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
Annual Report

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Company Profile

The Group is a large and steadily 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 comprehensive 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 a financial leasing company that leads industry innovation with the characteristics of 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 LMEs, MSEs and retail customers. We have continued to provide comprehensive financial 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.

The Group's headquarters is located in Shanghai and operates six specialized business departments, namely Public Services Department, Industrials Department, Construction Department, Institutional & Internet Channel Development Department, Health Care Business Department and MSE Business Department. We have also established 17 branches. Our branch network also encompasses eight directly-held subsidiaries in areas including Hong Kong, Tianjin, Shandong, Hebei, Jiangxi 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 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.

BOARD OF DIRECTORS

Executive Directors

Mr. DING Xueqing

Ms. ZHOU Jianli

Non-executive Directors

Mr. REN Peng (Chairman of the Board)

Ms. HA Erman

Mr. LI Chuan

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

LEGAL ADVISORS

as to Hong Kong law

Davis Polk & Wardwell
18th Floor, The Hong Kong Club Building
3A Chater Road
Hong Kong

as to PRC law

Jia Yuan Law Offices
F408, Ocean Plaza
158 Fuxing Men Nei Street, Xicheng District
Beijing
PRC

AUDITOR

Deloitte Touche Tohmatsu
(Deloitte Touche Tohmatsu and
Deloitte Touche Tohmatsu Certified Public Accountants LLP,
(Special General Partnership)) ("Deloitte Touche Tohmatsu")
Certified Public Accountants
35/F, One Pacific Place
88 Queensway
Hong Kong

COMPLIANCE ADVISOR

Orient Capital (Hong Kong) Limited
Room 2701 and 06–08
27/F, Wing On House
71 Des Voeux Road Central
Hong Kong

H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

REGISTERED ADDRESS

10th Floor, Henderson Metropolitan
No. 300 Nanjing East Road
Huangpu District
Shanghai
PRC

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Haitong Unitrust Tower
No. 599 South Zhongshan Road
Huangpu District
Shanghai
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Sunlight Tower
248 Queen's Road East
Wanchai
Hong Kong

COMPANY'S WEBSITE

http://www.utfinancing.com

STOCK CODE

1905

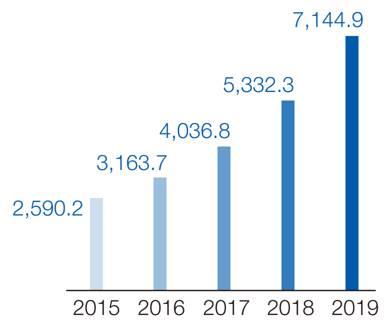
LISTING DATE

June 3, 2019

For the year ended December 31, 2019

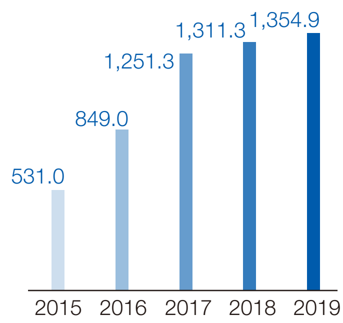
Total revenue
RMB in millions

7,144.9



Profit for the year
RMB in millions

1,354.9



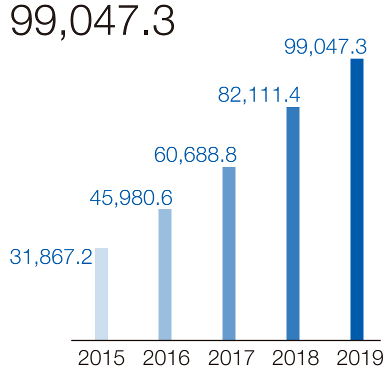
Basic earnings per share
RMB yuan/share

0.16

As at December 31, 2019

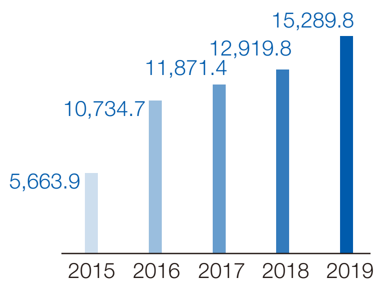
Total assets
RMB in millions

99,047.3



Total equity
RMB in millions

15,289.8



Net assets per share
RMB yuan/share

1.70

Net interest margin

2018	2019
3.16%	3.17%

Average yield of interest-earning assets

2018	2019
6.66%	7.23%

Net interest spread

2018	2019
2.01%	2.65%

Weighted average return on net assets

2019

9.92%

Asset-liability ratio

December 31, 2019

84.56%

NPA ratio

December 31, 2019

1.08%

Financial Summary

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

	For the year ended December 31				
	2019	2018	2017	2016	2015
	(RMB in millions, except percentages)				
Total revenue	**7,144.9**	5,332.3	4,036.8	3,163.7	2,590.2
Total revenue and other income, gains or losses	**7,449.0**	5,565.4	4,287.7	3,294.0	2,657.7
Interest expenses	**(3,331.3)**	(2,316.3)	(1,524.2)	(1,224.5)	(917.3)
Total expenses	**(5,647.9)**	(3,810.0)	(2,638.4)	(2,180.7)	(1,986.3)
Profit before income tax	**1,801.1**	1,755.3	1,649.3	1,113.3	671.4
Income tax expenses	**(446.2)**	(444.1)	(398.1)	(264.3)	(140.4)
Profit for the year	**1,354.9**	1,311.3	1,251.3	849.0	531.0
Earnings per share of the Company attributable to Ordinary shareholders (RMB yuan/share)					
— Basic	**0.16**	0.17	0.17	0.16	0.11
— Diluted	**0.16**	N/A	N/A	N/A	N/A
Profitability indicators					
Return on average assets(1)	**1.50%**	1.84%	2.35%	2.18%	1.97%
Weighted average return on net assets(2)	**9.92%**	11.49%	12.10%	13.10%	9.68%
Cost-to-income ratio(3)	**10.78%**	11.52%	10.85%	12.04%	14.01%
Profit margin before tax and provision(4)	**43.24%**	47.27%	55.55%	52.80%	52.82%
Net profit margin(5)	**18.96%**	24.59%	31.00%	26.84%	20.50%
Profitability indicators of assets					
Average yield of interest-earning assets(6)	**7.23%**	6.66%	6.42%	6.82%	7.78%
Of which: finance lease business(7)	**7.54%**	6.83%	6.63%	7.02%	7.88%
Average cost of interest-bearing liabilities(8)	**4.58%**	4.66%	4.41%	4.66%	5.01%
Net interest spread(9)	**2.65%**	2.01%	2.02%	2.15%	2.77%
Net interest margin(10)	**3.17%**	3.16%	3.31%	3.40%	4.09%

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

	As of December 31				
	2019	2018	2017	2016	2015
	(RMB in millions, except percentages)				
Non-current assets	**47,897.8**	38,638.6	28,526.8	25,073.3	18,880.9
Receivables from finance lease business(Note 1)	**37,934.9**	30,824.7	22,212.6	22,035.9	17,472.1
Current assets	**51,149.5**	43,472.8	32,162.0	20,907.2	12,986.2
Receivables from finance lease business(Note 1)	**36,950.4**	30,828.0	21,323.5	14,519.3	9,921.8
Total assets	**99,047.3**	82,111.4	60,688.8	45,980.6	31,867.2
Current liabilities	**46,183.7**	35,083.0	24,338.7	16,650.7	14,068.3
Borrowings	**19,660.8**	18,162.1	15,116.2	13,220.0	9,492.9
Bonds payable	**20,114.2**	12,856.9	6,074.4	1,179.3	458.3
Total equity	**15,289.8**	12,919.8	11,871.4	10,734.7	5,663.9
Equity attributable to owners of the Company					
— Ordinary shareholders	**14,035.9**	11,187.8	10,191.4	9,057.6	5,271.9
— Other equity instrument holders	**1,237.2**	1,237.0	1,235.3	1,229.5	—
Non-controlling interests	**16.7**	495.0	444.7	447.6	392.0
Non-current liabilities	**37,573.8**	34,108.6	24,478.7	18,595.2	12,135.0
Borrowings	**18,096.4**	12,836.5	9,691.6	11,235.6	8,764.9
Bonds payable	**11,332.8**	14,594.8	9,970.0	3,820.1	1,033.9

Financial Summary

	As of December 31				
	2019	2018	2017	2016	2015
	(RMB in millions, except percentages)				
Net assets per share (RMB yuan)(Note 2)	**1.70**	1.60	1.46	N/A	N/A
Liquidity indicators					
Asset-liability ratio(11)	**84.56%**	84.27%	80.44%	76.65%	82.23%
Gearing ratio(12)	**452.62%**	452.41%	344.12%	274.39%	348.70%
Asset quality indicators					
NPA ratio(13)	**1.08%**	0.94%	0.93%	1.10%	1.27%
Allowance coverage ratio for NPAs(14)	**265.19%**	339.05%	335.92%	299.73%	219.95%

Note 1: 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 audited financial report.

Note 2: As the Company was converted into a joint stock company in 2017, net assets per share for 2015 and 2016 are not applicable.

(1) Calculated by dividing profit for the year by the average balance of total assets at the beginning of the year and the end of the year.

(2) Profit of the year attributable to ordinary shareholders/(equity attributable to ordinary shareholders at the beginning of the year + profit of the year attributable to ordinary shareholders/2 + the addition of total equity 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 total equity to the end of the reporting period/number of months during the reporting period – the reduction of total equity attributable to ordinary shareholders arising from repurchase of shares or dividend distribution during the reporting period* the number of months from the next month immediately after the reduction of total equity to the end of the reporting period/number of months during the reporting period).

(3) Calculated by dividing the sum of depreciation and amortization (excluding depreciation of aircraft held for operating lease business), staff costs and other operating expenses by the total revenue and other income, gains or losses.

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

(5) Calculated by dividing profit for the year by the total revenue for the year.

(6) Calculated by dividing interest income by the average balance of interest-earning assets. Interest income is the sum of (i) income from finance lease business, (ii) factoring interest income, and (iii) entrusted loan and other loan interest 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 the end of last year and the middle and the end of the year. In this Report, the balances of interest-earning assets used in such calculation represent the balance of receivables from finance lease business, factoring receivables and entrusted loans and other loans before deduction of allowances for impairment losses.

(7) Calculated by dividing income from finance lease business by the average balance of receivables from finance lease business. The average balance of receivables from finance lease business represents the average balance of receivables from finance lease business before deduction of allowances for impairment losses as at the end of last year, the middle and the end of the year.

(8) Calculated by dividing interest expenses by the average balance of interest-bearing liabilities. Interest-bearing liabilities consist of borrowings, bonds payable, business deposits and notes payable, excluding the interest-bearing liabilities related to operating leasing business. Average balances are calculated based on balances as at the end of last year and the middle and the end of the year. 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.

(9) Calculated as per the difference between the average yield of interest-earning assets and the average interest rate of interest-bearing liabilities (excluding the interest expenses and interest-bearing liabilities related to operating leasing business).

(10) 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 the end of last year and the middle and the end of the current year.

(11) Calculated by dividing total liabilities by total assets.

(12) Calculated by dividing total debt by total equity. The total debt consisted of borrowings, bonds payable and financial assets sold under repurchase agreements.

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

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

Chairman's Statement

Ren Peng
Chairman and
Non-executive Director

Dear shareholders,

2019 was a memorable year which marked the 70th anniversary of the founding of new China and the first anniversary of the Listing of the H Shares of the Company. In 2019, global economic growth continued to slacken. Trade protectionism and unilateralism significantly lowered the growth rate of global trade. Developed economies and emerging economies experienced slower growth. In spite of the complex and volatile international situation as well as the challenging domestic economic condition, the economy of China showed remarkable resilience with moderate, steady and quality growth. With clearer and firmer economic and industrial strategies, we believe the Chinese government will focus on supply-side structural reform, which will certainly promote high-quality and steady economic development motivated by reform and opening-up and enhanced innovation. Undoubtedly, the Chinese economy will maintain the growing trend with steady improvement in the long term. We will seize the great development opportunities arising from the industrial, consumption, opening-up and regional upgrades of China by participation, contribution and sharing.

In 2019, the Group continued to serve the real economy with financial services. The Group has also pursued the operating strategies of "cross-border thinking, promoting innovation, strengthening our capacity and grasping business opportunities". Based on its "One Body, Two Wings" development strategy and customer strategy of maintaining a balanced customer base, the Group further expanded its operation of investment banking in order to support the long-term development of basic industry customers in China. Excellent results have been achieved in our corporate governance, risk control, business development, capital enhancement, operation management and contribution to the society. The Group has also created impressive financial values for shareholders. Our achievements would not have been made without the support from shareholders and the society as well as the efforts of our management and employees, to which I would like to express my sincere gratitude on behalf of the Board.

In 2019, the Group embarked on a new journey. On June 3, 2019, the Company was successfully listed on the Main Board of the Hong Kong Stock Exchange, which has further increased our capital strength and supported the implementation of strategies and future development of the Company. Despite intensive industry competition and substantial financial risks, we continuously expanded our asset scale, maintained the steady growth of profits, and further optimized our asset structure with sound asset quality.

In 2019, the Company actively fulfilled its social responsibilities. The Company provided services for the real economy and provided financing services to micro, small and medium enterprises and built a positive brand image, contributing to the harmonious development of the economy, society and the environment. We supported the transformation and upgrade of advanced manufacturing industries and the development of sectors relating to public welfare such as transportation, medical care, elderly care and environmental protection through providing diversified and inclusive financing services for micro, small and medium enterprises. In 2019, the MSE Business Department of the Company dealt with more than 11,000 businesses for micro, small and medium enterprises with a financing amount of approximately RMB8 billion. We actively participated in and organized various social public welfare and charity activities. In 2019, the Company focused on the field of culture and health, and organized public welfare activities such as book donation and funding for sick children to support community care and care for the vulnerable groups. Since the outbreak of the COVID-19 epidemic in January 2020, the Company has actively taken various measures to prevent the epidemic. The Company and its employees have donated RMB3 million and approximately RMB420,000, respectively, to Wuhan to contribute to the fight against the epidemic. We attached high importance to the physical and mental health, skills upgrading and career development of employees. We actively organized various activities such as outdoor training, cultural and sports events, spring and autumn tours and festival celebrations to enrich the leisure life of employees and further enhance their cohesion.

