海通恒信國際租賃股份有限公司

Haitong UniTrust International Leasing Co., Ltd.

(A joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code: 1905

2019

Interim Report

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Company Profile

We are a large and fast-growing financial leasing company in China. As the sole leasing platform and one of the key strategic segments of Haitong Securities, a leading securities firm in China, the Company offers customer-oriented and innovative financial services to a diverse group of customers across various industries by leveraging the investment banking expertise of the senior management of the Company. The Company strives to become the foremost PRC financial leasing company that leads industry innovation and boasts competitive edges in the capital market.

The Group has been adhering to its role as a financial service provider of the real economy and has been grasping favorable opportunities arising from the major transformation of economy of China. The Group has also pursued the operating strategies of "cross-border thinking, promoting innovative development, strengthening our capacity and grasping business opportunities". Based on its customer strategy of maintaining a balanced customer base, the Group has provided tailored services to a wide range of customers, including large- and medium-sized enterprises, micro- and small-sized enterprises and retail customers. We have continued to provide innovative and comprehensive financial products and services to customers in transportation & logistics, industrial sector, infrastructure, construction & real estate, health care and other industries by implementing the best practices of investment banking and strengthening the collaboration with our parent company, financial institutions and industry alliance partners. We have formed a competitive advantage with unique securities firm characteristics, including coordinated allocation of resources and assets and balanced growth of business scale and income.

Our headquarters is located in Shanghai and operates six specialized business departments, namely Public Services Department, Industrials Department, Institutional & Internet Channel Development Department, Construction Department, MSE Business Department and Health Care Business Department. We have also established 17 branches. Our branch network also encompasses seven directly-held subsidiaries in areas including Hong Kong, Tianjin, Shandong, Hebei and Shanghai. Through implementing a "One Body, Two Wings" development strategy, we have expanded the geographical and customer coverage of our domestic and overseas business. As such, our local teams have been able to develop expertise that is most pertinent to the local market environments.

On June 3, 2019 (the "Listing Date"), the Company was successfully listed on the Main Board of the Hong Kong Stock Exchange and was the first listed securities-affiliated financial leasing company in China.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. DING Xueqing

Ms. ZHOU Jianli

Non-executive Directors

Mr. REN Peng (Chairman of the Board)

Mr. WU Shukun

Mr. ZHANG Shaohua

Independent non-executive Directors

Mr. JIANG Yulin

Mr. YO Shin

Mr. ZENG Qingsheng

Mr. Wu Yat Wai

AUDIT COMMITTEE OF THE BOARD

Mr. ZENG Qingsheng (Chairman)

Mr. ZHANG Shaohua

Mr. YO Shin

NOMINATION COMMITTEE OF THE BOARD

Mr. REN Peng (Chairman)

Mr. JIANG Yulin

Mr. Wu Yat Wai

REMUNERATION AND EVALUATION COMMITTEE OF THE BOARD

Mr. JIANG Yulin (Chairman)

Mr. WU Shukun

Mr. YO Shin

RISK MANAGEMENT COMMITTEE OF THE BOARD

Mr. YO Shin (Chairman)

Mr. DING Xueqing

Mr. ZHANG Shaohua

BOARD OF SUPERVISORS

Ms. WANG Meijuan (Chairman)

Ms. ZHAO Yue

Mr. CHEN Xinji

JOINT COMPANY SECRETARIES

Mr. FU Da

Ms. SO Shuk Yi Betty (ACIS, ACS)

AUTHORIZED REPRESENTATIVES

Mr. DING Xueqing

Ms. SO Shuk Yi Betty (ACIS, ACS)

Corporate Information

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Beijing
PRC

AUDITOR

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Certified Public Accountants
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COMPLIANCE ADVISOR

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Huangpu District
Shanghai
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HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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COMPANY'S WEBSITE

http://www.utfinancing.com

STOCK CODE

1905

LISTING DATE

June 3, 2019

Financial Summary

The following table summarizes our results of operations for the periods indicated:

	For the six months ended June 30		
	2019	2018	Changes
	(Unaudited)	(Unaudited)	
	(RMB in millions)		
Total revenue	**3,539.1**	2,454.1	44.2%
Total revenue and other income, gains or losses	**3,653.5**	2,574.0	41.9%
Interest expenses	**(1,597.5)**	(1,051.9)	51.9%
Total expenses	**(2,676.2)**	(1,697.8)	57.6%
Profit before income tax	**977.3**	876.2	11.5%
Income tax expenses	**(248.8)**	(225.2)	10.5%
Profit for the period	**728.5**	651.0	11.9%
Earnings per share attributable to Shareholders			
(Expressed in RMB Yuan per Share)			
— Basic	**0.09**	0.09	
— Diluted	**0.09**	N/A	

Financial Summary

The following table summarizes our consolidated financial position for the period indicated:

	As at June 30, 2019 (Unaudited)	As at December 31, 2018 (Audited)	Changes
	(RMB in millions)		
Total non-current assets	**42,950.3**	38,638.6	11.2%
Including: Receivables from finance lease business (note)	**34,181.7**	30,824.7	10.9%
Of which: Finance lease receivables	**26,794.3**	30,824.7	(13.1%)
Receivables arising from sale and leaseback arrangements	**7,387.4**	—	N/A
Total current assets	**47,406.9**	43,472.8	9.0%
Including: Receivables from finance lease business (note)	**33,658.7**	30,828.0	9.2%
Of which: Finance lease receivables	**29,575.2**	30,828.0	(4.1%)
Receivables arising from sale and leaseback arrangements	**4,083.5**	—	N/A
Total assets	**90,357.2**	82,111.4	10.0%
Total current liabilities	**37,568.7**	35,083.0	7.1%
Including: Borrowings	**16,099.0**	18,162.1	(11.4%)
Bonds payable	**16,722.0**	12,856.9	30.1%
Net current assets	**9,838.2**	8,389.9	17.3%
Total assets less current liabilities	**52,788.5**	47,028.4	12.2%
Equity attributable to owners of the Company			
— Shareholders	**13,839.4**	11,187.8	23.7%
— Other equity instrument holders	**1,211.9**	1,237.0	(2.0%)
Non-controlling interests	**526.4**	495.0	6.3%
Total equity	**15,577.7**	12,919.8	20.6%
Total non-current liabilities	**37,210.7**	34,108.6	9.1%
Including: Borrowings	**16,328.1**	12,836.5	27.2%
Bonds payable	**13,723.0**	14,594.8	(6.0%)
Total equity and non-current liabilities	**52,788.5**	47,028.4	12.2%
Net assets per share (RMB Yuan)	**1.68**	1.60	

Note: Receivables from finance lease business include finance lease receivables and receivables arising from sale and leaseback arrangements. We adopted IFRS 16 Leases on January 1, 2019, which partially affects our sale and leaseback transactions on and after the adoption. According to the requirements of accounting standards, for certain sale and leaseback transactions, the Group accounts for the transfer proceeds as receivables arising from sale and leaseback arrangements. Further details of IFRS 16, please refer to the condensed consolidated financial statements.

Financial Summary

The following table sets forth our selected financial indicators for the periods and as at the dates indicated:

	For the six months ended June 30, 2019	2018
Profitability indicators		
Return on average assets[1]	**1.69%**	2.00%
Return on average net assets[2]	**10.18%**	10.99%
Adjusted weighted average return on net assets[3]	**11.38%**	11.48%
Average yield of interest-earning assets[4]	**7.32%**	6.68%
Average cost of interest-bearing liabilities[5]	**4.61%**	4.66%
Net interest spread[6]	**2.71%**	2.01%
Net interest margin[7]	**3.24%**	3.27%
Net lease yield of operating leasing business[8]	**6.08%**	6.34%
Cost-to-income ratio[9]	**10.43%**	10.77%
Net profit margin before tax and provision[10]	**43.8%**	49.1%
Net profit margin[11]	**20.6%**	26.5%

	As at June 30, 2019	As at December 31, 2018
Liquidity indicators		
Liquidity ratio[12]	**1.26**	1.24
Risk asset-to-equity ratio[13]	**5.42x**	6.02x
Gearing ratio[14]	**403.6%**	452.4%
Asset quality indicators		
NPA ratio[15]	**0.96%**	0.94%
Allowance coverage ratio for NPAs[16]	**334.66%**	339.05%

(1) Calculated by dividing net profit for the period by the average balance of total assets at the beginning of the year and the end of the period on an annualized basis.

(2) Calculated by dividing net profit for the period attributable to the owners of the Company (including shareholders and other equity instrument holders) by the average balance of total shareholders' equity attributable to the owners of the Company at the beginning of the year and the end of the period on an annualized basis.

(3) Net profit attributable to ordinary shareholders/(net asset at the beginning of the period attributable to ordinary shareholders + net profit attributable to ordinary shareholders/2 + additional net asset attributable to ordinary shareholders arising from issue of new shares or conversion of debt into equity during the reporting period * the number of months from the next month immediately after the addition of net asset to the end of the reporting period/ number of months during the reporting period) on an annualized basis.

Financial Summary

(4) Calculated by dividing interest income by the average balance of interest-earning assets on an annualized basis. Interest income is the sum of (i) income from finance lease business, (ii) factoring income, and (iii) entrusted loan and other loan income. Interest-earning assets consist of receivables from finance lease business, factoring receivables, entrusted loans and other loans. Average balances are calculated based on balances as at December 31, 2018 and June 30, 2019. In this interim report, the balances of interest-earning assets used in such calculation represent the carrying amounts of receivables from finance lease business, factoring receivables and entrusted loans and other loans before deduction of allowances for impairment losses.

(5) Calculated by dividing interest expenses by the average balance of interest-bearing liabilities on an annualized basis. Interest-bearing liabilities consist of borrowings, bonds payable and notes payable, etc., excluding the interest-bearing liabilities related to operating leasing business. Average balances are calculated based on balances as at December 31, 2018 and June 30, 2019. In this interim report, the balances of borrowings and bonds payable used in such calculation represent the outstanding principal amounts of such borrowings and bonds payable as at the specific dates.

(6) Calculated as per the difference between average yield and average cost (excluding the interest expenses and interest-bearing liabilities related to operating leasing business). Interest expenses related to operating leasing business = total interest expenses * average balance of net carrying amount of aircraft held for operating leasing business/(average balance of net carrying amount of aircraft held for operating leasing business + average balance of interest-earning assets). Interest-bearing liabilities related to operating leasing business = total interest-bearing liabilities * average balance of net carrying amount of aircraft held for operating leasing business/(average balance of net carrying amount of aircraft held for operating leasing business + average balance of interest-earning assets).

(7) Calculated by dividing net interest income (excluding the interest expenses related to operating leasing business) by the average balance of interest-earning assets calculated based on balances as at December 31, 2018 and June 30, 2019 on an annualized basis.

(8) Calculated by dividing net lease income of operating lease business by the average balance of net carrying amount of aircraft held for operating leasing business on an annualized basis. Net lease income of operating lease business is calculated as the difference between operating lease income and the interest expenses related to operating leasing business. Interest expenses related to operating leasing business = total interest expenses * average balance of net carrying amount of aircraft held for operating leasing business/(average balance of net carrying amount of aircraft held for operating leasing business + average balance of interest-earning assets). Average balances are calculated based on balances as at December 31, 2018 and June 30, 2019.

(9) Calculated by dividing the sum of depreciation and amortization of property and equipment held for own use (excluding depreciation of aircraft held for operating leasing business), right-of-use assets and intangible assets, staff costs and other operating expenses by the total revenue and other income, gains or losses.

(10) Calculated by dividing profit before income tax and provision for the period by the total revenue for the period.

(11) Calculated by dividing net profit for the period by the total revenue for the period.

(12) Calculated by dividing current assets by current liabilities as at the end of the period/year.

(13) Calculated by dividing risk assets by total equity. Risk assets are the total assets net of cash and bank balances.

(14) Calculated by dividing total debt by total equity. The total debt consisted of borrowings and bonds payable during the track record period.

(15) Represented the percentage of NPAs in the total interest-earning assets before deduction of allowances for impairment losses.

(16) Calculated by dividing allowances for impairment losses of interest-earning assets by the balance of non-performing interest-earning assets.

The table below sets forth the average yield of the interest-earning assets for the periods indicated:

	For the six months ended June 30,	
	2019	2018
Average yield:		
Interest-earning assets	**7.32%**	6.68%
Including: Finance lease business[1]	**7.56%**	6.83%

(1) Calculated by dividing income from finance lease by the average balance of receivables from finance lease business. Average balance of receivables from finance lease business is the average of the carrying amounts of receivables from finance lease business (before deduction of allowances for impairment losses) as at December 31, 2018 and June 30, 2019.

Chairman's Statement

For the six months ended June 30, 2019, we effectively coped with the challenges arising from the downturn and sluggish recovery of domestic and global economies, stringent financial regulation and risk prevention policies. We have been committed to providing leasing services and maintaining sound and stable development. Excellent results have been achieved in our corporate governance, risk control, business development, capital enhancement and operation management.

For the six months ended June 30, 2019, our total revenue and net profit were RMB3,539.1 million and RMB728.5 million, respectively, representing increases of 44.2% and 11.9% year-over-year, respectively. Our return on average assets and adjusted weighting average return on net assets were 1.69% and 11.38%, respectively. As at June 30, 2019, our asset quality remained stable and our non-performing asset ratio was 0.96%. We had strong risk prevention capabilities and our allowance coverage ratio for NPAs was 334.66%. Despite declining market demand, intensive industry competition and substantial financial risks, we were able to maintain the stable growth of profits and further optimized its asset structure in the first half of the year.

For the six months ended June 30, 2019, the Group achieved important breakthroughs in various aspects. On June 3, 2019, the Company was successfully listed on the Main Board of the Stock Exchange, which has further increased our capital strength and supported the implementation of strategies and future development of the Company. As at June 30, 2019, our total assets exceeded RMB90,000 million and reached RMB90,357.2 million, representing an increase of 10.0% as compared with December 31, 2018. Our net assets exceeded RMB15,000 million and reached RMB15,577.7 million, representing an increase of 20.6% as compared with December 31, 2018. With the optimization of our development plan and further improvement in our specialized services, our businesses related to transportation & logistics, industrials, health care and other specialized industries maintained their stable growth. In the face of tightening capital market and increasingly strict financial regulation, we leveraged our credit advantages and exerted efforts in expanding financing channels, innovating financing means and reducing financial costs. Our financial receivables amounted to RMB22,833.3 million and our capital costs showed stable decline. We have been adhering to the bottom line of risks prevention and compliance by further optimizing our comprehensive risk management mechanism. Through effective whole-process risk management and control, our risk monitoring capabilities were enhanced and we were able to investigate and mitigate risks comprehensively.

In addition to achieving satisfactory operating results and economic benefits, we also strived to perform our social responsibilities and serve the real economy and provide financing services to middle- and small-sized enterprises. We established positive brand image by supporting the healthy economic, social and environmental development. For the six months ended June 30, 2019, Haitong UT Leasing HK Limited, our subsidiary, was awarded "Overall Deal of the Year Lessor"（中國區最佳交易獎） and "Best New Chinese Leasing Entrant"（最佳新秀租賃公司）for 2018 by Airfinance Journal.

The financial leasing industry in China is currently facing both opportunities and challenges and the leasing market has huge potential as there are growing demands in the market. In addition, as a leading company in the industry, our development benefits from the tightening regulation on, and orderly development of the industry. In the second half of 2019, we will pay close attention to the development and adjustment of the economy and will strive to serve the real economy. Leveraging our advantages, we will optimized our asset structure and improve our specialized management capabilities and comprehensive service capabilities, so as to become a first class financial leasing company that leads industry innovation and boasts competitive edges in the capital market.

On behalf of the Board, I would like to express my sincere gratitude to our investors for their support and extend my utmost appreciation to our customers and other parties for their trusts. We will continue to pursue our aspirations and business endeavors. We will strive to tackle new challenges and actively seize opportunities in an effort to generate excellent results for all parties in return.

Ren Peng

Chairman and Non-executive Director

August 30, 2019

Management Discussion and Analysis

OPERATION OVERVIEW

For the six months ended June 30, 2019, with the dampened global economic growth and recovery, major developed economies showed lackluster performance while emerging economies experienced rising economic risks. In response to the sluggish economic growth, the U.S., Eurozone and Japan have been gradually and marginally easing their monetary policies. Due to the further spread of trade protectionism of the U.S., the growth of global trade and investment, industrial structure and financial stability were adversely affected.

For the six months ended June 30, 2019, China recorded a year-on-year increase of 6.3% in gross domestic production (the "GDP") with stable economic growth. Benefiting from further optimization of industrial structure and stronger development momentum, the output growth of the tertiary industry and industries above designated size recorded year-on-year increases of 7.0% and 6.0%, respectively. The output growth of high-tech manufacturing industry and industrial strategic-emerging industries recorded year-on-year increases of 9.0% and 7.7%, respectively. In respect of investment, the amount of fixed-asset investment remained stable and recorded a year-on-year increase of 5.8%. The growth of investment in manufacturing and infrastructure segments slowed down and recorded year-on-year increases of 3.0% and 4.1%, respectively. Public investment recorded a year-on-year increase of 5.7%, representing a decrease of 2.7 percentage points as compared with the same period of 2018. In respect of consumption, consumer expenditure contributed 60.1% of the economic growth while the total retail sales of consumer goods in China recorded a year-on-year increase of 8.4%. Online retail sales recorded a year-on-year increase of 17.8%. In respect of international trade, the total volume of imports and exports recorded a year-on-year increase of 3.9%. The volume of exports recorded a year-on-year increase of 6.1%, representing an increase of 1.2 percentage points as compared with the same period of 2018.

For the financial condition, in the first half of the year, China maintained its sound monetary policies, stringent regulation, and risk prevention policies. The monetary policies was flexible and the counter-cyclical adjustment was effective while the overall liquidity was reasonable and structurally abundant. As at the end of June 2019, the balance of broad money (the "M2") amounted to RMB192.14 trillion, representing an increase of 8.5% as compared with the same period of 2018, and the growth rate recorded a year-on-year increase of 0.5 percentage points. The scale of social financing has gradually recovered. In the first half of the year, the amount of new social financing amounted to RMB13.23 trillion, representing an increase of RMB3.18 trillion as compared to the same period of 2018.

For the six months ended June 30, 2019, the growth of the leasing industry was adversely affected by transformation of the leasing regulatory system, increasingly strict regulation on the industry, tightening corporate risk control and other factors. As at the end of June 2019, the total number of financial leasing enterprises in China (excluding single project companies, branches, subsidiaries and companies acquired overseas) was 12,027, representing an increase of 2.1% as compared to 11,777 of December 31, 2018. The balance of financial lease contracts in the industry amounted to approximately RMB6.69 trillion, representing an increase of 0.6% as compared to December 31, 2018. The balance of contracts of financial leasing companies amounted to approximately RMB2.51 trillion, representing an increase of 0.4% as compared to December 31, 2018. The balance of contracts of domestic leasing companies and foreign-invested leasing companies amounted to approximately RMB2.10 trillion and RMB2.08 trillion, respectively, representing increases of 1.0% and 0.5% as compared to December 31, 2018, respectively. In general, financial leasing industry in China is still growing stably with huge potential for the development of new markets and new segments. Strict regulation further promotes the long-term stability of the leasing industry. The industry has been developing in an orderly manner with strong vitality. However, due to sluggish economic growth, the development of industry faces great challenges. Firstly, despite the improvement of credit default, the industry is still exposed to great credit risks. Secondly, the growth of the industry slowed down and the business models and types of leasing companies showed a lack of diversity, resulting in the intensive competition in the industry. Lastly, the business development and profitability were limited by increasingly strict regulation, high financing costs and narrowing financing channels to a certain extent.

CORPORATE STRATEGIES

For the six months ended June 30, 2019, the Company proactively coped with the challenges brought by the downturn of overall economy, the strict financial regulation and intensive competition in the industry and strived to adapt to new economic environment. In pursuit of its aspirations as a financial leasing company and its operation philosophy of investment banking, the Company steadily promoted strategic transformation and achieved balanced growth in terms of business scale and revenue.

In respect of business expansion, adhering to its objective of serving the real economy and strictly implementing its “One Body, Two Wings” strategy and customer strategy of maintaining a balanced customer base, the Company put efforts in developing localized segments and further optimized its assets and investment structure. In order to support high-quality micro- and small-sized enterprises and retail customers, the Company focused on the development of business related to transportation & logistics, advanced manufacturing, health care and other key sectors. For the six months ended June 30, 2019 the Group invested RMB27,348.2 million in its business, including investments in retail business and institutional business of RMB13,064.1 million and RMB14,284.1 million, respectively.

In respect of aircraft operating lease business, the Group purchased two aircraft for the six months ended June 30, 2019. As at June 30, 2019, the Group owned 12 aircraft with the total carrying amount of US$665.9 million (or approximately RMB4,578.0 million). As at June 30, 2019, the Group has undertaken to purchase five aircraft in aggregate of estimated value of US$224.6 million (or approximately RMB1,572.1 million). For the six months ended June 30, 2019 the net lease yield of the aircraft operating lease business was 6.08%. The below table set forth the details of aircraft lease business:

	The number of aircrafts owned		
Model	Self-owned aircrafts	Aircrafts purchased under commitment	Total
Airbus A320	5	2	**7**
Airbus A321	2	0	**2**
Airbus A350	2	0	**2**
Boeing B737	3	3	**6**
Total	12	5	**17**

In respect of risk management, the Group maintained its strict and comprehensive risk management and exerted great efforts in managing risks and disposing assets. The Group also proactively prevented and mitigated risks and enhanced its risk prevention capabilities. As at the end of June 2019, the non-performing asset ratio and allowance coverage ratio was 0.96% and 334.66%, respectively.

In respect of fund management, the successful issue of H Shares further enhanced the capital strength of the Company. The Group continuously expanded and diversified its financing channels and innovated new financing instruments, in order to strengthen its liquidity risk management and liability structure management. For the six months ended June 30, 2019, financial withdrawal of the Group amounted to RMB22,833.3 million, which included indirect financial withdrawal and direct financial withdrawal of RMB12,036.3 million and RMB10,797.0 million, respectively, accounting for 52.7% and 47.3% of the total amount, respectively.

