	100	Engineering and technical services, operating lease services, and sale of equipment and spare parts
Tianjin Hongtu Supply Chain Management Co., Ltd. (天津宏途供應鏈管理有限公司)		PRC/Mainland China	19-Nov-20	RMB 10,000,000	–	100	Supply chain management services
Tianjin lahuole Supply Chain Management Co., Ltd. (天津拉貨了供應鏈管理有限公司)		PRC/Mainland China	12-Jul-22	RMB 10,000,000	–	100	Supply chain management services; domestic freight forwarding
Horizon Construction Overseas (Hong Kong) Limited	(a)	Hong Kong	29-Apr-21	HKD 10,000,000 and RMB 900,000,000	–	100	Investment holding

Continued/…

NOTES TO FINANCIAL STATEMENTS

31 December 2024

1. CORPORATE AND GROUP INFORMATION (continued)

Name		Place of incorporation/ registration and place of operations	Date of incorporation	Registered share capital	Percentage of equity attributable to the Company		Principal activities
					Direct	Indirect	
HORIZON CONSTRUCTION DEVELOPMENT (SINGAPORE) PTE. LTD.	(a)	Singapore	21-Jul-21	SGD 1,000,000	–	100	Wholesale trade of a variety of goods
HORIZON CONSTRUCTION OVERSEAS (MALAYSIA) SDN. BHD.	(a)	Malaysia	8-Nov-21	MYR 1,000,000	–	100	Import and export, sale and leasing of new and used equipment
PT HORIZON CONSTRUCTION INDONESIA	(a)	Indonesia	9-Jan-23	IDR 451,795,865,600	–	100	Trade in machinery, tools and accessories; construction and civil machinery lease
HORIZON CONSTRUCTION DEVELOPMENT OVERSEAS (VIETNAM) COMPANY LIMITED	(a)	Vietnam	16-Mar-23	USD 500,000	–	100	Engineering and technical services, operating lease services, export, import, and wholesale distribution of goods
HORIZON CONSTRUCTION DEVELOPMENT (THAILAND) CO., LTD.	(a)	Thailand	10-May-23	THB 155,000,000	–	100	Trade in machinery tools and accessories; construction and civil machinery lease
CDHORIZON FZE	(a)	The United Arab Emirates	26-Oct-23	AED 530,000	–	100	Construction equipment and machinery rental handling, loading and lifting equipment
CDHorizon Arabia Company Limited	(a)	Kingdom of Saudi Arabia	17-Dec-23	SAR 132,050,000	–	100	Repair and maintenance of mining and construction machinery, electrical equipment repair and maintenance of engines, generators and steam generators

Continued/…

NOTES TO FINANCIAL STATEMENTS

31 December 2024

1. CORPORATE AND GROUP INFORMATION (continued)

Name		Place of incorporation/ registration and place of operations	Date of incorporation	Registered share capital	Percentage of equity attributable to the Company		Principal activities
					Direct	Indirect	
HORİZON CONSTRUCTION DEVELOPMENT TURKEY İNŞAAT GELİŞTİRME ANONİM ŞİRKETİ	(a)	Turkey	15-Jan-24	TRY 45,560,000	–	100	Engage in various construction projects and project development; lease machinery, equipment
CDHORIZON (MACAO) LIMITED	(b)	Macao	4-Sep-24	MOP 800,000	–	100	Construction engineering, mechanical engineering, electromechanical installation
PT HORIZON CONSTRUCTION DEVELOPMENT INDONESIA	(b)	Indonesia	3-Dec-24	IDR 10,000,000,000	–	100	Trade in machinery, tools and accessories; construction and civil machinery lease
CDHORIZON SPC	(b)	Oman	5-Dec-24	OMR 250,000	–	100	Administrative services logistics services, equipment and machinery trading; building materials trading
CDHorizon Employee Incentive (CP) Limited		British Virgin Islands	13-Mar-24	USD 100	100	–	Investment holding
CDHorizon Employee Incentive (NCP) Limited		British Virgin Islands	13-Mar-24	USD 100	100	–	Investment holding

* The English names of all group companies registered in the PRC represent the best efforts made by the management of the Company to translate the Chinese names of these companies as they do not have official English names.

(a) These entities were audited by Reanda HK CPA Limited (利安達香港會計師事務所有限公司), a certified public accounting firm registered in Hong Kong.

(b) No audited financial statements have been audited for these entities, as these entities were newly established.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

Basis of consolidation

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

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (continued)

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

(a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

(b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. As a result of the implementation of the amendments, the Group has provided additional disclosures about its supplier finance arrangements in notes 27, 34 and 41 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (continued)

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 18	*Presentation and Disclosure in Financial Statements*[3]
HKFRS 19	*Subsidiaries without Public Accountability: Disclosures*[3]
Amendments to HKFRS 9 and HKFRS 7	*Amendments to the Classification and Measurement of Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKAS 21	*Lack of Exchangeability*[1]
Annual Improvements to HKFRS Accounting Standards – Volume 11	*Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7*[2]

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

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

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

4 No mandatory effective date yet determined but available for adoption

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (continued)

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (continued)

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

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

- HKFRS 7 *Financial Instruments: Disclosures:* The amendments have updated certain wording in paragraph B38 of HKFRS 7 and paragraphs IG1, IG14 and IG20B of the *Guidance on implementing HKFRS 7* for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that *the Guidance on implementing HKFRS 7* does not necessarily illustrate all the requirements in the referenced paragraphs of HKFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- HKFRS 9 *Financial Instruments:* The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with HKFRS 9, the lessee is required to apply paragraph 3.3.3 of HKFRS 9 and recognise any resulting gain or loss in profit or loss. In addition, the amendments have updated certain wording in paragraph 5.1.3 of HKFRS 9 and Appendix A of HKFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- HKFRS 10 *Consolidated Financial Statements:* The amendments clarify that the relationship described in paragraph B74 of HKFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of HKFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- HKAS 7 *Statement of Cash Flows:* The amendments replace the term "cost method" with "at cost" in paragraph 37 of HKAS 7 following the prior deletion of the definition of "cost method". Earlier application is permitted. The amendments are not expected to have any impact on the Group's financial statements.

2.4 MATERIAL ACCOUNTING POLICIES

Investments in associates

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

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Investments in associates (continued)

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Business combinations and goodwill

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

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

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its derivative financial instruments and certain investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Related parties (continued)

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2.38% to 19.40%
Leasehold improvements	Shorter of the remaining period of the leases and the useful life of the assets
Equipment, materials and moulds	3.50% to 32.33%
Office and other equipment	9.00% to 32.33%
Motor vehicles	18.00% to 24.25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement (other than the sales of second-hand equipment, of which the sales proceeds are recorded as revenue) recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Software

Software is stated at historical cost less any impairment loss and is amortised on the straight-line basis over its estimated useful life of 5 to 10 years.

The software mainly comprises Enterprise Resource Planning system (the "ERP system") and Systems Applications and Products in Data Processing system ("SAP financial system"). The management estimates the useful life of ERP system and SAP financial system as 10 years based on historical experience and estimated lifecycle of the software according to the Group's business plan.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products, commencing from the date when the products are put into commercial production.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	40 to 50 years
Offices	1 to 6 years
Equipment	5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

(b) Lease liabilities (continued)

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of equipment and offices (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Sale and leaseback transactions with variable lease payments that do not depend on an index or a rate where the Group acts as a seller-lessee

For sale and leaseback transactions with variable lease payments that do not depend on an index or a rate, lease liabilities are recognised at the commencement date of the leasebacks at the present value of expected lease payments to be made over the lease term. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the expected lease payments. Any differences between the payments made for the lease and the lease payments that reduce the carrying amount of lease liabilities are recognised in profit or loss.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessor (continued)

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

When the Group is an intermediate lessor, a sublease is classified as a finance lease or operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the on-balance sheet recognition exemption, the Group classifies the sublease as an operating lease.

Repossessed assets

Repossessed assets are initially recognised at fair value on the date of repossession, and the related trade receivables together with the related impairment allowances are derecognised from the statement of financial position. Subsequently, repossessed assets are measured at the lower of their cost and fair values less costs to sell and are presented as other assets.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment occurs if there is a change in the terms of the contract that significantly modifies the cash flows.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach (continued)

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and accruals, derivative financial instruments, interest-bearing bank and other borrowings.

The Group classifies financial liabilities that arise from a supplier finance arrangement within trade and bills payables in the statement of financial position if they have a similar nature and function to trade payables. This is the case if the supplier finance arrangement is part of the working capital used in the Group's normal operating cycle, the level of security provided is similar to trade payables and the terms of the liabilities that are part of the supply chain finance arrangement are not substantially different from the terms of trade payables that are not part of the arrangement. Cash flows related to liabilities arising from supplier finance arrangements that are classified in trade and bills payables in the statement of financial position are included in operating activities in the statement of cash flows. Otherwise, the financial liabilities are classified in interest-bearing bank and other borrowings in the statement of financial position and the related cash flows are included in financing activities in the statement of cash flows.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement (continued)

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent measurement (continued)

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or

- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or

- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is "an economic relationship" between the hedged item and the hedging instrument.

- The effect of credit risk does not "dominate the value changes" that result from that economic relationship.

- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent measurement (continued)

Hedges which meet all the qualifying criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment to which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to the statement of profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the statement of profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to the statement of profit or loss as a reclassification adjustment. After the discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income is accounted for depending on the nature of the underlying transaction as described above.

Other borrowings on ordinary shares with redemption obligation

For the redeemable ordinary shares issued by the Company as detailed in note 33, financial liabilities are recognised based on the net present value of the redemption amount and debited to equity. Changes of net present value during the reporting periods are recognised in profit or loss. When the redemption rights related to the redeemable ordinary shares are terminated, redemption liabilities on ordinary shares are extinguished and credited to equity.

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Inventories

Inventories are goods valued at the lower of cost and net realisable value at the end of each of the reporting period. The cost of inventories issued is determined on the weighted-average basis and specific identification basis, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. The difference between the cost and the lower net realisable value is stated as a provision. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs to be incurred to completion and estimated expenses and related taxes necessary to make the sale.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, except that deferred tax is not recognised for the Pillar Two income taxes.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of any unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

The Group principally engaged in the operating lease services, engineering and technical services and asset management and other services (formerly "platform and other services"), asset management and other services (formerly "platform and other services") includes asset management services (mainly referring to subleasing services and related maintenance services) and sale of goods (mainly referring to the sales of new equipment, second-hand equipment and materials).