Looking back in 2019, the Board of the Company was devoted to safeguard the interests of shareholders and maximize shareholders' value by diligently performing its duties and continuously refining the corporate governance system, which further improved our corporate governance. The Company distributed the 2019 interim dividend to its shareholders and proposed profit distribution for the year of 2019 to the shareholders' general meeting. In 2019, in accordance with the Corporate Governance Code of the Hong Kong Stock Exchange, the Company held 4 Shareholders' general meetings, 13 Board meetings and 8 professional committee meetings. The Board considered 47 resolutions of the Company regarding development planning, operation targets, annual report, Director election, senior management recruitment, internal risk control, system improvement, connected transactions, major projects and others. In general, all decisions were made in the interests of shareholders according to the development needs of the Group. All Directors performed their duties loyally, diligently, legally and efficiently, which facilitated the smooth implementation of the Group's tasks.

Looking forward to 2020, in view of the complicated and ever-changing global economic and trade situation, there will be both challenges from global economic slowdown and opportunities from regional development. The COVID-19 epidemic has a short-term impact on the general economy. The Chinese government will continue to implement reform and opening-up. A combination of synergistic policies will be introduced in order to maintain stable growth, advance reform, make structural adjustments, improve living standards, guard against risks, and ensure stability. More efforts will be made on countercyclical adjustment to achieve synergy benefits from the development of regional economies. Tax and fee reduction, lower financing costs and an optimized business environment will further boost the economic vitality of micro-entities in the market. As a result, there will be many opportunities for the Group to provide better financial leasing services for the real economy. In addition, tightening regulation, orderly development and increasing concentration of the leasing industry will provide a favorable development environment for the Group, as a large leading leasing company with expertise and abundant resources.

In 2020, in accordance with national strategies and benefiting from economic upgrade and adjustment, we will stick to our operation philosophy of "being pragmatic, pioneering, stable and excellent" and our mission to serve the real economy. We will take proactive measures in order to coordinate our control and prevention efforts for the epidemic with our operation, prevent and mitigate risks, leverage our advantages and optimize asset structure. Our capabilities of international expansion, specialized management and comprehensive services will be enhanced. We strive to become a first class financial leasing company that leads industry innovation and boasts competitive edges in the capital market to create greater value for shareholders, employees and social harmony.

Ren Peng
Chairman and Non-executive Director
March 26, 2020

General Manager's Statement

Ding Xueqing
Executive Director and General Manager

Dear shareholders,

In 2019, given the complicated circumstances at home and abroad, the market has higher demand for our services for the real economy and industrial upgrade. Forward-looking planning, responsive strategic transformation and excellent execution are keys to turning challenges into opportunities.

Under the able leadership and strong support of the Board, the Group strengthened its strategic guidance and maintained its strategic focus. The Group continued to pursue the operation philosophy of "being pragmatic, pioneering, stable and excellent" to solidify business foundation, lower the risk of operation, improve asset safety and enhance operation efficiency. As a result, the Group achieved better results in the past year. In 2019, our total revenue was RMB7,144.9 million, representing an increase of 34.0% year-on-year. Our profit for the year was RMB1,354.9 million and the Group maintained its steady growth in the past few years.

2019 is an extraordinary year for Haitong UniTrust. It was also the year of milestone during which Haitong UniTrust effectively tackled the challenges and achieved excellent development. Thanks to our employees who rode out all difficulties and strived incessantly, the Group successfully coped with the severe challenges, such as the downturn of domestic and global economies, intense market competition and rise of credit risk. The Group achieved important breakthroughs in various areas. (1) Significant improvement in capital strength. With the issuance and listing of H Shares and the continued profitability of the company, the total equity of the Group exceeded RMB15 billion and recorded RMB15,289.8 million as at December 31, 2019, representing an increase of 18.3% as compared with December 31, 2018. (2) Further expansion in asset scale. The total assets of the Group amounted to RMB99,047.3 million as at December 31, 2019, representing an increase of 20.6% as compared with December 31, 2018. (3) Further optimization of our industrial structure and implementation of "One Body, Two Wings" strategies, we effectively served the real economy by providing financial services to micro, small and medium enterprises. Our businesses related to transportation & logistics, manufacturing, healthcare, aircraft operating leasing and other specialized businesses maintained their stable growth. Our specialized services were further improved. 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. (4) Our comprehensive risk management mechanism was further improved and the whole-process risk management and control were further enhanced. We have been adhering to the bottom line of risk prevention and compliance in 2019. Our risk research and monitoring capabilities were enhanced and we 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 December 31, 2019, the NPA ratio and allowance coverage ratio for NPAs of the Group were 1.08% and 265.19%, respectively. (5) Financing strength was further enhanced and the financing cost showed stable decline. In 2019, we leveraged our credit advantages and our financing withdrawals amounted to RMB52,654.4 million and the annual average cost of interest-bearing liabilities was 4.58%. (6) Development, supportive and security systems were further improved. Corporate governance and organization structure were further refined, operation management was more meticulous and scientific. Our IT system was upgraded and developed, and the management of human resources was optimized and improved. The total number of employees increased to 1,653. (7) The office building at No. 599 South Zhongshan Road, Huangpu District was put into use on January 2, 2020 to centralize the operation of the Group for higher operation efficiency.

In 2020, Haitong UniTrust will enter a new stage. We will continue to strengthen our strategic guidance and will be committed to serving the real economy. We will keep abreast of the development of the industry and take proactive measures in response of the short-term adverse impact of the COVID-19 epidemic, striving to minimize the impact of the epidemic on business expansion, receivable collection, asset disposal and profit growth of the Company. Efforts will also be made to integrate internal and external resources for the exploration of new opportunities, market and mode of business. We will further optimize our comprehensive risk management and compliance management, and strengthen and leverage comprehensive competitive advantages of the Company. In 2020, we will continue to pursue our aspirations and keep our business endeavors. We will also strive for the prudent and sustainable development of the Group.

At last, on behalf of the management and all employees of the Group, I would like to take this opportunity to extend sincere gratitude to all shareholders, clients and business partners who have shown unfailing trust, understanding and support for the Group.

Ding Xueqing
Executive Director and General Manager
March 26, 2020

Management Discussion and Analysis

1 OPERATION OVERVIEW

Macroeconomy

In 2019, the global economic growth continued to slowdown. With the growth of global trade being adversely affected as a result of trade protectionism and unilateralism, global economic recovery was mired in greater uncertainties and challenges. Major developed economies such as the U.S., Eurozone and Japan experienced simultaneous economic slowdown while emerging economies had increasingly volatile growth. The rising preference for and expanding adoption of aggressive monetary policies also weighed on the stability of global finance and investment.

In 2019, by adhering to new development principles, the economy of China was resilient despite the complicated domestic and overseas environment. The gross domestic production (the "GDP") of China exceeded RMB99 trillion, representing a stable year-on-year growth of 6.1%. GDP per capita reached a record-high of US$10,000. The output growth of the tertiary industry and major manufacturing sectors recorded year-on-year increases of 6.9% and 5.7%, respectively. The output growth of high-tech manufacturing industry and industrial strategic-emerging industries recorded year-on-year increases of 8.8% and 8.4%, respectively, reflecting further optimization of industrial structure and stronger growth momentum. Demand growth in investment, consumption and export experienced slowdown as a result of a cyclical and structural economic downturn. In 2019, fixed-asset investment in China amounted to RMB55.15 trillion, representing a year-on-year increase of 5.4%. The growth of investment in manufacturing, infrastructure and high-tech industries recorded year-on-year increases of 3.1%, 3.8% and 17.3%, respectively. The total retail sales of consumer goods in China amounted to RMB41.16 trillion, representing a year-on-year increase of 8.0%, while online retail sales recorded a year-on-year increase of 16.5%. The total volume of imports and exports for 2019 amounted to RMB31.54 trillion, representing a year-on-year increase of 3.4%. Growth in trade volume among different regions varied with faster growth recorded in exports of China to major markets such as the European Union, ASEAN and countries covered in the Belt and Road Initiative, with year-on-year increases of 8.0%, 14.1% and 10.8%, respectively. Import and export volume of private enterprises increased rapidly with a year-on-year increase of 11.4%, accounting for 42.7% of the total value of foreign trade. As such, private enterprises surpassed foreign-invested enterprises to become the largest foreign trade entity of China for the first time.

In respect of the financial conditions, China maintained a sound monetary policy with minor and precautionary adjustments as and when necessary in 2019. The flexibility of the monetary policy and the effectiveness of the counter-cyclical adjustments were improved. As a result, a reasonable and well-structured liquidity was maintained in general. As at December 31, 2019, the balance of broad money (the "M2") amounted to RMB198.65 trillion, representing a year-on-year increase of 8.7%, which was 0.6 percentage points higher than the same period last year. The scale of social financing has gradually recovered. In 2019, the amount of new social financing amounted to RMB25.58 trillion, representing a year-on-year increase of RMB3.08 trillion.

Regulatory Environment

At the end of 2018, it was confirmed that the CBIRC shall formulate operating and regulatory rules for finance leasing companies, and local financial regulatory and administrative authorities shall perform regulatory duties. In 2019, local financial regulatory authorities successively issued their own regulatory documents, affirming the positive contribution of the financial leasing industry in various aspects such as expansion of financing channels for micro, small and medium enterprises, promotion of industrial upgrading and adjustment of economic structure and promotion of emerging industries. Such documents also regulate the operation of finance leasing companies and standardize the operating and regulatory rules of finance leasing business so that finance leasing companies can focus on their main businesses and the financial leasing industry will develop in a stable and orderly manner. In 2019, various local financial regulatory authorities investigated finance leasing companies in their respective jurisdictions and issued lists of enterprises with abnormal operation. In Shanghai, a total of 554 finance leasing companies were on the lists issued in November and December 2019, showing enhanced regulation and risk prevention. With the continuous improvement of the regulatory system and refinement of regulatory standards, similar businesses will be further unified in terms of business scope, trading rules, regulatory indicators, information reporting, supervision and management. In addition, the Group was successfully listed on the Hong Kong Stock Exchange in June 2019 and becomes a Hong Kong listed company, requiring the Company to comply with regulatory requirements applicable to Hong Kong listed companies. Such changes have imposed higher requirements on the compliant operation of the Group. The Group strengthened its compliance management in various aspects such as system establishment, system improvement and system implementation and supervision in 2019.

Industry Conditions

In 2019, being adversely affected by recession of the macroeconomy, transformation of the leasing regulatory system, tightening corporate risk control and other factors, the growth of the leasing industry in the short run slowed down. As at December 31, 2019, the total number of finance leasing companies in China (excluding single project companies, branches, subsidiaries and companies acquired overseas) was 12,130, representing an increase of 2.91% as compared to 11,777 as at the end of 2018. The balance of financial lease contracts in the industry amounted to approximately RMB6,654.0 billion, representing an increase of 0.06% as compared to the end of 2018. The balance of contracts of financial leasing companies amounted to approximately RMB2,503.0 billion, representing an increase of 0.12% as compared to the end of 2018. The balance of contracts of domestic pilot financial leasing companies amounted to approximately RMB2,081.0 billion, representing an increase of 0.05% as compared to the end of 2018. The balance of contracts of foreign-invested investment and financial leasing companies amounted to approximately RMB2,070.0 billion, which was the same as compared to the end of 2018.

Benefiting from the economic growth and industrial structure upgrade in China, financial leasing industry in China is still growing stably with huge potential for the development of new markets and new segments and remains resilient in the medium- to long-run. Strict regulation further promotes the long-term stability and orderly development of the leasing industry. It is expected that non-compliant and unprofitable finance leasing companies will be integrated or eliminated. Rising industry concentration has provided a favorable environment and greater opportunities for large finance leasing companies with regulated management and strong resources, like the Company. However, due to the sluggish macroeconomic growth, the development of industry faces great challenges. First, the industry is still exposed to great credit risks as the risk of default of credit debt continued to be released. Secondly, the growth of the industry continued slowing down and the business models and types of leasing companies showed a lack of diversity, resulting in the intensive competition in the industry.

2 DEVELOPMENT REVIEW

In 2019, the Group proactively coped with the challenges brought by the downturn of overall economy 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 Group steadily promoted strategic transformation, enhanced the Company's high-quality development and achieved balanced growth in terms of business scale and revenue.

Serving the real economy by promoting localized business segments

Adhering to its objective of serving the real economy and strictly implementing its strategies of "One Body, Two Wings" and "one big and one small", the Group put efforts in developing localized segments and further optimized its assets and investment structure. In order to support high-quality MSEs and retail customers, the Group focused on the development of business related to transportation & logistics, advanced manufacturing, healthcare, infrastructure and other key sectors. The strategic target of the Company was mainly on "high-quality" development. The distribution of business among industries has become more reasonable, localized business segments have been further improved, the asset allocation has continuously been optimized and the overall business scale has achieved high-quality and stable growth. In 2019, the Group invested RMB57,786.4 million in its business, including investments in retail business and institutional business of RMB28,737.2 million and RMB29,049.2 million, respectively, achieving a balanced development between SMEs and LMEs.

Development of innovative financing channels and tools, optimization of debt structure and liquidity risk management

The Group continued to develop diversified and stable financing channels. As at December 31, 2019, the Group established credit relationships with 66 financial institutions and signed accumulative credit lines of approximately RMB93.1 billion, of which the unused credit balance was approximately RMB36.8 billion. The Group also continued to expand traditional financing channels and explore innovative financing methods to meet its development needs. For example, in 2019, the Group successfully issued the first ABS with credit protection contracts ("CDS") and the first loan prime rate ("LPR")-linked asset-backed notes in China. In addition, the Group continuously improved its liquidity risk management and debt structure management to achieve a balance between asset and liability duration.

In 2019, the successful issuance of the H shares of the Group further consolidated the capital strength of the Company, and the annual financing scale was equivalent to RMB52,654.4 million. Indirect financing withdrawals of RMB28.288 billion were realized through channels such as syndicated loans and bank acceptance bills, accounting for 53.7% of the total financing amount; direct financing of RMB24.366 billion were realized through issuance of ABS of RMB11.216 billion, short-term financing bonds of RMB1 billion, ultra short-term financing bonds of RMB7.5 billion, asset-backed notes of RMB950 million, private debt financing instruments of RMB2.7 billion and private equity corporate bonds of RMB1 billion, accounting for 46.3% of the total financing amount, in order to ensure the capital resources of the Company.

Improvement of comprehensive risk management system through proactive risk management

The Group continued to improve its comprehensive risk management system, implemented proactive risk management, embedded various risk management into its business operations and promoted a deeper integration of big data and risk models with the approval system to further enhance its risk identification and quantitative management capabilities. In addition, the Group strengthened its risk prevention and handling capabilities through forward-looking asset allocation management, proactive response to risk events and increased efforts in asset disposals. Benefiting from the combined effect of comprehensive risk management, during the Reporting Period, the overall asset quality of the Group remained stable and the NPA ratio was maintained in a safe and controllable level with stronger risk resistibility. As at December 31, 2019, the NPA ratio and allowance coverage ratio for NPAs was 1.08% and 265.19%, respectively.