BUSINESS OUTLOOK

In the second half of 2019, the global political and economic conditions are expected to be complicated and severe while uncertainties over international trade frictions and Brexit will linger. The economy of China will maintain its transition from a phase of rapid growth to a stage of high-quality development and continue the replacement of sources of growth. Attributable to the huge market potential of China and regions involved in the Belt and Road Initiatives, the upgrade of industry, consumption and open-up will remain favorable in a long run. In addition, China has implemented prudent monetary policies and proactive fiscal policies. It has also adopted policies to effectively stabilize employment rate, financial industry, foreign trade, foreign investment, investment and growth expectation. Tax and surcharge reduction and the optimization of business condition will be favorable to the development of overall economy. In general, the economic development of China still shows great potential and resilience.

In view of the above, the Group will pay close attention to the development of domestic and international economic conditions and uncertainties while maintaining its strategic strengths. The Group will embrace challenges and grasp new opportunities for further development. The Group will further consolidate its competitiveness and improve its performance in a prudent way through the implementation of the following strategies:

- To maintain sustainable growth through implementation of the best practices of investment banking and promotion of business and product innovation

  Our operation is customer-oriented. We will continue to provide innovative products and services based on customer needs by implementing the best practices of investment banking and strengthening the collaboration with financial institutions and industry alliance partners in order to expand the sources of revenue and enhance the professional and specialized business development. For example, we plan to allocate more resources in aircraft leasing and PPP projects and promote cross-border financial leasing. To capture the opportunities in the big data sector, we are actively providing financing services to companies engaged in IDC services. We intend to provide services to Internet companies, financial institutions and government departments in respect of the investment, establishment and maintenance of data centers with high quality. Meanwhile, we will increase our investments in information technologies to support development and upgrading of the Internet-based services and supply-chain finance.

- Solidify business foundation by further cultivating large clients and large projects and further promoting MSE & Retail business, with the aim of increasing revenue

  We will continue to implement our customer development strategy to achieve a balanced customer base. We will develop Government & LME customers for sourcing large projects to expand our overall business scale and continue to promote our MSE & Retail business, which we believe will enable us to reach rapid growth in both scale and profitability.

In respect of large-sized enterprise customers and large projects, we will further tap into the financing needs of enterprises in the infrastructure and health care industries, with a focus on developing high-end and inclusive health care service projects. Meanwhile, we will strengthen and expand business cooperation with leading companies in the industrials sector by leveraging our industry expertise. We intend to improve our execution capabilities for large projects, and continue to build supporting systems to promote the development of large customers and execution of large projects.

The MSE & Retail business is a significant growth driver to achieve a long-term rapid development and a key factor to improve our overall profitability. We will actively develop high-quality MSE & Retail customers which have strong competitiveness. We will continue to strengthen our sales and services to MSE & Retail customers so as to further enlarge our customer base and refine the structure of our customer base. In addition, we plan to further tap into the inclusive finance with Internet-based approaches. While optimizing our existing online products and services for retail customers, we will continue to develop new Internet-based products. We will recognize and satisfy retail customer needs for financial services, in particular for our financial leasing and factoring businesses, based on our knowledge of certain individual consumption scenarios.

- Continue to expand sales and service network by "One Body, Two Wings" business development model and strengthen the collaboration between our headquarters' specialized departments and our local teams, with the aim of enhancing sales and service

We plan to continue to improve and strengthen the collaboration among our specialized business departments, branches and subsidiaries, establish local sales and service network and strengthen business development and customer resources management to support the long-term growth of our business.

Our specialized business departments at the headquarters will continue to deepen research in their target industries and customer segments and continue to lead our key projects in strategic emerging industries such as smart city, IDC, new energy automobiles and environmental protection. With respect to our network of local offices, we will establish more branches to expand our network to cover all the four directly-controlled municipalities, provincial capitals and other cities in economically-developed regions. We will improve the management structure of our local operations across the country and enhance our branches' sales capabilities to maintain our network advantage among our peers. Meanwhile, our branches will fully utilize their local presence to develop the local markets based on the features of regional economies and realize rapid growth. Furthermore, we plan to enhance the coordination and collaboration among our specialized business departments at our headquarters and our local teams to improve the efficiency of our sales and marketing.

- Further improvement of risk management system and risk management capabilities for protection of assets

We emphasize risk management in our daily operations and have continued to strengthen our risk management capabilities, improve our risk management system and enhance our risk control and risk elimination. The allocation and management of assets have also been improved.

We plan to refine and delineate the functions and responsibilities of risk management and internal control departments to implement centralized management of key processes in our risk management practices. We also plan to implement differentiated risk management measures suitable for different businesses and types of customers. We will increase our risk management awareness, improve risk management approaches and methods and strengthen internal control. We will continue to improve our credit risk management methods and tools, stress testing and risk reporting system.

- Expand financing sources, control financing costs and strengthen liquidity management capabilities

  We will continue to make efforts to reduce our financing costs and expand our funding sources to support a sustainable growth in our business. We will continue to enhance our net capital, to optimize financing structures and to increase the proportion of direct financing in our total indebtedness. On one hand, we intend to issue various debt securities, including asset-backed securities, corporate bonds, short-term commercial papers, ultra-short-term commercial papers, medium-term notes and private placement of bonds. On the other hand, we will maintain flexibility in selecting various new domestic and overseas financing products.

  With respect to liquidity management, we will further enhance the development of assets and liabilities management system, continually refine the internal systems and processes related to assets and liabilities management to ensure that our funds can meet the safety, liquidity and profitability requirements, promote dynamic capital management efficiency and make reasonable use of funds. We will actively select the investment channels for our idle funds and increase returns on idle funds within our risk tolerance.

- Optimize performance-based incentive mechanism and further grow our high-quality professional team for retaining and recruitment of talents

  Our experienced and visionary management team and advanced talent management system can ensure our continual growth and essential competitiveness as a leader in the PRC financial leasing industry. We will further build our professional teams by recruiting professional talents with international background, cross-disciplinary knowledge and strong education credentials. We will also enhance the competitiveness of our remuneration and employee incentive system, which enables our employees to fulfill their career development and benefit from the rapid development of our Company and have a sense of accomplishment. We will continue to implement the promotion system comparable to the managing director hierarchy widely adopted by the investment banking industry to incentivize our employees. We will also strive to nurture management staff, especially young management staff, and build systems for identifying, nurturing, evaluating and incentivizing management staff to build up a talent pipeline for our long-term growth.

- Upgrade our IT systems and other internal supporting functions and enhance the application of fintech for higher efficiency

  We will continually increase our investments in IT systems, promote the application of IT and fintech and improve our information systems' scalability, responsiveness and reliability by expanding, improving and upgrading the IT infrastructure. While developing new businesses, we will optimize existing systems and develop new systems in a timely manner to meet the demands arising from business system updates, changes in business processes and innovative business, which enables us to systematically manage each business process with information technology and improve our operations and internal control. In addition, we will strengthen the development of management systems and streamline internal procedures to improve the efficiency of our risk management, human resource management and capital management, and further improve our effectiveness and quality of operating management.

ANALYSIS OF CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Overview of consolidated statement of profit and loss

Our revenue amounted to RMB3,539.1 million for the six months ended June 30, 2019, represented an increase of 44.2% from RMB2,454.1 million for the same period last year. Our profit for the period increased by 11.9% to RMB728.5 million for the six months ended June 30, 2019 from RMB651.0 million for the same period of 2018.

The following table summarizes our results of operations for the periods indicated:

	For the six months ended June 30		
	2019 (Unaudited)	2018 (Unaudited)	Changes
	(RMB in millions)		
Total revenue	**3,539.1**	2,454.1	44.2%
Net investment gains or losses	**(27.9)**	39.8	N/A
Share of results of a joint venture	**2.7**	7.2	(62.5%)
Other income, gains or losses	**139.5**	72.9	91.4%
Total revenue and other income, gains or losses	**3,653.5**	2,574.0	41.9%
Depreciation and amortization	**(117.1)**	(39.8)	194.2%
Staff costs	**(276.4)**	(195.4)	41.5%
Interest expenses	**(1,597.5)**	(1,051.9)	51.9%
Other operating expenses	**(82.0)**	(76.0)	7.9%
Listing expenses	**(31.8)**	(5.8)	448.3%
Impairment losses under expected credit loss model	**(559.2)**	(327.4)	70.8%
Other impairment losses	**(12.2)**	(1.3)	838.5%
Total expenses	**(2,676.2)**	(1,697.8)	57.6%
Profit before income tax	**977.3**	876.2	11.5%
Income tax expenses	**(248.8)**	(225.2)	10.5%
Profit for the period	**728.5**	651.0	11.9%
Earnings per share attributable to Shareholders (Expressed in RMB Yuan per Share)			
— Basic	**0.09**	0.09	
— Diluted	**0.09**	N/A	

Revenue

Our revenue increased by 44.2% to RMB3,539.1 million for the six months ended June 30, 2019 from RMB2,454.1 million for the same period last year, which was mainly due to the increases in our income from finance lease business, operating lease income and service fee income which in turn were driven by the growth of the overall business scale.

The following table sets forth the contribution of each business line to our total revenue for the periods indicated:

	For the six months ended June 30,				
	2019 (Unaudited)	**% of total**	2018 (Unaudited)	% of total	Changes
	(RMB in millions, except percentages)				
Income from finance lease business (note)	**2,515.8**	**71.1%**	1,689.9	68.9%	48.9%
Of which: Finance lease income	**2,359.7**	**66.7%**	1,689.9	68.9%	39.6%
Income from sale and leaseback arrangements	**156.1**	**4.4%**	—	—	N/A
Operating lease income	**212.3**	**6.0%**	73.9	3.0%	187.3%
Service fee income	**603.2**	**17.0%**	367.0	15.0%	64.4%
Factoring income	**163.4**	**4.6%**	288.8	11.8%	(43.4%)
Entrusted loan and other loan income	**44.4**	**1.3%**	34.5	1.4%	28.7%
Total revenue	**3,539.1**	**100.0%**	2,454.1	100.0%	44.2%

Note: Income from finance lease business include finance lease income and income from sale and leaseback arrangements. We adopted IFRS 16 Leases on January 1, 2019, which partially affects our sale and leaseback transactions on and after the adoption. According to the requirements of accounting standards, for certain sale and leaseback transactions, the Group accounts for the transfer proceeds as receivables arising from sale and leaseback arrangements. Further details of IFRS 16, please refer to the condensed consolidated financial statements.

We derived interest income from finance lease, factoring, entrusted loan and other loan service we provided to customers. We also generated revenue from consultation service.

We serve customers in a wide range of industries, including transportation & logistics, industrials, infrastructure, construction & real estate, and health care. We are committed to serving our customers' diverse needs for financial and advisory services and diversifying our sources of income.

The table below sets out the comprehensive yield for different industries. The comprehensive yields are calculated by dividing annualized income from finance lease business, factoring, entrusted loan and other loan by average balance of interest-earning assets. We believe that such yields are useful indicator for investors to understand the overall margins of our businesses of finance lease, factoring, entrusted loans and other loans as well as consultation service.

	For the six months ended June 30,					
	2019			2018		
	Average balance of interest-earning assets[(1)]	Income[(2)]	Comprehensive yield[(3)]	Average balance of interest-earning assets[(1)]	Income[(2)]	Comprehensive yield[(3)]
	(RMB in millions, except percentages)					
Transportation & logistics	**27,677.5**	**1,257.6**	**9.09%**	18,420.1	768.6	8.35%
Industrials[(4)]	**13,776.7**	**716.5**	**10.40%**	10,564.7	459.0	8.69%
Infrastructure	**10,032.5**	**362.5**	**7.23%**	12,092.2	463.3	7.66%
Construction & real estate	**7,470.0**	**366.1**	**9.80%**	7,237.9	280.9	7.76%
Health care	**3,586.7**	**158.3**	**8.83%**	2,892.3	121.3	8.39%
Others[(5)]	**11,899.3**	**465.8**	**7.83%**	9,099.7	287.1	6.31%
Total	**74,442.7**	**3,326.8**	**8.94%**	60,306.9	2,380.2	7.89%

(1) Represents the average of the total carrying amounts of receivables from finance lease business, factoring receivables, as well as entrusted loans and other loans (before deduction of allowances for impairment losses) at December 31, 2018 and June 30, 2019.

(2) Consists of income from finance lease business, factoring income, entrusted loan and other loan income and service fee income for the specific industry.

(3) Calculated by dividing the sum of income from finance lease business, factoring income, entrusted loan and other loan income and service fee income by the average balances of our interest-earning assets on an annualized basis.

(4) Consists primarily of (i) manufacturing, (ii) new energy and clean energy, and (iii) information transmission, software and IT services.

(5) Consists primarily of (i) paper and printing, (ii) agriculture, (iii) education, (iv) chemical industry, (v) food, (vi) mining, (vii) wholesale and retail, and (viii) textile.

Analysis by average balance of interest-earning assets

The average balance of interest-earning assets of the Group increased by 23.4% to RMB74,442.7 million as at June 30, 2019 from RMB60,306.9 million as at June 30, 2018. The average balance of interest-earning assets for transportation & logistics and industrials industry increased significantly by 50.3% and 30.4%, respectively, as compared with the same period last year mainly due to our effort in developing business in the industries.

Analysis by comprehensive yield

The comprehensive yield of the Group increased by 1.05 percentage points to 8.94% for the six months ended June 30, 2019 from 7.89% for the same period last year. The increase was mainly driven by the efforts of the Group to optimize our asset mix, deepen our presence in real economy, develop quality customers, optimize our pricing strategies, fulfill our customers' needs and enhance our bargaining power. In addition, the Group further developed business with higher yield, resulting in the increase in comprehensive yield of new business.

Transportation & logistics

We continued to grow our transportation & logistics business to grasp the opportunities presented by China's fast-growing automobile leasing industry, which includes commercial vehicle leasing, passenger vehicle leasing and modern logistics. We have taken the following measures: (1) We lease commercial vehicles, primarily heavy trucks, to private business owners and micro- and small-sized logistics companies. We strive to provide our customers with faster and more accessible commercial vehicle financing services by using standardized due diligence and credit review processes and standard form leasing contracts. We adopt localized marketing strategies to promote our commercial vehicle financial leasing services through our local sales team covering 22 provinces across the country. (2) We provide financial leasing for passenger vehicles to retail customers and to corporate customers to meet their financing needs for group purchases of passenger vehicles. We market this product through cross-selling with Haitong Securities, our branch network and third party agents. We also market our passenger vehicle financial leasing business through authorized service providers across the country. We enter into agency arrangements with service providers, pursuant to which service providers are responsible for cooperating with local auto dealers and 4S stores to market our financial leasing services to individual automobile owners. Moreover, in response to the rapid development of Internet, we launched our Internet-based online leasing product through a mobile application in 2015. (3) We provide services to customers in the modern logistics supply chain and upstream and downstream sectors of the auto industry. The equipment we lease to modern logistics customers include automobiles, general storage and cold storage facilities and automated parking systems.

Transportation & logistics business continued to grow rapidly. As at June 30, 2019, the average balance of interest-earning assets attributable to our business in the transportation & logistics industry amounted to RMB27,677.5 million, accounting for 37.2% of the average balance of interest-earning assets of the Group and representing an increase of 50.3% as compared with RMB18,420.1 million as at June 30, 2018.

In the six months ended June 30, 2019, the income from transportation & logistics industry amounted to RMB1,257.6 million, representing an increase of 63.6% as compared with RMB768.6 million for the same period last year, mainly due to the increase in income resulting from the continuous growth in transportation & logistics business driven by the increase in the market demand of passenger vehicles and commercial vehicles.

The comprehensive yield of the transportation & logistics industry increased from 8.35% for the six months ended June 30 2018 to 9.09% for the six months ended June 30, 2019, primarily due to the optimized customer structure, discovery of customer needs, stronger bargaining power and higher comprehensive yield of new business.

Industrials

We are committed to serving China's real economy in accordance with Chinese government's economic and industrial policies, such as the supply-side structural reform and the "Made in China 2025" initiative. We offer diversified financing services for customers in industrials industry to finance their equipment purchases and provide liquidity for their fixed assets. We serve customers across a wide range of industrial sectors, including high-end manufacturing, clean energy, automobile manufacturing, new materials, consumer electronics, and communication technologies. We target customers with growth potentials and access to the capital markets, as well as customers operating in industries encouraged by government policies. Our industrial customers consist primarily of large- and medium-sized SOEs at central and local levels, listed companies, and innovative privately-owned enterprises engaging in manufacturing and emerging strategic industries. Moreover, we are a founding member of alliances such as the Haitong Data Industry Alliance (海通數據產業聯盟) and the Listed Companies Development and Innovation Industry Alliance (上市公司發展創新產業聯盟). We plan to promote cooperation and resource sharing among member companies of these industry alliances to further grow our business in emerging industrial sectors.

As at June 30, 2019, the average balance of interest-earning assets attributable to our business in the industrials industry amounted to RMB13,776.7 million, accounting for 18.5% of the average balance of interest-earning assets of the Group and representing an increase of 30.4% as compared with RMB10,564.7 million as at June 30, 2018.

For the six months ended June 30, 2019, the income from the industrials industry amounted to RMB716.5 million, representing an increase of 56.1% as compared with RMB459.0 million for the same period of 2018, which was primarily because the Group adhered to the leasing business and enlarged the investment in industrial area such as advanced manufacturing, bringing in the growth in business volume.

The comprehensive yield of the industrials industry increased from 8.69% for the six months ended June 30, 2018 to 10.40% for the six months ended June 30, 2019, which was primarily because the Group expanded the micro- and small-sized customer group based on core suppliers and enhanced micro- and small-sized customers' experience through core suppliers. As a result, the income from the industry outpaced the growth in interest-earning assets.

Infrastructure

We provide financing services to enterprises engaging in the development and operation of transportation (such as civil aviation, highways, ports, and urban and intercity public transit), urban, water, environmental and energy infrastructure. We have a large, established infrastructure customer base. We are committed to providing infrastructure customers with diversified financial solutions by leveraging our extensive experience and high-quality services.

We take a proactive approach to provide financing services to the PPPs which are led by local government for infrastructure development and operation projects. As PPPs are used for large infrastructure projects and usually generate stable cash flows over a long term, we plan to provide the project company and other project participants with financial leasing and factoring services. Currently, we have established subsidiaries in Shandong Province, Shanghai and Hebei Province, respectively, which are focused on providing financing services to government-led public facilities, road, housing and hydroelectricity projects under PPP and government procurement models.

As at June 30, 2019, the average balance of interest-earning assets attributable to our business in the infrastructure industry amounted to RMB10,032.5 million, accounting for 13.5% of the average balance of interest-earning assets of the Group and representing a decrease of 17.0% as compared with RMB12,092.2 million as at June 30, 2018.

For the six months ended June 30, 2019, the income from the infrastructure industry amounted to RMB362.5 million, representing a decrease of 21.7% as compared with RMB463.3 million for the same period of 2018, which was primarily because certain lease contracts with customers in the industry expired or were early terminated.

The comprehensive yield of the infrastructure industry decreased from 7.66% for the six months ended June 30, 2018 to 7.23% for the six months ended June 30, 2019, which was primarily due to the lower interest rate level we charged customers in this industry attributable to (1)intensified market competition, and (2) increased bargaining power of the customers in the infrastructure industry as a result of increased financing channels available to them.

Construction & Real Estate

We provide financial services to enterprises engaging in the construction of transportation facilities, industrial buildings, residential housing and public service facilities, as well as real estate enterprises. The equipment we lease to construction customers primarily include various construction equipment. Our construction enterprise customers are mostly SOEs at central and local levels and listed companies with annual revenue of RMB2.0 billion or more, most of which have top-grade or first-grade qualifications for engineering and construction. The equipment we lease to real estate enterprises include all types of property management facilities, temperature control equipment and monitoring equipment used in real estate projects. We primarily target real estate enterprises with sound credit status.

As at June 30, 2019, the average balance of interest-earning assets attributable to our business in the construction & real estate industry amounted to RMB7,470.0 million, accounting for 10.0% of the average balance of interest-earning assets of the Group and representing an increase of 3.2% as compared with RMB7,237.9 million as at the end of June 2018.

For the six months ended June 30, 2019, the income from the construction & real estate industry amounted to RMB366.1 million, representing an increase of 30.3% as compared with RMB280.9 million for the same period of 2018, which was primarily due to the increased finance lease projects attributable to the Group's enhanced efforts in the development of customers with high ratings in this industry.

The comprehensive yield of the construction & real estate industry increased from 7.76% for the six months ended June 30, 2018 to 9.80% for the six months ended June 30, 2019, which was primarily attributable to the increase of comprehensive yield in new businesses as a result of the Group's efforts in improvement of services and promotion of innovation and transformation with focus on the major leaders in this industry, aiming to extend coverage to all upstream and downstream sectors and satisfy more diversified demands of customers.

Health Care

We provide financial services to various types of general and special hospitals, health care enterprises and local bureaus of health care. We provide financial leasing, factoring and advisory services to health care customers. The services we provide are mainly financial leasing services, and the equipment we lease to these customers, primarily include medical imaging systems, medical examination equipment, and disinfection equipment.

Our health care customers currently consist primarily of public hospitals. We continually expand our health care customer base to capture opportunities presented by the increasing market demands for customized, high-end health care services. We plan to continue to focus on providing financing to public and private hospitals, as well as clinics, to meet their financing needs related to medical equipment procurement, working capital and facility construction. At the same time, we also plan to provide innovative financing services and products to emerging customers such as imaging and diagnostic centers, rehabilitation centers, medical examination centers, ophthalmology clinics, as well as providers of supply, processing and distribution services. In addition, through our localized branch network, we seek to provide financing to strategically-selected customers, including dental clinics, private hospitals and high-end health care providers, which have sound credit record and growth potentials to support their business expansion and equipment upgrades.

In addition to serving health care providers, we also provide financing to high-growth medical and health care companies, such as pharmaceutical enterprises, medical device manufacturers and genetic-testing and bio-pharma companies, to support their production capacity expansion and research development.

As at June 30, 2019, the average balance of interest-earning assets attributable to our business in the health care industry amounted to RMB3,586.7 million, accounting for 4.8% of the average balance of interest-earning assets of the Group and representing an increase of 24.0% as compared with RMB 2,892.3 million as at June 30, 2018.