Revenue from operating lease income

Operating lease income, for which the Group provides operating lease services and subleasing services, covers income from the leasing of various types of equipment and materials on a daily, weekly, monthly, yearly or project-by-project basis based on customers' needs. Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) Sale of goods

Revenue from the sale of goods, including sales of materials and sales of second-hand equipment, is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

(b) Engineering and technical services

Revenue from the provision of construction services is recognised over time, on a percentage of completion basis, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

Contract assets

If the Group performs by transferring goods or services to a customer before being unconditionally entitled to the consideration under the contract terms, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets. They are reclassified to trade receivables when the right to the consideration becomes unconditional.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Share-based payments

The Company operates a share option scheme and a restricted share award scheme. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using appropriate valuation models, further details of which are given in notes 31 and 32 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Share-based payments (continued)

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Employee benefits

Salaries and bonuses, social security contributions and other short-term employee benefits are accrued in which services have been rendered by the employees of the Group.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of these payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

Contributions to these plans are recognised in profit or loss as incurred.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognises in its financial statements. The Group will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its financial statements, but will disclose the nature of the non-adjusting events and an estimate of their financial effects, or a statement that such an estimate cannot be made, if applicable.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements. Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions. The functional currency of the Company is RMB.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Significant judgement in determining the lease term of contracts with renewal options

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate the lease (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group includes the renewal period as part of the lease term due to the significance of these assets to its operations. These leases have a short non-cancellable period (i.e., one to five years) and there will be a significant negative effect on production if a replacement is not readily available.

Classification between finance leases and operating leases

A lessor shall classify each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Classification between finance leases and operating leases (continued)

Situations that would normally lead to a lease being classified as a finance lease include the following:

- the lease transfers ownership of the asset to the lessee by the end of the lease term;
- the lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable and, at the inception of the lease, it is reasonably certain that the option will be exercised;
- the lease term is for the major part of the economic life of the asset, even if title is not transferred;
- at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and
- the leased assets are of a specialised nature such that only the lessee can use them without major modifications being made.

If it is clear from other features that the lease does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset, the lease is classified as an operating lease. The determination of whether the Group has transferred substantially all the risks and rewards incidental to ownership depends on an assessment of the relevant arrangements relating to the lease and this involves critical judgements by management.

Determining the timing of satisfaction of construction services

The Group concluded that revenue from the construction services is recognised over time, on a percentage of completion basis, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The fact that the Group is building on the customer's construction site and the customer generally controls any work in progress arising from the Group's performance demonstrates that the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Classification of transactions which contain a financing element

Transactions for the purchase of materials and equipment contains financing elements such as extended payment terms. Under such arrangement, the banks will pay upon delivery of product by the supplier and the Group will subsequently settle the liability directly with banks. Management considers the underlying economic substance of the transaction and the significance of the financing element to the transaction. Judgement is required to determine the most appropriate classification and presentation of these transactions within the statements of cash flows and financial position. The economic substance of the transaction is determined to be financing in nature as the financing element is significant and the time frame in which the arrangement is extended by over 9 to 10 months within original supply terms. As a result, the entire cash flow is presented as operating and financing in the statement of cash flows. Therefore, the supplier finance arrangement was significantly different from the one in the original invoice and the liabilities were included in interest-bearing bank and other borrowings, with a total amount of RMB105,340,000 as at the end of the reporting period (31 December 2023: RMB12,113,000). There are non-cash changes showed in the consolidated statements of cash flows.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The tax losses carried forward by the Group related to subsidiaries that have a history of losses, have not expired, and may not be used to offset taxable income elsewhere in the Group. The subsidiaries have neither any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax assets on the tax losses carried forward. Further details on deferred taxes are disclosed in note 18 to the financial statements.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

Provision for expected credit losses on financial assets ("ECLs")

The measurement of impairment losses under HKFRS 9 across debt instruments recorded at financial assets at fair value through other comprehensive income, trade receivables, financial assets included in prepayments, other receivables, other assets and contract assets require judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Provision for expected credit losses on financial assets ("ECLs") (continued)

The Group's ECLs calculations are outputs of appropriate models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

(i) The Group's internal credit grading model, which assigns the probability of defaults (PDs) to the individual grades

(ii) The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment

(iii) Development of ECL models, including the various formulas and the choice of inputs

(iv) Determination of associations between macroeconomic scenarios and economic inputs, and the effect on PDs, the exposure at defaults (EADs) and the loss given defaults (LGDs)

The Group will regularly review the expected credit loss model in the context of actual loss experience and adjust when necessary.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Share-based payments

Estimating the fair value for share-based payment transactions requires determination of an appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including volatility, the expected exercise behaviour and dividend yield, etc, and making assumptions about them. The assumptions and models used for estimating the fair value for share-based payment transactions are disclosed in notes 31 and 32.

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 RMB268,296,000 for the year ended 31 December 2024, and an increase of the profit for the year by RMB204,398,000 from RMB691,924,000 to RMB896,322,000.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

4. 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 remain property of the Group and are leased out to different customers with 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.

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 investment 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, contract liabilities and dividend payables), interest-bearing bank and other borrowings, tax payables, derivative financial instruments, deferred tax liabilities and deferred revenue.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

4. OPERATING SEGMENT INFORMATION (continued)

As at and for the year ended 31 December 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
Segment revenue (note 5)				
Sales to external customers	4,620,986	3,751,364	3,208,712	11,581,062
Intersegment sales	–	–	–	–
Revenue from continuing operations	4,620,986	3,751,364	3,208,712	11,581,062
Segment results	966,482	323,945	487,044	1,777,471
Reconciliation:				
Unallocated other income and gains				224,585
Unallocated other expenses				(20,089)
Unallocated finance costs				(777,240)
Unallocated ECLs				(4,568)
Profit before tax				1,200,159
Segment assets	20,352,012	9,688,434	1,568,390	31,608,836
Reconciliation:				
Corporate and other unallocated assets				4,825,345
Total assets				36,434,181
Segment liabilities	2,189,639	1,219,931	98,815	3,508,385
Reconciliation:				
Corporate and other unallocated liabilities				21,467,446
Total liabilities				24,975,831
Other segment information				
Impairment losses recognised in profit or loss, net	36,403	52,644	13,759	102,806
Unallocated impairment losses of financial and contract assets				4,568
Unallocated impairment losses of repossessed assets				13,457
Total impairment losses recognised in profit or loss, net				120,831
Depreciation and amortisation	1,767,616	872,298	–	2,639,914
Capital expenditure*	4,757,066	2,347,557	–	7,104,623

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

NOTES TO FINANCIAL STATEMENTS

31 December 2024

4. OPERATING SEGMENT INFORMATION (continued)

As at and for the year ended 31 December 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
Segment revenue (note 5)				
Sales to external customers	5,139,275	2,964,591	1,506,715	9,610,581
Intersegment sales	–	–	–	–
Revenue from continuing operations	5,139,275	2,964,591	1,506,715	9,610,581
Segment results	1,315,092	254,904	318,987	1,888,983
Reconciliation:				
Unallocated other income and gains				206,680
Unallocated other expenses				(32,500)
Unallocated finance costs				(820,230)
Unallocated ECLs				(16,410)
Profit before tax				1,226,523
Segment assets	15,646,937	9,842,381	1,027,592	26,516,910
Reconciliation:				
Corporate and other unallocated assets				4,719,865
Total assets				31,236,775
Segment liabilities	1,825,563	811,467	57,248	2,694,278
Reconciliation:				
Corporate and other unallocated liabilities				17,764,830
Total liabilities				20,459,108
Other segment information				
Impairment losses recognised in profit or loss, net	114,179	116,237	36,645	267,061
Unallocated impairment losses of financial and contract assets				16,410
Unallocated impairment losses of repossessed assets				52,872
Total impairment losses recognised in profit or loss, net				336,343
Depreciation and amortisation	1,741,457	693,738	–	2,435,195
Capital expenditure*	1,453,508	579,029	–	2,032,537

NOTES TO FINANCIAL STATEMENTS

31 December 2024

4. 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 operation in Mainland China. Overseas total assets amounted to RMB3,547,768,000 (2023: RMB62,392,000), which accounted for 9.74% of the Group's total assets as at 31 December 2024 (31 December 2023: 0.20%).

Information about major customers

Total revenue from sales to the five largest customers accounted for 11.23% of the Group's revenue for the years ended 31 December 2024 (2023: 16%).

5. REVENUE

An analysis of the revenue is as follows:

	For the year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Revenue from operating lease income		
Operating lease services	**4,620,986**	5,139,275
Subleasing	**1,736,423**	991,146
Subtotal	**6,357,409**	6,130,421
Revenue from contracts with customers	**5,223,653**	3,480,160
Total	**11,581,062**	9,610,581

For the year ended 31 December 2024, revenue of RMB388,963,000 was generated from overseas (2023: RMB13,573,000).

NOTES TO FINANCIAL STATEMENTS

31 December 2024

5. REVENUE (continued)

Revenue from contracts with customers:

(a) **Disaggregated revenue information:**

For the year ended 31 December 2024

Segments	Engineering and technical services	Asset management and other services (formerly "platform and other services")	Total
	RMB'000	RMB'000	RMB'000
Type of goods or services			
Engineering and technical services	3,751,364	–	3,751,364
Sale of goods	–	1,472,289	1,472,289
Total	3,751,364	1,472,289	5,223,653
Timing of revenue recognition			
Goods transferred at a point in time	–	1,472,289	1,472,289
Services transferred over time	3,751,364	–	3,751,364
Total	3,751,364	1,472,289	5,223,653

For the year ended 31 December 2023

Segments	Engineering and technical services	Asset management and other services (formerly "platform and other services")	Total
	RMB'000	RMB'000	RMB'000
Type of goods or services			
Engineering and technical services	2,964,591	–	2,964,591
Sale of goods	–	515,569	515,569
Total	2,964,591	515,569	3,480,160
Timing of revenue recognition			
Goods transferred at a point in time	–	515,569	515,569
Services transferred over time	2,964,591	–	2,964,591
Total	2,964,591	515,569	3,480,160

NOTES TO FINANCIAL STATEMENTS

31 December 2024

5. REVENUE (continued)

Revenue from contracts with customers: (continued)

(a) Disaggregated revenue information: (continued)

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

	For the year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the year:		
Engineering and technical services	**25,380**	21,978
Sale of goods	**19,695**	25,070
Total	**45,075**	47,048

(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.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

5. REVENUE (continued)

Revenue from contracts with customers: (continued)

(b) Performance obligations (continued)

Engineering and technical services (continued)

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

	31 December 2024	31 December 2023
	RMB'000	RMB'000
Amounts expected to be recognised as revenue:		
Within one year	1,187,256	744,019
After one year	508,824	318,865
Total	1,696,080	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 FINANCIAL STATEMENTS

31 December 2024

6. OTHER INCOME AND GAINS

		For the year ended 31 December	
		2024	2023
	Notes	RMB'000	RMB'000
Other income			
Government grants	(a)	**133,492**	101,747
Additional VAT reduction	(b)	**18,381**	60,304
Bank interest income		**17,246**	15,630
Total other income		**169,119**	177,681
Gains			
Gain on disposal of items of property, plant and equipment and early termination of right-of-use assets		**14,082**	3,412
Fair value gains on derivative instruments – not for hedge accounting		**3,732**	10,279
Gains on financial assets at fair value through profit or loss		**570**	4,128
Provision		**–**	7,584
Exchange gains		**39,949**	–
Others		**11,215**	7,008
Total gains		**69,548**	32,411
Total other income and gains		**238,667**	210,092