Strengthened compliance management of all employees and continuous improvement of the compliance system and culture cultivation

The Group continued to adhere to its compliance concept of “compliance in operation and of all employees and the management, as compliance is vital for creation of value and fundamental for existence”. The compliance management was strengthened in various aspects such as improvement of systems and regulations and supervision of implementation of systems. In 2019, the Group continued to attach high importance to regulatory policies and improved the system management mechanism to strengthen the integration of business and policies in accordance with its business development. The Group also organized trainings of basic compliance knowledge to further cultivate a compliance culture, and compliance awareness among all employees was improved. Through continuous measures such as compliance inspections, the implementation of various systems was supervised and the principal of managing employees and events in accordance with the systems was established.

3 OPERATION OUTLOOK

In 2020, the global economic conditions are expected to be versatile and complex while regional development opportunities will arise despite global economic downturn. China will continue to promote high quality and stable economic development through supply-side structural reform and open-up polices. The economic growth of China will be further driven up by innovation, along with continuous improvement of innovation and development ability. 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 proactive fiscal policies and prudent monetary policies to strengthen the countercyclical regulation. The policies to effectively stabilize employment rate, financial system, foreign trade, foreign investment, investment market and growth expectation gradually plays a role. Regional cooperation will also promote economic growth. A series of measures including tax and surcharge reduction, finance cost reduction and the improvement of business condition will further stimulate the economic vitality of the micro main body of the market. In general, the economic development of China still shows great potential and resilience. The economy will remain stable and favorable in a long run.

The outbreak of the COVID-19 epidemic in January 2020 will have a short-term impact on the overall economy. The capital chain and supply chain of SMEs and related industries have faced challenges. The asset quality, profit and overall development of the leasing industry have also been affected, and the competitive landscape of the industry is facing adjustment. The Company has taken active measures to ensure its smooth operation under the premise of effective prevention and control of the epidemic, striving to mitigate its impact on the business operation of the Company.

In 2020, the Group will pay close attention to the domestic and international economic conditions and continue to adhere to the principle of serving real economy with financial services, and proactively embrace challenges. While tamping the foundation of superior business, the Group will grasp new opportunities and identify demands of its customers for further development and adequately allocate resources. The Group will further consolidate its leading position and competitiveness and improve its high quality sustainable development through the implementation of the following strategies:

- **Implementation of the “one big and one small” customer development strategy to consolidate and optimize the diversified customer base**

  We will continue to implement “one big and one small” customer development strategy. We will develop LME customers to expand our business scale and continue to promote our development of MSE & retail business, which will enable us to have rapid growth in both scale and profitability and achieve credit risk diversification.

  In respect of large-sized enterprise customers and large projects, we will further tap into the financing needs of enterprises in the infrastructure and healthcare industries, with a focus on developing high-end and inclusive healthcare 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 ability of large project contracting, and continue to build supporting systems to promote the development and execution of large customers and large projects.

In respect of the MSE & retail business, we will recognize and satisfy retail customer needs of financial services, in particular our financial leasing services, based on our knowledge of certain business scenarios. We will actively develop high-quality MSEs which have strong competitiveness. In addition, we plan to further tap into the inclusive finance with Internet-based approaches and pay attention to SME finance such as Internet finance, consumption finance and supply chain finance as well as their business models. While optimizing our existing online products for retail customers, we will continue to develop new Internet-based products as new growth momentum. We will promote the launch of electronic deals to improve business procedures and reduce the cost of time.

- **Continue to expand sales and service network by "One Body, Two Wings" business development model and strengthen the collaboration between our business headquarters and our local teams**

We intend to further expand our sales and service network by "One Body, Two Wings" business development model and strengthen the collaboration among our business headquarter, branches and subsidiaries, deepen the construction of localized marketing network and strengthen business development and customer resources management to support the long-term growth of our business.

Our business headquarters will continue to deepen research in their target industries and customer market and continue to lead our key projects in strategic emerging industries such as smart city, IDC and environmental protection. We will conduct research on the trend and logic of industry-related finance to enhance the financing service for different industries. We will establish professional units, adjust product structure based on the market and industry trend and explore suitable leasing opportunities with stable growth potential.

We will further enhance the sales capabilities of our branches by expanding the branch network to cover the four major 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 operational positioning in regional markets to maintain our network advantage among our peers. In addition, our branches will fully utilize their local presence to develop the local markets based on the features of regional economies and realize steady growth. Furthermore, we will further optimize our operation management system, enhance the coordination and collaboration among our specialized business departments at our headquarters and our local teams and focus on serving quality customers such as leading companies in the industrials sector and industrial group to improve the efficiency of our sales and marketing.

Our MSE Business Department will leverage on favorable national policies to MSE and the trend of transformation and upgrade of the manufacturing industry to keep abreast of policies and opportunities in the market and extend the use of operating resources. It will strengthen the concept of “finance empowered by technology” by enhancing the coordination between financial technology and MSE business operation and explore possibilities of the application of financial technology in analyzing operation of customers and assets monitoring and alert, so as to establish a data base for SME customers of Haitong UniTrust. Our MSE Business Department will enhance innovation in new business model, improve and replicate corporation model with leading companies such as Huawei by the use of supply chain finance, so as to facilitate the expansion of business scale and headquarter-branch connection, providing dynamic drive for the development of SME enterprises.

We will upgrade and optimize existing products based on the nature of retail finance and enhance the application of big data in customer acquisition, risk identification and post-lease management by the using of data accumulation and external technology resources. In addition to maintaining a stable and healthy development, the matching of assets and return was also optimized. In active response to the new situation of a shrinking market of passenger vehicles and a changing customer base, risk management of products towards specific risks was strengthened. They also offered choice of commercial vehicle types and brands according to the characteristics of regional policies and economies, and their province-based customer acquisition and credit review capabilities were improved. A hierarchical and classified management system of providers and dealers was launched and improved, and the integrated management of asset selection and maintenance before and after lease was strengthened to achieve stable growth and improved return through refined management.

Shanghai Dingjie Construction Development Co., Ltd., our subsidiary, will further enhance the entire life cycle management of existing projects, strictly implement the project management standards during each of the stages of investment, financing, construction and operation, and strictly control the project quality and progress. It will draw up funds budget, set reasonable terms for repayment and strictly control withdrawal of funds to ensure project safety and reduce risk of revenue loss. It will strengthen the integration of PPP resources, promote collaboration between various business units within the Group and further enrich channels for business expansion.

- **Deepening the operating concept of investment banks and improving specialized services and product innovation**

Our operation is customer-oriented. While developing our existing major industry businesses, we will continue to provide innovative products and services based on customer needs by implementing the operating concept of investment banks and strengthening the collaboration with financial institutions and industry alliance partners in order to expand the sources of revenue and enhance the specialized business development and level of differentiation. 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 financial institutions and government departments in respect of the investment, establishment and maintenance of data centres with high quality. Meanwhile, we will increase our investments in IT, advanced equipment and electronics.

- **Continuously improve the comprehensive risk management system and maximize the effectiveness of risk management and control**

  We emphasize risk management in our daily operations and have continued to strengthen our risk management capabilities for all staff in all aspects and procedures, 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 Committee of the Board, risk management department, credit assessment department, internal control departments and other relevant departments to implement centralized management of key processes in our risk management practices. We also plan to implement differentiated risk management measures according to the characteristics of different businesses, types of customers and risks. We will increase the initiative awareness for our risk management, 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, and expand and maintain stable financing channels 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 instruments, including ABS, 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. In the meantime, 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 proactively develop our high-quality professional team**

  Our experienced and visionary management team and advanced talent management system are important competitive advantages which can ensure our continual growth and essential competitiveness as a leader in the PRC financial leasing industry. We will further strengthen our professional teams by recruiting professional talents with international experience, cross-disciplinary knowledge and strong education credentials. We will also strive to strengthen the echelon construction of youth management team and refine management training system to build up a talent pool for our long-term growth. We will also enhance the competitiveness of our remuneration and employee incentive system to attract top quality talents in the industry to join the Company. We will continue to implement the position system and promotion mechanism comparable to the managing director hierarchy widely adopted by the investment banking industry, which enables our employees to achieve their career development and benefit from the rapid development of our Company and have a sense of accomplishment.

- **Strengthen internal supporting systems such as IT systems and enhance the application of fintech**

  In 2019, the Company invested RMB31.2 million in IT. In the future, 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, so as to provide efficient and professional services to our customers. In the meantime, along with process of new business layout, 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 development of innovative business, which enables us to systematically manage each business process with IT and improve our operations and internal control. In addition, we will strengthen the development of management systems and optimize the internal office procedures to improve the efficiency of our risk management, human resources management, capital management and business management, and further improve our effectiveness and quality of operating management.

4 ANALYSIS OF CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Overview of consolidated statement of profit and loss

Our total revenue amounted to RMB7,144.9 million for the year ended December 31, 2019, representing an increase of 34.0% as compared with RMB5,332.3 million last year. The Group realized profit of RMB1,354.9 million for the year ended December 31, 2019, representing an increase of 3.3% as compared with RMB1,311.3 million last year.

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

	For the year ended December 31		
	2019	2018	Changes
	(RMB in millions)		
Total revenue	**7,144.9**	5,332.3	34.0%
Net investment gains	**3.8**	63.5	(94.0%)
Share of result of a joint venture	**8.4**	12.9	(34.9%)
Other income, gains or losses	**291.9**	156.6	86.4%
Total revenue and other income, gains or losses	**7,449.0**	5,565.4	33.8%
Depreciation and amortization	**(257.0)**	(86.1)	198.5%
Staff costs	**(546.4)**	(456.2)	19.8%
Interest expenses	**(3,331.3)**	(2,316.3)	43.8%
Other operating expenses	**(193.2)**	(172.6)	11.9%
Listing expenses	**(31.5)**	(13.5)	133.3%
Impairment losses under expected credit loss model	**(1,272.4)**	(761.8)	67.0%
Other impairment losses	**(16.1)**	(3.5)	360.0%
Total expenses	**(5,647.9)**	(3,810.0)	48.2%
Profit before income tax	**1,801.1**	1,755.3	2.6%
Income tax expenses	**(446.2)**	(444.1)	0.5%
Profit for the year	**1,354.9**	1,311.3	3.3%
Earnings per share attributable to ordinary shareholders of the Company (Expressed in RMB Yuan/share)			
— Basic	**0.16**	0.17	
— Diluted	**0.16**	N/A	

Revenue

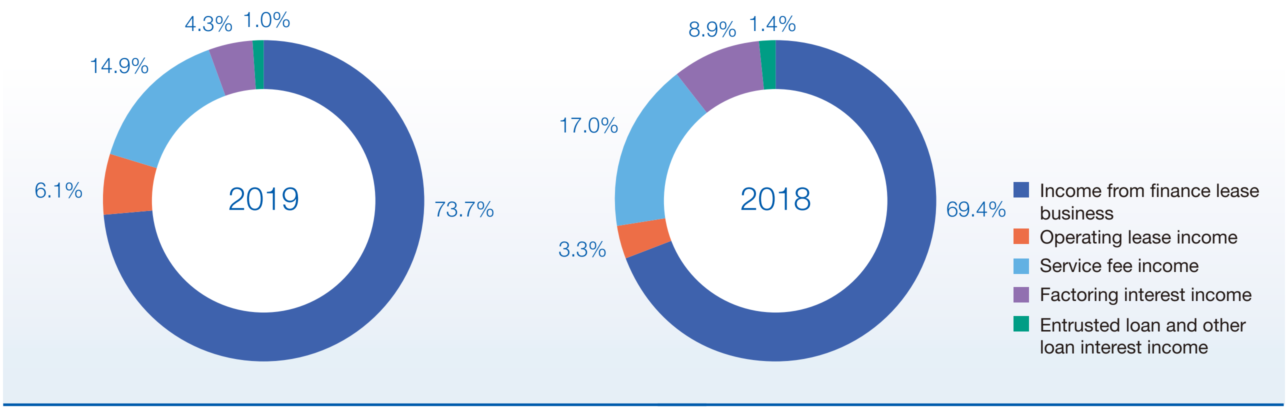
The Group realized total revenue of RMB7,144.9 million for the year ended December 31, 2019, representing an increase of 34.0% as compared with RMB5,332.3 million last year, which was mainly due to the continuous growth of the overall business scale of the Group. Income from finance lease business, operating lease income and service fee income have increased when compared last year.

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

	For the year ended December 31				
	2019	**% of total**	2018	% of total	Changes
	(RMB in millions, except percentages)				
Income from finance lease business[note]	**5,268.4**	**73.7%**	3,698.4	69.4%	42.5%
Of which: Finance lease income	**4,552.0**	**63.7%**	3,698.4	69.4%	23.1%
Interest income from sale and leaseback arrangements	**716.4**	**10.0%**	—	—	N/A
Operating lease income	**433.6**	**6.1%**	174.3	3.3%	148.8%
Service fee income	**1,065.4**	**14.9%**	912.0	17.0%	16.8%
Interest income from factoring	**306.2**	**4.3%**	473.5	8.9%	(35.3%)
Interest income from entrusted loan and other loan	**71.3**	**1.0%**	74.0	1.4%	(3.6%)
Total revenue	**7,144.9**	**100.0%**	5,332.3	100.0%	34.0%

Note: Interest income from finance lease business includes finance lease income and interest 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 audited financial statements.

Percentage of total revenue



Our income for the year ended December 31, 2019 from finance lease, operating lease and service fee increased due to the expansion of business scale, while interest income from factoring and entrusted loan and other loan decreased due to the adoption of prudent business policies.

Customer analysis

We have a broad customer base. Our customers include LME customers, enterprises with a leading position in the industry, MSE & retail customers.