For the six months ended June 30, 2019, the income from the health care industry amounted to RMB158.3 million, representing an increase of 30.5% as compared with RMB121.3 million for the same period of 2018, which was primarily because of the increased finance lease projects driven by the expansion of high-end customer bases of the industry by the Group.

The comprehensive yield of the health care industry increased from 8.39% for the six months ended June 30, 2018 to 8.83% for the six months ended June 30, 2019, primarily because we optimized the hospital customers' structure, explored customer needs and expanded new business with higher comprehensive yield.

Other Industries

In addition to serving the above industries, we also provide financial leasing, factoring, entrusted loan and other loan and advisory services to quality customers in other industries, such as education, chemical engineering, paper and printing, agriculture, food, mining, wholesale and retail, and textile.

As at June 30, 2019, the average balance of interest-earning assets attributable to our business in other industries was RMB11,899.3 million, accounting for 16.0% of the average balance of interest-earning assets of the Group and representing an increase of 30.8% as compared with RMB9,099.7 million as at the end of June 2018.

For the six months ended June 30, 2019, the income from other industries amounted to RMB465.8 million, representing an increase of 62.2% as compared with RMB287.1 million for the same period of 2018, which was primarily due to the financing and other services provided by the Group to customers with high ratings in the emerging industries.

The comprehensive yield of other industries increased from 6.31% for the six months ended June 30, 2018 to 7.83% for the six months ended June 30, 2019, which was primarily attributable to the increase of comprehensive yield in new businesses as a result of the adjustment of asset structure of the Group for early deployment and enhancement of services for emerging industries with high quality.

Income from Finance Lease Business

Income from finance lease of the Group for the first half of the year increased by 48.9% to RMB2,515.8 million from the same period last year. Income from finance lease business accounted for 71.1% of the total revenue of the Group.

The following table sets forth the contribution of each industry to our income from finance lease business for the periods indicated:

	For the six months ended June 30,			
	2019		2018	
	Amount	% of total	Amount	% of total
	(RMB in millions, except percentages)			
Transportation & logistics	**1,060.8**	**42.2%**	573.2	33.9%
Industrials[1]	**551.3**	**21.9%**	349.2	20.7%
Infrastructure	**325.0**	**12.9%**	395.2	23.4%
Construction & real estate	**130.9**	**5.2%**	89.2	5.3%
Health care	**141.8**	**5.6%**	109.6	6.5%
Others[2]	**306.1**	**12.2%**	173.6	10.3%
Total	**2,515.8**	**100.0%**	1,689.9	100.0%

(1) Consists primarily of (i) manufacturing, (ii) new energy and clean energy, and (iii) information transmission, software and IT services.

(2) Consists primarily of (i) paper and printing, (ii) agriculture, (iii) education, (iv) chemical industry, (v) food, (vi) mining, (vii) wholesale and retail, and (viii) textile.

The Group proactively adapted to the recent economic development and focused on its core business of finance lease. The Group further diversified its business into various industries based on locality and optimized the asset structure by investing in targeted industries such as transportation & logistics, advanced manufacturing, and health care. For the six months ended June 30, 2019 income from transportation & logistics, industrials, construction & real estate significantly increased by 85.1%, 57.9% and 46.7%, respectively, as compared with the same period last year.

Operating Lease Income

We conduct our aircraft leasing business primarily through Haitong UT Leasing HK, our wholly-owned subsidiary. Our operating lease income is generated from the lease income of our aircraft leasing business. Meanwhile, we watch the market closely for opportunities to sell our aircraft portfolios to generate gains other than lease income.

Our operating lease income increased by 187.3% to RMB212.3 million for the six months ended June 30, 2019 as compared with the same period last year. The increase was primarily due to further the development of our operating leasing business and the increase in the purchase volume and investment amount of aircraft. As at June 30, 2019, the Group had 12 aircraft. In the six months ended June 30, 2019, the net lease yield of the aircraft operating lease business of the Group was 6.08%.

Moreover, as at June 30, 2019, the Group committed to purchasing a total of five aircraft with market value of approximately US$224.6 million (equivalent to approximately RMB1,572.1 million). No aircraft asset was disposed in the six months ended June 30, 2019.

Factoring Income

We provide factoring to companies in various industries, including transportation & logistics, industrials and infrastructure. We have also launched our online factoring services to meet the small-amount financing needs of small and medium logistics companies. We review freight bills submitted by logistics companies through our online platforms, which enhance our efficiency in providing financial service for the accounts receivables.

Our factoring income decreased by 43.4% to RMB163.4 million for the six months ended June 30, 2019 as compared with the same period of last year. The decrease was primarily due to the expiry of certain contracts and the prudent approach of the Group in entering into new factoring business.

Entrusted Loan and Other Loan Income

Our entrusted loan and other loan income increased by 28.7% to RMB44.4 million for the six months ended June 30, 2019 as compared with the same period last year. The increase was mainly due to our increased entrusted loans we provided to customers in target industries to meet their financing needs.

Service Fee Income

Our service fee income increased by 64.4% to RMB603.2 million for the six months ended June 30, 2019 as compared with the same period last year. Our service fee income mainly generated from transportation & logistics, construction & real estate and Industrial Industry. The Group further retained new customers in advanced manufacturing industry and emerging industries by fulfilling different demands of our consultation services in terms of contents and forms from high-end customers. The Group also expanded the coverage of its consultation services and improved its ability of consultation services as some of our consultation services had become more sophisticated. Our service fee income showed stable growth.

The following table sets forth the contribution of each industry to our service fee income for the periods indicated:

	For the six months ended June 30,			
	2019		2018	
	Amount	% of total	Amount	% of total
	(RMB in millions, except percentages)			
Transportation & logistics	**170.7**	**28.3%**	159.6	43.5%
Industrials[1]	**155.8**	**25.8%**	60.6	16.5%
Infrastructure	**2.8**	**0.5%**	32.8	8.9%
Construction & real estate	**150.1**	**24.9%**	94.1	25.6%
Health care	**15.1**	**2.5%**	6.4	1.7%
Others[2]	**108.6**	**18.0%**	13.4	3.8%
Total	**603.2**	**100.0%**	367.0	100.0%

(1) Consists primarily of (i) manufacturing, (ii) new energy and clean energy, and (iii) information transmission, software and IT services.

(2) Consists primarily of (i) paper and printing, (ii) agriculture, (iii) education, (iv) chemical industry, (v) food, (vi) mining, (vii) wholesale and retail, and (viii) textile.

Net investment gains or losses

Our net investment gains or losses primarily include realized net gains/(losses) arising from derivative financial instruments, realized net gains arising from financial assets at fair value through profit or loss, changes in fair value of derivatives and changes in fair value of financial assets at fair value through profit and loss. For the six months ended June 30, 2018 and 2019, our net investment gains or losses were RMB39.8 million and RMB(27.9) million, respectively. For the six months ended June 30, 2019, we recorded net investment losses, primarily due to the changes in fair value of our derivative financial instruments.

Other income, gains or losses

Our other income, gains or losses increased from RMB72.9 million for the six months ended June 30, 2018 to RMB139.5 million for the same period of 2019, primarily due to the increases in government grants.

Costs and expenses

The following table sets forth our costs and expenses for the periods indicated:

	For the six months ended June 30		
	2019	2018	Changes
	(Unaudited)	(Unaudited)	
	(RMB in millions)		
Depreciation and amortization	**117.1**	39.8	194.2%
Staff costs	**276.4**	195.4	41.5%
Interest expenses	**1,597.5**	1,051.9	51.9%
Other operating expenses	**82.0**	76.0	7.9%
Listing expense	**31.8**	5.8	448.3%
Impairment losses under expected credit loss model	**559.2**	327.4	70.8%
Other impairment losses	**12.2**	1.3	838.5%
Total expenses	**2,676.2**	1,697.8	57.6%

The total expenses of the Group increased by 57.6% to RMB2,676.2 million for the six months ended June 30, 2019 from RMB1,697.8 million for the same period last year. The increase was mainly due to (1) the increase in interest expenses attributable to the expansion of financing scale which was in line with the continuous growth of the business of the Group; (2) the increase in related costs and expenses resulting from the expansion of business scale and the introduction of new business; (3) the expenses incurred in connection with our initial public offering; and (4) an increase in the impairment loss which in turn was due to tightening of liquidity in the market and increased credit risk from our customers during the six months ended June 30, 2019 in the context of Chinese government's supply-side reform.

Depreciation and amortization

The depreciation and amortization of the Group increased by 194.2% to RMB117.1 million for the six months ended June 30, 2019 from RMB39.8 million for the same period last year, which was mainly due to the increase in assets held for operating lease (aircraft).

Staff costs

The staff costs of the Group increased by 41.5% to RMB276.4 million for the six months ended June 30, 2019 from RMB195.4 million for the same period of 2018, primarily because we increased the number of our staff to support our overall business growth and our expansion into new businesses.

Interest expenses

The interest expenses of the Group increased by 51.9% to RMB1,597.5 million for the six months ended June 30, 2019 from RMB1,051.9 million for the same period of 2018, which was mainly due to an increase in the amount of financing to support the continuous growth of business of the Group.

Other operating expenses

Other operating expenses of the Group increased by 7.9% to RMB82.0 million for the six months ended June 30, 2019 from RMB76.0 million for the same period of 2018. The increase was mainly due to the increase in business traveling expenses resulting from the continuous growth of business of the Group.

Listing expenses

For the six months ended June 30, 2019 and 2018, we recorded listing expenses of RMB31.8 million and RMB5.8 million, respectively, consisting primarily of the professional service fees incurred in connection with our initial public offering.

Impairment losses under expected credit loss model

Impairment losses under expected credit loss model of the Group increased by 70.8% to RMB559.2 million for the six months ended June 30, 2019 from RMB327.4 million as compared to the same period of 2018. The increase was mainly due to (1) growth in our new businesses; and (2) we prudently increased the amount of provision for impairment for certain assets to further strengthen the risk resistance capabilities of the Group.

Profit before income tax

Profit before income tax of the Group increased by 11.5% to RMB977.3 million for the six months ended June 30, 2019 from RMB876.2 million for the same period of 2018.

Income tax expenses

Income tax expenses of the Group increased by 10.5% to RMB248.8 million for the six months ended June 30, 2019 from RMB225.2 million for the same period of 2018, which was mainly due to the increase in profit before income tax.

Net Interest Margin and Net Interest Spread of Interest-earning Assets

The following table sets forth certain key financial indicators such as our interest income, interest expenses, net interest income, net interest spread and net interest margin for the periods indicated:

	For the six months ended June 30,	
	2019	2018
	(RMB in millions, except percentages)	
Interest income[1]	**2,723.6**	2,013.2
Interest expenses[2]	**1,518.0**	1,026.1
Net interest income	**1,205.6**	987.1
Average balance of interest-earning assets[3]	**74,442.7**	60,306.9
Average balance of interest-bearing liabilities[4]	**65,878.7**	44,006.5
Average yield of interest-earning assets[5]	**7.32%**	6.68%
Average cost of interest-bearing liabilities[6]	**4.61%**	4.66%
Net interest spread[7]	**2.71%**	2.01%
Net interest margin[8]	**3.24%**	3.27%
Net lease yield of operating lease business[9]	**6.08%**	6.34%

(1) Interest income is the sum of (i) income from finance lease business, (ii) factoring income, and (iii) entrusted loan and other loan income.

(2) Excluding the interest expenses related to operating leasing business. Interest expenses related to operating leasing business = total interest expenses* average balance of net carrying amount of aircraft held for operating leasing business / (average balance of net carrying amount of aircraft held for operating leasing business + average balance of interest-earning assets). Average balances are calculated based on balances as at December 31, 2018 and June 30, 2019.

(3) Interest-earning assets consist of receivables from finance lease business, factoring receivables, entrusted loans and other loans. Average balances are calculated based on balances as at December 31, 2018 and June 30, 2019.

(4) Interest-bearing liabilities consist of borrowings, bonds payable and notes payable, etc., excluding the interest-bearing liabilities related to operating leasing business. Average balances are calculated based on balances as at December 31, 2018 and June 30, 2019.

(5) Calculated by dividing interest income by the average balance of interest-earning assets on an annualized basis.

(6) Calculated by dividing interest expenses by the average balance of interest-bearing liabilities on an annualized basis.

(7) Calculated as the difference between average yield and average cost (excluding the interest expenses and interest-bearing liabilities related to operating leasing business).

(8) Calculated by dividing net interest income (excluding the interest expenses related to operating leasing business) by the average of interest-earning assets on an annualized basis.

(9) Calculated by dividing net lease income of operating lease business by the average balance of net carrying amount of aircraft held for operating leasing business on an annualized basis. Net lease income of operating lease business is calculated as the difference between operating lease income and the interest expenses related to operating leasing business. Interest expenses related to operating leasing business = total interest expenses * average balance of net carrying amount of aircraft held for operating leasing business / (average balance of net carrying amount of aircraft held for operating leasing business + average balance of interest-earning assets). Average balances are calculated based on balances as at December 31, 2018 and June 30, 2019.

For the six months ended June 30, 2019, net interest spread of the Group was 2.71%, representing an increase of 0.70 percentage point as compared to 2.01% for the same period last year, primarily due to the increase of average yield of interest-earning assets of 0.64 percentage point as compared with the same period last year, mainly because: (1) we continued to develop quality customers with higher yield; (2) our interest spread level increased with widened overall credit spread of the market.

The table below sets forth the average yield of the interest-earning assets for the periods indicated:

	For the six months ended June 30,	
	2019	2018
Average yield:		
Interest-earning assets	**7.32%**	6.68%
Of which: financial leasing business[1]	**7.56%**	6.83%

(1) Calculated by dividing income from finance lease business by the average balance of receivables from finance lease business on an annualized basis. Average balance of receivables from finance lease business is the average of the carrying amounts of receivables from finance lease business (before deduction of allowances for impairment losses) as at December 31, 2018 and June 30, 2019.

ANALYSIS OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Overview of consolidated statement of financial position

The following table summarizes the summary consolidated statements of financial position for the periods indicated:

	As at June 30, 2019 (Unaudited)	As at December 31, 2018 (Audited)	Changes
	(RMB in millions)		
Non-current assets			
Property and equipment	**4,637.9**	4,217.4	10.0%
Right-of-use assets	**178.2**	—	N/A
Intangible assets	**13.9**	14.3	(2.8%)
Receivables from finance lease business (note)	**34,181.7**	30,824.7	10.9%
Of which: Finance lease receivables	**26,794.3**	30,824.7	(13.1%)
Receivables arising from sale and leaseback arrangements	**7,387.4**	—	N/A
Interest in a joint venture	**248.5**	245.8	1.1%
Financial assets at fair value through profit or loss	**35.8**	36.1	(0.8%)
Loans and receivables	**2,553.2**	2,424.1	5.3%
Deferred tax assets	**835.9**	727.6	14.9%
Other assets	**265.3**	148.6	78.5%
Total non-current assets	**42,950.3**	38,638.6	11.2%
Current assets			
Receivables from finance lease business (note)	**33,658.7**	30,828.0	9.2%
Of which: Finance lease receivables	**29,575.2**	30,828.0	(4.1%)
Receivables arising from sale and leaseback arrangements	**4,083.5**	—	N/A
Loans and receivables	**5,381.4**	4,276.3	25.8%
Other assets	**578.4**	725.9	(20.3%)
Accounts receivable	**56.4**	41.2	36.9%
Financial assets held under resale agreements	**926.5**	980.8	(5.5%)
Financial assets at fair value through profit or loss	**808.9**	2,326.3	(65.2%)
Derivative financial assets	**24.6**	10.2	141.2%
Cash and bank balances	**5,971.9**	4,284.0	39.4%
Total current assets	**47,406.9**	43,472.8	9.0%
Total assets	**90,357.2**	82,111.4	10.0%

	As at June 30, 2019 (Unaudited)	As at December 31, 2018 (Audited)	Changes
	(RMB in millions)		
Current liabilities			
Borrowings	**16,099.0**	18,162.1	(11.4%)
Derivative financial liabilities	**104.1**	23.5	343.0%
Accrued staff costs	**111.2**	138.2	(19.5%)
Accounts payable	**235.6**	401.1	(41.3%)
Bonds payable	**16,722.0**	12,856.9	30.1%
Income tax payable	**264.4**	368.9	(28.3%)
Other liabilities	**4,032.3**	3,132.3	28.7%
Total current liabilities	**37,568.7**	35,083.0	7.1%
Net current assets	**9,838.2**	8,389.9	17.3%
Total assets less current liabilities	**52,788.5**	47,028.4	12.2%
Equity attributable to owners of the Company			
– Shareholders	**13,839.4**	11,187.8	23.7%
– Other equity instrument holders	**1,211.9**	1,237.0	(2.0%)
Non-controlling interests	**526.4**	495.0	6.3%
Total equity	**15,577.7**	12,919.8	20.6%
Non-current liabilities			
Borrowings	**16,328.1**	12,836.5	27.2%
Bonds payable	**13,723.0**	14,594.8	(6.0%)
Deferred tax liabilities	**10.6**	12.3	(13.8%)
Other liabilities	**7,149.1**	6,664.9	7.3%
Total non-current liabilities	**37,210.7**	34,108.6	9.1%
Total equity and non-current liabilities	**52,788.5**	47,028.4	12.2%
Net assets per share (RMB yuan)	**1.68**	1.60	

Note: Receivables from finance lease business include finance lease receivables and receivables arising from sale and leaseback arrangements. We adopted IFRS 16 Leases on January 1, 2019, which partially affects our sale and leaseback transactions on and after the adoption. According to the requirements of accounting standards, for certain sale and leaseback transactions, the Group accounts for the transfer proceeds as receivables arising from sale and leaseback arrangements. Further details of IFRS 16, please refer to the condensed consolidated financial statements.

Assets

Our total assets increased by 10.0% from RMB82,111.4 million as at December 31, 2018 to RMB90,357.2 million as at June 30, 2019, which was mainly due to the expansion of our leasing business driven by our increased business development efforts.

Interest-earning Assets

Our interest-earning assets include receivables from finance lease business and loans and other receivables (including factoring receivables, entrusted loans and other loans). For the six months ended June 30, 2019, driven by the overall growth of our financial leasing business, our receivables from finance lease business continued to grow. As at June 30, 2019, the carrying amount of receivables from finance lease business of the Group was RMB67,840.4 million, representing an increase of 10.0% from RMB61,652.7 million as at December 31, 2018.

Receivables from finance lease business

The following table sets forth the breakdown of receivables from finance lease business as at the dates indicated:

	As at June 30, 2019 (Unaudited)	As at December 31, 2018 (Audited)	Changes
	(RMB in millions)		
Gross amount of receivables from finance lease business	**76,512.5**	69,425.9	10.2%
Less: Unearned finance lease income	**(6,834.1)**	(6,068.2)	12.6%
Present value of receivables from finance lease business	**69,678.5**	63,357.7	10.0%
Less: Allowances for impairment losses	**(1,838.0)**	(1,705.0)	7.8%
Carrying amount of receivables from finance lease business	**67,840.4**	61,652.7	10.0%

Industry Analysis

The following table sets forth the breakdown of our balance of our receivables from finance lease business by industries as at the dates indicated:

	As at June 30, 2019		As at December 31, 2018	
	Amount	% of total	Amount	% of total
	(RMB in millions, except percentages)			
Transportation & logistics	**28,421.9**	**40.8%**	25,660.4	40.5%
Health care	**3,644.5**	**5.2%**	3,427.1	5.4%
Industrials(1)	**13,520.6**	**19.4%**	11,066.4	17.5%
Infrastructure	**8,508.7**	**12.2%**	10,116.0	16.0%
Construction & real estate	**4,830.3**	**6.9%**	4,280.1	6.8%
Others(2)	**10,752.4**	**15.4%**	8,807.6	13.8%
Total	**69,678.5**	**100.0%**	63,357.7	100.0%

(1) Consists primarily of (i) manufacturing, (ii) new energy and clean energy, and (iii) information transmission, software and IT services.

(2) Consists primarily of (i) paper and printing, (ii) agriculture, (iii) education, (iv) chemical, (v) food, (vi) mining, (vii) wholesale and retail, and (viii) textile.

In the six months ended June 30, 2019, we have strived to optimize our asset mix with a focus on targeted industries such as transportation & logistics, advanced manufacturing, and health care and expanded services provided to high-quality micro- and small-sized enterprise customers and individual customers. As at June 30, 2019, the balance of our receivables from finance lease business from customers in the transportation & logistics, health care, industrials, and construction & real estate increased by RMB2,761.5 million, RMB217.4 million, RMB2,454.2 million and RMB550.2 million, respectively, as compared to those as at December 31, 2018. As at June 30, 2019, the balance of our receivables from finance lease business from customers in other industries also increased as compared to that as at December 31, 2018, mainly driven by our expansion into new industries.

Maturity Profile

The following table sets forth the analysis by the remaining maturity of the gross amount of receivables from finance lease business as at the dates indicated:

	As at June 30, 2019 (Unaudited)		As at December 31, 2018 (Audited)	
	Amount	**% of total**	Amount	% of total
	(RMB in millions, except percentages)			
Within one year	**38,030.1**	**49.7%**	34,796.2	50.1%
After one year and not later than five years	**38,249.0**	**50.0%**	34,345.0	49.5%
After five years	**233.4**	**0.3%**	284.6	0.4%
Total	**76,512.5**	**100.0%**	69,425.9	100.0%

As at June 30, 2019, our receivables from finance lease business due within one year accounted for 49.7% of our total gross amount of receivables from finance lease business, which remained stable as compared to 50.1% as at December 31, 2018.

Loans and Receivables

Our loans and receivables include factoring receivables and entrusted loans and other loans. Our factoring and entrusted loans and other loans grew steadily in the six months ended June 30, 2019. As at June 30, 2019, the balance of our factoring receivables was RMB7,474.3 million, representing an increase of 17.8% from RMB6,346.9 million as at December 31, 2018. The balance of our entrusted loans and other loans was RMB1,138.7 million, representing an increase of 28.0% from RMB889.3 million as at December 31, 2018.

As at June 30, 2019, the balance of our loans and receivables from customers in the construction & real estate, transportation & logistics, infrastructure and other industries increased by RMB947.9 million, RMB433.1 million, RMB41.5 million and RMB186.7 million, respectively, as compared to those as at December 31, 2018. The balance of our loans and receivables from customers in the manufacturing and health care industries decreased by RMB170.3 million and RMB62.3 million, respectively, as compared to those as at December 31, 2018, mainly due to our prudent approach in entering into new business.