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 year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Government special subsidies	**133,492**	101,747

(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. The additional VAT reduction in the year ended 31 December 2024 was in relation to the VAT paid in December 2023.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

7. PROFIT BEFORE TAX

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

		For the year ended 31 December	
		2024	2023
	Notes	RMB'000	RMB'000
Cost of operating lease services		**2,858,228**	2,848,976
Cost of engineering and technical services provided		**2,761,118**	2,098,931
Cost of Asset management and other services (formerly "platform and other services") provided		**2,187,120**	901,273
Depreciation of property, plant and equipment[(a)]	14	**70,112**	73,126
Depreciation of right-of-use assets[(b)]	15(a)	**68,157**	62,822
Amortisation of intangible assets	16	**786**	840
Rental expenses	15(c)	**49,768**	40,028
Auditor's remuneration		**6,258**	5,565
Employee benefit expense (including directors' and chief executive's remuneration (note 8))			
Wages and salaries		**565,689**	479,324
Pension scheme contributions		**55,737**	39,703
Equity-settled share-based payment expense		**12,254**	–
Other employee benefits		**92,119**	79,407
ECLs of financial and contract assets:			
ECLs on trade receivables	20	**144,895**	137,779
ECLs on financial assets included in prepayments, other receivables and other assets	21	**4,568**	16,410
ECLs on contract assets	22	**30,432**	14,275
ECLs on debt investments at fair value through other comprehensive income	23	**(72,521)**	115,007

Continued/···

NOTES TO FINANCIAL STATEMENTS

31 December 2024

7. PROFIT BEFORE TAX (continued)

		For the year ended 31 December	
		2024	2023
	Notes	RMB'000	RMB'000
Impairment of repossessed assets		13,457	52,872
Research and development expenses:			
Current year expenditure		381,242	328,196
Property management services expenses		46,498	19,026
Consultancy fees		29,565	38,715
Business travelling and transportation expenses		242,509	199,786
Information expenses		34,358	34,531
Litigation expenses		31,347	2,631
Listing expenses		–	12,567
Exchange losses		–	19,190
Loss on scrapped and physical items of property, plant and equipment		478	1,643
Commission expenses		14,998	11,997
Entertainment expenses		19,138	17,756
Office expenses		43,017	25,494
Advertising and promotional expenses		3,254	11,419
Taxes and surcharges		48,968	46,218
Provision		2,217	–
Others		67,977	24,480

(a) Besides the depreciation as mentioned above, the depreciation of property, plant and equipment amounting to RMB2,297,850,000 for the year ended 31 December 2024 is included in cost of sales and research and development expenses (2023: RMB2,239,772,000).

(b) Besides the depreciation as mentioned above, the depreciation of right-of-use assets amounting to RMB203,009,000 for the year ended 31 December 2024 is included in cost of sales (2023: RMB58,635,000).

NOTES TO FINANCIAL STATEMENTS

31 December 2024

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Certain of the directors received remuneration from the subsidiaries now comprising the Group for their appointment as directors of these subsidiaries. Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is recorded in the financial statements of the subsidiaries as follows:

	For the year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Fees	**1,945**	1,145
Other emoluments:		
Salaries, allowances and benefits in kind	**2,303**	2,195
Performance related bonuses	**3,277**	3,313
Equity-settled share-based payment expense	**638**	–
Pension scheme contributions	**212**	204
Subtotal	**6,430**	5,712
Total	**8,375**	6,857

During 2024, certain directors were granted share options and restricted shares, in respect of their services to the Group, under the share option scheme and the restricted share award scheme (the "Schemes") of the Company, details of which are set out in notes 31 and 32 to the financial statements, respectively.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	For the year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Mr. Liu Jialin (劉嘉凌)	**389**	229
Mr. Xu Min (徐敏)	**389**	229
Ms. Jin Jinping (金錦萍)	**389**	229
Mr. Sum Siu Kei (岑兆基)	**389**	229
Total	**1,556**	916

NOTES TO FINANCIAL STATEMENTS

31 December 2024

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Non-executive directors

The fees paid to non-executive directors during the year were as follows:

	For the year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Mr. He Ziming (何子明)	**389**	229
Mr. Kong Fanxing (孔繁星)	**–**	–
Mr. Xu Huibin (徐會斌)	**–**	–
Mr. Li Qianjin (李前進)*	**–**	–
Mr. Yuan Shaozhen (袁少震)*	**–**	–
Ms. Guo Lina (郭麗娜)	**–**	–
Total	**389**	229

* On 12 September 2024, Mr. Li Qianjin has resigned as a non-executive director of the Company, and Mr. Yuan Shaozhen was appointed as a non-executive director of the Company.

(c) Executive directors

For the year ended 31 December 2024

	Salaries, allowances and benefits in kind	**Performance related bonuses**	**Equity-settled share-based payment expense**	**Pension scheme contributions**	**Total remuneration**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Zhan Jing (詹靜)*	**–**	**–**	**–**	**–**	**–**
Mr. Tang Li (唐立)	**925**	**867**	**638**	**106**	**2,536**
Mr. Pan Yang (潘陽)*	**1,378**	**2,410**	**–**	**106**	**3,894**
Total	**2,303**	**3,277**	**638**	**212**	**6,430**

* On 30 December 2024, Mr. Pan Yang has resigned as an executive director and the chief executive officer of the Company, and Mr. Zhan Jing was appointed as the executive director and chief executive officer of the Company.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(c) Executive directors (continued)

For the year ended 31 December 2023

	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Tang Li (唐立)	812	900	102	1,814
Mr. Pan Yang (潘陽)	1,383	2,413	102	3,898
Total	2,195	3,313	204	5,712

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees for the years ended 31 December 2024 included two executive directors (2023: two), and details of whose remuneration are set out in note 8 above. Details of the remuneration during the year of the remaining three highest paid employees who are neither a director nor chief executive of the Company are as follows:

	For the year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**2,851**	2,147
Performance related bonuses	**2,676**	2,504
Equity-settled share-based payment expense	**1,914**	–
Pension scheme contributions	**317**	306
Total	**7,758**	4,957

NOTES TO FINANCIAL STATEMENTS

31 December 2024

9. FIVE HIGHEST PAID EMPLOYEES (continued)

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	For the year ended 31 December	
	2024	2023
HK$ Nil to HK$1,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**–**	3
HK$2,000,001 to HK$2,500,000	**–**	–
HK$2,500,001 to HK$3,000,000	**2**	–
HK$3,000,001 to HK$3,500,000	**1**	–
Total	**3**	3

During the year ended 31 December 2024, no highest paid employees waived or agree to waive any remuneration and no remuneration was paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

During the year ended 31 December 2024, certain highest paid employees were granted share options and restricted shares, in respect of their services to the Group, under the Schemes, details of which are set out in notes 31 and 32 to the financial statements, respectively.

In 2024, a trust scheme ("2024 Trust Scheme") was established. The beneficiaries of the 2024 Trust Scheme comprised certain employees of the Group (including senior management) and directors. During the years ended 31 December 2024, no distribution was made to senior management and directors under the aforesaid 2024 Schemes.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

10. FINANCE COSTS

An analysis of finance costs is as follows:

	For the year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Interest on interest-bearing bank and other borrowings	**777,240**	820,230
Interest on lease liabilities (note 15(b))	**28,587**	13,933
Total	**805,827**	834,163

11. INCOME TAX

	For the year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Current – Mainland China		
Charge for the year	**319,130**	282,638
Deferred (note 18)	**(15,293)**	(18,522)
Total	**303,837**	264,116

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 Mainland China 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 Mainland China and Hong Kong, the relevant withholding tax rate applicable to such foreign investor will be reduced from 10% to 5% subject to the fulfilment of certain conditions.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

11. INCOME TAX (continued)

RMB200,000,000 of the earnings of the PRC subsidiaries was distributed to the Company as a dividend in 2024, for which the Company has paid an income tax of RMB10,000,000. And the management expects that the earnings of the PRC subsidiaries will be distributed to the Company as a dividend, for which the Company has accrued an income tax of RMB10,000,000. The remaining profits will be partially retained in the subsidiary for future operations or investments. In the opinion of the directors of the Company, temporary differences relating to dividends not expected to be distributed as described above will not be reversed in the foreseeable future. As at 31 December 2024, the aggregate amount of unrecognised deferred tax liabilities (i.e., withholding taxes relating to such temporary differences) was approximately RMB171,074,000.

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

The provision for Mainland China current income tax was based on a statutory rate of 25% (2023: 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 Mainland China were subject to the PRC corporate income tax with a tax rate of 25% for the year 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 Enterprises (the "HNTE") in 2015, 2018 and 2021, while Guangzhou Hongtu Equipment & Engineering Co., Ltd. was accredited as HNTE in 2020 and 2023, and both of them were entitled to a preferential PRC corporate income tax rate of 15% thereafter. The HNTE certificates of Shanghai Horizon Equipment & Engineering Co., Ltd. and Guangzhou Hongtu Equipment & Engineering Co., Ltd. need to be renewed every three years so as to enable these entities to enjoy the reduced tax rate of 15%. Shanghai Horizon Equipment & Engineering Co., Ltd. was entitled to a tax rate of 15% till 23 December 2024. The entity applied to renew the HNTE certificate for additional three years and is now in the public notice stage and management is of the opinion that the HNTE certificate would probably be renewed thus the tax rate of 15% should still be applied to this entity for the year ended 31 December 2024. Guangzhou Hongtu Equipment & Engineering Co., Ltd. was entitled to a tax rate of 15% for the current year and will continue to enjoy the tax rate of 15% till 28 December 2026.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

11. 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 and/or operate to the tax expense at the effective tax rate are as follows:

	For the year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Profit before tax	**1,200,159**	1,226,523
Tax at the statutory income tax rate	**300,040**	306,631
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	**(4,775)**	22,667
Effects of preferential tax benefits to subsidiaries incorporated in the Mainland China	**(94,580)**	(89,192)
Expenses not deductible for tax	**10,145**	8,339
Adjustment on current income tax in respect of prior periods	**16,573**	15,301
Utilisation of previously unrecognised tax losses and temporary differences	**(243)**	(1,917)
Unrecognised tax losses and temporary differences	**56,677**	2,287
Tax charge at the Group's effective rate	**303,837**	264,116

Pillar Two income taxes

The Group has assessed its potential exposure based on the information available regarding the financial performance of the Group in the current year. As such, it may not be entirely representative of future circumstances. Based on the assessment, the Pillar Two effective tax rates in most of the jurisdictions in which 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.

12. DIVIDENDS

The board of directors ("The Board") approved the declaration of an interim dividend of HK$0.05 per share for the period ended 30 June 2024 (2023: Nil) to the shareholders of the Company whose names appear on the register of members of the Company on 10 October 2024. The total dividend payable was RMB146,646,000, of which RMB138,742,000 was paid by the Company in 31 October 2024 and the remaining RMB7,904,000 was paid by cheque pending acceptance by shareholders.