The following table sets forth the average balance of interest-earning assets, interest income and average yield of each type of customer for the periods indicated:

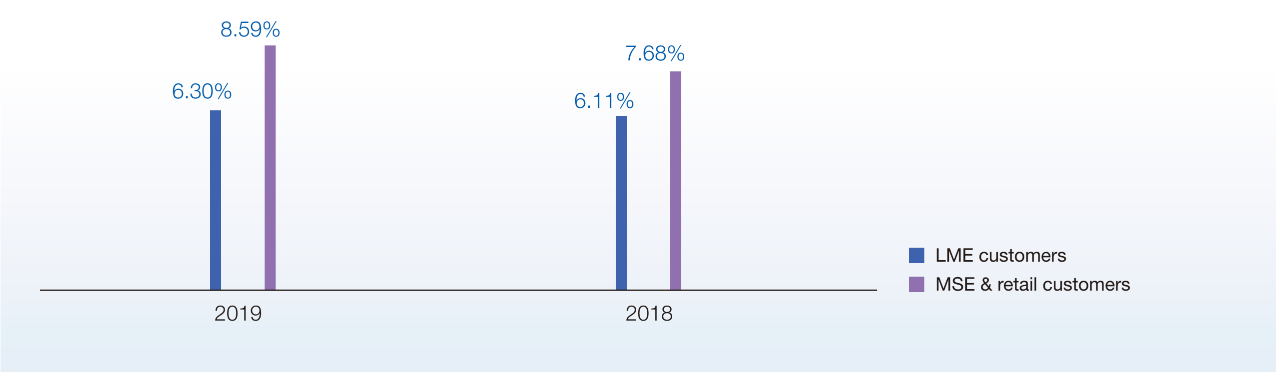
	For the year ended December 31					
	2019			2018		
	Average balance of interest-earning assets(1)	Interest income(2)	Average yield(3)	Average balance of interest-earning assets(1)	Interest income(2)	Average yield(3)
	(RMB in millions, except percentages)					
LME customers	**46,414.9**	**2,925.7**	**6.30%**	41,334.3	2,526.5	6.11%
MSE & retail customers	**31,685.0**	**2,720.2**	**8.59%**	22,401.6	1,719.5	7.68%
Total	**78,099.9**	**5,645.9**	**7.23%**	63,735.9	4,245.9	6.66%

(1) Represents the average balance before deduction of allowances for impairment losses of the total carrying amounts of receivables from finance lease business, factoring receivables, as well as entrusted loans and other loans at the end of last year and the middle and the end of the year.

(2) Consists of income from finance lease business, factoring interest income and entrusted loan and other loan interest income for the specific types of customers.

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

Average yield



The Group's average yield of LME customers and MSE & retail customers for the year ended December 31, 2019 increased as compared to last year.

Industry analysis

The Group's business is widely distributed in various industries, including transportation & logistics, industrials, infrastructure, construction & real estate, healthcare, chemical industry, education and other industries. 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 average balance of interest-earning assets, income and comprehensive yield for different industries.

	For the year ended December 31					
	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	**28,940.8**	**2,516.9**	**8.70%**	20,973.5	1,761.4	8.40%
Industrials(4)	**15,680.7**	**1,536.1**	**9.80%**	11,254.7	933.8	8.30%
Infrastructure	**9,176.8**	**640.5**	**6.98%**	11,666.6	885.4	7.59%
Construction & real estate	**8,035.6**	**704.4**	**8.77%**	7,065.6	574.1	8.13%
Healthcare	**3,798.1**	**365.9**	**9.63%**	3,097.9	274.6	8.86%
Chemical industry	**1,192.0**	**83.5**	**7.01%**	1,329.1	79.7	5.99%
Education	**393.9**	**36.8**	**9.35%**	1,397.0	128.1	9.17%
Others(5)	**10,882.0**	**827.2**	**7.60%**	6,951.5	520.9	7.49%
Total	**78,099.9**	**6,711.3**	**8.59%**	63,735.9	5,158.0	8.09%

(1) Represents the average balance before deduction of allowances for impairment losses of the total carrying amounts of receivables from finance lease business, factoring receivables, as well as entrusted loans and other loans at the end of last year and the middle and the end of the year.

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

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

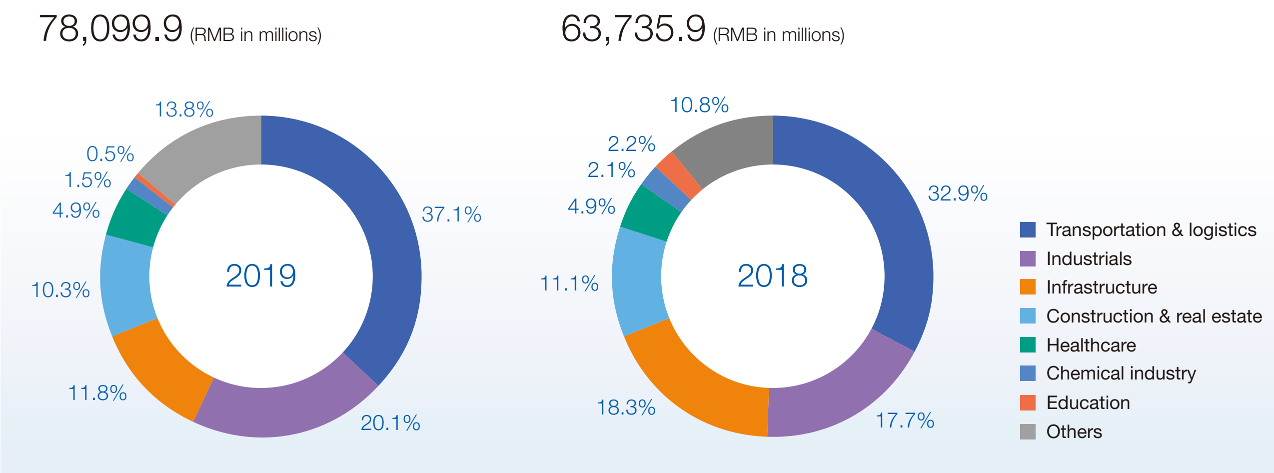
(4) Consists primarily of (i) manufacturing, (ii) new energy and clean energy, and (iii) information transmission, software and IT services.

(5) Consists primarily of (i) paper and printing, (ii) agriculture, (iii) food, (vi) mining, (v) 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 22.5% to RMB78,099.9 million for the year ended December 31, 2019 from RMB63,735.9 million last year. Remarkable achievements have been made in the promotion of business in transportation & logistics and industrials. The average balance of interest-earning assets for transportation & logistics and industrials increased significantly by 38.0% and 39.3%, respectively, as compared with last year.

Average balance of interest-earning assets



Analysis by comprehensive yield

The comprehensive yield of the Group increased by 0.50 percentage points to 8.59% for the year ended December 31, 2019 as compared with 8.09% last year. The increase was mainly driven by the efforts of the Group to continuously optimize our asset allocation and develop business with higher yield to be in line with our mainstream of finance serving the real economy.

Transportation & logistics

We continue 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 business. (1) We lease commercial vehicles, primarily heavy trucks, to private business owners and MSEs in logistics industry. 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 leasing contracts. We promote our commercial vehicle financial leasing services through our local sales team across the country, (2) We provide financial leasing for passenger vehicles to retail customers and to corporate customers with financing needs for purchasing passenger vehicles. We market our services 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 customers. In response to changes in sales models, we also cooperated with Internet-based mobile sales and service platforms in 2019 to increase channels to increase our customers. 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 equipments we lease to modern logistics customers include automobiles, general storage and cold storage facilities and automated parking systems.

Transportation & logistics business continues to grow rapidly. For the year ended December 31, 2019, the average balance of interest-earning assets attributable to our business in the transportation & logistics industry amounted to RMB28,940.8 million, accounting for 37.1% of the average balance of interest-earning assets of the Group and representing an increase of 38.0% as compared with RMB20,973.5 million last year.

For the year ended December 31, 2019, the income from transportation & logistics industry amounted to RMB2,516.9 million, representing an increase of 42.9% as compared with RMB1,761.4 million last year. The increase was mainly due to the continuous growth in transportation & logistics business.

The comprehensive yield of the transportation & logistics industry increased from 8.40% in 2018 to 8.70% in 2019, primarily because we optimized customer structure, explored customer needs, strengthened our bargaining power as well as our after-lease management so as to enhance the comprehensive yield.

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 comprehensive 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, consumer electronics, and communication technologies. We target customers with growth potentials and recognized by capital market and encouraged by government policies. Our industrial customers consist primarily of large- and medium-sized state-owned enterprise at central and local levels, listed companies, and innovative privately-owned enterprises engaging in manufacturing and emerging strategic industries.

For the year ended December 31, 2019, the average balance of interest-earning assets attributable to our business in the industrials industry amounted to RMB15,680.7 million, accounting for 20.1% of the average balance of interest-earning assets of the Group and representing an increase of 39.3% as compared with RMB11,254.7 million last year.

For the year ended December 31, 2019, the income from the industrials industry amounted to RMB1,536.1 million, representing an increase of 64.5% as compared with RMB933.8 million last year, which was primarily because the Group pursued its aspirations to serve the real economy and enlarged the investment in industrial area such as advanced manufacturing and micro- and small-sized manufacturing, bringing in the growth in business volume.

The comprehensive yield of the industrials industry increased from 8.30% in 2018 to 9.80% in 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 infrastructure of transportation (such as civil aviation, highways, ports, and urban and intercity public transit), urban services, water, environmental protection, urban cleaning and waste disposal, and energy. 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 also actively provide financing services to local government-led infrastructure development and operation project participants through the government-social capital cooperation model ("PPP Model"). As PPP Model is used for large infrastructure projects and usually generate stable cash flows over a long term, we plan to provide the project companies and other project participants with financial leasing and factoring services.

For the year ended December 31, 2019, the average balance of interest-earning assets attributable to our business in the infrastructure industry amounted to RMB9,176.8 million, accounting for 11.8% of the average balance of interest-earning assets of the Group and representing a decrease of 21.3% as compared with RMB11,666.6 million last year.

For the year ended December 31, 2019, the income from the infrastructure industry amounted to RMB640.5 million, representing a decrease of 27.7% as compared with RMB885.4 million last year, 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 7.59% in 2018 to 6.98% in 2019, which was primarily due to the fact that (1) the Group developed higher-level customers in the infrastructure industry and provided customers with more tailored financing services during the Reporting Period; (2) we implemented more flexible pricing strategies based on changes in market competition.

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 includes various construction equipment. Our construction enterprise customers are mostly central and localized SOEs enterprise 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.

For the year ended December 31, 2019, the average balance of interest-earning assets attributable to our business in the construction & real estate industry amounted to RMB8,035.6 million, accounting for 10.3% of the average balance of interest-earning assets of the Group and representing an increase of 13.7% as compared with RMB7,065.6 million last year.

For the year ended December 31, 2019, the income from the construction & real estate industry amounted to RMB704.4 million, representing an increase of 22.7% as compared with RMB574.1 million last year, which was primarily due to the increased finance lease projects attributable to the Group's enhanced efforts in the development of advanced customers in this industry.

The comprehensive yield of the construction & real estate industry increased from 8.13% in 2018 to 8.77% in 2019, 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 the industry, aiming to extend coverage to all upstream and downstream sectors.

Healthcare

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

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

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

For the year ended December 31, 2019, the average balance of interest-earning assets attributable to our business in the healthcare industry amounted to RMB3,798.1 million, accounting for 4.9% of the average balance of interest-earning assets of the Group and representing an increase of 22.6% as compared with RMB3,097.9 million last year.

For the year ended December 31, 2019, the income from the healthcare industry amounted to RMB365.9 million, representing an increase of 33.2% as compared with RMB274.6 million last year, which was primarily because of the increased finance lease projects driven by the expansion of quality customer of the industry by the Group.

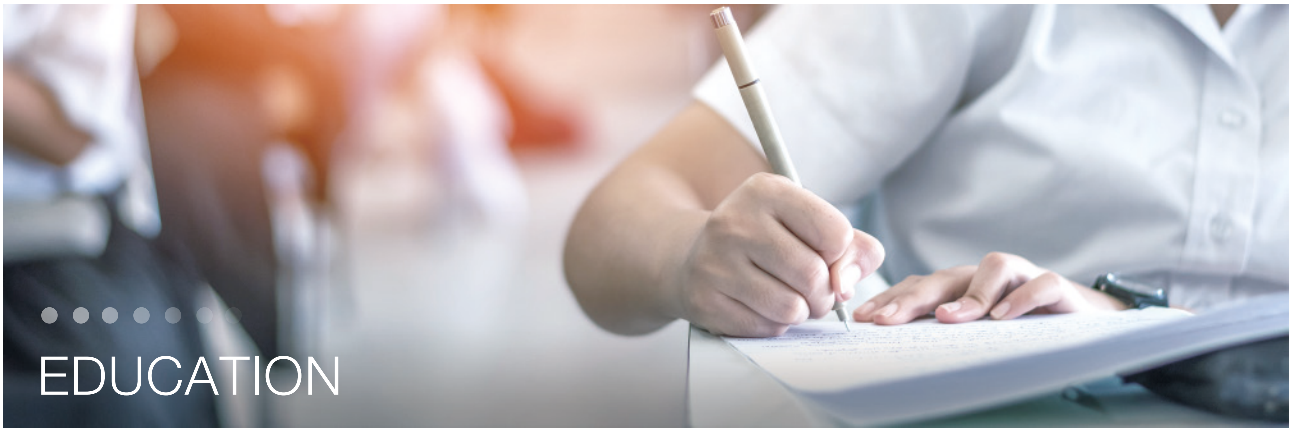
The comprehensive yield of the healthcare industry increased from 8.86% in 2018 to 9.63% in 2019, primarily because we optimized the hospital customers' structure, explored customer needs and expanded new business with higher comprehensive yield.

Chemical industry

We provide finance lease, factoring and advisory services to chemical enterprises. Our chemical enterprise customers mainly include central and local SOEs and other large, creditworthy chemical enterprises operating in a wide array of chemical sectors, such as salt chemicals, alkali chemicals, petrochemical, fine chemicals and household chemicals. In recent years, the Chinese government has promulgated a series of policies and guidelines with a view to curbing overcapacity in chemical and certain other industries. In this context, we primarily target creditworthy chemical enterprises and seek to grow our chemical industry business in a prudent manner.

For the year ended December 31, 2019, the average balance of interest-earning assets attributable to our business in the chemical industry amounted to RMB1,192.0 million, accounting for 1.5% of the average balance of interest-earning assets of the Group and representing a decrease of 10.3% as compared with RMB1,329.1 million last year.

For the year ended December 31, 2019, the income from the chemical industry amounted to RMB83.5 million, representing an increase of 4.8% as compared with RMB79.7 million last year.



Education

We mainly provide finance lease services to quality schools and other education institutions. The equipment we lease to such customers primarily include IT, laboratories and practical training equipments.

For the year ended December 31, 2019, the average balance of interest-earning assets attributable to our business in the education industry amounted to RMB393.9 million, accounting for 0.5% of the average balance of interest-earning assets of the Group and representing a decrease of 71.8% as compared with RMB1,397.0 million last year.

For the year ended December 31, 2019, the income from the education industry amounted to RMB36.8 million, representing a decrease of 71.3% as compared with RMB128.1 million last year, which was primarily because certain lease contracts expired or were early terminated.