Write-offs of Provision

The following table sets forth our write-offs of provision for interest-earning assets for the periods indicated:

	For the six months ended June 30,	
	2019	2018
	(RMB in millions)	
Write-offs of provision	**269.4**	81.2

We writes off the unrecoverable NPAs strictly in accordance with our accounting standards and policies and procedures for write-offs of the Group. For the six months ended June 30, 2019 and 2018, the write-offs of provision for interest-earning assets of the Group was RMB269.4 million and RMB81.2 million, respectively.

Property and Equipment

Our property and equipment include equipment held for operating lease and property and equipment held for administrative purpose. As at June 30, 2019, our equipment held for operating lease consisted of 12 aircraft. The property and equipment held for administrative purpose of the Group consisted primarily of motor vehicles, electronic equipment, office equipment, leasehold improvements and construction in progress.

As at June 30, 2019, the property and equipment of the Group amounted to RMB4,637.9 million, representing an increase of 10.0% as compared to RMB4,217.4 million as at December 31, 2018. The increase was mainly due to the addition of two aircraft in the first half of the year.

Cash and Bank Balances

As at June 30, 2019, the cash and bank balances of the Group were RMB5,971.9 million, representing an increase of 39.4% as compared to RMB4,284.0 million as at December 31, 2018. This increase was mainly because the Company generated proceeds from the offering of H shares as it was listed on the main board of Hong Kong Stock Exchange on June 3, 2019. The Company will subsequently use the proceeds for business investment according to the use of proceeds in the prospectus.

Financial Assets at Fair Value through Profit or Loss

The financial assets at fair value through profit or loss primarily consist of the investments in monetary funds and structured deposits of the Group.

As at June 30, 2019, the financial assets at fair value through profit or loss of the Group amounted to RMB844.7 million, representing a decrease of 64.2% as compared to RMB2,362.4 million as at December 31, 2018. The decrease was mainly due to the redemption of certain financial assets for repayment of borrowings and investment in business.

Financial assets held under resale agreements

Our financial assets held under resale agreements primarily include receivables from finance lease business held under resale agreements. As at December 31, 2018 and June 30, 2019, our financial assets held under resale agreements were RMB980.8 million and RMB926.5 million, respectively.

Deferred tax assets

As at June 30, 2019, our deferred tax assets amounted to RMB835.9 million, representing an increase of 14.9% as compared to RMB727.6 million as at December 31, 2018, primarily due to the increase in provision for impairment loss. The amount of our impairment loss as at June 30, 2019 which was not filed with the tax authorities was recognized as deferred income tax assets.

Liabilities

In the six months ended June 30, 2019, major developed economies tended to ease their monetary policies in response to the economic slowdown while China maintained its prudent monetary policies for stringent supervision and risk prevention. The liquidity of market was tight. The Group adhered to the expansion and stabilization of diversified financing channels so as to maintain its domestic credit rating of AAA and further consolidated the good relationship with financing channels. In the six months ended June 30, 2019, the Group achieved satisfactory progress in direct and indirect financial markets. Its overall debt structure continued to improve. Its cost of funds and liquidity risk were effectively controlled.

As at June 30, 2019, the Group had total liabilities of RMB74,779.4 million, representing an increase of 8.1% as compared with RMB69,191.6 million as at December 31, 2018. The increase was mainly due to the increased financing scale along with the growth of business volume.

The following table sets forth a breakdown of liabilities by types as at the dates indicated:

	As at June 30, 2019 (Unaudited)	As at December 31, 2018 (Audited)	Changes
	(RMB in millions)		
Current liabilities			
Borrowings	**16,099.0**	18,162.1	(11.4%)
Derivative financial liabilities	**104.1**	23.5	343.0%
Accrued staff costs	**111.2**	138.2	(19.5%)
Accounts payable	**235.6**	401.1	(41.3%)
Bonds payable	**16,722.0**	12,856.9	30.1%
Income tax payable	**264.4**	368.9	(28.3%)
Other liabilities	**4,032.3**	3,132.3	28.7%
Total current liabilities	**37,568.7**	35,083.0	7.1%
Non-current liabilities			
Borrowings	**16,328.1**	12,836.5	27.2%
Bonds payable	**13,723.0**	14,594.8	(6.0%)
Deferred tax liabilities	**10.6**	12.3	(13.8%)
Other liabilities	**7,149.1**	6,664.9	7.3%
Total non-current liabilities	**37,210.7**	34,108.6	9.1%
Total liabilities	**74,779.4**	69,191.6	8.1%

Borrowings

Borrowings of the Group primarily include bilateral loans, syndicated loans, borrowings from related parties and lease liabilities and bank borrowing is the major source of borrowing. As at June 30, 2019, the Group's borrowings amounted to RMB32,427.1 million, representing an increase of 4.6% as compared to the balance of borrowings of RMB30,998.6 million as at December 31, 2018. The increase was primarily because we raised funds to support our business growth.

The following table sets forth a breakdown of borrowings by types as at the dates indicated:

	As at June 30, 2019 (Unaudited)		As at December 31, 2018 (Audited)	
	Amount	% of total	Amount	% of total
	(RMB in millions, except percentage)			
Bank borrowings	**31,333.3**	**96.6%**	29,924.5	96.5%
Borrowings from the related parties	**914.3**	**2.8%**	1,074.1	3.5%
Lease liabilities	**179.5**	**0.6%**	—	—
Total	**32,427.1**	**100.0%**	30,998.6	100.0%
Analyzed as:				
Current	**16,099.0**	**49.6%**	18,162.1	58.6%
Non-current	**16,328.1**	**50.4%**	12,836.5	41.4%
Total	**32,427.1**	**100.0%**	30,998.6	100.0%

As at June 30, 2019, the current bank borrowings accounted for 51.2% of the total bank borrowings, representing a decrease of 5.9 percentage points as compared with December 31, 2018, reflecting the prudent financing strategies and reasonable debt structure.

The following table sets forth a breakdown of bank borrowings by types as at the dates indicated:

	As at June 30, 2019 (Unaudited)		As at December 31, 2018 (Audited)	
	Amount	% of total	Amount	% of total
	(RMB in millions, except percentage)			
Secured borrowings	**12,223.9**	**39.0%**	14,554.6	48.6%
Unsecured and unguaranteed borrowings	**18,501.2**	**59.0%**	14,856.6	49.6%
Guaranteed borrowings	**608.2**	**1.9%**	513.4	1.7%
Total	**31,333.3**	**100.0%**	29,924.5	100.0%
Analyzed as:				
Current	**16,053.5**	**51.2%**	17,088.0	57.1%
Non-current	**15,279.8**	**48.8%**	12,836.5	42.9%
Total	**31,333.3**	**100.0%**	29,924.5	100.0%

Bonds payable

In the six months ended June 30, 2019, the supervision of the monetary market was tightened. Having considered the needs for business development and financing costs, the Group proactively utilized various direct financing tools. Through issuance of debts, asset securitization and other products in the direct financing market, the Group enriched its financing products, balanced its product maturity and diversified its financing market and maintained its cost advantage, which effectively secured funds for business growth of the Group.

Bonds payables of the Group include short-term and ultra-short-term commercial papers, asset-backed securities, fixed medium-term notes, corporate bonds, private placement notes and asset-backed notes. As at June 30, 2019, the Group's bonds payable amounted to RMB30,444.9 million, representing an increase of 10.9% as compared with the bonds payable of RMB27,451.7 million as at December 31, 2018, primarily due to our need to support our business growth.

The following table sets forth a breakdown of bonds payable by terms as at the dates indicated:

	As at June 30, 2019 (Unaudited)		As at December 31, 2018 (Audited)	
	Amount	% of total	Amount	% of total
	(RMB in millions, except percentage)			
Analyzed as:				
Current	**16,722.0**	**54.9%**	12,856.9	46.8%
Non-current	**13,723.0**	**45.1%**	14,594.8	53.2%
Total	**30,444.9**	**100.0%**	27,451.7	100.0%

Other liabilities

The other liabilities of the Group consisted primarily of deposits from lessees, factoring, suppliers and agents, notes payables, interest payables and aircraft maintenance fund.

As at June 30, 2019, the total other liabilities of the Group were RMB11,181.4 million, an increase of 14.1% from RMB9,797.2 million as at December 31, 2018, mainly due to the increase in deposits from lessees, suppliers and agents when compared with that of December 31, 2018 which were in line with business growth.

Equity

As at June 30, 2019, the Group had a total equity of RMB15,577.7 million, representing an increase of RMB2,657.9 million, or 20.6%, as compared with total equity as at December 31, 2018. The increase was mainly due to the global offering of 1,235.3 million shares in our initial public offering and listing on June 3, 2019, as well as our profit for the six months ended June 30, 2019 of RMB728.5 million.

The following table sets forth a breakdown of equity by types as at the dates indicated:

	As at June 30, 2019 (Unaudited)	As at December 31, 2018 (Audited)	Changes
	(RMB in millions)		
Equity attributable to owners of the Company			
— Shareholders	**13,839.4**	11,187.8	23.7%
— Other equity instrument holders	**1,211.9**	1,237.0	(2.0%)
Non-controlling interests	**526.4**	495.0	6.3%
Total equity	**15,577.7**	12,919.8	20.6%

GEARING RATIO

As at June 30, 2019, the gearing ratio of our Group was 403.6% (December 31, 2018: 452.4%). Gearing ratio is calculated by dividing total debt by total equity. The total debt consisted of borrowings and bonds payable.

ANALYSIS OF CONSOLIDATED STATEMENT OF CASH FLOW

The following table sets forth a summary of cash flows for the periods indicated:

	For the six months ended June 30,		
	2019	2018	Changes
	(Unaudited)	(Unaudited)	
	(RMB in millions)		
Net cash used in operating activities	**(4,067.8)**	(5,887.7)	N/A
Net cash used in investing activities	**(127.4)**	(31.8)	N/A
Net cash from financing activities	**6,103.4**	7,777.2	(21.5%)
Net increase in cash and cash equivalents	**1,908.2**	1,857.7	2.7%
Cash and cash equivalents at the beginning of the period	**3,662.8**	1,969.6	86.0%
Effect of foreign exchange rate changes	**5.6**	0.3	1,766.7%
Cash and cash equivalents at the end of the period	**5,576.5**	3,827.6	45.7%

For the six months ended June 30, 2019, net cash outflow in operating activities amounted to RMB4,067.8 million. Cash flows in operating activities consisted primarily of cash generated from or paid for our financial leasing, operating leasing, factoring, entrusted loans and other loans, and advisory businesses, as well as related transactions. The decrease of cash outflow in operating activities was mainly due to business expansion. The net cash outflow in operating activities decreased in the current period, mainly due to the generation of proceeds from previous investment in business growth which cover to a certain extent the cash outflow in operating activities.

For the six months ended June 30, 2019, net cash outflow in investing activities was RMB127.4 million, mainly reflecting (i) the purchase of financial assets held under resale agreement, (ii) the purchase of financial assets at fair value through profit or loss and (iii) the purchase of aircraft. The aforesaid cash outflow was partially offset by (i) the proceeds on disposal of financial assets held under resale agreements, (ii) the proceeds on sales of financial assets at fair value through profit or loss and (iii) the withdrawal of restricted capital.

For the six months ended June 30, 2019, net cash inflow from financing activities was RMB6,103.4 million, primarily due to (i) the proceeds from issuances of bonds, (ii) the proceeds from borrowings and (iii) the proceeds from the issuance of shares and capital injection from minority shareholders. The aforesaid cash inflow was partially offset by the repayment of borrowings and bonds and payment for the costs during the period.

HUMAN RESOURCES

As at June 30, 2019, the Group had 1,525 full-time employees in total, representing an increase of 235 full-time employees as compared to 1,290 in the same period of 2018. The Group has a team of professional and high quality employees. As at June 30, 2019, approximately 62.8% of the employees of the Group possess bachelor's degree or above, and 18.1% of the employees possess master's degree or above. During the reporting period, total remuneration expenses of the Group were RMB276.4 million, representing an increase of RMB81.0 million from RMB195.4 million for the same period of 2018.

The Group is committed to building a competitive and fair remuneration and benefits system and continues to reform the remuneration and incentive policies in order to stimulate the business development of the Group effectively through remuneration and incentives. In accordance with applicable PRC laws and regulations, the Group made contributions to social security and insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing provident funds for the employees. In addition to insurances stipulated in accordance with applicable PRC laws and regulations, the Group also provided with supplemental commercial medical insurances. As at June 30, 2019, the Group had performed all of its obligations in respect of statutory social insurance and housing provident funds in accordance with the applicable PRC laws in all material aspects.

CAPITAL MANAGEMENT

We manage our capital to ensure that the group companies in the Group is able to operate as a going concern by optimizing the structure of the debt and shareholders' equity while maximizing shareholders' return. The objective of our capital management is to ensure in compliance with the relevant laws, regulations and other regulatory requirements. According to the Certain Opinions Regarding Further Facilitating the Regulation of the Healthy Development and Strengthening Interim and Subsequent Regulation of Three Categories of Institutions Including Financial Leasing Companies, Commercial Factoring Companies and Pawnshops in Shanghai (Hu Jin Gui [2019] No.1) (《關於進一步促進本市融資租賃公司、商業保理公司、典當行等三類機構規範健康發展強化事中事後監管的若干意見》(滬金規[2019]1號)) issued by financial regulatory and administrative authority of Shanghai and other relevant laws and regulations, the Group's risk assets shall not exceed 10 times of net assets. Based on the Administrative Measures, the risk assets for leasing companies is determined by deducting cash, bank deposits, treasury bonds and entrusted lease assets from the Company's total assets. As at June 30, 2019, the Group did not violate any relevant laws and regulations regarding the risk assets and total net assets ratio.

CAPITAL EXPENDITURES

For the six months ended June 30, 2019, capital expenditure of the Group was RMB502.5 million, which was mainly used to purchase two aircraft for the operating leasing business for the six months ended June 30, 2019.

RISK MANAGEMENT

We adopt a prudent risk management philosophy. We maintain a comprehensive risk management system and implement various risk management measures throughout our business operations. We continually improve our comprehensive risk management system to enhance our overall risk management capability and core competitiveness. We engage in risk management under the comprehensive risk management framework of Haitong Securities, our controlling shareholder. We report key risk indicators to Haitong Securities and are supervised by Haitong Securities in terms of the reporting of such risk indicators.

We have a sound risk management structure and continually improves this structure to meet our business development demand. The Board is our highest internal decision-making body on matters involving risk management. The professional committee under the Board and management exercise specific functions based on the authorization of the Board, and various functional departments perform their duties properly to facilitate our comprehensive risk management.

We are exposed to various risks in our business operations, including credit risk, liquidity risk, interest rate risk, exchange rate risk and operational risk. We have developed a sound reporting system to identify, evaluate and monitor risks continually. The goal of our risk management efforts is to maintain risks at a tolerable level and to maximize our risk-adjusted return.

Credit Risk

Credit risk is the risk arising from the failure of our customers or counterparties to perform their contractual obligations, or the changes in their creditworthiness, which could cause our economic loss or cause our actual revenue deviated from our estimated revenue. Credit risk is the primary risk that we face in our financial leasing, factoring and other businesses.

For the six months ended June 30, 2019 we maintained our prudent risk management philosophy to effectively manage our credit risk and asset quality. We strictly followed the credit risk management rules and procedures of the Company applicable to our financial leasing, factoring and other businesses. In addition, we comprehensively analyzed the overall economic environment, thoroughly studied the operating condition of the industry, further optimized the risk control measures of our institutional client services, retail and MSE businesses and improved the comprehensive risk management system covering all procedures, segments and aspects in order to maximize the effectiveness of our risk management and control and safeguard the assets of the Company.

For the six months ended June 30, 2019, we further adopted the following measures for credit risk management: (1) focusing on our principal leasing business by prioritizing the promotion of major leasing products and strengthening leasing object management; (2) establishment of a two-dimensional evaluation system of “industry + clients”, which adopted differentiated review and approval standards and qualification requirement on customers based on the categorization of different industries to facilitate dynamic management of industries; (3) promoting the application of risk model and big data in risk control system; and (4) optimizing the assets portfolio and distribution in order to prevent risk concentration and emphasizing the balance of risk and income.

We implemented stringent credit risk control on all procedures, and maintained effective credit risk management through the above measures. The assets quality was under sound management. Our various major credit risk indicators and NPA ratio continued to maintain leading position in the industry.

Assets quality

Pursuant to the Guidelines on Risk-based Loan Classification (《貸款風險分類指引》) issued by the CBRC, the Group classifies its interest-earning assets (including receivables from finance lease business, factoring receivables, entrusted loans and other loans) into five categories, namely "normal," "special mention," "substandard,", "doubtful" and "loss", of which the last three categories are regarded as credit impaired and considered as NPAs.

Normal. The lessee can honor the terms of the contract and is able to repay the principal and interest in full on a timely basis.

Special mention. The lessee currently has the ability to repay the principal and interest, but the repayment of principal and interest receivables could be adversely affected by specific factors.

Substandard. The lessee's ability to repay the principal and interest is in question as it cannot rely entirely on normal operating revenues to repay the principal and interest in full, and losses may ensue even when collateral or guarantees are invoked.

Doubtful. The lessee is unable to repay the principal and interest in full and losses will need to be recognized even when collateral or guarantees are invoked; and

Loss. A minimal portion or no principal of, or interest on, the lease could be recovered after all possible measures have been taken and all legal remedies have been exhausted.

The following table sets forth the breakdown of the Group's interest-earning assets before provision of impairment based on the five-category classification standard of asset quality as at the dates indicated:

	As at June 30, 2019		As at December 31, 2018	
	Amount	**% of total**	Amount	% of total
	(RMB in millions, except percentages)			
Normal	**74,032.4**	**94.6%**	67,813.3	96.1%
Special mention	**3,507.1**	**4.5%**	2,119.7	3.0%
Substandard	**549.1**	**0.7%**	425.9	0.6%
Doubtful	**165.4**	**0.2%**	184.7	0.3%
Loss	**37.5**	**0.1%**	50.2	0.1%
Total interest-earning assets[1]	**78,291.5**	**100.0%**	70,593.9	100.0%
NPAs[2]	**751.9**		660.9	
NPA ratio[3]		**0.96%**		0.94%

(1) Represents the sum of balances of receivables from finance lease business, factoring receivables, entrusted loans and other loans before the deduction of allowance for impairment losses.

(2) NPA refers to the last three categories of assets identified under our five-category assets classification system, including "substandard", "doubtful" and "loss".

(3) NPA ratio refers to the percentage of NPAs to the total interest-earning assets before deduction of the allowance for impairment losses as at the dates indicated.

The following table sets forth the breakdown of the Group's receivables from finance lease business based on the five-category classification standard of asset quality as at the dates indicated:

	As at June 30, 2019		As at December 31, 2018	
	Amount	% of total	Amount	% of total
	(RMB in millions, except percentages)			
Normal	**67,454.8**	**96.8%**	61,513.9	97.1%
Special mention	**1,531.4**	**2.2%**	1,192.3	1.9%
Substandard	**498.8**	**0.7%**	416.5	0.7%
Doubtful	**156.0**	**0.2%**	184.7	0.3%
Loss	**37.5**	**0.1%**	50.2	0.1%
Total	**69,678.5**	**100.0%**	63,357.7	100.0%
NPA ratio[1]		**0.99%**		1.03%

(1) NPA represents the non-performing assets as a percentage of the total interest-bearing assets before provision of impairment as at the dates indicated.

As at June 30, 2019, the proportion of total interest-earning assets of the Group classified as special mention was 4.5%, increased by 1.5 percentage points as compared with the end of 2018. The increase was primarily because more assets under the factoring business were classified as special mention upon prudent consideration of the Group.

As at June 30, 2019, the Group had NPA of RMB751.9 million, representing an increase of RMB91.0 million as compared with the end of 2018, and the NPA ratio was 0.96%, representing an increase of 0.02 percentage points as compared with the end of 2018. Under the downward pressure in the external financial environment, the Group maintained a prudent and sound risk management system and its overall asset quality remained stable. The NPA ratio was controlled at a relatively low level. As at June 30, 2019, the balance of NPAs under the Group's principal business of financial leasing business amounted to RMB692.3 million, representing an increase of RMB40.9 million as compared with the end of 2018. The NPA ratio of the financial leasing business was 0.99%, representing a decrease of 0.04 percentage points as compared with the end of 2018. Initiatives of the Group in prioritizing the promotion of major leasing products and developing a dynamic two-dimensional evaluation system of "industry + clients" in the first half of 2019 showed preliminary achievements.

Concentration of credit risks

In order to manage the risks arising from the over-concentration of assets with the same attributes in our asset portfolio, we have established a set of concentration limits that are comparable to those required under the CBIRC risk management regulations and commensurate with our risk appetite to strictly limit the balance of risk exposure of a single customer, a single industry, and a single region as a percentage of our net assets in order to diversify risks. As at June 30, 2019, the percentage of transportation & logistics industry, the largest industry of the Group, increased by 0.45 percentage points as compared with the end of 2018, while the aggregate percentage of the three largest industries of the Group, namely transportation & logistics, industrials and infrastructure, was 68.3%, representing a decrease of 1.80 percentage points as compared with the end of 2018. The asset portfolio of the Group was more diversified as compared with 2018, and the concentration of credit risks further reduced.

The following table sets forth the amount and percentage of the Group interest-earning assets by industry as at the dates indicated:

	As at June 30, 2019		As at December 31, 2018	
	Amount	% of total	Amount	% of total
	(RMB in millions, except percentages)			
Transportation & logistics	**29,274.8**	**37.4%**	26,080.2	36.9%
Industrials(1)	**14,918.6**	**19.1%**	12,634.7	17.9%
Infrastructure	**9,249.6**	**11.8%**	10,815.4	15.3%
Construction & real estate	**8,219.0**	**10.5%**	6,720.9	9.5%
Health care	**3,664.3**	**4.7%**	3,509.1	5.0%
Others(2)	**12,965.1**	**16.6%**	10,833.5	15.4%
Total	**78,291.5**	**100.00%**	70,593.9	100.00%

(1) Consists primarily of (i) manufacturing, (ii) new energy and clean energy, and (iii) information transmission, software and IT services.