The Board recommends the declaration of a final dividend of HK$0.045 per share (2023: Nil) for the year ended 31 December 2024 to the shareholders whose names appear on the register of members of the Company on Wednesday, 11 June 2025, subject to approval at the annual general meeting to be held on Monday, 14 April 2025. The proposed final dividend is expected to be distributed to shareholders on Wednesday, 2 July 2025.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

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

The calculation of the basic earnings per share amount is based on the consolidated profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,176,285,333 outstanding during the year (2023: 3,045,288,167).

The calculation of the diluted earnings per share amount is based on the consolidated profit for the year 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 year. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares outstanding during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares 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:

	2024	2023
	RMB'000	RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	896,322	962,407

Shares:

	Number of shares	
	2024	2023
Shares		
Weighted average number of ordinary shares outstanding during the year, used in the basic earnings per share calculation	3,176,285,333*	3,045,288,167
Effect of dilution – weighted average number of ordinary shares: Share options	90,640**	–
Weighted average number of ordinary shares for diluted earnings per share	3,176,375,973	3,045,288,167

* The weighted average number of shares was after taking into account the effect of shares held for the share award scheme.

** The details of the share option scheme are disclosed in note 31 to the financial statements.

Because the diluted earnings per share amount is 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 year and were ignored in the calculation of diluted earnings per share in the year ended 31 December 2023. Therefore, the diluted earnings per share amounts are calculated using the same earnings amount and the number of weighted average shares as the basic earnings per share.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

14. PROPERTY, PLANT AND EQUIPMENT

As at 31 December 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
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	11,331	37,536	6,999,966	39,551	6,049	10,190	7,104,623
Disposals	–	–	(730,593)	(12,300)	(1,126)	(234)	(744,253)
Depreciation provided during the year	(36,582)	(19,078)	(2,282,824)	(12,196)	(8,317)	(8,965)	(2,367,962)
Exchange realignment	–	–	31,941	17	(97)	27	31,888
At 31 December 2024, net of accumulated depreciation and impairment	519,141	34,345	21,611,798	53,769	13,511	12,839	22,245,403
At 31 December 2024:							
Cost	731,760	125,315	29,411,323	102,163	63,083	70,588	30,504,232
Accumulated depreciation and impairment	(212,619)	(90,970)	(7,799,525)	(48,394)	(49,572)	(57,749)	(8,258,829)
Net carrying amount	519,141	34,345	21,611,798	53,769	13,511	12,839	22,245,403

NOTES TO FINANCIAL STATEMENTS

31 December 2024

14. 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
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 year	(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 FINANCIAL STATEMENTS

31 December 2024

14. PROPERTY, PLANT AND EQUIPMENT (continued)

At 31 December 2024, certain of the Group's property, plant and equipment with a net carrying amount of RMB8,985,210,000 were pledged to secure other borrowings granted to the Group (31 December 2023: RMB6,476,770,000).

Movement in provision for impairment of property, plant and equipment in the year is as follows:

	Equipment, materials and moulds for leasing and services
	RMB'000
At 1 January 2023	153,494
Disposals	(51,689)
At 31 December 2023 and 1 January 2024	**101,805**
Disposals	**(42,608)**
At 31 December 2024	**59,197**

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").

The VIUs were calculated by discounting the estimated future cash flows based on the forecast rentals earned from the CGUs with a forecast period ranging from 4 to 5 years, which is determined based on management's best estimate of the average remaining useful life and economic conditions of the assets of the respective CGUs. The cash flows over the forecast period had been determined based on historical rental arrangements such as rental income, occupancy rate. The estimated future cash flows were discounted to their present values using pre-tax rates of 11% to 14% as at 31 December 2024, which reflected the market assessments of the time value of money and the risks specific to the CGUs (31 December 2023: 11% to 14%).

The calculation of the fair value less costs to sell was based on observable market prices for the equipment with similar conditions and incremental costs for disposing of the asset.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

15. 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 year are as follows:

	Leasehold land	Offices	Equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000
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 and 1 January 2024	**181,398**	**129,819**	**667,209**	**978,426**
Additions	**–**	**87,618**	**145,096**	**232,714**
Depreciation charge	**(4,705)**	**(63,452)**	**(203,009)**	**(271,166)**
Disposal	**–**	**(34,835)**	**–**	**(34,835)**
As at 31 December 2024	**176,693**	**119,150**	**609,296**	**905,139**

As at 31 December 2024 and 2023 the Group has obtained all the land ownership certificates.

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

Measurement basis and major assumptions for determining the recoverable amounts of the above equipment categorised in right-of-use assets of the Group are disclosed in note 14 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

15. LEASES (continued)

The Group as a lessee (continued)

(b) Lease liabilities:

The carrying amount of lease liabilities and the movements during the year are as follows:

	31 December 2024	31 December 2023
	RMB'000	RMB'000
Carrying amount at beginning of year	**693,604**	131,259
New leases	**232,714**	827,814
Accretion of interest recognised during the year (note 10)	**28,587**	13,933
Payments	**(286,081)**	(213,161)
Disposal	**(35,242)**	(66,241)
Carrying amount at end of year	**633,582**	693,604
Analysed into:		
Current portion	**204,088**	192,013
Non-current portion	**429,494**	501,591

The maturity analysis of lease liabilities is disclosed in note 41 to the financial statements.

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

	2024	2023
	RMB'000	RMB'000
Interest on lease liabilities (note 10)	**28,587**	13,933
Depreciation charge on right-of-use assets	**271,166**	121,457
Rental expense (note 7)	**49,768**	40,028
Cost of re-rent fees	**597,168**	423,523
Total amount recognised in profit or loss	**946,689**	598,941

(d) The total cash outflow for leases is disclosed in note 34 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

15. LEASES (continued)

The Group as a lessor

The Group mainly leases its equipment, materials and moulds in Mainland China 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 amounted to RMB6,357,409,000 for the year ended 31 December 2024, details of which are included in note 5 to the financial statements (2023: RMB6,130,421,000).

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

	31 December 2024	31 December 2023
	RMB'000	RMB'000
Within 1 year	4,951,677	4,367,659
After 1 year but within 2 years	734,947	536,734
After 2 years but within 3 years	175,880	17,458
Total	5,862,504	4,921,851

16. OTHER INTANGIBLE ASSETS

	31 December 2024	31 December 2023
	RMB'000	RMB'000
Software		
At beginning of year:		
Cost	8,997	8,209
Accumulated amortisation	(5,252)	(4,412)
Net carrying amount	3,745	3,797
Carrying amount at beginning of year:	3,745	3,797
Additions	–	788
Acquisition of a subsidiary	3,790	–
Amortisation provided during the year (note 7)	(786)	(840)
Carrying amount at end of year	6,749	3,745
At end of year:		
Cost	12,786	8,997
Accumulated amortisation	(6,037)	(5,252)
Net carrying amount	6,749	3,745

NOTES TO FINANCIAL STATEMENTS

31 December 2024

17. INVESTMENT IN ASSOCIATE

	31 December 2024	31 December 2023
	RMB'000	RMB'000
Share of net assets	260	–

The Group's associate is as follows:

Name	Particulars of issued shares held	Place of registration and business	Ownership interest	Percentage of Profit sharing	Principal activities
CT HORIZON (THAILAND) CO., LTD.	Ordinary shares	Thailand	49	49	Rental, trade and repair of construction machinery and construction materials

18. DEFERRED TAX

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

Deferred tax assets

As at 31 December 2024

	Government special subsidy	Provision for impairment losses	Salaries and benefits payable	Share-based payments	Deductible tax loss	Unrealised intra-group transaction	Accrued interest expenses	Lease liabilities	Deferred tax asset arising from an interest rate swap	Unrealised foreign exchange losses	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2023 and 1 January 2024	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 year (note 11)	(57)	69	(5,295)	1,689	6,289	33,237	(11,335)	(4,679)	-	513	336	20,767
Deferred tax charged to other comprehensive income during the year	-	-	-	-	-	-	-	-	(127)	-	-	(127)
Gross deferred tax assets at 31 December 2024	1,448	245,682	27,088	1,689	57,119	33,237	25,183	105,149	260	513	856	498,224

NOTES TO FINANCIAL STATEMENTS

31 December 2024

18. DEFERRED TAX (continued)

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

Deferred tax assets (continued)

As at 31 December 2023

	Government special subsidy	Provision for impairment losses	Salaries and benefits payable	Deductible tax loss	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
At 1 January 2023	1,505	221,757	35,888	–	70,469	20,240	–	3,462	353,321
Deferred tax credited/(charged) to profit or loss during the year (note 11)	–	23,856	(3,505)	50,830	(33,951)	89,588	–	(2,942)	123,876
Deferred tax credited to other comprehensive income during the year	–	–	–	–	–	–	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

Deferred tax liabilities

As at 31 December 2024

	Right-of-use assets	Deferred tax liability arising from additional tax deduction for fixed assets of high-tech enterprises	Premium on identifiable net assets for business combinations not under common control	Unrealised foreign exchange gains	Withholding tax on the distributable profits of the Group's PRC subsidiaries	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2023 and 1 January 2024	126,358	2,636	–	–	–	128,994
Deferred tax charged/(credited) to profit or loss during the year (note 11)	(6,761)	(309)	(16)	2,560	10,000	5,474
Acquisition of subsidiaries during the year	–	–	948	–	–	948
Gross deferred tax liabilities at 31 December 2024	119,597	2,327	932	2,560	10,000	135,416

NOTES TO FINANCIAL STATEMENTS

31 December 2024

18. DEFERRED TAX (continued)

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

Deferred tax liabilities (continued)

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
At 1 January 2023	23,283	357	–	23,640
Deferred tax charged/(credited) to profit or loss during the year (note 11)	103,075	(357)	2,636	105,354
Gross deferred tax liabilities at 31 December 2023	126,358	–	2,636	128,994

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:

	31 December 2024	31 December 2023
	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	362,808	348,590
Net deferred tax liabilities recognised in the consolidated statement of financial position	–	–

Tax losses arising in Mainland China will expire in five years for offsetting against future taxable profits. The Group did not recognise deferred tax assets in respect of unutilised tax losses of RMB114,108,000 (31 December 2023: RMB118,032,000).