Other Industries

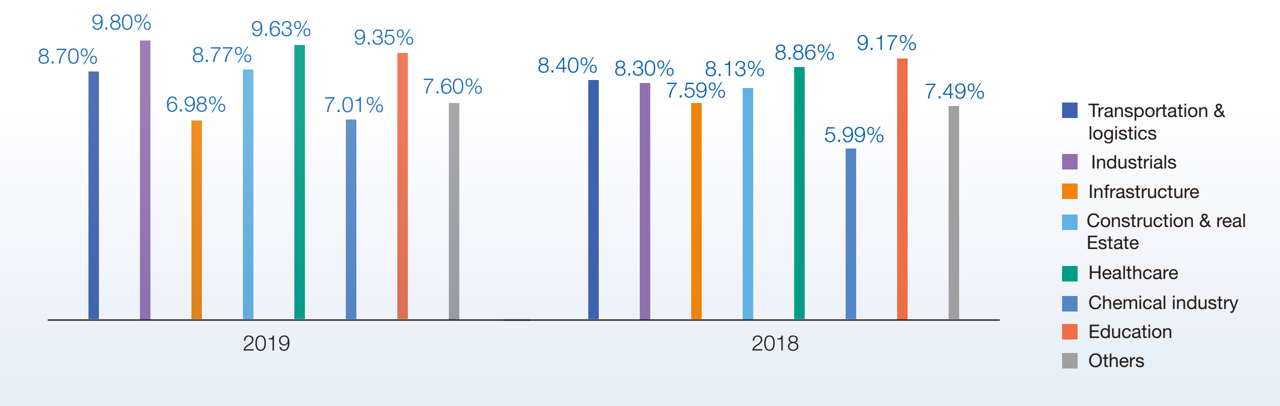
In addition to serving the abovementioned industries, we also provide finance lease, factoring and advisory services to quality customers in other industries, such as paper and printing, agriculture, food, mining, wholesale and retail, textile and emerging industries.

For the year ended December 31, 2019, the average balance of interest-earning assets attributable to our business in other industries was RMB10,882.0 million, accounting for 13.8% of the average balance of interest-earning assets of the Group and representing an increase of 56.5% as compared with RMB6,951.5 million last year.

For the year ended December 31, 2019, the income from other industries amounted to RMB827.2 million, representing an increase of 58.8% as compared with RMB520.9 million last year, which was primarily due to the financing and other services provided by the Group to customers with high yields in the emerging industries.

The comprehensive yield of other industries slightly increased from 7.49% in 2018 to 7.60% in 2019.

Comprehensive yield by industry



Income from Finance Lease Business

Income from finance lease business of the Group for the year ended December 31, 2019 increased by 42.5% to RMB5,268.4 million as compared to last year. Income from finance lease business accounted for 73.7% of the total revenue of the Group.

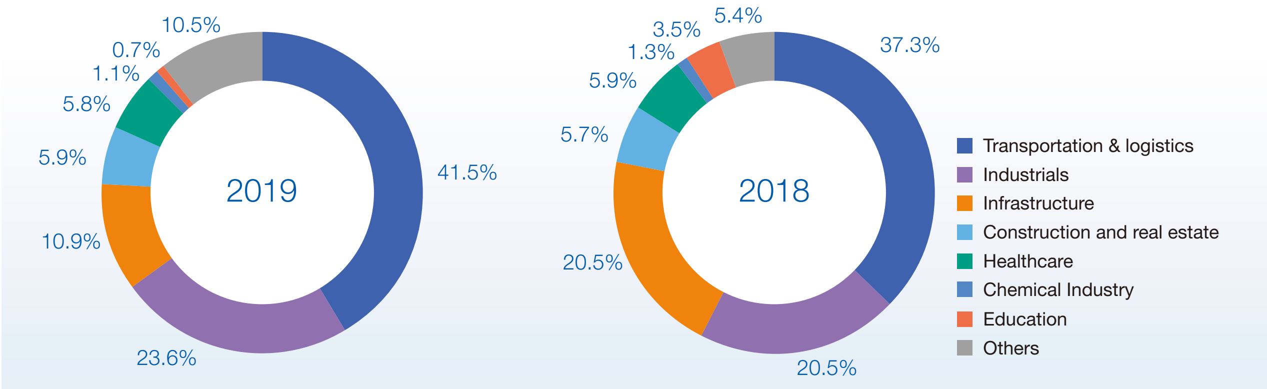
The following table sets forth the contribution of each industry to our income from finance lease business for the periods indicated:

	For the year ended December 31,			
	2019		2018	
	Amount	**% of total**	Amount	% of total
	(RMB in millions, except percentages)			
Transportation & logistics	**2,188.9**	**41.5%**	1,378.2	37.3%
Industrials[1]	**1,243.8**	**23.6%**	757.2	20.5%
Infrastructure	**573.0**	**10.9%**	758.5	20.5%
Construction & real estate	**309.8**	**5.9%**	211.5	5.7%
Healthcare	**305.7**	**5.8%**	219.7	5.9%
Chemical industry	**55.9**	**1.1%**	46.5	1.3%
Education	**36.8**	**0.7%**	128.1	3.5%
Others[2]	**554.5**	**10.5%**	198.8	5.4%
Total	**5,268.4**	**100.0%**	3,698.4	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) food, (iv) mining, (v) wholesale and retail, and (vi) textile.

Income from finance lease business by sector



The Group proactively adapts to the recent economic development, insists on serving the real economy, deeply develops localized segments, continuously optimizes the structure of asset allocation, and strengthens the investment in key industries such as transportation & logistics and advanced manufacturing industries. For the year ended December 31, 2019, income from industrials, transportation & logistics, construction & real estate increased steadily by 64.3%, 58.8% and 46.5%, respectively, as compared with last year.

Operating Lease Income

We conduct our aircraft leasing business primarily through Haitong UT Leasing HK Limited, 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 148.8% to RMB433.6 million for the year ended December 31, 2019 as compared with last year. The increase was primarily due to the increase in the number of aircraft purchased and invested for expansion of our operating leasing business. For the year ended December 31, 2019, the net lease yield of the aircraft operating lease business was 6.16%.

In 2019, the Group completed the delivery of two aircraft. As at December 31, 2019, the Group owned 12 aircraft (including seven Airbus narrow-body aircraft, two Airbus wide-body aircraft and three Boeing narrow-body aircraft) with the total carrying amount of approximately US$651.8 million (or approximately RMB4,547.1 million). As at December 31, 2019, the Group has undertaken to purchase five aircraft in aggregate of estimated market value of approximately US$224.6 million (or approximately RMB1,572.1 million). For the year ended December 31, 2019, the Group did not dispose of any aircraft assets. The below table set forth the details of aircraft lease business:

	The number of aircraft owned		
Model	Self-owned aircraft	Aircraft purchased under commitment	Total
Airbus A320	5	2	7
Airbus A321	2	0	2
Airbus A350	2	0	2
Boeing B737-800	3	3	6
Total	12	5	17

Factoring interest Income

We provide factoring to companies in various industries, including construction and real estate and infrastructure industry. We have also launched our online factoring services to meet the petty financing needs of medium- and small-sized logistic 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 interest income decreased by 35.3% to RMB306.2 million for the year ended December 31, 2019 as compared with 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 interest Income

Our entrusted loan and other loan interest income decreased by 3.6% to RMB71.3 million for the year ended December 31, 2019 as compared with last year. The decrease was mainly because of the prudent approach of the Group in entering into new entrusted loans and other loans business.

Service Fee Income

We provide advisory services to finance lease customers. The Group's service fee income increased by 16.8% to RMB1,065.4 million for the year ended December 31, 2019 as compared with last year. Our service fee income mainly generated from transportation & logistics, industrials and construction & real estate 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 improved its ability of consultation services as some of our consultation services had become more sophisticated, so as to improve satisfaction of customers.

Other Income, Revenue or Loss

For the year ended December 31, 2019, other income, revenue or loss of the Group increased by 86.4% to RMB291.9 million as compared with last year. The increase was mainly due to the increase in government subsidies and interest income.

Expenses

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

	For the year ended December 31		
	2019	2018	Changes
	(RMB in millions)		
Depreciation and amortization	**257.0**	86.1	198.5%
Staff costs	**546.4**	456.2	19.8%
Interest expenses	**3,331.3**	2,316.3	43.8%
Other operating expenses	**193.2**	172.6	11.9%
Listing expense	**31.5**	13.5	133.3%
Impairment losses under expected credit loss model	**1,272.4**	761.8	67.0%
Other impairment losses	**16.1**	3.5	360.0%
Total expenses	**5,647.9**	3,810.0	48.2%

The total expenses of the Group increased by 48.2% to RMB5,647.9 million for the year ended December 31, 2019 from RMB3,810.0 million 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 development of new business; (3) the expenses incurred in connection with our initial public offering; and (4) the increase in the impairment loss due to the implementation of more prudent risk measurement in response to greater downward pressure of the domestic economy and increased uncertainty over international trade after full consideration of possible risk pressure on customers arising from changes in the external environment.

Depreciation and amortization

The depreciation and amortization of the Group increased by 198.5% to RMB257.0 million for the year ended December 31, 2019 from RMB86.1 million last year, which was mainly due to the increase in aircraft assets held for operating lease.

Staff costs

The staff costs of the Group increased by 19.8% to RMB546.4 million for the year ended December 31, 2019 from RMB456.2 million last year, 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 43.8% to RMB3,331.3 million for the year ended December 31, 2019 from RMB2,316.3 million last year, which was mainly due to 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.

Other operating expenses

Other operating expenses of the Group increased by 11.9% to RMB193.2 million for the year ended December 31, 2019 from RMB172.6 million last year. 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 year ended December 31, 2019 and 2018, we recorded listing expenses of RMB31.5 million and RMB13.5 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 67.0% to RMB1,272.4 million for the year ended December 31, 2019 from RMB761.8 million as compared with last year. The increase was mainly due to (1) the increase in the amount of provision due to the 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 taking into account the downward pressure of the macro economy in the long run which is expected to bring additional operational risks and liquidity pressure to customers.

Profit for the year

Profit for the year of the Group increased by 3.3% to RMB1,354.9 million for the year ended December 31, 2019 from RMB1,311.3 million last year, primarily attributable to the stable growth in income as a result of active expansion of business and diversification of sources of income of the Group.

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 year ended December 31,	
	2019	2018
	(RMB in millions, except percentages)	
Interest income[(1)]	**5,645.9**	4,245.9
Interest expenses[(2)]	**3,170.6**	2,232.3
Net interest income	**2,475.3**	2,013.6
Average balance of interest-earning assets[(3)]	**78,099.9**	63,735.9
Average balance of interest-bearing liabilities[(4)]	**69,190.6**	47,939.1
Average yield of interest-earning assets[(5)]	**7.23%**	6.66%
Including: Finance lease business[(6)]	**7.54%**	6.83%
Average cost of interest-bearing liabilities[(7)]	**4.58%**	4.66%
Net interest spread[(8)]	**2.65%**	2.01%
Net interest margin[(9)]	**3.17%**	3.16%

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

(2) Excluding the interest expenses related to operating leasing business.

(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 before deduction of allowances for impairment losses as at the end of last year and the middle and the end of the year.

(4) Interest-bearing liabilities consist of borrowings, bonds payable, deposits and notes payable excluding the interest-bearing liabilities related to operating leasing business. Average balances are calculated based on balances as at the end of last year and the middle and the end of the year. 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.

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

(6) Calculated by dividing income from finance lease business by the average balance of receivables from finance lease business. Average balances of receivables from finance lease business are calculated based on balances before deduction of allowances for impairment losses as at the end of last year and the middle and the end of the year.

(7) Calculated by dividing interest expenses by the average balance of interest-bearing liabilities.

(8) Calculated as the difference between average yield of interest-earning assets and average interest rate of interest-bearing liabilities (excluding the interest expenses and interest-bearing liabilities related to operating leasing business).

(9) Calculated by dividing net interest income (excluding the interest expenses related to operating leasing business) by the average of interest-earning assets.

For the year ended December 31, 2019, net interest spread of the Group was 2.65%, representing an increase of 0.64 percentage points as compared to 2.01% last year, primarily due to the continuous efforts of the Group in optimizing its asset portfolio, which resulted in the increase of average yield of interest-earning assets of 0.57 percentage points as compared with last year; and the ongoing expansion of financing channels and adjustment of financing structure, which resulted in the decrease of average cost of interest-bearing liabilities of 0.08 percentage points as compared to last year.

5 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 December 31,		
	2019	2018	Changes
	(RMB in millions)		
Non-current assets			
Property and equipment	**4,730.0**	4,217.4	12.2%
Right-of-use assets	**185.7**	—	N/A
Intangible assets	**15.8**	14.3	10.5%
Receivables from finance lease business(note)	**37,934.9**	30,824.7	23.1%
Of which: Finance lease receivables	**24,786.3**	30,824.7	(19.6%)
Receivables arising from sale and leaseback arrangements	**13,148.6**	—	N/A
Interest in a joint venture	**710.9**	245.8	189.2%
Financial assets at fair value through profit or loss	**35.9**	36.1	(0.6%)
Loans and receivables	**2,738.7**	2,424.1	13.0%
Deferred tax assets	**1,006.9**	727.6	38.4%
Other assets	**539.0**	148.6	262.7%
Total non-current assets	**47,897.8**	38,638.6	24.0%

	As at December 31,		
	2019	2018	Changes
	(RMB in millions)		
Current assets			
Receivables from finance lease business(note)	**36,950.4**	30,828.0	19.9%
Of which: Finance lease receivables	**28,155.4**	30,828.0	(8.7%)
Receivables arising from sale and leaseback arrangements	**8,795.0**	—	N/A
Loans and receivables	**5,345.9**	4,276.3	25.0%
Other assets	**921.5**	725.9	26.9%
Accounts receivable	**16.7**	41.2	(59.5%)
Financial assets held under resale agreements	**1,154.5**	980.8	17.7%
Financial assets at fair value through profit or loss	**1,252.1**	2,326.3	(46.2%)
Derivative financial assets	**49.6**	10.2	386.3%
Cash and bank balances	**5,458.8**	4,284.0	27.4%
Total current assets	**51,149.5**	43,472.8	17.7%
Total assets	**99,047.3**	82,111.4	20.6%
Current liabilities			
Borrowings	**19,660.8**	18,162.1	8.3%
Derivative financial liabilities	**98.8**	23.5	320.4%
Accrued staff costs	**176.0**	138.2	27.4%
Accounts payable	**279.4**	401.1	(30.3%)
Bonds payable	**20,114.2**	12,856.9	56.4%
Income tax payable	**494.9**	368.9	34.2%
Other liabilities	**5,359.6**	3,132.3	71.1%
Total current liabilities	**46,183.7**	35,083.0	31.6%
Net current assets	**4,965.8**	8,389.9	(40.8%)
Total assets less current liabilities	**52,863.6**	47,028.4	12.4%

	As at December 31,		
	2019	2018	Changes
	(RMB in millions)		
Equity attributable to owners of the Company			
— Ordinary shareholders	**14,035.9**	11,187.8	25.5%
— Other enquiry instrument holders	**1,237.2**	1,237.0	0.0%
Non-controlling interests	**16.7**	495.0	(96.6%)
Total equity	**15,289.8**	12,919.8	18.3%
Non-current liabilities			
Borrowings	**18,096.4**	12,836.5	41.0%
Bonds payable	**11,332.8**	14,594.8	(22.4%)
Deferred tax liabilities	**10.8**	12.3	(12.2%)
Other liabilities	**8,133.8**	6,664.9	22.0%
Total non-current liabilities	**37,573.8**	34,108.6	10.2%
Total equity and non-current liabilities	**52,863.6**	47,028.4	12.4%
Net assets per Share (RMB yuan/share)	**1.70**	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 audited financial statements.