(2) Consists primarily of (i) paper and printing, (ii) agriculture, (iii) education, (iv) chemical, (v) food, (vi) mining, (vii) wholesale and retail, and (viii) textile.

Liquidity Risk

Liquidity risk refers to the risk that we are unable to obtain sufficient funds in a timely manner and at reasonable costs to pay due debts, perform other payment obligations or satisfy capital needs arising in our ordinary course of business. We improve our ability to obtain liquidity at reasonable costs and in a timely manner by identifying, measuring, monitoring, assessing and controlling liquidity risk and properly managing and allocating our assets and liabilities.

For the six months ended June 30, 2019, the Group implemented the following measures to manage its liquidity risk: (1) management of liquidity risk control indicators to identify and track liquidity risk, and establishment of warning, reporting and contingency plans in respect of liquidity risk; (2) enhancing daily management of liquidity risk through perspectives such as credit line, asset and liability structure, debt maturity structure, liability-to-asset ratio, liquidity management of reserve funds and daily liquidity risk; (3) management of credit line through continually tracking various information of existing credit lines, such as size, type, maturity and currency, and adjusting credit line on time as necessary; (4) management of asset and liability structure, including the determination of a reasonable level of liabilities-to-asset ratio, the monitoring and forecasting of our liability-to-asset ratio, as well as compliance with the predetermined maximum liability-to-asset ratio; (5) management of liability maturity structure, including tracking and forecasting the liability maturity structure, analyzing the matching of our asset and liability duration and making adjustments in time as necessary; (6) prudent management of our liquidity reserve with an aim to securing sufficient liquidity for our day-to-day operations and repayment of our liabilities; (7) monitoring capital expenditure and return on a day-to-day basis to ensure that we have intra-day liquidity position on a timely basis to meet our intra-day payment requirements in both normal and stress scenarios.

For the six months ended June 30, 2019, the liquidity position of the Group was sound. The Group formulated reasonable and orderly capital planning based on the market liquidity condition and further improved our liquidity management mechanism. Our liquidity management capability continued to enhance.

Interest Rate Risk

Interest rate risk refers to the risk of adverse effects on our overall income and economic value resulting from adverse movements in interest rates. The Group has formulated and implemented internal guidelines on interest rate risk management, with specific requirements on matters such as the management procedures, division of risk management responsibilities, as well as applicable tools used to identify and measure interest rate risks. The impact of interest rate changes on our operations is measured primarily through interest rate sensitivity analysis which is used to calculate interest rate sensitivity gap, namely the difference between interest-earning assets and interest-bearing liabilities that are due or need to be re-priced within a particular period. We seek to control interest rate sensitivity gap by closely monitoring the market and adjusting our asset and liability structure. We have also established a reporting mechanism that requires us to regularly report the results of sensitivity analysis and the status of our interest rate management activities to the management on at least a monthly basis.

Most of the Group's business contracts with its customers and loan agreements with lending banks are denominated in RMB and bear floating rates using the PBOC benchmark interest rates as reference. Therefore, the assets and liabilities under these contracts or agreements fluctuate with the changes in the PBOC benchmark interest rates. Therefore, without considering the difference between assets and liabilities in adjustment frequency of interest rates, such assets and liabilities achieve a natural hedge.

We use interest rate swaps to hedge risks associated with fluctuations in US dollar interest rate. These interest rate swaps generally are from one to seven years. As at June 30, 2019, the nominal amount of our interest rate swaps (including currency swaps) amounted to RMB5,374.9 million.

Exchange Rate Risk

Exchange rate risk refers to the risk of our losses of overall revenue and economic value arising from adverse changes of exchange rate. Exchange rate risk of the Group is mainly attributable to the mismatch of the currencies of our assets and liabilities. We identify and measure the effects of changes in exchange rate on our operations mainly through exchange rate sensitivity analysis. In addition, we seek to hedge exchange rate risks by actively adjusting our asset and liability structure and, from time to time, by using derivatives such as currency forwards. As at June 30, 2019, the nominal amount of our currency forwards (including currency swaps) was RMB3,294.9 million.

Operational Risk

Operational risk refers to the risk of losses associated with deficiencies in internal processes, human errors and system failures, or impact from external sources. During the reporting period, under our comprehensive risk management framework, we had enhanced our operational risk management by optimizing our risk management systems and procedures, including but not limited to further refining reporting mechanism of prevention and major external contingency events relating to operational risk during the course of business operation. In addition, we have combined the operational risk with trainings and performance evaluation mechanism so as to strengthen the risk awareness of our employees and promote active management of operational risk. For the six months ended June 30, 2019, our operational risk was satisfactory and no major operational risk was recorded.

CHARGES ON ASSETS

As at June 30, 2019, finance lease receivables at original cost of approximately RMB17,235.2 million were pledged to banks as collateral for bank borrowings, receivables arising from sale and leaseback arrangements at original cost of approximately RMB1,676.6 million were pledged to banks as collateral for bank borrowings and equipment held for operating lease businesses with a carrying amount of approximately RMB4,280.5 million of the Group and equity interests in certain subsidiaries held by the Group were mortgaged to banks as collateral for bank borrowings.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The Company was listed on the Stock Exchange on June 3, 2019. Net proceeds received by the Company from the Global Offering was RMB1,961.6 million (net of underwriting commissions and other related expenses). For the period from the Listing Date to June 30, 2019, the Company did not use any proceeds from the initial public offering. The Company will gradually use the net proceeds from the initial public offering according to the following uses as disclosed in the prospectus in a year:

- approximately 60%, or approximately RMB1,177.0 million, will be used for expanding our financial leasing business and factoring business;

- approximately 30%, or approximately RMB588.5 million, will be used for developing our overseas aircraft leasing business;

- approximately 10%, or approximately RMB196.2 million, will be used for providing funding for our working capital.

As disclosed in the Prospectus, to the extent that the net proceeds from the Global Offering are not immediately required for the above purposes and to the extent permitted by the applicable laws and regulations, we intend to use the net proceeds from the Global Offering for short-term investment, such as liquid asset classes.

Other Information

CORPORATE GOVERNANCE PRACTICE

The Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of the Shareholders and enhance the corporate value and accountability. The Company has adopted the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules as its corporate governance code.

For the period from the Listing Date to June 30, 2019, the Company had complied with all provisions of the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules and adopted many recommended best practices set out therein.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted rules governing dealings by its Directors and Supervisors in securities of the Company in terms no less exacting than those of the model code (set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules. For the period from the Listing Date to June 30, 2019, the Directors and Supervisors of the Company had complied with the abovementioned code.

INTERIM DIVIDEND

The Board of Directors of the Company recommended to distribute the interim cash dividend to all of its ordinary shareholders for the six months ended June 30, 2019. Based on the number of shares of 8,235,300,000 Shares, the interim dividend to be distributed will be RMB0.50 per 10 Shares (tax inclusive) with a total amount of RMB411,765,000.00. According to the Articles of Association of the Company, the proposed interim dividend will be paid to the holders of Domestic Shares and holders of H Shares in RMB and Hong Kong dollar, respectively. The actual distribution amount in Hong Kong dollar shall be determined with reference to the average mid-price of exchange rate between RMB and Hong Kong dollars announced by the People's Bank of China one week immediately prior to the date of the third extraordinary general meeting[1] of 2019 to be held by the Company. The proposed distribution of 2019 interim dividend is subject to the approval of the Shareholders during the third extraordinary general meeting of 2019 to be held by the Company. Once approved, the 2019 interim dividend of the Company will be paid to the Shareholders whose names appear on the share register of the Company on November 21, 2019. For the purpose of determining the entitlement of Shareholders to receive the 2019 interim dividend, the register of members of the Company will be closed from Saturday, November 16, 2019 (inclusive) to Thursday, November 21, 2019 (inclusive). In order to qualify for receiving the 2019 interim dividend, H Shareholders and Domestic Shareholders should ensure all transfer documents, accompanied by the relevant Share certificates, are lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, and to the Company's registered office at 10th Floor, Henderson Metropolitan, No. 300 Nanjing East Road, Huangpu District, Shanghai, PRC, respectively, before 4:30 p.m. on Friday, November 15, 2019. The 2019 interim dividend is expected to be distributed no later than December 20, 2019.

1 The first and the second extraordinary general meetings were convened prior to the listing of the Company.

TAX FOR HOLDERS OF H SHARES

Pursuant to the Notice of Certain Issues on the Policies of Individual Income Tax by the Ministry of Finance and the State Taxation Administration (Cai Shui Zi [1994] No.020) (《財政部、國家稅務總局關於個人所得稅若干政策問題的通知》(財稅字[1994]020號), overseas individuals are for the time being exempt from the individual income tax of the PRC for the dividends and bonuses from foreign-invested enterprises. As the Company is a foreign-invested enterprise, overseas individual shareholders who are interested in the H Shares of the Company and whose names appeared in the register of holders of H Shares of the Company at the time of distribution of dividends of the Company shall not be subject to individual income tax of the PRC. Pursuant to the Notice of the State Administration of Taxation on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to Holders of H Shares Which Are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897), a PRC resident enterprise, when distributing dividends for 2008 and for the years afterwards to holders of H Shares who are overseas non-resident enterprises, shall be subject to the enterprise income tax withheld at a uniform rate of 10%.

DOMESTIC SHAREHOLDERS INVESTING THROUGH SHENZHEN-HONG KONG STOCK CONNECT

Pursuant to the Notice on Tax Policies for Shenzhen-Hong Kong Stock Connect Pilot Program (Cai Shui [2016] No.127) (「關於—深港股票市場交易互聯互通機制試點有關稅收政策的通知」(財稅[2016]127號)), for dividends received by domestic individual investors from investing in H shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, the H share companies shall apply to China Securities Depository and Clearing Corporation Limited ("CSDC") for the provision of a register of domestic individual investors from CSDC to the H share companies, based on which the H share companies shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. For dividends received by domestic individual investors from investing in non-H shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, CSDC shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. Individual investors who have paid the withholding tax abroad may apply for a tax credit with the competent tax authorities under CSDC with a valid tax deduction certificate.

Dividends received by domestic securities investment funds from investing in shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect shall be subject to the individual income tax as mentioned above.

Dividends received by domestic enterprise investors from investing in shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect shall be included in their total income and shall be subject to the enterprise income tax. Dividends received by domestic resident enterprises which have been holding the H shares continuously for no less than 12 months shall be exempted from the enterprise income tax according to law. H share companies listed on the Hong Kong Stock Exchange shall apply to CSDC for the provision of a register of domestic enterprise investors from CSDC to the H share companies, based on which the H share companies will not withhold and pay the income tax on behalf of the domestic enterprise investors in respect of the dividend received and those domestic enterprise investors shall report and pay the relevant tax themselves. When domestic enterprise investors report their enterprise income tax, they may apply for a tax credit for any income tax withheld and paid by non-H share companies listed on the Hong Kong Stock Exchange in respect of the dividends received according to law.

AUDIT COMMITTEE

The Audit Committee consists of three Directors, namely Mr. Zeng Qingsheng and Mr. Yo Shin (both are Independent Non-executive Directors) and Mr. Zhang Shaohua (Non-executive Director). Mr. Zeng Qingsheng, as an Independent Non-executive Director with accounting expertise, is the chairman of the Audit Committee.

The Audit Committed has adopted its scope of duties in line with the Corporate Governance Code. The main responsibilities of the Audit Committee include proposing the engagement or change of external auditors and supervising their performance; reviewing and evaluating the financial control system and internal audit system of the Company; discussing the internal control system with management to ensure that management has performed its duty to have an effective internal control system in place; coordinating the communication between the internal audit department and the external auditors; ensuring that the Board promptly replies to the material queries raised by external auditors in the external auditor's management letter; reviewing the financial information of the Company and its disclosure.

The unaudited condensed interim results and the 2019 interim report of the Group for the six months ended June 30, 2019 had been reviewed by the Audit Committee and Deloitte Touche Tohmatsu, the auditor of the Company.

CHANGES IN INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Zhang Shaohua was appointed as director of Haitong Futures Co., Ltd. and ceased to act as director of Haitong Innovation Securities Investment Co., Ltd. since June 2019.

Mr. Zeng Qingsheng ceased to act as independent director of Jiangsu Yixing Rural Commercial Bank Co., Ltd. since March 2019.

Save for those disclosed above, there was no other change in information of Directors, Supervisors and Senior Management during the reporting period.

At the Board meeting of the Company held on August 30, 2019, the Board resolved and approved to nominate Ms. Ha Erman and Mr. Li Chuan as Non-executive Directors of the Company. For details, please refer to the announcement of the Company dated August 30, 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the period from the Listing Date to June 30, 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of its listed securities.

SHARE OPTION SCHEME

As at the date of this interim report, the Company had not adopted any share option scheme under Chapter 17 of the Listing Rules.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at June 30, 2019, the Directors, Supervisors and chief executive of the Company had no interests and/or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required to be and were recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at June 30, 2019, so far as was known to the Directors, the following persons (excluding Directors, Supervisors and chief executive of the Company) had interests and/or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Class of shares	Identity/Nature of interest	Total number of Shares held	Percentage of total issued shares of the Company	Percentage of total issued shares of the same class of the Company	Long position/ short position
Haitong Securities Co., Ltd.	H Shares	Interest in controlled entity(1)	4,559,153,176	55.36%	78.68%	Long position
	Domestic Shares	Interest in controlled entity(1)	2,440,846,824	29.64%	100%	Long position
Haitong International Holdings Limited	H Shares	Interest in controlled entity(2)	4,559,153,176	55.36%	78.68%	Long position
Haitong UT Capital Group Co., Limited	H Shares	Beneficial owner(1)(2)	4,559,153,176	55.36%	78.68%	Long position
Haitong Capital Co., Ltd.	Domestic Shares	Beneficial owner(1)	2,440,846,824	29.64%	100%	Long position

(1) Haitong Securities Co., Ltd. holds 100% share interests in Haitong UT Capital Group Co., Limited and Haitong International Holdings Limited. Therefore, Haitong Securities Co., Ltd. is deemed to be interested in the 2,440,846,824 Domestic Shares held by Haitong Capital Co., Ltd. and the 4,559,153,176 H Shares held by Haitong UT Capital Group Co., Limited under the SFO.

(2) Haitong International Holdings Limited holds 100% share interests in Haitong UT Capital Group Co., Limited. Therefore, Haitong International Holdings Limited is deemed to be interested in the 4,559,153,176 H Shares held by Haitong UT Capital Group Co., Limited under the SFO.

MATERIAL LEGAL PROCEEDINGS, LITIGATIONS AND ARBITRATIONS

During the reporting period, there was no material litigation or arbitration in which the Group was involved save as disclosed in the Prospectus of the Company.

MAJOR ASSET ACQUISITION, DISPOSAL AND MERGER

The Company and its subsidiaries had no major investment, acquisition or disposal of subsidiaries, associates and joint ventures during the six months ended June 30, 2019.

Definitions

"Audit Committee"	the audit committee of the Company
"Board"	the board of directors of our Company
"CBIRC"	China Banking and Insurance Regulatory Commission formed by a merger of CBRC and China Insurance Regulatory Commission and approved by the National People's Congress of the PRC on March 17, 2018
"CBRC"	China Banking Regulatory Commission which merged with China Insurance Regulatory Commission to form the CBIRC, approved by the National People's Congress of the PRC on March 17, 2018, and, if the context requires, refers to its successor, the CBIRC
"China" or "PRC"	the People's Republic of China, excluding, for the purpose of this report, Hong Kong, Macau and Taiwan
"Company" or "We"	Haitong UniTrust International Leasing Co., Ltd.
"Controlling Shareholder"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	director(s) of our Company
"GDP"	gross domestic product
"Group" or "we" or "us"	our Company and its subsidiaries
"H Shares"	overseas listed foreign shares in the share capital of our Company with a nominal value of RMB1.00 each, subscribed for and traded in HK dollars and listed on the Hong Kong Stock Exchange
"Haitong Securities"	Haitong Securities Co., Ltd., a company incorporated in the PRC in August 1988, the H-shares and A-shares of which are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively. It is the ultimate Controlling Shareholder of the Company
"HK$" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

Definitions

"Hong Kong Listing Rules" or "Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"IFRS"	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and interpretation issued by the International Accounting Standards Committee
"Listing"	listing of the H Shares of the Company on the Main Board of the Hong Kong Stock Exchange
"Listing Date"	June 3, 2019
"PBOC"	People's Bank of China, the central bank of the PRC
"Prospectus"	the prospectus of the Company dated May 21, 2019
"Reporting Period"	the six months ended June 30, 2019
"RMB"	Renminbi, the lawful currency of the PRC
"Securities and Futures Ordinance" or "SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	Share(s) in the share capital of the Company with a nominal value of RMB1.00 each
"shareholder(s)"	the holder(s) of Shares
"subsidiary(ies)"	has the meaning ascribed to it in section 15 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong)
"Supervisor(s)"	member(s) of our Board of Supervisors of the Company
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$" or "US dollar(s)"	United States dollar(s), the lawful currency of the United States

Certain amounts and percentage figures included in this report have been subject to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

Glossary of Technical Terms

"ABS"	asset-backed security
"finance lease"	a lease arrangement classified under the IFRS, pursuant to which substantially all of the risks and rewards of titles of the leased assets are transferred from the lessors to the lessees
"IDC"	Internet Data Center
"IT"	information technology
"LME"	large- and medium-sized enterprise
"MSE"	micro- and small-sized enterprise
"NPA(s)"	non-performing asset(s)
"operating lease"	a lease arrangement classified under the IFRS, pursuant to which substantially all of the risk and rewards associated with the title in the leased assets remain with the lessor
"PPP"	long-term cooperative arrangements between government agencies and private investors for the construction and operation of infrastructure projects and delivery of the public services
"the Belt and Road"	the development strategy and framework, proposed by the PRC government that focuses on connection and cooperation among countries primarily in Eurasia, which consists of two main components, the land-based "Silk Road Economic Belt" and oceangoing "21st-Century Maritime Silk Road"

Report on Review of Condensed Consolidated Financial Statements

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF HAITONG UNITRUST INTERNATIONAL LEASING CO., LTD.
(A joint stock company incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Haitong UniTrust International Leasing Co., Ltd. (海通恒信國際租賃股份有限公司) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 57 to 114, which comprise the condensed consolidated statement of financial position as at June 30, 2019 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("**IAS 34**") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
August 30, 2019

Condensed Consolidated Statements of Profit or Loss for the Six Months Ended June 30, 2019

	Notes	Three months ended June 30 2019 RMB'000 (Unaudited)	Three months ended June 30 2018 RMB'000 (Unaudited)	Six months ended June 30 2019 RMB'000 (Unaudited)	Six months ended June 30 2018 RMB'000 (Unaudited)
Revenue					
Finance lease income	5	**1,244,304**	881,297	**2,359,689**	1,689,926
Income from sale and leaseback arrangements	5	**123,796**	—	**156,123**	—
Operating lease income	5	**112,061**	37,340	**212,320**	73,872
Service fee income	5	**363,768**	198,769	**603,176**	366,984
Factoring income	5	**87,139**	148,536	**163,386**	288,798
Entrusted loan and other loan income	5	**25,041**	16,817	**44,431**	34,512
Total revenue		**1,956,109**	1,282,759	**3,539,125**	2,454,092
Net investment gains or losses	6	**13,186**	49,939	**(27,871)**	39,775
Share of results of a joint venture		**3,950**	4,891	**2,691**	7,193
Other income, gains or losses	7	**(18,781)**	4,051	**139,527**	72,940
Total revenue and other income, gains or losses		**1,954,464**	1,341,640	**3,653,472**	2,574,000
Depreciation and amortization	8	**(62,244)**	(20,216)	**(117,097)**	(39,840)
Staff costs	9	**(157,597)**	(92,477)	**(276,350)**	(195,443)
Interest expenses	10	**(894,604)**	(552,295)	**(1,597,468)**	(1,051,950)
Other operating expenses	11	**(53,693)**	(43,673)	**(82,038)**	(75,990)
Listing expenses		**(22,336)**	(3,572)	**(31,823)**	(5,805)
Impairment losses under expected credit loss model	12	**(214,032)**	(118,854)	**(559,158)**	(327,436)
Other impairment losses		**(11,045)**	(535)	**(12,221)**	(1,293)
Total expenses		**(1,415,551)**	(831,622)	**(2,676,155)**	(1,697,757)
Profit before income tax		**538,913**	510,018	**977,317**	876,243
Income tax expenses	13	**(137,680)**	(134,232)	**(248,773)**	(225,196)
Profit for the period		**401,233**	375,786	**728,544**	651,047

Condensed Consolidated Statements of Profit or Loss for the Six Months Ended June 30, 2019

		Three months ended June 30		Six months ended June 30	
		2019	2018	**2019**	2018
		RMB'000	RMB'000	**RMB'000**	RMB'000
	Notes	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Attributable to:					
Owners of the Company					
— Shareholders		**374,028**	353,236	**674,673**	607,262
— Other equity instrument holders		**12,507**	12,421	**24,851**	24,707
Non-controlling interests		**14,698**	10,129	**29,020**	19,078
		401,233	375,786	**728,544**	651,047
Earnings per share attributable to					
Shareholders of the Company					
(Expressed in RMB Yuan per share)					
— Basic	14	**0.05**	0.05	**0.09**	0.09
— Diluted	14	**0.05**	N/A	**0.09**	N/A

Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Notes	Three months ended June 30		Six months ended June 30	
		2019	2018	**2019**	2018
		RMB'000	RMB'000	**RMB'000**	RMB'000
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Profit for the period		**401,233**	375,786	**728,544**	651,047
Other comprehensive income/(expense):					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation		**24,479**	773	**6,646**	296
Fair value loss on hedging instrument designated in cash flow hedges		**(1,741)**	—	**(1,741)**	—
Other comprehensive income for the period, net of income tax		**22,738**	773	**4,905**	296
Total comprehensive income for the period		**423,971**	376,559	**733,449**	651,343
Attributable to:					
Owners of the Company					
— Shareholders		**396,766**	354,009	**679,578**	607,558
— Other equity instrument holders		**12,507**	12,421	**24,851**	24,707
Non-controlling interests		**14,698**	10,129	**29,020**	19,078
		423,971	376,559	**733,449**	651,343