NOTES TO FINANCIAL STATEMENTS

31 December 2024

19. INVENTORIES

	31 December 2024	31 December 2023
	RMB'000	RMB'000
Raw materials	189,183	127,101
Work in progress	38,420	15,160
Finished goods	17,508	27,950
Total	245,111	170,211

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

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

20. TRADE RECEIVABLES

	31 December 2024	31 December 2023
	RMB'000	RMB'000
Trade receivables	6,988,577	6,028,731
ECLs	(1,117,651)	(998,911)
Net carrying amount	5,870,926	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 31 December 2024, trade receivables of RMB15,481,000 (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.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

20. TRADE RECEIVABLES (continued)

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:

	31 December 2024	31 December 2023
	RMB'000	RMB'000
Within 6 months	3,418,575	3,053,377
6 months to 1 year	1,201,380	916,893
1 to 2 years	865,778	872,495
2 to 3 years	291,547	143,376
Over 3 years	93,646	43,679
Total	5,870,926	5,029,820

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

	31 December 2024	31 December 2023
	RMB'000	RMB'000
At beginning of year	998,911	900,355
ECLs (note 7)	144,895	137,779
Write-off	(26,155)	(39,223)
At end of year	1,117,651	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.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

20. TRADE RECEIVABLES (continued)

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

As at 31 December 2024

	Ageing					
	Less than 6 months	**6 months to 1 year**	**1 to 2 years**	**2 to 3 years**	**Over 3 years**	**Total**
Gross carrying amount (RMB'000)	**3,843,853**	**1,366,140**	**1,167,396**	**446,934**	**164,254**	**6,988,577**
ECLs (RMB'000)	**425,278**	**164,760**	**301,618**	**155,387**	**70,608**	**1,117,651**
ECL rate	**11.06%**	**12.06%**	**25.84%**	**34.77%**	**42.99%**	**15.99%**

As at 31 December 2023

	Ageing					
	Less than 6 months	6 months to 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
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
ECL rate	12.07%	13.10%	27.63%	34.39%	43.43%	16.57%

NOTES TO FINANCIAL STATEMENTS

31 December 2024

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	31 December 2024	31 December 2023
	RMB'000	RMB'000
Current		
Tax recoverable	1,524,137	1,085,001
Prepayments	706,455	490,991
Deposits*	418,926	493,040
Other receivables	69,204	95,654
Due from related parties (note 38(c))	3,285	2,009
	2,722,007	2,166,695
ECLs	(49,596)	(45,096)
Subtotal	2,672,411	2,121,599
Non-current		
Repossessed assets**	376,327	300,320
Deposits	325,766	258,989
Others	3,271	4,089
	705,364	563,398
ECLs	(260)	(192)
Subtotal	705,104	563,206
Total	3,377,515	2,684,805

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

** As at 31 December 2024, the carrying amount of repossessed assets was RMB376,327,000 (31 December 2023: RMB300,320,000), mainly comprising properties. Related allowance for impairment was RMB66,329,000 (31 December 2023: RMB52,872,000). The repossessed assets amounting to RMB9,389,000 (2023: RMB6,720,000) and RMB504,145,000 (2023: RMB52,277,000) were disposed of and settled by trade and bills payables for the year ended 31 December 2024, respectively. The Group plans to dispose of the repossessed assets held at 31 December 2024 by auction, bidding or transfer. The application of the certificates of some properties with a carrying amount of RMB356,675,000 (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.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

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

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

	31 December 2024	31 December 2023
	RMB'000	RMB'000
At beginning of year	**45,288**	28,878
ECLs (note 7)	**4,568**	16,410
At end of year	**49,856**	45,288

22. CONTRACT ASSETS

	31 December 2024	31 December 2023
	RMB'000	RMB'000
Contract assets arising from:		
Construction and related services	**829,364**	428,947
ECLs	**(75,516)**	(45,084)
Total	**753,848**	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 year was the result of the increase in construction and related services provided at the end of the year.

The Group's credit policy with customers is disclosed in note 20 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

22. CONTRACT ASSETS (continued)

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

	31 December 2024	31 December 2023
	RMB'000	RMB'000
Within 1 year	686,839	353,459
1 to 2 years	38,660	30,404
2 to 3 years	28,349	-
Total	753,848	383,863

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

	31 December 2024	31 December 2023
	RMB'000	RMB'000
At beginning of year	45,084	30,809
ECLs (note 7)	30,432	14,275
At end of year	75,516	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.

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

	31 December 2024	31 December 2023
	RMB'000	RMB'000
Gross carrying amount	829,364	428,947
ECLs	75,516	45,084
ECLs rate	9.11%	10.51%

NOTES TO FINANCIAL STATEMENTS

31 December 2024

23. DEBT INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2024	31 December 2023
	RMB'000	RMB'000
Measured at fair values:		
Notes receivable	982,562	1,419,901
ECLs	(110,642)	(183,163)
Total	871,920	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 year, 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.

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

	31 December 2024	31 December 2023
	RMB'000	RMB'000
At beginning of year	183,163	68,156
ECLs (note 7)	(72,521)	115,007
At end of year	110,642	183,163

NOTES TO FINANCIAL STATEMENTS

31 December 2024

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

Transferred financial assets that are not derecognised in their entirety:

During the year, the Group endorsed certain bills receivable accepted by banks in Mainland China 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 31 December 2024 was RMB209,972,000 (31 December 2023: RMB79,760,000).

During the year, the Group discounted certain bills receivable to banks in exchange for cash (the "Discounted Bills"). The incurred amount of the bills receivable as at 31 December 2024 was RMB53,741,000 (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 year, the Group endorsed/discounted certain bills receivable accepted by banks in Mainland China to certain of its suppliers or in exchange for cash (the "Derecognised Bills"). The incurred amount of the bills receivable as at 31 December 2024 was RMB178,615,000 (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 FINANCIAL STATEMENTS

31 December 2024

24. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK BALANCES

	31 December 2024	31 December 2023
	RMB'000	RMB'000
Cash and bank balances	**1,793,336**	2,166,812
Less: Restricted bank balances	**(9,918)**	(14)
Cash and cash equivalents	**1,783,418**	2,166,798

As at 31 December 2024, the cash and bank balances of the Group denominated in RMB amounted to RMB1,580,691,000 (31 December 2023: RMB2,124,028,000). The RMB is not freely convertible into other currencies, however, under Mainland China'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 31 December 2024, cash at banks of RMB9,899,000 was pledged for bank borrowings (31 December 2023: Nil).

As at 31 December 2024, the combined Paypal and Alipay balance was RMB19,000 (31 December 2023: RMB14,000), which will be released only after the customer confirms receipt of the goods.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

25. 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:

	31 December 2024	31 December 2023
	RMB'000	RMB'000
Within 1 year	2,286,012	1,464,337
1 to 2 years	46,747	40,037
2 to 3 years	20,301	38,557
Over 3 years	42,197	9,556
Total	2,395,257	1,552,487

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

26. OTHER PAYABLES AND ACCRUALS

		31 December 2024	31 December 2023
	Notes	RMB'000	RMB'000
Current			
Salary and welfare payables		207,979	194,865
Other taxes payable		205,334	129,196
Advanced from customers		148,670	170,290
Other payables	(a)	112,825	59,910
Contract liabilities	(b)	87,929	45,075
Interest payable		76,756	43,291
Lease deposits		23,819	26,189
Dividend payables		7,904	–
Due to related parties (note 38(c))		23	23
Subtotal		871,239	668,839
Non-current			
Lease deposits		11,149	11,768
Provisions		4,298	2,081
Subtotal		15,447	13,849
Total		886,686	682,688

NOTES TO FINANCIAL STATEMENTS

31 December 2024

26. OTHER PAYABLES AND ACCRUALS (continued)

Notes:

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

(b) Details of contract liabilities are as follows:

	31 December 2024	31 December 2023
	RMB'000	RMB'000
Short-term advances received from customers		
Engineering and technical services	45,613	25,380
Sale of goods	42,316	19,695
Total	87,929	45,075

Contract liabilities include short-term advances received to deliver goods and engineering and technical services. The change in contract liabilities in the year 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 year.

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2024			31 December 2023		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank borrowings – unsecured (b)	2.27-5.15	2025	787,555	3.40-3.75	2024	285,777
Current portion of long-term bank borrowings – unsecured	3.00-4.90	2025	3,898,164	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)	3.25-3.45	2025	15,481	–	2024	32,749
Other borrowings – secured (a)	3.08-5.37	2025	1,794,298	3.65-5.68	2024	1,836,917
Subtotal			6,535,498			6,694,592
Non-current						
Bank borrowings – unsecured (b)	3.00-4.90	2026-2031	8,165,602	3.05-4.90	2025-2030	7,404,270
Bank borrowings – secured (d)	3.50-3.80	2026-2029	263,000	–	–	–
Other borrowings – secured (a)	3.08-5.37	2026-2030	5,938,795	3.08-5.37	2025-2030	3,240,370
Subtotal			14,367,397			10,644,640
Total			20,902,895			17,339,232

NOTES TO FINANCIAL STATEMENTS

31 December 2024

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

Analysed into:

	31 December 2024	31 December 2023
	RMB'000	RMB'000
Bank borrowings repayable:		
Within one year	**4,725,719**	4,824,926
In the second year	**3,125,304**	3,833,657
In the third to fifth years, inclusive	**4,216,136**	3,289,140
Beyond five years	**1,087,162**	281,473
Subtotal	**13,154,321**	12,229,196
Other borrowings repayable:		
Within one year	**1,809,779**	1,869,666
In the second year	**1,837,204**	1,077,170
In the third to fifth years, inclusive	**3,956,493**	1,972,226
Beyond five years	**145,098**	190,974
Subtotal	**7,748,574**	5,110,036
Total	**20,902,895**	17,339,232

Notes:

(a) As at 31 December 2024, the Group's other borrowings included financial liabilities recognised in accordance with certain of leaseback transaction arrangements of the Group, which amounted to RMB7,733,093,000 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 31 December 2024 (31 December 2023: RMB47,173,000)

(b) As at 31 December 2024, the Group's bank borrowings of RMB53,741,000 arose from un-derecognised discounted notes receivable, of which the Group retained the substantial risks and rewards (31 December 2023: Nil).

As at 31 December 2024, bank borrowings of RMB105,340,000 arose from supplier finance arrangements (31 December 2023: RMB12,113,000). The Group has established supplier finance arrangements that are offered to some of the Group's key suppliers in Mainland China. Participation in the arrangements is at the suppliers' own discretion. Suppliers that participate in the supplier finance arrangements will receive early payments or payments at the original due dates on invoices sent to the Group from the Group's external finance provider. If suppliers choose to receive early payments, they pay a fee to the finance provider. In order for the finance provider to pay the invoices, the goods must have been received or supplied and the invoices must have been approved by the Group. Payments to suppliers ahead of or at the invoice due date are processed by the finance provider and, in all cases, the Group settles the original invoice by paying the finance provider in line with the original invoice maturity date or at a later date as agreed with the finance provider. Payment terms with suppliers have not been renegotiated in conjunction with the arrangements. The Group provides no security to the finance provider.

The original payment terms these financial liabilities that are part of the Group's supplier finance arrangements included in the trade and bills payables are normally settled on 30 to 60 days terms, whereas the payment terms for the above amounts of the Group's supplier finance arrangements for which included in interest-bearing bank and other borrowings are normally extended to no more than 1 year, and in a few instances the payment terms are extended to five years.

All financial liabilities that are part of the supplier finance arrangements are included in interest-bearing bank and other borrowings in the statement of financial position, with RMB99,284,000 included in the current portion of unsecured bank loans and RMB6,056,000 included in the non-current portion of unsecured bank loans.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

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

(c) As at 31 December 2024, other borrowings of RMB15,481,000 arose from the factoring of accounts receivable without being secured by deposits (31 December 2023: RMB32,749,000).