Assets

Our total assets increased by 20.6% from RMB82,111.4 million as at December 31, 2018 to RMB99,047.3 million as at December 31, 2019, which was mainly due to the development of our leasing business which in turn resulted in the expansion of the scale of our interest-earning assets.

Interest-earning Assets

Our interest-earning assets included receivables from finance lease business, loans and receivables (including factoring receivables, entrusted loans and other loans). In 2019, driven by the overall growth of our financial leasing business, our receivables from finance lease business continued to grow. As at December 31, 2019, the carrying amount of receivables from finance lease business of the Group was RMB74,885.3 million, representing an increase of 21.5% from RMB61,652.7 million as at December 31, 2018.

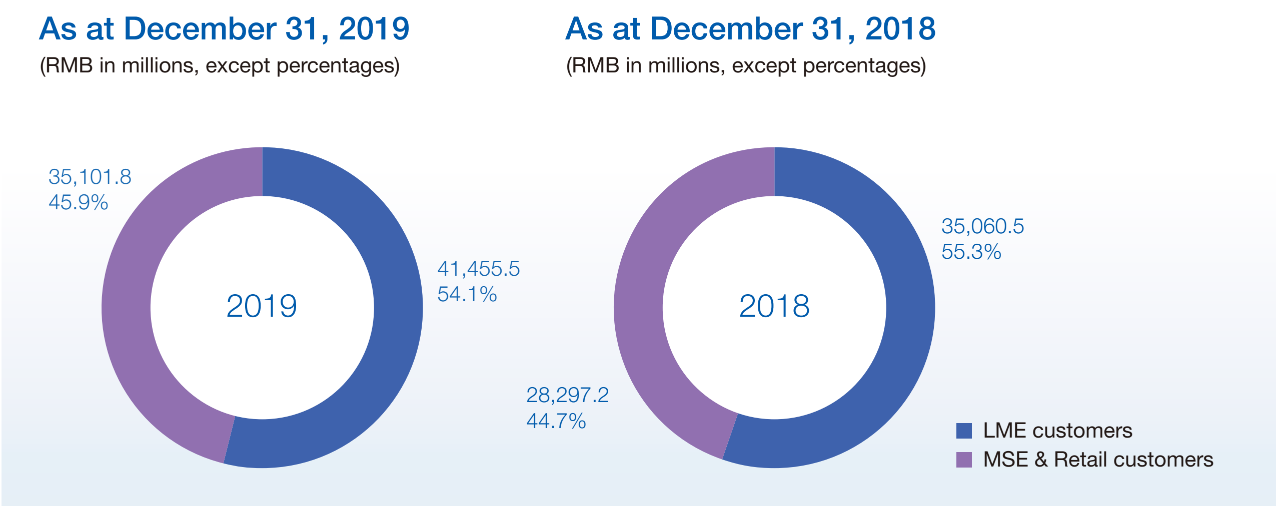
Receivables from finance lease business

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

	As at December 31,		
	2019	2018	Changes
	(RMB in millions)		
Gross amount of receivables from finance lease business	**84,106.3**	69,425.9	21.1%
Less: Unearned finance lease income	**(7,548.8)**	(6,068.2)	24.4%
Present value of receivables from finance lease business	**76,557.5**	63,357.7	20.8%
Less: Loss allowance	**(1,672.2)**	(1,705.0)	(1.9%)
Carrying amount of receivables from finance lease business	**74,885.3**	61,652.7	21.5%

Customer Analysis

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



The balance of finance lease receivables from LME customers, MSE and retail customers of the Group as at December 31, 2019 increased as compared with the end of last year.

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 December 31,			
	2019		2018	
	Amount	**% of total**	Amount	% of total
	(RMB in millions, except percentages)			
Transportation & logistics	**30,692.8**	**40.1%**	25,660.4	40.5%
Industrials(1)	**18,151.8**	**23.7%**	11,066.4	17.5%
Infrastructure	**6,840.1**	**8.9%**	10,116.0	16.0%
Construction & real estate	**5,758.6**	**7.5%**	4,280.1	6.8%
Healthcare	**4,209.5**	**5.5%**	3,427.1	5.4%
Chemical industry	**1,041.9**	**1.4%**	1,169.9	1.8%
Education	**116.7**	**0.2%**	724.7	1.1%
Others(2)	**9,746.1**	**12.7%**	6,913.0	10.9%
Total	**76,557.5**	**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) food, (iv) mining, (v) wholesale and retail, and (vi) textile.

In 2019, we have strived to optimize our asset mix with a focus on targeted industries such as transportation & logistics and advanced manufacturing and expanded services provided to high-quality MSE customers and individual customers. As at December 31, 2019, the balance of our receivables from finance lease business from customers in the transportation & logistics, industrials, construction & real estate and healthcare industries increased by RMB5,032.4 million, RMB7,085.4 million, RMB1,478.5 million and RMB782.4 million, respectively, as compared to those as at December 31, 2018. As at December 31, 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 December 31,			
	2019		2018	
	Amount	% of total	Amount	% of total
	(RMB in millions, except percentages)			
Within one year	**41,537.8**	**49.4%**	34,796.2	50.1%
Later than one year and not later than five years	**42,167.4**	**50.1%**	34,345.0	49.5%
Later than five years	**401.1**	**0.5%**	284.6	0.4%
Total	**84,106.3**	**100.0%**	69,425.9	100.0%

As at December 31, 2019, our receivables from finance lease business due within one year accounted for 49.4% 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, entrusted loans and other loans. In 2019, our factoring and entrusted loans and other loans grew steadily. As at December 31, 2019, the balance of our factoring receivables was RMB7,675.6 million, representing an increase of 20.9% from RMB6,346.9 million as at December 31, 2018. The balance of our entrusted loans and other loans was RMB1,181.4 million, representing an increase of 32.8% from RMB889.3 million as at December 31, 2018.

As at December 31, 2019, the balance of our loans and receivables from customers in the construction & real estate, transportation & logistics and other industries increased by RMB967.4 million, RMB354.8 million and RMB753.7 million, respectively, as compared to those as at December 31, 2018. The balance of our loans and receivables from customers in the industrials, infrastructure, healthcare and chemical industries decreased by RMB231.2 million, RMB74.1 million, RMB70.6 million and RMB79.1 million, respectively, as compared to those as at December 31, 2018. The Group entered into loan and receivables business prudently.

Write-offs of Provision

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

	For the year ended December 31,	
	2019	2018
	(RMB in millions)	
Write-offs of provision	**649.8**	456.3

We write off the unrecoverable NPAs strictly in accordance with accounting standards and our policies and procedures for write-offs of the Group. For the year ended December 31, 2019 and 2018, the write-offs of provision for interest-earning assets of the Group was RMB649.8 million and RMB456.3 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 December 31, 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 office buildings, motor vehicles, electronic equipment, office equipment, leasehold improvements and construction in progress.

As at December 31, 2019, the property and equipment of the Group amounted to RMB4,730.0 million, representing an increase of 12.2% as compared to RMB4,217.4 million as at December 31, 2018. The increase was mainly due to the addition of two aircraft and offices this year.

Interest in a joint venture

As at December 31, 2019, the interest in a joint venture of the Group amounted to RMB710.9 million, representing an increase of 189.2% as compared to RMB245.8 million as at December 31, 2018, primarily due to the addition of 25% equity interest in the joint venture, Gui'an UT Financial Leasing (Shanghai) Co., Ltd as a result of the acquisition of Haitong UT Holding Limited by the Group. As at December 31, 2019, the Group had an aggregate of 40% equity interest in the joint venture.

Deferred tax assets

As at December 31, 2019, the deferred tax assets of the Group amounted to RMB1,006.9 million, representing an increase of 38.4% as compared to RMB727.6 million as at December 31, 2018, primarily due to the increase in the provision for impairment loss. The amount of income tax related to impairment loss as at December 31, 2019 which was not filed with the tax authorities was recognized as deferred tax assets.

Cash and Bank Balances

As at December 31, 2019, the cash and bank balances of the Group were RMB5,458.8 million, representing an increase of 27.4% as compared to RMB4,284.0 million as at December 31, 2018. The increase was mainly due to the reserves prepared for future operating needs and liquidity.

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 December 31, 2019, the financial assets at fair value through profit or loss of the Group amounted to RMB1,288.0 million, representing a decrease of 45.5% as compared to RMB2,362.4 million as at December 31, 2018. The decrease was mainly due to the adjustment made by the Group with respect to liquidity management and market condition.

Liabilities

In 2019, the global economy slowed down and major developed economies tended to ease their monetary policies in response to the economic slowdown. The domestic economy was under pressure while the monetary policies remained adequately prudent. 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 2019, the Group achieved satisfactory progress in direct and indirect financial markets. Our overall debt structure continued to improve. Our cost of funds and liquidity risk were effectively controlled.

As at December 31, 2019, the Group had total liabilities of RMB83,757.5 million, representing an increase of 21.1% 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 December 31,		
	2019	2018	Changes
	(RMB in millions)		
Current liabilities			
Borrowings	**19,660.8**	18,162.1	8.3%
Derivative financial liabilities	**98.8**	23.5	320.4%
Accrued staff costs	**176.0**	138.2	27.4%
Accounts payable	**279.4**	401.1	(30.3%)
Bonds payable	**20,114.2**	12,856.9	56.4%
Income tax payable	**494.9**	368.9	34.2%
Other liabilities	**5,359.6**	3,132.3	71.1%
Total current liabilities	**46,183.7**	35,083.0	31.6%
Non-current liabilities			
Borrowings	**18,096.4**	12,836.5	41.0%
Bonds payable	**11,332.8**	14,594.8	(22.4%)
Deferred tax liabilities	**10.8**	12.3	(12.2%)
Other liabilities	**8,133.8**	6,664.9	22.0%
Total non-current liabilities	**37,573.8**	34,108.6	10.2%
Total liabilities	**83,757.5**	69,191.6	21.1%

Borrowings

Borrowings of the Group primarily include bank borrowings, borrowings from related parties, other borrowings and lease liabilities, and bank borrowing is our major source of borrowing. As at December 31, 2019, the Group's borrowings amounted to RMB37,757.2 million, representing an increase of 21.8% 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 December 31,			
	2019		2018	
	Amount	**% of total**	Amount	% of total
	(RMB in millions, except percentage)			
Bank borrowings	**34,416.7**	**91.2%**	29,924.5	96.5%
Borrowings from the related parties	**1,161.5**	**3.1%**	1,074.1	3.5%
Other borrowings	**1,990.0**	**5.3%**	—	—
Lease liabilities	**189.0**	**0.4%**	—	—
Total	**37,757.2**	**100.0%**	30,998.6	100.0%
Analyzed as:				
Current	**19,660.8**	**52.1%**	18,162.1	58.6%
Non-current	**18,096.4**	**47.9%**	12,836.5	41.4%
Total	**37,757.2**	**100.0%**	30,998.6	100.0%

As at December 31, 2019, the current borrowings accounted for 52.1% of the total borrowings, representing a decrease of 6.5 percentage points as compared with as at December 31, 2018, reflecting the prudent financing strategies and reasonable debt structure.

Bonds payable

In 2019, facing the increasingly tightened supervision of the monetary market environment and having considered the needs for business development and financing costs, the Group proactively utilized diversified direct financing tools through the issuance of bonds, asset-backed securities 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 of steady decline, which effectively secured funds for business growth of the Company.

Bonds payables of the Group include short-term and ultra-short-term commercial papers, ABS, fixed medium-term notes, corporate bonds, private placement notes and asset-backed notes. As at December 31, 2019, the Group's bonds payable amounted to RMB31,447.0 million, representing an increase of 14.6% as compared with the bonds payable of RMB27,451.7 million as at December 31, 2018, primarily due to our ongoing financing activities to support our business growth.

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

	As at December 31,			
	2019		2018	
	Amount	**% of total**	Amount	% of total
	(RMB in millions, except percentage)			
Analyzed as:				
Current	**20,114.2**	**64.0%**	12,856.9	46.8%
Non-current	**11,332.8**	**36.0%**	14,594.8	53.2%
Total	**31,447.0**	**100.0%**	27,451.7	100.0%

Other liabilities

The other liabilities of the Group consisted primarily of deposits from customers, notes payables, interest payables and aircraft maintenance fund.

As at December 31, 2019, the total other liabilities of the Group were RMB13,493.4 million, representing an increase of 37.7% from RMB9,797.2 million as at December 31, 2018, mainly due to the increase in deposits from customers compared with that of December 31, 2018 which were in line with business growth.

Equity

As at December 31, 2019, the Group had a total equity of RMB15,289.8 million, representing an increase of 18.3% from RMB12,919.8 million as at December 31, 2018. The increase was mainly due to the proceeds from the initial public offering of the Group in June 2019, profit for the year (which increased total equity) and interim dividend distribution (which reduced total equity) of the Group.

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

	As at December 31,		
	2019	2018	Changes
	(RMB in millions)		
Equity attributable to owners of the Company			
— Ordinary shareholders	**14,035.9**	11,187.8	25.5%
— Other equity instrument holders	**1,237.2**	1,237.0	0.0%
Non-controlling interests	**16.7**	495.0	(96.6%)
Total equity	**15,289.8**	12,919.8	18.3%

6 ANALYSIS OF CONSOLIDATED STATEMENT OF CASH FLOW

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

	For the year ended December 31,		
	2019	2018	Changes (%)
	(RMB in millions)		
Net cash from operating activities	**(9,366.2)**	(12,084.5)	N/A
Net cash from investing activities	**(1,025.5)**	(3,614.4)	N/A
Net cash from financing activities	**11,760.5**	17,398.2	(32.4%)
Net increase in cash and cash equivalents	**1,368.8**	1,699.3	(19.4%)

For the year ended December 31, 2019, net cash outflow in operating activities amounted to RMB9,366.2 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 cash outflow from operating activities was mainly due to increase in business investment. The decrease of the net cash outflow from operating activities of the year as compared with last year was mainly due to the collection of rents from business investment made in previous periods partially offset the cash outflow for business investment.