Condensed Consolidated Statements of Financial Position

	Notes	As at June 30, 2019 RMB'000 (Unaudited)	As at December 31, 2018 RMB'000 (Audited)
Non-current assets			
Property and equipment	16	**4,637,918**	4,217,428
Right-of-use assets	16	**178,163**	—
Intangible assets		**13,874**	14,342
Finance lease receivables	17	**26,794,283**	30,824,664
Receivables arising from sale and leaseback arrangements	18	**7,387,410**	—
Interest in a joint venture		**248,489**	245,798
Financial assets at fair value through profit or loss	24	**35,753**	36,078
Loans and receivables	19	**2,553,198**	2,424,059
Deferred tax assets	20	**835,929**	727,607
Other assets	21	**265,290**	148,586
Total non-current assets		**42,950,307**	38,638,562
Current assets			
Finance lease receivables	17	**29,575,234**	30,828,048
Receivables arising from sale and leaseback arrangements	18	**4,083,497**	—
Loans and receivables	19	**5,381,414**	4,276,336
Other assets	21	**578,428**	725,916
Accounts receivable	22	**56,417**	41,237
Financial assets held under resale agreements	23	**926,490**	980,836
Financial assets at fair value through profit or loss	24	**808,910**	2,326,319
Derivative financial assets	25	**24,622**	10,170
Cash and bank balances	26	**5,971,855**	4,283,957
Total current assets		**47,406,867**	43,472,819
Total assets		**90,357,174**	82,111,381

Condensed Consolidated Statements of Financial Position

	Notes	As at June 30, 2019 RMB'000 (Unaudited)	As at December 31, 2018 RMB'000 (Audited)
Current liabilities			
Borrowings	27	**16,099,039**	18,162,075
Derivative financial liabilities	25	**104,142**	23,472
Accrued staff costs	28	**111,233**	138,193
Accounts payable	29	**235,607**	401,138
Bonds payable	30	**16,721,958**	12,856,859
Income tax payable		**264,422**	368,909
Other liabilities	31	**4,032,311**	3,132,307
Total current liabilities		**37,568,712**	35,082,953
Net current assets		**9,838,155**	8,389,866
Total assets less current liabilities		**52,788,462**	47,028,428
Equity			
Share capital	32	**8,235,300**	7,000,000
Reserves			
— Capital reserve		**2,506,476**	1,780,163
— Surplus reserve		**203,446**	203,446
— Hedging reserve		**(1,741)**	—
— Translation reserve		**(2,971)**	(9,617)
Retained profits		**2,898,878**	2,213,818
Other equity instrument			
— Perpetual note	33	**1,211,915**	1,237,008
Equity attributable to owners of the Company			
— Shareholders		**13,839,388**	11,187,810
— Other equity instrument holders		**1,211,915**	1,237,008
Non-controlling interests		**526,422**	495,026
Total equity		**15,577,725**	12,919,844

Condensed Consolidated Statements of Financial Position

	Notes	As at June 30, 2019 RMB'000 (Unaudited)	As at December 31, 2018 RMB'000 (Audited)
Non-current liabilities			
Borrowings	27	**16,328,085**	12,836,538
Bonds payable	30	**13,722,951**	14,594,792
Deferred tax liabilities	20	**10,635**	12,319
Other liabilities	31	**7,149,066**	6,664,935
Total non-current liabilities		**37,210,737**	34,108,584
Total equity and non-current liabilities		**52,788,462**	47,028,428

The unaudited condensed consolidated financial statements were approved by the Board of Directors on August 30, 2019 and signed on its behalf by:

Ding Xueqing
Executive Director/
General Manager

Zhou Jianli
Executive Director/
Chief Financial Officer

Condensed Consolidated Statements of Changes in Equity

	Equity attributable to shareholders									
	Share capital RMB'000	Capital reserve RMB'000	Surplus reserve RMB'000	Hedge reserve RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Subtotal RMB'000	Other equity instrument RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At December 31, 2018	7,000,000	1,780,163	203,446	–	(9,617)	2,213,818	11,187,810	1,237,008	495,026	12,919,844
Effect arising from adoption of IFRS 16 (note i)	–	–	–	–	–	(2,011)	(2,011)	–	(25)	(2,036)
At January 1, 2019	7,000,000	1,780,163	203,446	–	(9,617)	2,211,807	11,185,799	1,237,008	495,001	12,917,808
Profit for the period	–	–	–	–	–	674,673	674,673	24,851	29,020	728,544
Other comprehensive income for the period	–	–	–	(1,741)	6,646	–	4,905	–	–	4,905
Total comprehensive income for the period	–	–	–	(1,741)	6,646	674,673	679,578	24,851	29,020	733,449
Issuance of shares, net (note ii)	1,235,300	726,313	–	–	–	–	1,961,613	–	–	1,961,613
Capital injection by non-controlling interests (note iii)	–	–	–	–	–	–	–	–	2,401	2,401
Distribution of perpetual note	–	–	–	–	–	12,516	12,516	(50,062)	–	(37,546)
Others	–	–	–	–	–	(118)	(118)	118	–	–
At June 30, 2019	8,235,300	2,506,476	203,446	(1,741)	(2,971)	2,898,878	13,839,388	1,211,915	526,422	15,577,725
Unaudited										
At January 1, 2018 (audited)	7,000,000	1,780,163	116,604	–	(820)	1,074,565	9,970,512	1,235,317	446,182	11,652,011
Profit for the period	–	–	–	–	–	607,262	607,262	24,707	19,078	651,047
Other comprehensive income for the period	–	–	–	–	296	–	296	–	–	296
Total comprehensive income for the period	–	–	–	–	296	607,262	607,558	24,707	19,078	651,343
Distribution of perpetual note	–	–	–	–	–	12,457	12,457	(49,826)	–	(37,369)
Others	–	–	–	–	–	(1,620)	(1,620)	1,620	–	–
At June 30, 2018	7,000,000	1,780,163	116,604	–	(524)	1,692,664	10,588,907	1,211,818	465,260	12,265,985

Condensed Consolidated Statements of Changes in Equity

note i: The Group has adopted International Financial Reporting Standard 16 “Leases” ("IFRS 16") which is applied retrospectively from January 1, 2019. As permitted by the transitional provisions of IFRS 16, the Group elected not to restate comparative figures and recognize the cumulative effect of initial application to the opening retained profits of the current period. The net effect on the adjustment on the opening retained profits as at January 1, 2019 is a reduction of RMB2,011 thousand. Refer to Note 3 for more details of the effects arising from initial application of IFRS 16.

note ii: On June 3, 2019, the Company was listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") and issued 1,235,300,000 H shares with par value of RMB1 at the price of HK$1.88 per share.

note iii: During the six months ended June 30, 2019, Longyao County Yutong Engineering Project Management Co., Ltd, Longyao County Hengjing Engineering Project Management Co., Ltd and Penglai Hengshi Properties Limited, the subsidiaries of the Company received capital injection of RMB371 thousand, RMB1,880 thousand and RMB150 thousand from their minority shareholders respectively. The capital injections from the above minority shareholders were recognized as non-controlling interests.

Condensed Consolidated Statements of Cash Flows

	Notes	For the six months ended June 30, 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
NET CASH USED IN OPERATING ACTIVITIES		**(4,067,770)**	(5,887,736)
NET CASH USED IN INVESTING ACTIVITIES			
Disposal of financial assets held under resale agreements		**11,100,000**	3,383,000
Proceeds on sale of financial assets at fair value through profit or loss		**3,526,395**	18,362,107
Purchase of financial assets held under resale agreements		**(11,045,000)**	(3,839,000)
Purchase of financial assets at fair value through profit or loss		**(3,355,000)**	(18,247,395)
Amounts repaid from a related party		**—**	9,239
Amounts advanced to a related party		**—**	(159,435)
Withdrawal of restricted deposits		**225,921**	506,356
Purchase of property and equipment and intangible assets		**(503,992)**	(46,699)
Deposit on property and equipment and intangible assets acquisition		**(75,734)**	—
		(127,410)	(31,827)
NET CASH FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares, net		**2,039,249**	—
Proceeds from capital injection of the non-controlling investors		**2,401**	—
Proceeds from borrowings		**11,645,075**	10,570,747
Proceeds from issuance of bonds		**13,091,512**	11,922,436
Repayment of borrowings		**(10,441,459)**	(8,522,189)
Repayment of bonds payable		**(10,097,907)**	(6,109,275)
Payments for the costs of borrowing		**(44,083)**	(13,775)
Payments for the costs of bonds issuance		**(41,348)**	(20,890)
Payment of dividends and distribution of other equity instrument		**(50,062)**	(49,826)
		6,103,378	7,777,228
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,908,198**	1,857,665
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	35	**3,662,767**	1,969,639
Effect of foreign exchange rate changes		**5,567**	295
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	35	**5,576,532**	3,827,599

Notes to the Financial Information

1. GENERAL INFORMATION

The Company is a joint stock limited company. The registered office of the Company is located at Floor 10, Henderson Metropolitan, No. 300 East Nanjing Road, Huang Pu District, Shanghai, the People's Republic of China (the "PRC").

On June 3, 2019, the Company was listed on The Stock Exchange of Hong Kong Limited and issued 1,235,300,000 H shares with par value of RMB1.

The Group is principally engaged in the provision of finance to its customers under finance lease arrangements, sale and leaseback arrangements, operating lease arrangements, entrustments, factoring, the provision of advisory services and other services as approved by the Ministry of Commerce of the PRC.

The unaudited condensed consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. BASIS OF PREPARATION AND PRESENTATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

3. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value.

As described below, other than changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("IFRSs") and the hedge accounting newly adopted by the Group for its cash flow hedge activities, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2019 are the same as those presented in the Group's consolidated financial statements for the year ended December 31, 2018.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Application of new and amendments to IFRSs

The Group has applied, for the first time, the following new and amendments to IFRSs issued by the IASB which are mandatory effective for the annual period beginning on or after January 1, 2019 for the preparation of the Group's condensed consolidated financial statements for the six months ended June 30, 2019:

IFRS 16	Leases
IFRIC-Int 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015–2017 Cycle

Except as described below, the application of the new and amendments to IFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

IFRS 16 "Leases"

Impacts and changes in accounting policies of application on IFRS 16 Leases

The Group has adopted IFRS 16 since the financial period beginning January 1, 2019. As a result, the Group has changed its accounting policy for lease contracts.

The Group has applied IFRS 16 which is applied retrospectively from January 1, 2019. As permitted by the transitional provisions of IFRS 16, the Group elects not to restate comparative figures and recognize the cumulative effect of initial application to the opening retained profits of the current period. The details of the change in accounting policies are disclosed below.

Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IAS 17 "*Leases*" and IFRIC 4-Int 4 "*Determining whether an Arrangement contains a Lease*". Upon application of IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease under IFRS 16.

On transition to IFRS 16, the Group elects the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 and not apply this standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC-Int 4. Therefore, the Group did not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IFRS 16 "Leases" (continued)

Impacts and changes in accounting policies of application on IFRS 16 Leases (continued)

As a lessor

Other than certain requirements (including sublease and lease and non-lease components accounting) which are not applicable to the Group, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Refundable rental deposits received are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as revenue — 'operating lease income'.

The accounting policies applicable to the Group as a lessor in the comparative period were not different from IFRS 16. However, when the Group was an intermediate lessor, the sub-leases were classified with reference to the right-of-use asset arising from the head lease.

Sale and leaseback

IFRS 16 requires sale and leaseback transactions to be determined based on the requirements of IFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale.

Upon application of IFRS 16, the Group applies the requirements of IFRS 15 to assess whether sale and leaseback transaction constitutes a sale by a seller-lessee. For a transfer that does not satisfy the requirements as a sale, the Group accounts for the transfer proceeds as receivables arising from sale and leaseback arrangements within the scope of IFRS 9. In accordance with the transition provisions of IFRS 16, sale and leaseback transactions entered into before the date of initial application were not reassessed but the new requirements would partially impact the Group's sale and leaseback transactions entered into on or after the date of initial application.

As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognizes a right-of-use asset and a corresponding liability for all leases except for short-term leases and leases of low-value assets.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IFRS 16 "Leases" (continued)

Impacts and changes in accounting policies of application on IFRS 16 Leases (continued)

As a lessee (continued)

The Group applies the short-term lease recognition exemption to leases of land and buildings, vehicles and parking space that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Except for short-term leases, the right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest accretion and lease payments, as well as the impact of lease modifications, amongst others.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognizes the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Furthermore, the classification of cash flows is also affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas upon application of IFRS 16, lease payments in relation to lease liability is allocated into a principal and an interest portion which is presented as financing and operating cash flows respectively by the Group.

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Applied a single discount rate to a portfolio of leases with similar characteristics.

- Applied the exemption not to recognize right-of-use assets and liabilities for leases with lease term ends within 12 months of the date of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IFRS 16 "Leases" (continued)

Impacts and changes in accounting policies of application on IFRS 16 Leases (continued)

Summary of effects arising from initial application of IFRS 16

On transition to IFRS 16, the Group recognized an additional RMB30,838 thousand of right-of-use assets and RMB33,553 thousand of lease liabilities, recognizing the difference in retained earnings and deferred tax asset.

When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 4.75%.

	January 1, 2019 RMB'000
Operating lease commitment at December 31, 2018 as disclosed in the Group's consolidated financial information	55,370
Recognition exemption for leases which the lease term ends within 12 months as at January 1, 2019	(20,579)
Subtotal	34,791
Lease liabilities discounted at relevant incremental borrowing rate recognized at January 1, 2019	33,553
Analysed as	
Current	25,310
Non-current	8,243
	33,553

The carrying amount of right-of-use assets as at January 1, 2019 comprises the following:

	Right-of-use assets RMB'000
Right-of-use assets relating to operating leases recognized upon application of IFRS 16	30,838
By class:	
Land and buildings	30,677
Vehicle	148
Parking space	13
	30,838

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IFRS 16 "Leases" (continued)

Summary of effects arising from initial application of IFRS 16 (continued)

The following tables summarize the impacts of applying IFRS 16 as a lessor on the Group's condensed consolidated statement of financial position as at June 30, 2019 and its condensed consolidated statement profit or loss for the current interim period for each of the line items affected. Line items that were not affected by the changes have not been included.

	As reported RMB'000 (Unaudited)	Adjustments RMB'000 (Unaudited)	Amounts without application of IFRS 16, as a lessor RMB'000 (Unaudited)
Non-current assets			
Finance lease receivables	26,794,283	7,387,410	34,181,693
Receivables arising from sale and leaseback arrangements	7,387,410	(7,387,410)	—
Current assets			
Finance lease receivables	29,575,234	4,083,497	33,658,731
Receivables arising from sale and leaseback arrangements	4,083,497	(4,083,497)	—
Revenue			
Finance lease income	2,359,689	156,123	2,515,812
Income from sale and leaseback arrangements	156,123	(156,123)	—

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Hedge accounting

The Group designates certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Assessment of hedging relationship and effectiveness

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- effect of credit risk does not dominate the value changes that result from that economic relationship; and
- 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 entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of hedge reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the hedge reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Hedge accounting (continued)

Discontinuation of hedge accounting

The Group discontinues hedge accounting prospectively only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship).

For cash flow hedge, any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transactions is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the condensed consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies of the Group. The key sources of estimation uncertainty used in the condensed consolidated financial statements for six months ended June 30, 2019 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended December 31, 2018.

5. REVENUE AND SEGMENT INFORMATION

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Finance lease income	**1,244,304**	881,297	**2,359,689**	1,689,926
Income from sale and leaseback arrangements (note i)	**123,796**	—	**156,123**	—
Operating lease income	**112,061**	37,340	**212,320**	73,872
Service fee income (note ii)	**363,768**	198,769	**603,176**	366,984
Factoring income (note iii)	**87,139**	148,536	**163,386**	288,798
Entrusted loan and other loan income (note iii)	**25,041**	16,817	**44,431**	34,512
Total revenue	**1,956,109**	1,282,759	**3,539,125**	2,454,092

note i: Upon the application of IFRS 16 on January 1, 2019, part of the receivables arising from sale and leaseback transactions newly entered into on or after January 1, 2019 is classified as receivables arising from sale and leaseback arrangements. Accordingly, the related income is all interest revenue calculated using the effective interest method.

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

note ii: Service fee income is from contracts with customers and recognized at a point in time when the services are completed under the terms of each service engagement and the revenue can be measured reliably, since only by that time the Group has a present right to payment from the customers for the service performed. The services are all for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to the unsatisfied contracts is not disclosed.

note iii: The factoring income and entrusted loan and other loan income are all interest revenue calculated using the effective interest method.

The management of the Group has determined that the Group has only one operating and reportable segment throughout the current and preceding interim periods. The management of the Group reviews the consolidated statements of financial position and results of the Group as a whole for the purposes of allocating resources and assessing performance of the Group.

Geographical information

The Group's revenue from external customers is derived mainly from its operations and services rendered in the PRC, and non-current assets of the Group are mainly located in the PRC.

Information about major customers

During the six months ended June 30, 2019, there was no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

6. NET INVESTMENT GAINS OR LOSSES

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Net (losses)/gains arising from derivative financial instruments	**(6,264)**	28,112	**(65,924)**	6,243
Net gains arising from financial assets at fair value through profit or loss	**19,450**	21,827	**38,053**	33,532
	13,186	49,939	**(27,871)**	39,775

7. OTHER INCOME, GAINS OR LOSSES

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Interest income from deposits with financial institutions	**18,118**	9,699	**33,188**	14,577
Interest income from financial assets held under resale agreements	**19,201**	1,014	**39,249**	1,790
Foreign exchange losses	**(52,065)**	(28,524)	**(6,926)**	(8,918)
Government grants (note)	**—**	7,786	**71,561**	43,386
Losses on disposal of finance lease assets	**(10,493)**	(1,491)	**(13,194)**	(3,575)
Others	**6,458**	15,567	**15,649**	25,680
	(18,781)	4,051	**139,527**	72,940

note: Government grants primarily consist of the fiscal support that local governments offer to enterprises in the financial industry or financial leasing industry and refund of value-added tax.

8. DEPRECIATION AND AMORTIZATION

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Depreciation of property and equipment	**51,027**	19,542	**99,499**	38,635
Depreciation of right-of-use assets	**10,194**	—	**15,591**	—
Amortization of other intangible assets	**1,023**	674	**2,007**	1,205
	62,244	20,216	**117,097**	39,840

9. STAFF COSTS

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Salaries, bonus and allowances	**127,378**	67,971	**213,898**	147,539
Social welfare	**26,739**	20,915	**52,775**	39,947
Others	**3,480**	3,591	**9,677**	7,957
	157,597	92,477	**276,350**	195,443

The domestic employees of the Group in the PRC participate in a state-managed social welfare plans, including social pension insurance, health care insurance, housing funds and other social welfare contributions, operated by the relevant municipal and provincial governments. According to the relevant regulations, the premiums and welfare benefit contributions borne by the Group are calculated and paid to the relevant labor and social welfare authorities on a regular basis. These social security plans are defined contribution plans and contributions to the plans are expensed as incurred. Apart from participating in various defined contribution retirement benefit plans organized by municipal and provincial governments in Mainland China, the Group is also required to make monthly contributions to annuity plans at fixed rates of the employees' salary and bonus for the period. The Group's contributions to these pension plans are charged to profit or loss in the period to which they related.

10. INTEREST EXPENSES

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Interest on liabilities:				
Borrowings	**538,684**	316,462	**900,038**	605,569
Bonds payable	**354,463**	235,833	**695,610**	446,381
Lease liabilities	**1,457**	—	**1,820**	—
	894,604	552,295	**1,597,468**	1,051,950

11. OTHER OPERATING EXPENSES

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Lease rentals in respect of rented premises	**—**	9,431	**—**	17,456
Short-term lease expenses	**4,718**	—	**8,549**	—
Business travelling expenses	**14,127**	9,440	**22,943**	16,152
Advisory expenses	**6,895**	5,049	**8,471**	10,541
Business development expenses	**3,268**	2,802	**5,395**	5,597
Administrative expenses	**2,281**	2,578	**4,203**	4,634
Communication expenses	**2,961**	2,383	**5,169**	3,978
Bank charges	**2,769**	2,173	**7,307**	3,609
Tax and surcharges	**1,950**	1,717	**3,548**	2,966
Auditor's remuneration	**1,362**	555	**2,190**	1,146
Others	**13,362**	7,545	**14,263**	9,911
	53,693	43,673	**82,038**	75,990

12. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Provision for impairment loss on finance lease receivables	**75,261**	186,284	**271,823**	412,544
Provision for impairment loss on receivables arising from sale and leaseback arrangements	**82,598**	—	**146,229**	—
Provision/(reversal) for impairment loss on loans and receivables	**57,251**	(66,401)	**142,387**	(84,403)
Reversal of impairment loss on financial assets held under resale agreements	**(506)**	—	**(654)**	—
Provision for impairment loss on accounts receivable	**165**	234	**169**	405
Reversal of impairment loss on cash and bank balances	**(12)**	(5)	**(53)**	(17)
Provision for impairment loss on other assets	**(725)**	(1,258)	**(743)**	(1,093)
	214,032	118,854	**559,158**	327,436

13. INCOME TAX EXPENSES

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Current tax:				
PRC Enterprise Income Tax	**183,076**	142,426	**355,753**	270,636
Hong Kong Profit Tax	**791**	—	**1,658**	—
Other jurisdictions	**42**	86	**108**	111
Sub-total	**183,909**	142,512	**357,519**	270,747
Deferred tax:	**(46,229)**	(8,280)	**(108,746)**	(45,551)
Total	**137,680**	134,232	**248,773**	225,196

Under the Enterprise Income Tax Law of the PRC (the "EIT Law") and the Regulation on the Implementation of the EIT Law, the tax rate of the Company and the Group's PRC subsidiaries is 25%. Taxation arising in Ireland is calculated at the prevailing rate of 12.5% or 25.0%, and taxation arising in Hong Kong is calculated at the prevailing rate of 16.5% or 8.25%.