(d) As at 31 December 2024, long-term bank borrowings of RMB303,000,000 (31 December 2023: Nil) were secured by cash at bank amounting to RMB9,899,000 (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 31 December 2024, which are denominated in Japanese Yen (JPY) and bank borrowings of RMB55,364,000 equivalent as at 31 December 2024, which are denominated in United States dollars (USD) (31 December 2023: RMB166,391,000, which are denominated in USD).

28. DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2024		31 December 2023	
	Asset	Liability	Asset	Liability
	RMB'000	RMB'000	RMB'000	RMB'000
Forward currency contract	1,166	–	–	–
Interest rate swap	–	(1,732)	–	(2,581)
Cross-currency interest rate swap	–	–	12,658	–
Total	1,166	(1,732)	12,658	(2,581)
Portion classified as non-current:				
Interest rate swap	–	–	–	(2,581)
Current portion:				
Forward currency contract	1,166	–	–	–
Interest rate swap	–	(1,732)	–	–
Cross-currency interest rate swap	–	–	12,658	–

NOTES TO FINANCIAL STATEMENTS

31 December 2024

28. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

As at 31 December 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. Gain in the fair value of the hedging currency amounting to RMB1,166,000 was charged to other comprehensive income during the year ended 31 December 2024 (31 December 2023: Nil).

As at 31 December 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 RMB849,000 was charged to other comprehensive income during the year ended 31 December 2024 (2023: Loss of RMB324,000).

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

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 FINANCIAL STATEMENTS

31 December 2024

28. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedge under HKFRS 9 (continued)

The Group holds the following hedging instruments:

As at 31 December 2024

	Maturity					
	Less than 3 months	**3 to 6 months**	**6 to 9 months**	**9 to 12 months**	**1 to 3 years**	**Total**
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	–	–	3.7%	–	–	
Hedge rate	–	1	1	–	–	

As at 31 December 2023

	Maturity					
	Less than 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 3 years	Total
Interest rate swap						
Notional amount (in RMB'000)	–	–	–	–	267,270	267,270
Fixed interest rate	–	–	–	–	3.7%	
Hedge rate	–	–	–	–	1	

NOTES TO FINANCIAL STATEMENTS

31 December 2024

28. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedge under HKFRS 9 (continued)

The impacts of the hedging instrument on the statement of financial position are as follows:

As at 31 December 2024

	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
Forward currency contract	**135,500**	**1,166**	**Derivative financial instruments (assets)**	**1,166**
Interest rate swap	**267,270**	**(1,732)**	**Derivative financial instruments (liabilities)**	**849**

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

NOTES TO FINANCIAL STATEMENTS

31 December 2024

28. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedge under HKFRS 9 (continued)

The impacts of the hedging instrument on the statement of financial position are as follows: (continued)

As at 31 December 2024

	Change in fair value used for measuring hedge ineffectiveness for the year	Cash flow hedge reserve
	RMB'000	RMB'000
Forward currency contract	1,166	(1,166)
Interest rate swap	849	1,472

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
Interest rate swap	(324)	(2,581)

NOTES TO FINANCIAL STATEMENTS

31 December 2024

28. 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 31 December 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	
Forward currency contract	1,166	–	1,166	–	N/A
Interest rate swap	849	(127)	722	–	N/A
Total	2,015	(127)	1,888	–	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	
Interest rate swap	(324)	387	63	–	N/A

NOTES TO FINANCIAL STATEMENTS

31 December 2024

29. DEFERRED REVENUE

	31 December 2024	31 December 2023
	RMB'000	RMB'000
At beginning of year	14,928	16,684
Amortised to profit or loss	(1,171)	(1,756)
At end of year	13,757	14,928

30. SHARE CAPITAL

Shares	31 December 2024	31 December 2023
Authorised		
5,000,000,000 shares of a par value of USD0.00002 each	100,000	100,000

Shares	31 December 2024	31 December 2023
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 HK$4.52 per share for the aggregate cash proceeds before expense of HK$1,648,417,000 (equivalent to RMB1,488,329,000).

31. SHARE OPTION SCHEME

On 12 March 2024, the Board approved the adoption of the share option scheme (the "2024 Share Option Scheme"), which was subsequently ratified by the Company's shareholders during the annual general meeting held on 4 June 2024.

The Company operates the 2024 Share Option Scheme for the purpose of providing incentives and rewards to eligible participants and certain qualified participants who contribute to the success of the Group's operations. Eligible participants of the 2024 Share Option Scheme include senior and middle management personnel, as well as other key employees of the Company or any subsidiary (the "Grantees").

NOTES TO FINANCIAL STATEMENTS

31 December 2024

31. SHARE OPTION SCHEME (continued)

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 (excluding treasury 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 shall not exceed 10% of the Company's total issued shares (excluding treasury shares) as at the date of approval of the adoption of the 2024 Share Option Scheme by the shareholders.

The offer of a grant of share options may be accepted upon payment of a nominal consideration of HK$1 in total by the Grantees subject to any early termination, and the Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the share option scheme is approved by the shareholders of the Company. The vesting of the share options is mainly subject to fulfilment of the Company's performance targets, the Grantees remaining at all times after the offer date and on each vesting date as an employee of the Group, as well as the Grantees achieving a specified level in annual personal performance evaluations.

The exercise price in respect of any option shall be such price as determined by the Board or the administration committee of the 2024 Share Option Scheme and notified to the Grantees and which shall not be less than the higher of: (i) the closing price of the shares on the Hong Kong Stock Exchange as stated in the Hong Kong Stock Exchange's daily quotation sheet on the offer date; and (ii) the average of the closing prices of the shares on the Hong Kong Stock Exchange as stated in the Hong Kong Stock Exchange's daily quotation sheets for the five trading days immediately preceding the offer date. The shares do not carry nominal value.

On 8 July 2024, the Company has granted share options to the Grantees under the 2024 Share Option Scheme to subscribe for a total of 15,330,000 ordinary shares in the share capital of the Company, and 3,910,000 share options lapsed on the date of employees' resignation.

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Expiry date	Exercise price per share option	Number of share options	
	HK$	**2024**	2023
8 July 2034	1.45	**11,420,000**	N/A

NOTES TO FINANCIAL STATEMENTS

31 December 2024

31. SHARE OPTION SCHEME (continued)

The fair value (measured as at the grant date) of the share options that were outstanding as at 31 December 2024 was RMB8,091,000 (31 December 2023: Nil). The weighted average fair values were RMB0.64, RMB0.70, and RMB0.73 per option for each of the three tranches with one-year, two-year, and three-year vesting periods, respectively (31 December 2023: Nil). The Group recognised a share option expense of RMB2,409,000 (2023: Nil) during the year ended 31 December 2024 in employee benefit expense.

The fair value of the share options was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the main inputs to the model used:

	2024	2023
Expected dividend yield (%)	6.90	N/A
Expected volatility (%)	103.96	N/A
Risk-free interest rate (%)	3.11	N/A
Validity period of the share options (year)	10	N/A
Share price (HK$ per share)	1.45	N/A
Expected exercise trigger multiple	2.00	N/A

Estimation of the value of the share options is subjective and uncertain as such values are subject to a number of assumptions and the limitation of the model. The expected volatility is based on the historical volatility reflecting the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. The expected exercise trigger multiple is also estimated and is not necessarily indicative of the exercise patterns that may occur.

All significant features necessary to be considered for the measurement of fair values of the share options granted in the year were incorporated into such measurement.

At 31 December 2024, the Company had 11,420,000 (31 December 2023: Nil) non-vested share options outstanding under the 2024 Share Option Scheme, including 610,000 (31 December 2023: Nil) non-vested share options granted to certain executive directors, 1,830,000 (31 December 2023: Nil) non-vested share options granted to certain employees among five highest paid employees (not include executive directors) and 8,980,000 (31 December 2023: Nil) non-vested share options granted to certain key management personnel. Should all of them be vested, the exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 11,420,000 (31 December 2023: Nil) additional ordinary shares of the Company.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

32. RESTRICTED SHARE AWARD SCHEME

The Board approved the adoption of the restricted share award scheme (the "2024 Restricted Share Award Scheme") on 12 March 2024, under which some restricted shares will be held on trust for the relevant selected grantees (the "Selected Grantees") until such restricted shares are vested with the relevant Selected Grantees in accordance with the rules of the 2024 Restricted Share Award Scheme. 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 (excluding treasury shares) 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 on 12 March 2024.

The vesting of the 2024 restricted shares under the 2024 Restricted Share Award Scheme is mainly subject to the fulfilment of the Company's performance targets, Selected Grantees remaining as an employee of the Group, as well as Selected Grantees achieving a specified level in annual personal performance evaluations.

The following restricted shares were outstanding under the 2024 Restricted Share Award Scheme during the year:

	Number of restricted shares
At 1 January 2024	**–**
Granted	**35,710,000**
Lapsed	**(9,130,000)**
As at 31 December 2024	**26,580,000**

At 31 December 2024, the Company had 26,580,000 (31 December 2023: Nil) non-vested restricted shares outstanding under the 2024 Restricted Share Award Scheme, including 1,420,000 (31 December 2023: Nil) non-vested restricted shares granted to certain executive directors, 4,260,000 (31 December 2023: Nil) non-vested restricted shares granted to certain employees among five highest paid employees (not include executive directors) and 20,900,000 (31 December 2023: Nil) non-vested restricted shares granted to certain key management personnel.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

32. RESTRICTED SHARE AWARD SCHEME (continued)

Under the 2024 Restricted Share Award Scheme, there were shares of 63,869,000 (31 December 2023: Nil) in total amounting to RMB89,455,000 (31 December 2023: Nil), i.e. at a weighted average price of HK$1.60 (2023: Nil), held by the trust at 31 December 2024. The movement of the shares held for the 2024 Restricted Share Award Scheme is as follows:

	Number of shares	Amounts
		RMB'000
At 1 January 2024	–	–
Purchase of shares under 2024 Restricted Share Award Scheme*	**63,869,000**	**89,455**
As at 31 December 2024	**63,869,000**	**89,455**

* 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.

The fair value (measured as at the grant dates) of the restricted shares that were outstanding as at 31 December 2024 was RMB31,445,000 (31 December 2023: Nil). The weighted average fair values were RMB1.23, RMB1.15 and RMB1.08 per share (31 December 2023: Nil) for each of the three tranches with one-year, two-year and three-year vesting periods, respectively. The Group recognised an amount of RMB9,845,000 (2023: Nil) in employee benefit expense during the year ended 31 December 2024.

The fair value of the restricted shares granted during the year was estimated as at their respective dates of grant, using a no-arbitrage model, taking into account the terms and conditions upon which the restricted shares were granted. The following table lists the main inputs to the model used:

	2024	2023
Expected dividend yield (%)	**6.90**	N/A
Share price (HK$ per share)	**1.45**	N/A

NOTES TO FINANCIAL STATEMENTS

31 December 2024

33. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statements of changes in equity of the financial statements.

(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.