For the year ended December 31, 2019, net cash outflow in investing activities was RMB1,025.5 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 property and equipment such as aircraft and (iv) cash paid to purchase a subsidiary. The aforesaid cash outflow was partially offset by (i) the proceeds from the disposal of financial assets held under resale agreements, (ii) the proceeds from the disposal of financial assets at fair value through profit or loss and (iii) the recovery of restricted cash.

For the year ended December 31, 2019, cash inflow from financing activities was RMB11,760.5 million, primarily due to (i) the proceeds from issuance of bonds, (ii) the proceeds from borrowings and (iii) the proceeds from listing and capital injection from non-controlling investors. The aforesaid cash inflow was partially offset by the repayment of bonds and borrowings, payment of interim dividend and payment of relevant fees during the year.

7 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 compliance with the relevant laws, regulations and other regulatory requirements. According to applicable laws and regulations, 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 December 31, 2019, the Group did not violate any relevant laws and regulations as its risk assets did not exceed 10 times of its total net assets.

8 CAPITAL EXPENDITURES

Our capital expenditures include property and equipment and intangible assets. For the year ended December 31, 2019, capital expenditure of the Group was RMB639.8 million, which was mainly used to purchase two aircraft for the operating leasing business and the purchase of offices during the year.

9 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 in real time.

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, operational risk and reputational 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 overview

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 businesses operation.

In 2019, in the face of the challenging domestic and global macroeconomic environment, we adhered to our prudent risk management policy and strictly followed the credit risk management rules and procedures of the Company. We have effectively managed the credit risk and assets quality to achieve sustainable quality development while maintaining the quality and scale of assets. Meanwhile, we comprehensively analyzed the macroeconomic environment and conducted in-depth research on the trend of the industry to improve risk control measures of various businesses of the Company. We continuously 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.

In 2019, we adopted the following additional measures in credit risk management and control:

(1) Focusing on our principal leasing business and strengthening "product management + regional management"

For product introduction, we focused on "financing with capital + goods" of financial leasing. By prioritizing the promotion of major leasing products, we strengthened our object management. We adopted different management policies for different industries with significant regional features. For example, we have determined prohibited and high risk regions for medical and infrastructure industries that have high correlation to regional economic and population and to adopt different management accordingly.

(2) Strengthening risk control and establishment of a two-dimensional evaluation system of "industry + clients"

First, we prioritized industries supported by national policies and with favourable development and stable operating performances. We adopted differentiated review and approval standards and qualification requirement on customers based on the categorization of different industries and by implementing differential requirements for customer qualifications and dynamic management of industry prosperity so as to be tailor-made for market and more effective. Secondly, for customer evaluation, we carried out comprehensive qualitative and quantitative review and assessment on industry position, operating capacity and financial performance of customers. Based on the dual evaluation system of "industry + clients", we confirmed project acceptance standards and risk management requirements, including due diligence, approval limits, product selection, lease term and review procedures. We combined three-dimensional management and control with quantitative management.

(3) Optimizing asset distribution and emphasizing the balance of risk and income

To promote advanced and rapid development of the Company, we properly allocated assets according to the category of industry, region and other dimensions and based on existing business data and risk-adjusted income to maintain a balanced and reasonable business structure for balance of risk and income. In respect of different industries, we actively focused on advanced manufacturing, new infrastructure, medical health and other areas strongly supported by national strategies. We continued our provision of credit for infrastructure and construction industries and expanded our aircraft leasing business in view of its good asset liquidity and high level of safety. We emphasized on proper allocation of assets to different industries to minimize risk concentration.

(4) Promoting the application of risk model and big data in risk control system

In 2019, we have hired Moody, a global well-known rating institution, to develop a credit rating and a bond rating system as well as a risk pricing model and limit framework by using our business data collected for years and Moody's global corporate database and rich rating experiences. Through continuous adjustment and improvement, our credit rating and bond rating had covered all institutional projects and the application of our risk pricing model and risk limit framework was extended to all operational procedures and credit approval. The risk rating system and approval system had been integrated to further enhance the quantified management of "quantifying and pricing risk".

(5) Improvement in risk monitoring and mitigation

In addition to regular asset monitoring, we also regularly and systematically monitor clients of their reputation, complaints and payments and other issues. Leases are subject to real time monitoring if they are listed companies. Property asset management measures will be promptly adopted when risks of clients are identified. It is our objective to detect, identify, alert and manage risk as soon as possible. We have risk management measures in place to deal with clients suffered from risk. We strengthened the cooperation of post-lending monitoring and legal proceedings for asset protection in order to further enhance our risk mitigating ability and efficiency.

Assets quality

Pursuant to regulatory requirements, the Group classifies its interest-earning assets into five categories. Furthermore, in order to promptly monitor asset quality, the Group sub-divides the five categories into fourteen levels for meticulous management. The five categories are "normal," "special mention," "substandard,", "doubtful" and "loss". 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 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 guarantees are invoked.

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 balances of interest-earning assets before provision of impairment based on the five-category classification standard of asset quality as at the dates indicated:

	As at December 31,			
	2019		2018	
	Amount	**% of total**	Amount	% of total
	(RMB in millions, except percentages)			
Normal	**81,325.1**	**95.2%**	67,813.3	96.1%
Special mention	**3,167.6**	**3.7%**	2,119.7	3.0%
Substandard	**915.0**	**1.1%**	425.9	0.6%
Doubtful	**6.4**	**0.0%**	184.7	0.3%
Loss	**0.4**	**0.0%**	50.2	0.1%
Balance of interest-earning assets(1)	**85,414.5**	**100.0%**	70,593.9	100.0%
NPA(2)	**921.8**		660.9	
NPA ratio(3)		**1.08%**		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 balance of interest-earning assets before deduction of the allowance for impairment losses as at the dates indicated.

As at December 31, 2019, the balance of interest-earning NPAs of the Group was RMB921.8 million, representing an increase of RMB260.9 million as compared with the end of 2018, and the NPA ratio was 1.08%, representing an increase of 0.1 percentage points as compared with the end of 2018. During the Reporting Period, based on stricter and more prudent principals, we proactively adjusted asset classification of some projects in response to the downturn of external economy and challenging credit risk environment, resulting in higher balance of NPA. However, the overall asset quality remained stable as the Group had maintained a prudent and effective risk management system. The NPA ratio was still at a safe and controllable level.

As at December 31, 2019, the proportion of interest-earning assets of the Group classified as special mention was 3.7%, increased by 0.7 percentage points as compared with the end of 2018. The increase was primarily because more assets were classified as special mention upon prudent consideration of the Group.

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, the Group has actively complied with the regulatory requirements and commensurate with our risk appetite to establish a set of stricter concentration limits 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.

In 2019, in response to the government policy of strengthening financial services for MSEs, we have been committed to serving the real economy and developed equipment-leasing business for MSEs. As such, the asset scale of the industrial industry rose by 6,854.2 million, which grew by 22.8%, representing an increase of 4.9 percentage points. As at December 31, 2019, the aggregate percentage of the three largest industries of the Group, namely transportation & logistics, industrials and infrastructure, was 70.3%, which remained stable as compared with the three largest industries as at the end of 2018.

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

	As at December 31,			
	2019		2018	
	Amount	% of total	Amount	% of total
	(RMB in millions, except percentages)			
Transportation & logistics	**31,467.3**	**36.8%**	26,080.2	36.9%
Industrials[1]	**19,488.9**	**22.8%**	12,634.7	17.9%
Construction & real estate	**9,166.8**	**10.7%**	6,720.9	9.5%
Infrastructure	**7,465.4**	**8.7%**	10,815.4	15.3%
Healthcare	**4,220.9**	**4.9%**	3,509.1	5.0%
Chemical	**1,041.9**	**1.2%**	1,249.0	1.8%
Education	**116.7**	**0.1%**	724.7	1.0%
Others[2]	**12,446.6**	**14.8%**	8,859.8	12.6%
Total	**85,414.5**	**100%**	70,593.9	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) food, (iv) mining, (v) wholesale and retail, and (vi) 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.

Each year, the Company formulates annual liquidity risk tolerance based on comprehensive assessment of future development, operational strategies and market conditions and implements administrative measures accordingly under proper authorization and approval. In order to effectively monitor and manage liquidity risk, the Company formulated and promulgated systems such as Measures for the Management of Liquidity Risk, and carried out daily liquidity risk management through regular tracking of the information system and assessment of conditions and indictors of liquidity risk. The details are as follows:

1. Regarding the intraday liquidity risk management:

    (1) Monitor liquidity inflows and outflows on a daily basis to meet sufficient intraday liquidity positions and payment obligations under both normal and stressed conditions;

    (2) Manage the internal liquidity reserves prudently to ensure the liquidity required for daily operations and debt repayments;

    (3) Established liquidity risk control indicators system, managing, identifying and tracking risk control indicators, and implementing corresponding warning and report for liquidity risk;

    (4) Drew up emergency plans regarding liquidity risks, launching liquidity emergency drills regularly or irregularly.

2. Regarding the medium- and long-term liquidity risk management:

    (1) Implement the asset-liability structure management by determining a reasonable asset-liability ratio, monitoring and forecasting the ratio and complying with a predetermined upper limit of the aforementioned ratio;

    (2) Implement the debt maturity structure management by tracking and forecasting the debt maturity structure, analyzing the matching situation between assets and liabilities to ensure that mismatches are always within a reasonable range;

    (3) Implement the management of credit line by continuously tracking various information of the existing credit line, such as the amount, type, duration, currency, etc., to meet a sufficient credit reserves position;

    (4) The Company values cooperation with various financial institutions, maintains financing reserve from multiple markets and channels, focuses on financing management at the group level and keeps financing channels unblocked.

During the Reporting Period, sufficient capital and financing reserve of the Company lowered the liquidity risk and ensured stable operation of the Company under complex market environment. The core liquidity indicator of the Company is higher than the internal management requirement and warning standards of the Company.

In 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.

Except for some business contracts and loan agreements are entered into at fixed interest rate, 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 or LPR as reference. Therefore, the assets and liabilities under these contracts or agreements fluctuate with the changes in the above 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 December 31, 2019, the nominal amount of our interest rate swaps (including currency swaps) amounted to RMB5,119.2 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 and is mainly affected by changes in the exchange rates of renminbi and US dollar. The Group manages its exchange rate risk under the principle of risk neutralization by matching the allocation of assets and liabilities of different currencies according to sensitivity analysis of the impact on operation results by changes in exchange rate. If necessary, the Group will hedge the exposure of exchange rate risk by using foreign exchange derivatives when chances arise. The operating lease (aircraft leasing) business of the Group is funded by loans denominated in US dollar which can offset part of the exchange rate risk exposure. The Group hedge the exchange rate risk arising from funding by currency forwards and other instruments. Such arrangement effectively minimizes the exchange rate risk exposure. The exchange rate risk of the Group as a whole is relatively small and has no significant effect on the profits of the Group for the year. As at December 31, 2019, the nominal amount of our currency forwards (including currency swaps) was RMB3,230.9 million.

Operational Risk

Operational risk refers to the risk of losses associated with deficiencies or failure of the Company's internal processes, personnel and system, or impact from external events. Under comprehensive risk management framework, the Company has enhanced the entire operational risk management. The Company has combed various systems and optimized procedures of operational risk management of various departments for identifying, assessing, measuring, monitoring, tackling and reporting of risks. We have further improved the information system. While improving the institutions and process system, we have consolidated the technical foundation of operational risk management. Meanwhile, the Company have strengthened the training and performance evaluation of operational risk management in order to enhance the awareness of active management and accountability. In 2019, the operational risk was satisfactory and no major operational risk was recorded.

Reputational Risk

Reputational risk refers to the risk of negative perception by stakeholders relating to our operations, management, or other actions that we take, as well as external events relating to us. We have formulated reputational risk management policies and rules as well as the processes for identifying, monitoring, assessing and reporting reputational risks and resolving material reputational risk events under our comprehensive risk management framework. We have established a media affairs management team to manage our media-related matters, including management of public relations with media, public opinion monitoring and management of public relations in crisis, and made use of big data of public opinions and monitoring system in order to closely monitor and properly resolve reputational risk events. In 2019, the reputation of the Group was generally good and no major reputational risk was encountered.

10 HUMAN RESOURCES

As at December 31, 2019, the Group had 1,653 full-time employees (excluding dispatched labors) in total, representing an increase of 218 full-time employees as compared to 1,435 in the same period of 2018. The Group has a team of high quality and professional employees. As at December 31, 2019, approximately 64.7% of the employees of the Group possess bachelor's degree or above, and 19.7% of the employees possess master's degree or above.

The Company has established a training system covering programs, resources and practices to support the strategies and services of the Company. In 2019, the Company further improved its training programs, the development of internal trainers and the procedures of training management. We ensured to maximize the training effectiveness by PDCA, a closed loop management, to identify demands, make plans, organize trainings and evaluate effects. In 2019, according to the requirements of concrete targets, diverse forms and professional contents, we conducted 108 training projects in total under stratification and classification. We implemented talent-cultivating projects, such as "Sailing Project (遠航項目)" for management training, "Set Sail Project (啟航項目)" for officer training, "Spark Project (星火計劃)" and "Sailing Operation

(揚帆行動)" for training of young talents. These projects continuously improved the quality of the managers and strengthened the construction of talent pool. Launching certification training, case sharing and industry research training were effective in enhancing the ability of our staff. We also organised education of professional ethics, honesty and integrity for target groups and key personnel. The Company developed a learning ecosystem of acquiring, inheriting and applying knowledge through establishing an online learning platform.

During the Reporting Period, total remuneration expenses of the Group were RMB546.4 million, representing an increase of RMB90.2 million from RMB456.2 million last year.

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 supplemental commercial medical insurances. During the Reporting Period, 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.

11 CHARGES ON ASSETS

As at December 31, 2019, finance lease receivables with a carrying amount of approximately RMB8,832.6 million, receivables arising from sale and leaseback arrangements with a carrying amount of approximately RMB4,977.3 million were pledged to banks as collateral for bank borrowings, while equipment held for operating lease businesses with a carrying amount of approximately RMB4,255.4 million of the Group and equity interests in certain subsidiaries held by the Group were mortgaged to banks as collateral for bank borrowings.

12 CONTINGENT LIABILITIES

As at December 31, 2019, the Group had no contingent liabilities.

13 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 RMB1,963.8 million (net of underwriting commissions and other related expenses). For the period from the Listing Date to December 31, 2019, the Company had used RMB1,374.7 million of the proceeds from the initial public offering in the manner set out in the Prospectus. The Company will gradually use the remaining net proceeds from the initial public offering according to the following uses as disclosed in the Prospectus:

- approximately 60%, or approximately RMB1,178.3 million, will be used for expanding our financial leasing business and factoring business;

- approximately 30%, or approximately RMB589.1 million, will be used for developing our overseas aircraft leasing business;

- approximately 10%, or approximately RMB196.4 million, will be used for providing funding for our working capital.