14. EARNINGS PER SHARE

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Earnings for the purpose of basic and diluted earnings per share: Profit for the period attributable to shareholders of the Company	**374,028**	353,236	**674,673**	607,262
Weighted average number of shares for basic earnings per share (in '000)(note)	**7,380,092**	7,000,000	**7,191,096**	7,000,000
Weighted average number of shares for diluted earnings per share (in '000)	**7,380,092**	7,000,000	**7,191,096**	7,000,000
Basic earnings per share	**0.05**	0.05	**0.09**	0.09
Diluted earnings per share	**0.05**	N/A	**0.09**	N/A

note: On June 3, 2019, the Company was listed on the Main Board of the Hong Kong Stock Exchange and issued 1,235,300,000 H shares with par value of RMB1.

Since the exercise price of the Company's over-allotment share option was higher than the average market price of shares for the option period, the exercise of the share option would not have a dilutive effect on earnings per share for the period ended June 30, 2019.

During the preceding interim periods, there was no potential ordinary share outstanding. Accordingly, no diluted earnings per share is presented.

15. DIVIDENDS

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend for the six months ended June 30, 2019 of RMB0.05 (inclusive of tax) per share amounting to RMB411,765 thousand (inclusive of tax) in aggregate (2018: Nil) will be paid.

16. PROPERTY AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the six months ended June 30, 2019, the Group acquired items of property and equipment at a total cost of RMB502,453 thousand (six months ended June 30, 2018: RMB2,679 thousand), among which the cost of two aircrafts acquired during the current interim period for operating lease business was RMB486,888 thousand.

During the six months ended June 30, 2019, the Group entered into new lease agreements for the use of land and buildings. The Group is required to make fixed periodical payments. On lease commencement, the Group recognized RMB163,043 thousand of right-of-use asset and RMB163,043 thousand lease liability.

17. FINANCE LEASE RECEIVABLES

	As at June 30, 2019 RMB'000 (Unaudited)	As at December 31, 2018 RMB'000 (Audited)
Minimum finance lease receivables		
— Not later than one year	**33,345,359**	34,796,245
— Later than one year and not later than five years	**29,773,952**	34,344,977
— Later than five years	**233,436**	284,646
Gross amount of finance lease receivables	**63,352,747**	69,425,868
Less: Unearned finance lease income	**(5,291,417)**	(6,068,188)
Present value of minimum finance lease receivables	**58,061,330**	63,357,680
Less: Allowances for impairment losses	**(1,691,813)**	(1,704,968)
Carrying amount of finance lease receivables	**56,369,517**	61,652,712
Present value of minimum finance lease receivables		
— Not later than one year	**30,513,134**	31,754,869
— Later than one year and not later than five years	**27,343,247**	31,343,044
— Later than five years	**204,949**	259,767
Total	**58,061,330**	63,357,680

17. FINANCE LEASE RECEIVABLES (CONTINUED)

	As at June 30, 2019 RMB'000 (Unaudited)	As at December 31, 2018 RMB'000 (Audited)
Analyzed as:		
Current	**29,575,234**	30,828,048
Non-current	**26,794,283**	30,824,664
Total	**56,369,517**	61,652,712

The Group entered into finance lease arrangements for certain machinery equipment for infrastructure, transportation & logistics, etc. Substantially all leases of the Company and its subsidiaries are denominated in RMB. The term range of finance leases entered into is from one to eight years.

The finance lease receivables at original cost of approximately RMB17,235,217 thousand was pledged as collateral for the Group's bank borrowings as at June 30, 2019 (December 31, 2018: RMB21,192,138 thousand).

The interest rates of finance lease receivables were mainly floating interest rates with reference to the benchmark interest rate of The People's Bank Of China ("PBOC") ("PBOC Rate"). The interest rates of finance lease receivables were adjusted periodically with reference to the PBOC Rate.

17. FINANCE LEASE RECEIVABLES (CONTINUED)

Movements of allowance for impairment losses on finance lease receivables

	Stage 1 12-months ECL RMB'000	Stage 2 Lifetime ECL not credit-impaired RMB'000	Stage 3 Lifetime ECL credit-impaired RMB'000	Total RMB'000
As at December 31, 2018 (Audited)				**1,704,968**
Changes in the loss allowance (Unaudited):				
— Transfer to Stage 1	**38,648**	**(35,362)**	**(3,286)**	**—**
— Transfer to Stage 2	**(18,888)**	**19,768**	**(880)**	**—**
— Transfer to Stage 3	**(21,032)**	**(21,031)**	**42,063**	**—**
— Recovery of finance lease receivables previously written off	**—**	**—**	**23,983**	**23,983**
— Write-offs	**—**	**—**	**(269,389)**	**(269,389)**
— Other derecognition	**—**	**—**	**(39,572)**	**(39,572)**
— (Credit)/charge to profit or loss	**(169,239)**	**141,951**	**299,111**	**271,823**
As at June 30, 2019 (Unaudited)				**1,691,813**

As at June 30, 2019, the Group's expected credit loss rate of financial lease receivables for stage 1, stage 2 and stage 3 are 1.48%, 30.58% and 57.29% respectively.

	Stage 1 12-months ECL RMB'000	Stage 2 Lifetime ECL not credit-impaired RMB'000	Stage 3 Lifetime ECL credit-impaired RMB'000	Total RMB'000
As at January 1, 2018 (Audited)				1,496,208
Changes in the loss allowance (Audited):				
— Transfer to Stage 1	5,364	(4,608)	(756)	—
— Transfer to Stage 2	(9,104)	144,490	(135,386)	—
— Transfer to Stage 3	(8,772)	(88,494)	97,266	—
— Recovery of finance lease receivables previously written off	—	—	20,261	20,261
— Write-offs	—	—	(388,258)	(388,258)
— Other derecognition	—	—	(145,304)	(145,304)
— Charge/(credit) to profit or loss	216,169	(38,984)	544,876	722,061
As at December 31, 2018 (Audited)				1,704,968

As at December 31, 2018, the Group's expected credit loss rate of financial lease receivables for stage 1, stage 2 and stage 3 are 1.62%, 26.85% and 52.84% respectively.

18. RECEIVABLES ARISING FROM SALE AND LEASEBACK ARRANGEMENTS

The table below illustrates the gross and net amounts of receivables arising from sale and leaseback arrangements.

	As at June 30, 2019 RMB'000 (Unaudited)	As at December 31, 2018 RMB'000 (Audited)
Not later than one year	4,684,720	—
Later than one year and not later than five years	8,475,075	—
Gross amount of receivables arising from sale and leaseback arrangements	13,159,795	—
Less: Interest adjustment	(1,542,659)	—
Present value of receivables arising from sale and leaseback arrangements	11,617,136	—
Less: Allowance for impairment	(146,229)	—
Carrying amount of receivables arising from sale and leaseback arrangements	11,470,907	—
Present value of receivables arising from sale and leaseback arrangements:		
— Not later than one year	4,135,553	—
— Later than one year and not later than five years	7,481,583	—
Total	11,617,136	—

18. RECEIVABLES ARISING FROM SALE AND LEASEBACK ARRANGEMENTS (CONTINUED)

	As at June 30, 2019 RMB'000 (Unaudited)	As at December 31, 2018 RMB'000 (Audited)
Analyzed as:		
Current	4,083,497	—
Non-current	7,387,410	—
Total	11,470,907	—

Upon the application of IFRS 16 on January 1, 2019, part of the receivables arising from sale and leaseback transactions newly entered into on or after January 1, 2019 is classified as receivables arising from sale and leaseback arrangements within the scope of IFRS 9. The measurement of sale and leaseback transactions entered into before January 1, 2019 remains unchanged.

The receivables arising from sale and leaseback arrangements at original cost of approximately RMB1,676,562 thousand were pledged as collateral for the Group's bank borrowings as at June 30, 2019.

Movements of allowance for impairment losses on receivables arising from sale and leaseback arrangements:

	Stage 1 12-months ECL RMB'000	Stage 2 Lifetime ECL not credit-impaired RMB'000	Stage 3 Lifetime ECL credit-impaired RMB'000	Total RMB'000
As at December 31, 2018 (Audited)				—
Changes in the loss allowance (Unaudited):				
— Charge to profit or loss	141,908	3,900	421	146,229
As at June 30, 2019 (Unaudited)				146,229

As at June 30, 2019, the Group's expected credit loss rate of receivables arising from sale and leaseback arrangements for stage 1, stage 2 and stage 3 are 1.22%, 39.70% and 67.65%.

19. LOANS AND RECEIVABLES

	As at June 30, 2019 RMB'000 (Unaudited)	As at December 31, 2018 RMB'000 (Audited)
Factoring receivables	**7,474,269**	6,346,945
Entrusted loans and other loans	**1,138,728**	889,250
Subtotal of loans and receivables	**8,612,997**	7,236,195
Less: Provisions for factoring receivables	**(631,141)**	(442,965)
Provisions for entrusted loans and other loans	**(47,244)**	(92,835)
Total	**7,934,612**	6,700,395

	As at June 30, 2019 RMB'000 (Unaudited)	As at December 31, 2018 RMB'000 (Audited)
Analyzed as:		
Current	**5,381,414**	4,276,336
Non-current	**2,553,198**	2,424,059
Total	**7,934,612**	6,700,395

19. LOANS AND RECEIVABLES (CONTINUED)

a. The table below illustrates the gross and net amounts of factoring receivables:

	As at June 30, 2019 RMB'000 (Unaudited)	As at December 31, 2018 RMB'000 (Audited)
Not later than one year	**5,338,417**	4,210,447
Later than one year and not later than five years	**2,603,504**	2,544,617
Later than five years	**133,302**	142,785
Gross amount of factoring receivables	**8,075,223**	6,897,849
Less: Interest adjustment	**(600,954)**	(550,904)
Present value of factoring receivables	**7,474,269**	6,346,945
Less: Allowance for impairment	**(631,141)**	(442,965)
Carrying amount of factoring receivables	**6,843,128**	5,903,980
Present value of factoring receivables:		
— Not later than one year	**4,940,568**	3,874,175
— Later than one year and not later than five years	**2,410,371**	2,341,388
— Later than five years	**123,330**	131,382
Total	**7,474,269**	6,346,945

Change in provision for factoring receivables:

	Stage 1 12-months ECL RMB'000	Stage 2 Lifetime ECL not credit-impaired RMB'000	Stage 3 Lifetime ECL credit-impaired RMB'000	Total RMB'000
As at December 31, 2018 (Audited)				**442,965**
Changes in the loss allowance (Unaudited):				
— Transfer to Stage 2	**(37,552)**	**37,552**	**—**	**—**
— Transfer to Stage 3	**(4,955)**	**—**	**4,955**	**—**
— Charge to profit or loss	**25,062**	**151,903**	**11,211**	**188,176**
As at June 30, 2019 (Unaudited)				**631,141**

As at June 30, 2019, the Group's expected credit loss rate of factoring receivables for stage 1, stage 2 and stage 3 are 1.84%, 26.21% and 50.35% respectively.

19. LOANS AND RECEIVABLES (CONTINUED)

	Stage 1 12-months ECL RMB'000	Stage 2 Lifetime ECL not credit-impaired RMB'000	Stage 3 Lifetime ECL credit-impaired RMB'000	Total RMB'000
As at January 1, 2018 (Audited)				533,648
Changes in the loss allowance (Audited):				
— Transfer to Stage 1	141,529	(141,529)	—	—
— Transfer to Stage 2	(29,678)	29,678	—	—
— Transfer to Stage 3	(264)	—	264	—
— Write-offs	—	—	(68,033)	(68,033)
— Credit/(charge) to profit or loss	(244,713)	219,463	2,600	(22,650)
As at December 31, 2018 (Audited)				442,965

As at December 31, 2018, the Group's expected credit loss rate of factoring receivables for stage 1, stage 2 and stage 3 are 2.26%, 29.12% and 38.88% respectively.

b. The table below illustrates the gross and net amounts of entrusted loans and other loans:

	As at June 30, 2019 RMB'000 (Unaudited)	As at December 31, 2018 RMB'000 (Audited)
Not later than one year	**894,900**	751,945
Later than one year and not later than five years	**233,297**	121,709
Later than five years	**10,531**	15,596
Gross amount of entrusted loans and other loans	**1,138,728**	889,250
Less: Allowance for impairment	**(47,244)**	(92,835)
Carrying amount of entrusted loans and other loans	**1,091,484**	796,415

19. LOANS AND RECEIVABLES (CONTINUED)

Change in provision for entrusted loans and other loans:

	Stage 1	Stage 2	Stage 3	
		Lifetime ECL not	Lifetime ECL	
	12-months ECL	credit-impaired	credit-impaired	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2018 (Audited)				**92,835**
Changes in the loss allowance (Unaudited):				
— Transfer to Stage 3	**(2,995)**	**—**	**2,995**	**—**
— (Credit)/charge to profit or loss	**(46,611)**	**(4,487)**	**5,309**	**(45,789)**
— Exchange differences arising on translation	**198**	**—**	**—**	**198**
As at June 30, 2019 (Unaudited)				**47,244**

As at June 30, 2019, the Group's expected credit loss rate of entrusted loans and other loans for stage 1, stage 2 and stage 3 are 2.81%, 28.83% and 40.91% respectively.

	Stage 1	Stage 2	
		Lifetime ECL not	
	12-months ECL	credit-impaired	Total
	RMB'000	RMB'000	RMB'000
As at January 1, 2018 (Audited)			38,292
Changes in the loss allowance (Audited):			
— Transfer to Stage 2	(950)	950	—
— Charge to profit or loss	42,409	11,900	54,309
— Exchange differences arising on translation	234	—	234
As at December 31, 2018 (Audited)			92,835

As at December 31, 2018, the Group's expected credit loss rate of entrusted loans and other loans for stage 1, stage 2 are 9.30% and 44.21% respectively.

20. DEFERRED TAXATION

The following is the analysis of the deferred tax balances for financial reporting purposes:

	As at June 30, 2019 RMB'000 (Unaudited)	As at December 31, 2018 RMB'000 (Audited)
Deferred tax assets	**835,929**	727,607
Deferred tax liabilities	**(10,635)**	(12,319)
	825,294	715,288

20. DEFERRED TAXATION (CONTINUED)

The following are the major deferred tax assets/(liabilities) recognized and movements thereon during the current interim period and the year ended December 31, 2018:

	Allowance for impairment losses RMB'000	Changes in fair value of derivatives RMB'000	Changes in fair value of financial assets at fair value through profit and loss RMB'000	Deductible tax losses RMB'000	Depreciation RMB'000	Others RMB'000	Total RMB'000
As at December 31, 2018 (Audited)	**732,361**	**(928)**	**(10,121)**	**21,136**	**(27,160)**	**—**	**715,288**
Effect arising from adoption of IFRS 16	**—**	**—**	**—**	**—**	**—**	**679**	**679**
As at January 1, 2019	**732,361**	**(928)**	**(10,121)**	**21,136**	**(27,160)**	**679**	**715,967**
Credit/(charge) to profit or loss	**108,137**	**(816)**	**(55)**	**10,553**	**(9,021)**	**(52)**	**108,746**
Credit to other comprehensive income	**—**	**580**	**—**	**—**	**—**	**—**	**580**
Effect of foreign exchange	**—**	**6**	**—**	**176**	**(181)**	**—**	**1**
As at June 30, 2019 (Unaudited)	**840,498**	**(1,158)**	**(10,176)**	**31,865**	**(36,362)**	**627**	**825,294**
As at January 1, 2018 (Audited)	567,556	1,469	(46)	11,499	(9,552)	—	570,926
Credit/(charge) to profit or loss	164,797	(2,407)	(10,075)	8,895	(16,580)	—	144,630
Effect of foreign exchange	8	10	—	742	(1,028)	—	(268)
As at December 31, 2018 (Audited)	732,361	(928)	(10,121)	21,136	(27,160)	—	715,288

21. OTHER ASSETS

Non-Current

	As at June 30, 2019 RMB'000 (Unaudited)	As at December 31, 2018 RMB'000 (Audited)
Repossession of finance lease assets	**157,401**	144,596
Deposit on acquisition of property and equipment and intangible assets	**82,890**	—
Long-term receivables from government cooperation projects	**24,791**	—
Others	**15,156**	7,505
Sub-total	**280,238**	152,101
Less: Allowances for impairment losses	**(14,948)**	(3,515)
Total	**265,290**	148,586

current

	As at June 30, 2019 RMB'000 (Unaudited)	As at December 31, 2018 RMB'000 (Audited)
Government project deposit (note)	**148,500**	335,000
VAT tax credit and provisional VAT tax credit	**103,772**	148,513
Properties under development	**217,182**	96,836
Prepayments	**54,010**	56,212
Interest receivable	**17,968**	22,273
Deferred share issue costs	**—**	17,125
Preservation fees for legal proceedings	**18,707**	16,550
Deposits for legal proceedings	**25**	25
Notes receivable	**—**	1,000
Others	**19,073**	34,206
Sub-total	**579,237**	727,740
Less: Allowances for impairment losses	**(809)**	(1,824)
Total	**578,428**	725,916

note: The project deposits are paid for the government outsourcing business project.

21. OTHER ASSETS (CONTINUED)

Movements of allowances for impairment losses on other assets are as follows:

	As at June 30, 2019 RMB'000 (Unaudited)	As at December 31, 2018 RMB'000 (Audited)
At the beginning of the period/year	**5,339**	2,337
Provision during the period/year	**11,478**	4,169
Derecognition	**(1,058)**	(1,172)
Exchange differences arising on translation	**(2)**	5
At the end of the period/year	**15,757**	5,339

22. ACCOUNTS RECEIVABLE

	As at June 30, 2019 RMB'000 (Unaudited)	As at December 31, 2018 RMB'000 (Audited)
Accounts receivable of trading	**4,016**	4,016
Accounts receivable of services	**25,119**	2,920
Accounts receivable of settlement of finance lease receivable	**28,000**	28,000
Accounts receivable of operating lease	**3,607**	10,552
Sub-total	**60,742**	45,488
Less: Allowances for impairment losses		
— Accounts receivable of trading	**(4,016)**	(4,016)
— Accounts receivable of services	**(151)**	(42)
— Accounts receivable of settlement of finance lease receivable	**(140)**	(140)
— Accounts receivable of operating lease	**(18)**	(53)
Total	**56,417**	41,237

22. ACCOUNTS RECEIVABLE (CONTINUED)

Aging of accounts receivable from revenue recognition date is analyzed as follows:

	As at June 30, 2019 RMB'000 (Unaudited)	As at December 31, 2018 RMB'000 (Audited)
Within one year	**56,374**	41,109
More than one year but not exceeding to three years	**43**	121
More than three years	**—**	7
Total	**56,417**	41,237

Movements of allowances for impairment losses on accounts receivable are as follows:

	As at June 30, 2019 RMB'000 (Unaudited)	As at December 31, 2018 RMB'000 (Audited)
At the beginning of the period/year	**4,251**	4,037
Provision during the period/year	**169**	651
Write-offs	**(94)**	(438)
Exchange differences arising on translation	**(1)**	1
At the end of the period/year	**4,325**	4,251

23. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at June 30, 2019 RMB'000 (Unaudited)	As at December 31, 2018 RMB'000 (Audited)
Finance lease receivables held under resale agreements	**932,600**	987,600
Less: Allowances for impairment losses	**(6,110)**	(6,764)
Total	**926,490**	980,836

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at June 30, 2019 RMB'000 (Unaudited)	As at December 31, 2018 RMB'000 (Audited)
Measured at fair value:		
Money market funds	**544,866**	1,895,563
Equity investments	**35,753**	36,078
Structured deposits	**264,044**	430,756
Total	**844,663**	2,362,397
Analyzed as:		
Unlisted	**844,663**	2,362,397
Analyzed as:		
Current	**808,910**	2,326,319
Non-current	**35,753**	36,078
Total	**844,663**	2,362,397

25. DERIVATIVE FINANCIAL INSTRUMENTS

	As at June 30, 2019 (Unaudited)		
	Nominal Amount RMB'000	Assets RMB'000	Liabilities RMB'000
Interest rate swaps	**4,177,023**	**—**	**(104,139)**
Currency forwards	**2,097,063**	**22,344**	**(3)**
Cross currency interest rate swaps	**1,197,841**	**2,278**	**—**
Total	**7,471,927**	**24,622**	**(104,142)**

	As at December 31, 2018 (Audited)		
	Nominal Amount RMB'000	Assets RMB'000	Liabilities RMB'000
Interest rate swaps	3,422,812	2,356	(20,752)
Currency forwards	1,987,938	7,814	(2,720)
Total	5,410,750	10,170	(23,472)

As at June 30, 2019, fixed interest rates for USD IRS were 2.3440% to 4.2100% (December 31, 2018: fixed interest rates for USD IRS were 2.3440% to 2.8200%).

As at June 30, 2019, currency forwards with forward exchange rates of buying USD and selling RMB ranged from 6.7300 to 6.9094 (December 31, 2018: 6.7300 to 6.9094).

As at June 30, 2019, cross currency interest rate swaps are with fixed interest rates for USD IRS ranging from 3.7000% to 3.8545% and with forward exchange rates of buying USD and selling RMB ranging from 6.7350 to 6.9110.

26. CASH AND BANK BALANCES

	As at June 30, 2019 RMB'000 (Unaudited)	As at December 31, 2018 RMB'000 (Audited)
Restricted bank deposits (note)	**395,332**	621,254
Cash and bank balances	**5,576,532**	3,662,767
Less: Impairment for bank deposits	**(9)**	(64)
Total	**5,971,855**	4,283,957

note: Bank deposits were all restricted for use, which represented the pledged deposit held by the Group in relation to notes payable, borrowings and aircraft maintenance funds as at June 30, 2019 and December 31, 2018.