(d) 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., Shanghai Hongjin Equipment & Engineering Co., Ltd. and Tianjin Horizon Construction Development Engineering Technology 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 FINANCIAL STATEMENTS

31 December 2024

34. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

For the year ended 31 December 2024, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB232,714,000, in respect of lease arrangements for offices and equipment (2023: RMB827,814,000).

For the year ended 31 December 2024, the Group did not offset its loan with deposits. (2023: RMB50,000,000).

For the year ended 31 December 2024, the Group had entered certain supplier finance arrangements with the banks. Under such arrangements, the banks will pay upon delivery of product 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 financial statement of cash flows. The derecognition of the payables to the bank and other borrowings amounted to RMB105,340,000 (2023: RMB12,113,000).

For the year ended 31 December 2024, the trade receivables for several customers were settled by certain properties of RMB602,998,000 (2023: RMB381,110,000). For the year ended 31 December 2024, the trade and bills payables for several suppliers were settled by certain properties of RMB504,145,000 (2023: RMB52,277,000).

For the year ended 31 December 2023, the ordinary shares of the Company were listed on the Hong Kong Stock Exchange, and 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

34. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

(b) Changes in liabilities arising from financing activities

As at and for the year ended 31 December 2024

	Interest payable	Bank and other borrowings	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2024	43,291	17,339,232	693,604	18,076,127
Changes in principal from financing cash flows	–	3,441,489	(286,081)	3,155,408
Supplier finance arrangements	–	138,565	–	138,565
Maturity of unhedged derivative financial instruments	–	(16,391)	–	(16,391)
New leases	–	–	232,714	232,714
Disposal	–	–	(35,242)	(35,242)
Interest accrued	777,240	–	28,587	805,827
Interest paid	(743,775)	–	–	(743,775)
At 31 December 2024	76,756	20,902,895	633,582	21,613,233

As at and for the year ended 31 December 2023

	Interest payable	Bank and other borrowings	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	246,934	21,212,114	131,259	21,590,307
Changes in principal from financing cash flows	–	(2,407,877)	(213,161)	(2,621,038)
Supplier finance arrangements	–	12,113	–	12,113
Repayment of loan with deposits	–	(50,000)	–	(50,000)
Derecognition of redemption obligation	(231,064)	(1,445,212)	–	(1,676,276)
New leases	–	–	827,814	827,814
Disposal	–	–	(66,241)	(66,241)
Foreign exchange movement	3,277	18,094	–	21,371
Interest accrued	820,230	–	13,933	834,163
Interest paid	(796,086)	–	–	(796,086)
At 31 December 2023	43,291	17,339,232	693,604	18,076,127

NOTES TO FINANCIAL STATEMENTS

31 December 2024

34. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

(c) Total cash outflow for leases

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

	For the year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Within operating activities	**(646,936)**	(463,551)
Within financing activities	**(286,081)**	(213,161)
Total	**(933,017)**	(676,712)

35. CONTINGENT LIABILITIES

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

36. PLEDGE OF ASSETS

Details of the Group's assets pledged under bank and other borrowings and restricted bank balances are contained in notes 14, 15, 19, 20, 21, 23, 24 and 27 of the financial statements.

37. COMMITMENTS

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

	31 December 2024	31 December 2023
	RMB'000	RMB'000
Contracted, but not provided for:		
Purchase of plant and machinery	**212,503**	108,067

NOTES TO FINANCIAL STATEMENTS

31 December 2024

38. 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
International Far Eastern Leasing Co., Ltd. (遠東國際融資租賃有限公司)	Company controlled by the Controlling Shareholder
Far East Horizon Leasing (Guangdong) Co., Ltd. (遠東宏信融資租賃(廣東)有限公司)	Company controlled by the Controlling Shareholder
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
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
Beijing Jinmao Habitat Environment Technology Co., Ltd. (北京金茂人居環境科技有限公司)	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. (中化魯西工程有限公司)	Subsidiary of a group which has significant influence over the Controlling Shareholder of the Company
Sinochem Fuling Chongqing Chemical Industry Co., Ltd. (中化重慶涪陵化工有限公司)	Subsidiary of a group which has significant influence over the Controlling Shareholder of the Company
Jiangsu Ruiheng New Material Technology Co., Ltd. (江蘇瑞恒新材料科技有限公司)	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
Shanghai Lanjin Stone Decoration Co., Ltd. (上海藍金石材裝飾有限公司)	Company controlled by key management personnel

NOTES TO FINANCIAL STATEMENTS

31 December 2024

38. RELATED PARTY TRANSACTIONS (continued)

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

		For the year ended 31 December	
		2024	2023
	Notes	RMB'000	RMB'000
(1) Operating lease income			
Luxi Industrial Equipment Co., Ltd.	(ii)	**342**	–
International Far Eastern Leasing Co., Ltd.	(i)	**299**	165
Shanghai Yijia Construction Development Co., Ltd.	(ii)	**10**	5
Shanghai Jinmao Construction & Decoration Co., Ltd.	(ii)	**3**	–
Beijing Jinmao Habitat Environment Technology Co., Ltd.	(ii)	**2**	–
Sinochem Environment Air Pollution Control Co., Ltd.	(ii)	**2**	–
Far East Horizon Leasing (Guangdong) Co., Ltd.	(i)	**–**	231
Jiangsu Ruiheng New Material Technology Co., Ltd.	(ii)	**–**	9
Sinochem Fuling Chongqing Chemical Industry Co., Ltd.	(ii)	**–**	1
		658	411
(2) Engineering and technical services			
Luxi Industrial Equipment Co., Ltd.	(iii)	**5**	–
Shanghai Yijia Construction Development Co., Ltd.	(iii)	**2**	–
Sinochem Environment Air Pollution Control Co., Ltd.	(iii)	**1**	–
Shanghai Jinmao Construction & Decoration Co., Ltd.	(iii)	**1**	–
		9	–
(3) Purchases of goods			
Shaoxing Shangyu Boteng Metal Products Co., Ltd.	(iv)	**102,234**	77,741
Shanghai Lanjin Stone Decoration Co., Ltd.	(iv)	**–**	360
		102,234	78,101

NOTES TO FINANCIAL STATEMENTS

31 December 2024

38. RELATED PARTY TRANSACTIONS (continued)

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

Notes:

(i) The operating lease income from related parties arose from the operating lease of premises. The prices were determined on arm's length basis with reference to (a) the location, type, quality, size, area and lease term of the premises; and (b) the prevailing market rates of premises with comparable type, quality and size and situated in the vicinity for similar leasing services provided by the independent third parties.

(ii) The operating lease income from related parties arose from the operating lease of aerial work platforms. 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.

(iii) The engineering and technical services income from related parties arose from logistics services and retrofitting services. The transportation prices were determined on arm's length basis with reference to the transportation distances and weight of the vehicles; and the modification service prices were determined on arm's length basis with reference to the numbers of the vehicles.

(iv) The goods purchased mainly are moulds. The transaction prices were determined on 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.

(c) Outstanding balances with related parties:

	31 December 2024	31 December 2023
	RMB'000	RMB'000
(1) Due from related companies		
Prepayments, other receivables and other assets:		
Shanghai Yijia Construction Development Co., Ltd.	3,285	2,009
Trade receivables:		
Luxi Industrial Equipment Co., Ltd.	132	–
International Far Eastern Leasing Co., Ltd.	19	–
Shanghai Jinmao Construction & Decoration Co., Ltd.	17	28
	168	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.	2,652	4,596
Shanghai Yijia Construction Development Co., Ltd.	–	61
	2,652	4,657

NOTES TO FINANCIAL STATEMENTS

31 December 2024

38. RELATED PARTY TRANSACTIONS (continued)

(c) Outstanding balances with related parties: (continued)

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 other payables to Far East Horizon Limited, the balances due from/to related parties were trade in nature.

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

	For the year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Short-term employee benefits	**9,461**	7,165
Equity-settled share-based payment expense	**1,914**	–
Post-employment benefits	**441**	312
Total compensation paid to key management personnel	**11,816**	7,477

During 2024, certain members of key management personnel of the Group were granted share options and restricted shares in respect of their services to the Group under the Schemes of the Company, further details of which are set out in notes 31 and 32 to the financial statements.

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

39. 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 31 December 2024

Financial assets

	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Total
	RMB'000	RMB'000	RMB'000
Financial assets included in prepayments, other receivables and other assets	764,040	–	764,040
Trade receivables	5,870,926	–	5,870,926
Debt investments at fair value through other comprehensive income	–	871,920	871,920
Derivative financial instruments	–	1,166	1,166
Restricted bank balances	9,918	–	9,918
Cash and bank balances	1,783,418	–	1,783,418
Total	8,428,302	873,086	9,301,388

Financial liabilities

	Financial liabilities at amortised cost	Hedging instruments designated in cash flow hedges	Total
	RMB'000	RMB'000	RMB'000
Trade and bills payables	2,395,257	–	2,395,257
Financial liabilities included in other payables and accruals	232,477	–	232,477
Derivative financial instruments	–	1,732	1,732
Interest-bearing bank and other borrowings	20,902,895	–	20,902,895
Total	23,530,629	1,732	23,532,361

NOTES TO FINANCIAL STATEMENTS

31 December 2024

39. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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

As at 31 December 2023

Financial assets

	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit and loss	Total
	RMB'000	RMB'000	RMB'000	RMB'000
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

Financial liabilities

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

NOTES TO FINANCIAL STATEMENTS

31 December 2024

39. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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 are mostly on floating rate terms and bear interest at prevailing market interest rates and their carrying values approximate to their fair values.

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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 FINANCIAL STATEMENTS

31 December 2024

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

Fair value hierarchy (continued)

Assets and liabilities measured at fair value:

As at 31 December 2024

Financial assets and liabilities	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Debt investments at fair value through other comprehensive income	–	871,920	–	871,920
Derivative financial instruments				
Forward currency contract – asset	–	1,166	–	1,166
Interest rate swap – liability	–	(1,732)	–	(1,732)
Total	–	871,354	–	871,354

As at 31 December 2023

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

NOTES TO FINANCIAL STATEMENTS

31 December 2024

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

Fair value hierarchy (continued)

Assets and liabilities measured at fair value: (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 31 December 2024 and as at 31 December 2023 were assessed to be insignificant.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, lease liabilities, and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, trade and bills payables, debt investments at fair value through other comprehensive income, restricted bank balances, financial assets included in prepayments, other receivables, and other assets, and financial liabilities included in other payables and accruals, which mainly arise directly from its operations.

The Group also enters into derivative transactions, including principally forward currency contract, interest rate swap and cross-currency interest rate swap. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Interest rate risk

The Group's exposure to risk for changes in market interest rates relates primarily to the Group's interest-bearing bank and other borrowings. As at 31 December 2024, the Group held no cross-currency interest rate swap (31 December 2023: one cross-currency interest rate swap with Ping An Bank). As at 31 December 2024, the Group had one forward currency contract with a total notional amount of JPY2,972,013,000 (31 December 2023: Nil). As at 31 December 2024, the Group held one interest rate swap with China Construction Bank (31 December 2023: one interest rate swap). The Group aims to mitigate such risk by reducing future variability in cash flows or fair value, while balancing the cost of such risk mitigation measure.

As at 31 December 2024

	Interest-free	Less than 1 year	1 to 5 years	More than 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets					
Financial assets included in prepayments, other receivables and other assets	764,040	–	–	–	764,040
Trade receivables	5,870,926	–	–	–	5,870,926
Debt investments at fair value through other comprehensive income	871,920	–	–	–	871,920
Derivative financial instruments	1,166	–	–	–	1,166
Restricted bank balances	–	9,918	–	–	9,918
Cash and cash equivalents	–	1,783,418	–	–	1,783,418
Total financial assets	7,508,052	1,793,336	–	–	9,301,388
Financial liabilities					
Trade and bills payables	2,395,257	–	–	–	2,395,257
Financial liabilities included in other payables and accruals	232,477	–	–	–	232,477
Derivative financial instruments	1,732	–	–	–	1,732
Interest-bearing bank and other borrowings	803,035	15,152,646	4,483,087	464,127	20,902,895
Total financial liabilities	3,432,501	15,152,646	4,483,087	464,127	23,532,361
Interest rate sensitivity exposure	4,075,551	(13,359,310)	(4,483,087)	(464,127)	(14,230,973)

NOTES TO FINANCIAL STATEMENTS

31 December 2024

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Interest rate risk (continued)

As at 31 December 2023

	Interest-free	Less than 1 year	1 to 5 years	More than 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets					
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 cash equivalents	–	2,166,798	–	–	2,166,798
Total financial assets	7,081,611	2,166,812	–	–	9,248,423
Financial liabilities					
Trade and bills payables	1,552,487	–	–	–	1,552,487
Financial liabilities included in other payables and accruals	141,181	–	–	–	141,181
Derivative financial instruments	2,581	–	–	–	2,581
Interest-bearing bank and other borrowings	50,153	15,792,421	1,348,479	148,179	17,339,232
Total financial liabilities	1,746,402	15,792,421	1,348,479	148,179	19,035,481
Interest rate sensitivity exposure	5,335,209	(13,625,609)	(1,348,479)	(148,179)	(9,787,058)

NOTES TO FINANCIAL STATEMENTS

31 December 2024

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Interest rate risk (continued)

The following table demonstrates the sensitivity to a reasonably possible change in interest rate (without considering the cross-currency interest rate swap with Ping An Bank and the interest rate swap with China Construction Bank), with all other variables held constant, of the Group's profit before tax.

	Increase/(decrease) in profit before tax	
	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Change in basis points		
+100 basis points	**(63,967)**	(76,955)
-100 basis points	**63,967**	76,955

(b) Foreign currency risk

The Group's monetary assets, liabilities and transactions are principally denominated in RMB. The Group has transactional currency exposures. Such exposures mainly arise from the Group's cash and cash equivalents that are denominated in foreign currency and interest-bearing bank borrowings that are denominated in USD and JPY. Bank borrowings of RMB135,500,000 equivalent as at 31 December 2024, which are denominated in JPY and bank borrowings of RMB55,364,000 equivalent as at 31 December 2024, which are denominated in USD (31 December 2023: RMB166,391,000, which are denominated in USD). As at 31 December 2024, the Group held no cross-currency interest rate swap (31 December 2023: one cross-currency interest rate swap with Ping An Bank). As at 31 December 2024, the Group had one forward currency contract (31 December 2023: Nil).

NOTES TO FINANCIAL STATEMENTS

31 December 2024

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances and contract assets are monitored on an ongoing basis.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2024 and 2023.

As at 31 December 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets included in prepayments, other receivables and other assets**	764,040	–	–	–	764,040
Trade receivables*	–	–	–	5,870,926	5,870,926
Contract assets*	–	–	–	753,848	753,848
Debt investments at fair value through other comprehensive income	871,920	–	–	–	871,920
Derivative financial instruments	1,166	–	–	–	1,166
Restricted bank balances	9,918	–	–	–	9,918
Cash and cash equivalents	1,783,418	–	–	–	1,783,418
Total	3,430,462	–	–	6,624,774	10,055,236

NOTES TO FINANCIAL STATEMENTS

31 December 2024

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit risk (continued)

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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
Contract assets*	–	–	–	383,863	383,863
Debt investments at fair value through other comprehensive income	1,236,738	–	–	–	1,236,738
Restricted bank balances	14	–	–	–	14
Cash and cash equivalents	2,166,798	–	–	–	2,166,798
Total	4,218,603	–	–	5,413,683	9,632,286

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the credit risk exposure is disclosed in notes 20 and 22 to the financial statements, respectively.

** The credit quality of the financial assets included in prepayments, other receivables and other assets and notes receivable classified as financial assets at fair value through other comprehensive income is considered to be "normal" when 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, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 20 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings and lease liabilities.

Due to the Group's supplier finance arrangements, the relevant trade payables are due to a single counterparty rather than individual suppliers. This results in the Group being required to settle a significant amount with a single counterparty, rather than less significant amounts with a number of suppliers. However, the Group's payment terms for most of the trade payables covered by the arrangements are extended to not more than 1 year while the normal payment terms for trade payables range from 30 to 60 days, except for trade payable covered by the amount of RMB9,085,000, of which the payment terms are extended to five years. Management does not consider the supplier finance arrangements to result in excessive concentrations of liquidity risk given the payment terms are not significantly extended. Details of the arrangements are disclosed in notes 27 and 34 to the financial statements.

The maturity profile of the Group's financial liabilities as at the end of each of the year, based on the contractual undiscounted payments, is as follows:

As at 31 December 2024

	On demand	Less than 1 year	1 to 5 years	More than 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payables	62,497	2,332,760	–	–	2,395,257
Financial liabilities included in other payables and accruals	–	221,327	11,149	–	232,476
Derivative financial instruments	–	1,732	–	–	1,732
Interest-bearing bank and other borrowings	–	6,668,034	14,460,588	1,510,970	22,639,592
Lease liabilities	–	229,087	454,874	–	683,961
Total	62,497	9,452,940	14,926,611	1,510,970	25,953,018

NOTES TO FINANCIAL STATEMENTS

31 December 2024

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Liquidity risk (continued)

As at 31 December 2023

	On demand	Less than 1 year	1 to 5 years	More than 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payables	48,113	1,504,374	–	–	1,552,487
Financial liabilities included in other payables and accruals	–	129,413	11,768	–	141,181
Derivative financial instruments	–	–	2,581	–	2,581
Interest-bearing bank and other borrowings	–	7,248,670	10,744,561	377,459	18,370,690
Lease liabilities	–	237,354	648,859	51,045	937,258
Total	48,113	9,119,811	11,407,769	428,504	21,004,197

(e) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustment to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, raise new debt, or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. Net debt includes interest-bearing bank and other borrowings, lease liabilities, less cash and cash equivalents. Total equity includes equity attributable to equity holders of the parent and non-controlling interests.

The Group has established supplier finance arrangements to manage its working capital, details of which are included in notes 27 and 34 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Capital management (continued)

The gearing ratio as at the end of the year is as follows:

	31 December 2024	31 December 2023
	RMB'000	RMB'000
Interest-bearing bank and other borrowings	**20,902,895**	17,339,232
Lease liabilities	**633,582**	693,604
Less: Cash and cash equivalents	**(1,783,418)**	(2,166,798)
Net debt	**19,753,059**	15,866,038
Total equity	**11,458,350**	10,777,667
Total equity and net debt	**31,211,409**	26,643,705
Gearing ratio	**63%**	60%

42. EVENT AFTER THE REPORTING PERIOD

As disclosed in note 12, the Board recommends declaration a final dividend of HK$0.045 per share for the year ended 31 December 2024.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

43. NOTES TO THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statements of financial position of the Company at the end of the reporting period is as follows:

		31 December 2024	31 December 2023
	Note	RMB'000	RMB'000
NON-CURRENT ASSETS			
Investment in subsidiaries		4,921,969	26,750
Total non-current assets		4,921,969	26,750
CURRENT ASSETS			
Trade receivables		517,803	–
Prepayments, other receivables and other assets		2,419,766	7,248,805
Derivative financial instruments		1,166	–
Cash and cash equivalents		73,210	163,324
Total current assets		3,011,945	7,412,129
CURRENT LIABILITIES			
Trade and bills payables		9,356	2,764
Other payables and accruals		28,565	17,630
Interest-bearing bank and other borrowings		608,559	–
Total current liabilities		646,480	20,394
NET CURRENT ASSETS		2,365,465	7,391,735
TOTAL ASSETS LESS CURRENT LIABILITIES		7,287,434	7,418,485
Net assets		7,287,434	7,418,485
EQUITY			
Equity attributable to owners of the parent			
Share capital	30	421	421
Reserves		7,287,013	7,418,064
Total equity		7,287,434	7,418,485

Zhan Jing	**Tang Li**	**Deng Huanan**
Director	*Director*	*Co-Chief Financial Officer*

NOTES TO FINANCIAL STATEMENTS

31 December 2024

43. NOTES TO THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Share capital	Share premium	Merger reserve	Capital reserve	Share-based compensation reserve*	Other comprehensive income	Retained profits	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	370	6,066,695	(29,862)	(1,296,268)	–	–	(376,684)	4,364,251
Profit for the year	–	–	–	–	–	–	(88,855)	(88,855)
Total comprehensive income for the year	–	–	–	–	–	–	(88,855)	(88,855)
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	–	–	–	1,676,276	–	–	–	1,676,276
At 31 December 2023 and 1 January 2024	**421**	**7,533,457**	**(29,862)**	**380,008**	**–**	**–**	**(465,539)**	**7,418,485**
Profit for the year	–	–	–	–	–	–	4,070	4,070
Other comprehensive income for the year:								
Cash flow hedges, net of tax	–	–	–	–	–	1,166	–	1,166
Offset foreign exchange loss	–	–	–	–	–	(1,895)	–	(1,895)
Total comprehensive income for the year	–	–	–	–	–	(729)	4,070	3,341
2024 interim dividend	–	–	–	–	–	–	(146,646)	(146,646)
Issue of shares	–	–	–	–	–	–	–	–
Share issue expenses	–	–	–	–	–	–	–	–
Recognition of equity-settled share-based payments	–	–	–	–	12,254	–	–	12,254
At 31 December 2024	**421**	**7,533,457**	**(29,862)**	**380,008**	**12,254**	**(729)**	**(608,115)**	**7,287,434**

* The reserve of the Company represents the recognition of the equity-settled share-based payments of the share options which are yet to be exercised and the restricted shares which are yet to be vested. The amount will be transferred to share capital or shares held for the share award scheme when the related share options are exercised or restricted shares are vested.

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 6 March 2025.

宏信建設發展有限公司
HORIZON CONSTRUCTION DEVELOPMENT LIMITED

Headquarters Address: No. 5, 6-610, Build 2, Minghai Center, 200 Xichang Road, Pilot Free Trade Zone (Dongjiang Bonded Port Zone), Tianjin, PRC
National Service Hotline: 400-821-8001