27. BORROWINGS

	As at June 30, 2019 RMB'000 (Unaudited)	As at December 31, 2018 RMB'000 (Audited)
Bank borrowings	**31,333,327**	29,924,523
Borrowings from related parties	**914,336**	1,074,090
Lease liabilities	**179,461**	—
Total	**32,427,124**	30,998,613
Analyzed as:		
Current	**16,099,039**	18,162,075
Non-current	**16,328,085**	12,836,538
Total	**32,427,124**	30,998,613

27. BORROWINGS (CONTINUED)

a. Bank borrowings

	As at June 30, 2019 RMB'000 (Unaudited)	As at December 31, 2018 RMB'000 (Audited)
Secured borrowings	**12,223,928**	14,554,581
Unsecured and unguaranteed borrowings	**18,501,171**	14,856,575
Guaranteed borrowings	**608,228**	513,367
Total	**31,333,327**	29,924,523
Analyzed as:		
Current	**16,053,526**	17,087,985
Non-current	**15,279,801**	12,836,538
Total	**31,333,327**	29,924,523

	As at June 30, 2019 RMB'000 (Unaudited)	As at December 31, 2018 RMB'000 (Audited)
Carrying amount repayable:		
Not later than one year	**16,053,526**	17,087,985
Later than one year and not later than two years	**9,165,950**	7,974,056
Later than two years and not later than five years	**4,744,838**	3,330,063
Later than five years	**1,369,013**	1,532,419
Total	**31,333,327**	29,924,523

The secured borrowings were pledged by finance lease receivables and receivables arising from sale and leaseback arrangements. Certain secured borrowings were also mortgaged by aircraft and the Company's equity interests in subsidiaries. Refer to Notes 17, 18 and 26 for details.

27. BORROWINGS (CONTINUED)

a. Bank borrowings (continued)

The ranges of contractual interest rate on the Group's borrowings are as follows:

	As at June 30, 2019 (Unaudited)	As at December 31, 2018 (Audited)
Contractual interest rate:		
Fixed-rate borrowings	**3.25%–5.30%**	3.25%–5.65%
Floating-rate borrowings	**PBOC Rate times 90%–122%**	PBOC Rate times 90%–122%
	LIBOR Plus 0.7%–1.75%	LIBOR Plus 0.7%–1.75%

b. Borrowings from the related parties

	As at June 30, 2019 RMB'000 (Unaudited)	As at December 31, 2018 RMB'000 (Audited)
Carrying amount repayable:		
Not later than one year	**—**	1,074,090
Later than one year and not later than two years	**914,336**	—
Total	**914,336**	1,074,090

note: As at June 30, 2019 and December 31, 2018, the borrowings from the related parties were all unsecured, and the effective interest rates per annum ranged from 3.50% to 5.52% and 2.70% to 5.52%, respectively.

27. BORROWINGS (CONTINUED)

c. Lease liabilities

	As at June 30, 2019 RMB'000 (Unaudited)	As at December 31, 2018 RMB'000 (Audited)
Carrying amount repayable:		
Not later than one year	**45,513**	—
Later than one year and not later than two years	**35,459**	—
Later than two years and not later than five years	**98,489**	—
Total	**179,461**	—

28. ACCRUED STAFF COSTS

	As at June 30, 2019 RMB'000 (Unaudited)	As at December 31, 2018 RMB'000 (Audited)
Salaries, bonus and allowances	**107,183**	138,193
Others	**4,050**	—
Total	**111,233**	138,193

29. ACCOUNTS PAYABLE

	As at June 30, 2019 RMB'000 (Unaudited)	As at December 31, 2018 RMB'000 (Audited)
Payable for acquisition of leasing equipment and factoring	**235,607**	401,138
Analyzed by aging as:		
Within 60 days	**26,020**	289,209
More than 61 days but not exceeding 90 days	**2,379**	6,856
More than 91 days	**207,208**	105,073
Total	**235,607**	401,138

30. BONDS PAYABLE

	As at June 30, 2019 RMB'000 (Unaudited)	As at December 31, 2018 RMB'000 (Audited)
Analyzed as:		
Current	**16,721,958**	12,856,859
Non-current	**13,722,951**	14,594,792
Total	**30,444,909**	27,451,651

30. BONDS PAYABLE (CONTINUED)

a. Bonds payable by nature

	As at June 30, 2019 RMB'000 (Unaudited)	As at December 31, 2018 RMB'000 (Audited)
Short-term commercial papers (note i)	**999,410**	2,247,710
Ultra-short-term commercial papers (note ii)	**4,997,607**	2,997,585
Asset-backed securities (note iii)	**10,884,573**	9,006,332
Fixed medium-term notes (note iv)	**2,578,884**	3,390,861
Corporate bonds (note v)	**4,186,259**	3,685,031
Private Placement notes (note vi)	**4,585,589**	3,289,130
Asset-backed notes (note vii)	**2,212,587**	2,835,002
Total	**30,444,909**	27,451,651

note i:

Issue Date	October 29, 2018
Outstanding principal amount	RMB1,000 million
Coupon rate	4.30%
Maturity period	1 year

note ii:

Issue Date	November 20, 2018	December 13, 2018	January 22, 2019	February 19, 2019	March 6, 2019
Outstanding principal amount	RMB1,000 million	RMB1,000 million	RMB1,000 million	RMB1,000 million	RMB1,000 million
Coupon rate	3.94%	4.00%	3.48%	3.25%	3.10%
Maturity period	270 days	270 days	210 days	270 days	270 days

30. BONDS PAYABLE (CONTINUED)

a. Bonds payable by nature (continued)

note iii:

Issue Date	November 15, 2016	August 4, 2017	April 27, 2018	June 15, 2018	August 14, 2018	September 14, 2018	November 23, 2018
Outstanding principal amount	Senior: RMB1,425 million; Junior: RMB75 million	Senior: RMB1,568 million; Junior: RMB83 million	Senior: RMB219.33 million; Junior: RMB44 million	Senior: RMB461.83 million; Junior: RMB75 million	Senior: RMB493.84 million; Junior: RMB70 million	Senior: RMB149.25 million; Junior: RMB50 million	Senior: RMB803.9 million; Junior: RMB75 million
Coupon rate	Senior: 3.72%	Senior: 5.40%	Senior: 5.10%, 5.40% and 6.10%	Senior: 5.49%, 5.70% and 5.84%	Senior: 4.50%, 4.85% and 5.83%	Senior: 5.00%	Senior: 4.66%, 4.73% and 5.80%
Maturity period	Senior: 36 months; Junior: 36 months	Senior: 35 months; Junior: 35 months	Senior: 33 months; Junior: 33 months	Senior: 32 months; Junior: 32 months	Senior: 30 months; Junior: 33 months	Senior: 14 months; Junior: 23 months	Senior: 31 months; Junior: 37 months

Issue Date	December 27, 2018	February 27, 2019	March 19, 2019	April 16, 2019	May 31, 2019	June 14, 2019
Outstanding principal amount	Senior: RMB560.32 million; Junior: RMB50 million	Senior: RMB1,163.16 million; Junior: RMB80 million	Senior: RMB776.12 million; Junior: RMB50 million	Senior: RMB1,185.54 million; Junior: RMB80 million	Senior: RMB950 million; Junior: RMB50 million	Senior: RMB1,167 million; Junior: RMB80 million
Coupon rate	Senior: 5.00% and 5.50%	Senior: 3.83%, 4.18% and 5.00%	Senior: 4.00%, 4.05% and 4.70%	Senior: 3.69%, 3.83% and 4.40%	Senior: 4.00%, 4.15% and 4.34%	Senior: 4.00%, 4.30% and 4.50%
Maturity period	Senior: 17 months; Junior: 36 months	Senior: 34 months; Junior: 37 months	Senior: 20 months; Junior: 35 months	Senior: 30 months; Junior: 36 months	Senior: 20 months; Junior: 36 months	Senior: 33 months; Junior: 36 months

The Company holds all junior tranche asset-backed securities.

note iv:

Issue Date	June 3, 2016	July 13, 2016	March 20, 2018	April 24, 2018
Outstanding principal amount	RMB185 million	RMB600 million	RMB1,000 million	RMB800 million
Coupon rate	4.07%	3.70%	5.77%	5.23%
Maturity period	5 years	5 years	3 years	3 years

30. BONDS PAYABLE (CONTINUED)

a. Bonds payable by nature (continued)

note v:

Issue Date	June 19, 2017	July 19, 2017	September 20, 2018	October 24, 2018	February 26, 2019
Outstanding principal amount	RMB1,500 million	RMB1,000 million	RMB800 million	RMB400 million	RMB500 million
Coupon rate	4.95%	4.70%	5.05%	4.85%	5.20%
Maturity period	3 years	3 years	3 years	3 years	3 years

note vi:

Issue Date	November 9, 2017	February 7, 2018	June 13, 2018	November 27, 2018	December 10 to 11, 2018	April 18, 2019	May 31, 2019
Outstanding principal amount	RMB800 million	RMB600 million	RMB500 million	RMB800 million	RMB600 million	RMB300 million	RMB1,000 million
Coupon rate	5.80%	6.35%	6.50%	5.20%	5.13%	4.65%	4.70%
Maturity period	3 years	3 years	3 years	3 years	2 years	3 years	3 years

note vii:

Issue Date	November 22, 2017	July 27 to 30, 2018	December 21 to 24, 2018
Outstanding principal amount	Senior: RMB1,360 million; Junior: RMB70 million	Senior: RMB207.53 million; Junior: RMB50 million	Senior: RMB655.35 million; Junior: RMB50 million
Coupon rate	Senior: 5.80%	Senior: 4.90%, 5.00% and 6.20%	Senior: 4.50%, 4.80% and 5.90%
Maturity period	Senior: 34 months; Junior: 37 months	Senior: 9 months, 19 months and 27 months; Junior: 27 months	Senior: 11 months, 24 months and 33 months; Junior: 35 months

The Company holds all junior tranche asset-backed notes.

31. OTHER LIABILITIES

	As at June 30, 2019 RMB'000 (Unaudited)	As at December 31, 2018 RMB'000 (Audited)
CURRENT		
Amounts due to related parties	—	3,994
Deposits due within one year	**2,262,951**	1,892,549
Deferred revenue	**366,657**	150,771
Interest payable	**542,896**	527,736
Notes payable	**520,663**	358,796
Advance receipt	**13,379**	4,710
Other taxes payable	**10,482**	3,545
Accrued expenses	**152,759**	96,266
Government cooperation project payables	**62,083**	—
Other payables	**100,441**	93,940
Total	**4,032,311**	3,132,307
NON-CURRENT		
Deposits from lessees	**6,158,082**	5,667,627
Deferred revenue	**383,883**	497,799
Deposits from suppliers and agents	**27,919**	21,279
Deposits from factoring	**296,787**	303,433
Aircraft maintenance funds	**211,028**	138,547
Deferred government grants	**27,089**	—
Other payables	**44,278**	36,250
Total	**7,149,066**	6,664,935

32. SHARE CAPITAL

	As at June 30, 2019 RMB'000 (Unaudited)	As at December 31, 2018 RMB'000 (Audited)
Issued and fully paid share capital		
At beginning of the period/year (note ii)	**7,000,000**	7,000,000
Additions (note i)	**1,235,300**	—
At end of the period/year	**8,235,300**	7,000,000

note i: On June 3, 2019, the Company was listed on the Main Board of Hong Kong Stock Exchange and issued 1,235,300,000 H shares with par value of RMB1. The gross proceeds amounted to HK$2,322,364 thousand. After deducting the issuance cost, RMB1,235,300 thousand and RMB726,313 thousand were credited to share capital and capital reserve respectively.

note ii: Upon listed on the Hong Kong Stock Exchange, the Company has two classes of ordinary shares, namely H Shares and Domestic Shares. 4,559,153,176 Unlisted Foreign Shares in aggregate held by Haitong UT Capital Group Co., Limited are converted into H Shares on a one-for-one basis.

All the Domestic Shares and H Shares rank pari passu with each other as to dividends and voting rights.

33. OTHER EQUITY INSTRUMENT

As at March 11, 2016, the Company issued a perpetual medium-term note with principal amount of RMB1,200 million and value date on March 14, 2016.

The above financial instrument has no fixed maturity date and is redeemable at the option of the Company on or after the fifth interest payment date, based on principal amount with any accrued, unpaid or deferred interest payments.

Unless the compulsory interest payment events mentioned below have occurred, the Company has the right to choose to defer interest payment at each interest payment date without time limit of deferrals, which does not cause the issuer for the breach of the contract.

The Company could not defer current interests and all deferred interests within 12 months before the interest payment date when the compulsory interest payment events below occur:

- to declare and pay dividend to ordinary shareholders
- to decrease registered paid-in/share capital

33. OTHER EQUITY INSTRUMENT (CONTINUED)

Based on the terms and conditions mentioned above, the directors of the Company are of the view that the Company has an unconditional right to avoid delivering cash or other financial assets. Accordingly, the above perpetual note is measured as other equity instrument under IAS 32 "*Financial Instruments: Presentation*".

During the six months ended June 30, 2019, profit attributable to the holders of the perpetual note of the Group amounting to RMB24,851 thousand (six months ended June 30, 2018: RMB24,707 thousand), are determined with reference to the distribution rate specified in the terms and conditions.

34. TRANSFERS OF FINANCIAL ASSETS

Asset-backed securities

The Group enters into securitization transactions in the normal course of business by which it transfers finance lease receivables, receivables arising from sale and leaseback arrangements, and factoring receivables to structured entities which issue asset-backed securities to investors. As the Group holds all the subordinated tranches asset-backed securities, substantially all the risks and rewards of ownership of the transferred assets are retained, so the Group continues to recognize the transferred asset in its entirety and recognizes bonds payable for the consideration received.

As at June 30, 2019, the finance lease receivables at original cost of approximately RMB12,393 million has been transferred but not derecognized (December 31, 2018: RMB9,902 million).

As at June 30, 2019, the receivables arising from sale and leaseback arrangements at original cost of approximately RMB111 million has been transferred but not derecognized.

As at June 30, 2019, the factoring receivables at original cost of approximately RMB434 million has been transferred but not derecognized (December 31, 2018: RMB458 million).

As at June 30, 2019, the related carrying amount of financial liabilities was RMB10,885 million (December 31, 2018: RMB9,006 million).

34. TRANSFERS OF FINANCIAL ASSETS (CONTINUED)

Asset-backed medium-term notes

The Group enters into securitization transactions in the normal course of business by which it transfers finance lease receivables and receivables arising from sale and leaseback arrangements to structured entities which issue asset-backed notes in China Inter-bank market to investors. As the Group holds all the subordinated tranches asset-backed notes, substantially all the risks and rewards of ownership of the transferred assets are retained, so the Group continues to recognize the transferred asset in its entirety and recognizes bonds payable for the consideration received.

As at June 30, 2019, the finance lease receivables at original cost of approximately RMB2,513 million has been transferred but not derecognized (December 31, 2018: RMB2,998 million).

As at June 30, 2019, the receivables arising from sale and leaseback arrangements at original cost of approximately RMB13 million has been transferred but not derecognized.

As at June 30, 2019, the related carrying amount of financial liabilities was RMB2,213 million (December 31, 2018: RMB2,835 million).

35. CASH AND CASH EQUIVALENTS

For the purpose of the condensed consolidated statements of cash flows, cash and cash equivalents represent:

	As at June 30, 2019 RMB'000 (Unaudited)	As at December 31, 2018 RMB'000 (Audited)
Deposit in banks	**5,576,532**	3,662,767
Total	**5,576,532**	3,662,767

36. CAPITAL COMMITMENTS

	As at June 30, 2019 RMB'000 (Unaudited)	As at December 31, 2018 RMB'000 (Audited)
Contracted, but not provided for:		
Construction and development for Public-Private Partnership project management and government outsourcing business	**539,218**	721,587
Property and equipment	**712,906**	1,226,454
Total	**1,252,124**	1,948,041

37. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

The significant related parties of the Group are set out as below:

Name of the related party	Relationship of the related party
Haitong UT Capital Group Co., Limited	Parent Company
Haitong Securities Co., Ltd.	Ultimate Holding Company
Haitong International Holdings Limited	Intermediate Holding Company
HFT Investment Management Co.,Ltd.	Fellow Subsidiary
Shanghai Haitong Securities Asset Management Co., Ltd.	Fellow Subsidiary
Shanghai HFT Fortune Asset Management Co., Ltd.	Fellow Subsidiary
Unican Limited	Fellow Subsidiary
Haitong UT Holding Limited	Fellow Subsidiary
Haitong International Securities Company Limited	Fellow Subsidiary
Gui'an UT Financial Leasing (Shanghai) Co., Ltd	Joint Venture Company

37. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

The Group had the following material transactions with the related parties for the six months ended June 30, 2019 and 2018:

(1) Interest expenses

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Haitong UT Capital Group Co., Limited	**–**	(10,394)	**–**	(7,670)
Haitong International Holdings Limited	**–**	8,462	**–**	17,865
Unican Limited	**8,144**	20,824	**16,816**	28,120

(2) Net investment gains

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
HFT Investment Management Co.,Ltd.	**449**	95	**1,125**	814

(3) Other income, gains or losses

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Haitong UT Holding Limited	**–**	99	**–**	99
Gui'an UT Financial Leasing (Shanghai) Co., Ltd (note)	**19,210**	852	**38,196**	852

note: Amount represents the interest income arising from finance lease receivables held under resale agreements with Gui'an UT Financial Leasing (Shanghai) Co., Ltd.

37. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(4) Financial assets held under resale agreement

	As at June 30, 2019 RMB'000 (Unaudited)	As at December 31, 2018 RMB'000 (Audited)
Gui'an UT Financial Leasing (Shanghai) Co., Ltd	**932,600**	987,600

(5) Financial assets at fair value through profit or loss

	As at June 30, 2019 RMB'000 (Unaudited)	As at December 31, 2018 RMB'000 (Audited)
HFT Investment Management Co.,Ltd.(note)	**194,747**	558,025

note: The financial assets at fair value through profit or loss are money market funds managed by the related party.

(6) Other assets

	As at June 30, 2019 RMB'000 (Unaudited)	As at December 31, 2018 RMB'000 (Audited)
Gui'an UT Financial Leasing (Shanghai) Co., Ltd	**4,361**	4,478

(7) Borrowings

	As at June 30, 2019 RMB'000 (Unaudited)	As at December 31, 2018 RMB'000 (Audited)
Unican Limited	**914,336**	1,074,090

37. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(8) Bonds payable

	As at June 30, 2019 RMB'000 (Unaudited)	As at December 31, 2018 RMB'000 (Audited)
Haitong Securities Co., Ltd. (note)	**700,206**	334,000

note: The bonds payable are the senior tranche of asset-backed securities and ultra-short-term commercial papers held by the related party.

(9) Other liabilities

	As at June 30, 2019 RMB'000 (Unaudited)	As at December 31, 2018 RMB'000 (Audited)
Haitong UT Capital Group Co., Limited	**—**	3,994
Unican Limited	**58,281**	44,547
Haitong Securities Co., Ltd.	**7,170**	24,908
Haitong International Securities Company Limited	**8,057**	—

(10) Others

(a) Key management personnel:

Remuneration for key management personnel for the Group are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Basic salaries and allowances	**463**	1,522	**1,943**	3,034
Employer's contribution to pension schemes	**84**	505	**729**	1,004

37. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(10) Others (continued)

(b) Payment of referral service fees to related party

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Haitong Securities Co., Ltd. (note)	**2,169**	5,523	**2,169**	5,523

note: The referral fees for finance lease or factoring business are recognized as initial direct incremental costs and deducted from the initial recognition amount of the related assets.

(c) Payment of issuance costs of bonds and borrowings to related party

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Haitong Securities Co., Ltd.	**6,970**	2,072	**38,805**	13,347
Shanghai HFT Fortune Asset Management Co.,Ltd.	**3,036**	289	**4,979**	593
Shanghai Haitong Securities Asset Management Co.,Ltd.	**8,915**	750	**15,954**	1,055

note: These issuance costs related to debt liabilities issued were recognized as a deduction from the proceeds received from the debt liabilities issued and amortized during the debt term as part of the effective interest expenses.

38. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments that are not measured at fair value

The table below summaries the carrying amounts and fair values with obvious variances of those financial instruments not presented at their fair values:

GROUP

	Carrying amount		Fair value	
	As at June 30, 2019 RMB'000 (Unaudited)	As at December 31, 2018 RMB'000 (Audited)	**As at June 30, 2019 RMB'000 (Unaudited)**	As at December 31, 2018 RMB'000 (Audited)
Bonds payable	**30,444,909**	27,451,651	**30,627,389**	27,718,356

Fair value measurements and valuation processes

The Group has set up a valuation team to perform the valuation. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group uses valuation techniques to determine the fair value.

The fair value of bonds payable is determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

Except for the above, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities measured at amortized cost approximate their fair values because majority of these financial assets and liabilities are matured within one year or at floating interest rates.

Financial instruments that are measured at fair value on a recurring basis

Some of the financial assets and financial liabilities are measured at fair value. The following tables give information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and key input(s) used).

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observed for the asset or liability, either directly (ie. as prices) or indirectly (ie. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

38. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets/ financial liabilities	June 30, 2019 RMB'000	December 31, 2018 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)
1) Financial assets at fair value through profit and loss				
— Money market funds	**Assets: 544,866**	Assets: 1,895,563	Level 2	Based on the product's net value. Net value based on the quoted price from the issuer/ financial institution.
— Equity investments	**Assets: 35,753**	Assets: 36,078	Level 3	Using market approach, with reference to the market value of the comparable listed company, as well as the liquidity discount impact./Using transaction price, with reference to the last capital injection of new investor.
— Structured deposits	**Assets: 264,044**	Assets: 430,756	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest/exchange rates (from observable yield curves at the end of the reporting period) and contract interest/ exchange rates, discounted at a rate that reflects the credit risk of various counterparties.
2) Currency forwards	**Assets: 22,344 Liabilities: (3)**	Assets: 7,814 Liabilities: (2,720)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

38. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets/ financial liabilities	June 30, 2019 RMB'000	December 31, 2018 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)
3) Interest rate swaps	**Assets:- Liabilities: -designated for hedging (2,135); and -not designated for hedging (102,004)**	Assets: 2,356 Liabilities: (20,752)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.
4) Cross currency interest rate swaps	**Assets: 2,278 Liabilities: -**	Assets: - Liabilities -	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest/exchange rates (from observable yield curves/forward exchange rates at the end of the reporting period) and contract interest/exchange rates, discounted at a rate that reflects the credit risk of various counterparties.

Management determines the fair value of the Group's level 3 equity investment using market approach that incorporate unobservable input of discount rate for lack of marketability. The fair value measurement of the equity investment will not change significantly if changing the unobservable input holding all other variables constant.

There were no transfers between Level 1 and Level 2 during the six months ended June 30, 2019 and the year ended December 31, 2018.