The table below sets forth a detailed breakdown and description of the use of net proceeds from the Listing of the Company:

Use of proceeds	Amounts expected to be utilized as disclosed in the Prospectus (RMB in millions)	Amounts utilized during the period (RMB in millions)	Amounts not yet utilized (RMB in millions)	Expected time of use
Development of financial leasing business and factoring business	1,178.3	1,178.3	—	N/A
Development of overseas aircraft leasing business	589.1	—	589.1	To be gradually used in 2020
Replenishment of our working capital	196.4	196.4	—	N/A

As disclosed in the Prospectus, to the extent that the 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.

14 MATERIAL LITIGATION AND ARBITRATION

Save as disclosed in the Prospectus of the Company, during the Reporting Period, the Group had no outstanding litigation or arbitration which were significant to the operation of the Company.

15 SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS

Purchase of aircraft assets

To accelerate expansion and diversification of the Group's fleet portfolio as part of its strategy to develop its overseas aircraft leasing business, on September 27, 2019, a wholly-owned subsidiary of the Company, as the purchaser, entered into the Aircraft Portfolio Sale and Purchase Agreement with GECAS and the sellers, pursuant to which Celestial Aviation Trading 4 Limited and Celestial EX-IM Trading 5 Limited agreed to sell two used Airbus A320-200N aircraft and one used Boeing B737-800 aircraft, respectively, to the purchaser or its nominee(s). The consideration for the aircraft will be paid before completion of the purchase of the aircraft. Based on the valuation from an independent appraiser of the Group, the rolling encumbered valuation of the aircraft is approximately US$136.76 million (equivalent to approximately RMB929.968 million).

Portfolio trading will enhance the Group's sourcing flexibility, which is an important tool for the Group to optimize its asset value through fleet management going forward.

For details of the purchase of three aircraft assets, please refer to the announcement of the Company dated September 27, 2019.

Acquisition of 100% equity interest of Haitong UT Holding

As disclosed in the section headed "History, Reorganization and Corporate Structure — Reorganization" in the Prospectus of the Company, Haitong UT Holding held 25% equity interest in each of Gui'an UT, Haitong UniTrust Financial Leasing and Haitong UniFortune. Pursuant to agreements entered into on October 23, 2017 and November 20, 2017, Haitong UT Capital agreed to transfer 100% equity interest of Haitong UT Holding to the Group at a consideration determined on the basis of the then applicable latest unaudited net asset value of Haitong UT Holding.

The Company, through its wholly-owned subsidiary, has completed all procedures for the acquisition of 100% equity interest of Haitong UT Holding at a consideration of approximately HK$192,534,596 (being the latest unaudited net asset value of Haitong UT Holding stipulated in the equity transfer agreement) on October 11, 2019. Upon the completion of the acquisition, the Company, together with its wholly-owned subsidiaries, holds 40%, 100% and 100% equity interest in Gui'an UT, Haitong UniTrust Financial Leasing and Haitong UniFortune, respectively.

As at December 31, 2019, the net assets of Haitong UT Holding was RMB225.1 million, representing 1.5% of the net assets of the Group. The total assets of Haitong UT Holding was RMB1,054.5 million, representing 1.1% of the total assets of the Group.

For details of the acquisition of equity interest, please refer to the section headed "History, Reorganization and Corporate Structure — Reorganization" in the Prospectus of the Company and the announcement of the Company dated October 13, 2019.

Purchase of office building

In line with the rapid development of all business segments and the establishment of the leading industry position of the Company, the number of personnel has maintained a relatively rapid growth, and the contradiction in the existing office space has become increasingly prominent. To centralise the operation of Company in Shanghai, to alleviate the problem of insufficient office spaces and to enhance the corporate image and reserve spaces for future development of the Company and having been approved by the Board, the Company and China Minsheng Bund Real Estate Development Co., Ltd ("China Minsheng Bund") entered into the Sales and Purchase Framework Agreement ("Sales and Purchase Framework Agreement") on December 31, 2019, pursuant to which the Company agreed to purchase the properties below from China Minsheng Bund: (1) B1 Office at Block B1, No. 868 Zhongshannan Road, Shanghai on a land area of approximately 14,304.5 square meters, a nine-storey building with a gross floor area of approximately 16,023.7 square meters ("B1 Office"). The estimated consideration of B1 Office is RMB1,362,012,800; and (2) self-owned parking spaces at basement levels 2 and 3 of B1 Office of a total of approximately 100 parking spaces ("Self-owned Parking Spaces"). The estimated consideration of the Self-owned Parking Spaces is RMB56,617,000. The total consideration of transactions contemplated under the Sale And Purchase Framework Agreement is estimated to be RMB1,418,629,800. The final consideration will be subject to adjustment based on the measured transaction area of B1 Office and the actual number of the Self-owned Parking Spaces to be purchased, respectively, and shall be paid in installments according to the terms of the Sale and Purchase Framework Agreement. The properties will be used as office of the Company after completion of delivery by the seller to the purchaser.

For details of the purchase of office building, please refer to the announcements of the Company dated December 30, 2019 and December 31, 2019.

Save as disclosed above, the Group did not have any significant investments held, material acquisitions or disposals of subsidiaries, associated companies and joint ventures during the year ended December 31, 2019.

1 BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors

Mr. Ren Peng, aged 57, is our Chairman of the Board and non-executive Director. Mr. Ren has been appointed as the Chairman of our Company since June 2014. Mr. Ren also serves as the deputy general manager and chairman of the investment banking committee of Haitong Securities since March 2010; the director of China-Belgium Direct Equity Investment Fund since March 2011; a chairman of the board of directors of Haitong UT Capital since June 2014; director of Haitong UniFortune, Haitong International Holdings Limited and Shanghai UniCircle Investment & Development Co., Ltd. since July 2014; a director of Haitong UniTrust Financial Leasing since November 2014; and a director of Haitong Securities since June 2019.

Mr. Ren served as an officer of the savings division in the Xihu Office of the PBOC from December 1981 to June 1982; the section head and deputy division head of the savings division in the Xihu Office of the Industrial and Commercial Bank of China Limited (a company listed on the Shanghai Stock Exchange (stock code: 601398) and the Hong Kong Stock Exchange (stock code: 1398)) (the "Industrial and Commercial Bank of China") from June 1982 to February 1988. Mr. Ren served in Hangzhou Branch of Bank of Communications Co., Ltd. (a company listed on the Shanghai Stock Exchange (stock code: 601328) and the Hong Kong Stock Exchange (stock code: 3328)) from February 1988 to March 1996, during which he served as the head of savings business from February 1988 to May 1990, assistant to the head and deputy head of the First Office from May 1990 to March 1991, assistant manager of the securities and savings department from March 1991 to December 1993 and manager of the securities department from December 1993 to March 1996. Mr. Ren served as the chairman of the board of directors of Haitong UniTrust Financial Leasing from November 2014 to August 2018 and the chairman of the board of directors of Haitong UniFortune from July 2014 to March 2018.

Mr. Ren joined Haitong Securities Company Limited from March 1996 to January 2002, during which he served as the general manager of the securities transaction business department of Hangzhou from March 1996 to November 1997, and the deputy general manager from November 1997 to January 2002. Mr. Ren served as the deputy general manager of Haitong Securities from January 2002 to March 2010. Mr. Ren served as a director of Haitong Capital Investment from October 2008 to March 2010.

Mr. Ren graduated from the undergraduate school in finance from Fudan University in the PRC in January 2004 and obtained a master's degree in business administration from China Europe International Business School in the PRC in July 2006. Mr. Ren obtained the qualification to engage in securities business issued by the Securities Association of China in August 2003.

Ms. Ha Erman (哈爾曼), aged 44, is our non-executive Director. Ms. Ha has served as a Director of the Company since November 2019. Ms. Ha served as a non-executive director of China Pacific Insurance (Group) Co., Ltd. (a company listed on the Shanghai Stock Exchange (stock code: 601601) and the Hong Kong Stock Exchange (stock code: 2601)) from June 2014 to June 2017; a non-executive director of Shanghai Jinqiao Export Processing Zone Development Co., Ltd. (a company listed on the Shanghai Stock Exchange (stock code: 600639)) from June 2015 to June 2016; the chairman of the board of directors of Shanghai Guosheng (Group) Estate Holding Co., Ltd. from October 2016 to December 2017. Ms. Ha has acted as a director of Shanghai Rural Commercial Bank since February 2017 and chairman of the board of directors of Guosheng Overseas Holdings (Hong Kong) Limited since December 2018.

Ms. Ha served as an assistant to the head of the Foreign Economic Commission of Xuhui District of Shanghai from October 2007 to April 2008; the deputy head of the Hunan Road Office of Xuhui District of Shanghai from April 2008 to March 2012; the deputy head of the Commission of Commerce of Xuhui District of Shanghai from March 2012 to August 2013; the head of Grain Bureau of Xuhui District of Shanghai from December 2012 to August 2013; the vice chairman of the board of directors of Shanghai State-owned Assets Management Co., Ltd. from August 2013 to April 2015; the chairman of the board of directors of Shanghai International Group Assets Management Co., Ltd. from April 2015 to May 2016. Ms. Ha has acted as the vice president of Shanghai Guosheng (Group) Co., Ltd. since May 2016 and a supervisor of AECC Commercial Aircraft Engine Co., Ltd. since December 2019.

Ms. Ha obtained a bachelor's degree in science of industrial foreign trade and a master's degree in public administration from Shanghai Jiao Tong University in July 1998 and March 2005, respectively.

Mr. Li Chuan (李川), aged 37, is our non-executive Director. Mr. Li has been a Director of the Company since November 2019. Mr. Li has been a director of Shen Rong International Asset Management Co., Ltd. since October 2018, and a director of Shanghai Electric Insurance Limited since January 2019. Mr. Li has served as a director of Sun Mao International Trading Co., Limited since June 2019, a general manger of Shanghai Electric Insurance Limited since November 2019 and a director of Shanghai Electric Hong Kong Treasury Management Co., Limited since December 2019.

Mr. Li held various positions in the turbine factory of Shanghai Electric Power Generation Equipment Co., Ltd. from April 2008 to February 2014, including a staff member of the financial department from April 2008 to June 2011, an assistant to the manager of the financial department from June 2011 to December 2013, and the deputy manager of the financial department from December 2013 to February 2014. Mr. Li was the manager of the assets and financial department of Shanghai Heavy Machinery Plant Co., Ltd. from February 2014 to October 2015, the deputy general manager of Shanghai Electric Heavy Machinery Casting Forging Co., Ltd. from October 2015 to May 2018 and the deputy general manager and chief financial officer of Shanghai Electric Hongkong Co. Limited since May 2018.

Mr. Li obtained a bachelor's degree in energy and power engineering and a master's degree in management science and engineering (industrial engineering) from Shanghai Jiao Tong University in June 2005 and March 2008, respectively. Mr. Li was qualified as a senior economist by Shanghai Municipal Human Resources and Social Security Bureau in February 2017.

Mr. Ding Xueqing (丁學清), aged 56, is our executive Director and general manager. Mr. Ding joined our Company as a Director in November 2014, served as the standing deputy general manager from November 2014 to July 2015, and the Director and general manager since July 2015. Mr. Ding has also served as a director of Haitong UniTrust Financial Leasing since November 2014, a director of Haitong UT Capital and Haitong UniFortune since July 2015, a vice chairman of the board of directors of Gui'an UT since January 2017, the chairman of Haitong UniFortune since March 2018, and the chairman of Shanghai Dingjie Construction Development Co., Ltd. since June 2018.

Mr. Ding served as an officer of the Changzhou Finance Bureau of Jiangsu Province in the PRC from July 1984 to December 1985; a teacher of Changzhou College of Accounting in Jiangsu Province in the PRC from December 1985 to June 1988. Mr. Ding served in various positions in the local tax bureau of Jinghu Branch, Wuhu City, Anhui Province in the PRC from June 1988 to March 2002, including the deputy director of the Second Tax Office from April 1991 to September 1995, director of the Third Tax Office from September 1995 to March 2002; assistant manager of Huangshan West Road Business Office of GuoYuan Securities in Wuhu City from March 2002 to January 2005. Mr. Ding served in various positions in Haitong Securities from January 2005 to November 2014, including the general manager of Wenhua Road Business Office in Wuhu City from January 2005 to June 2010, deputy general manager of Anhui Branch and general manager of Wuhu Business Office from June 2010 to May 2011, general manager of Anhui Branch and general manager of Wuhu Business Office from May 2011 to December 2011, general manager of Anhui Branch from December 2011 to February 2013, and general manager of the retail and network finance department from March 2013 to November 2014.

Mr. Ding graduated with a bachelor's degree in computer application software from Jilin University in the PRC in June 2008 and an executive master of business administration degree from Dongbei University of Finance and Economics in the PRC in June 2010.

Mr. Wu Shukun (吳淑琨), aged 47, is our non-executive Director. Mr. Wu has been appointed as a Director of our Company since April 2017. Mr. Wu also serves as general manager of the strategic development department of Haitong Securities since February 2017, a director of Haitong UT Capital and Shanghai Haitong Resource Management Co., Ltd. since March 2017 and a director of HFT Investment Management Co., Ltd. since April 2017.

Mr. Wu served as a postdoctoral researcher of Nanjing University in the PRC from November 1999 to October 2001; a researcher of Haitong Securities Company Limited from November 2001 to February 2004. Mr. Wu has served in various positions in Haitong Securities since February 2004, including manager of the macro research department from February 2004 to May 2005, assistant to director of the research institute from May 2005 to March 2008, deputy general manager of the institutional business department from March 2008 to February 2013, deputy general manager (in charge) of the corporate and private customers department from March 2013 to May 2015, and general manager of the corporate finance department from May 2015 and February 2017.

Mr. Wu obtained a bachelor of engineering degree in industrial management and engineering from Xi'an Jiaotong University in the PRC in July 1994, a master's degree in systems engineering from Xi'an Jiaotong University in the PRC in April 1997, and a doctoral degree in management science and engineering management from Xi'an Jiaotong University in the PRC in December 1999. He obtained the qualification to engage in securities investment consultation business (investment consultant) issued by the Securities Association of China in March 2011.

Mr. Zhang Shaohua (張少華), aged 52, is our non-executive Director. Mr. Zhang has been appointed as a Director of the Company since January 2014. Mr. Zhang also serves as a director of Haitong UniTrust Financial Leasing (Shanghai) Corporation since April 2014, director of Haitong Futures Co., Ltd. since June 2019, director of Shanghai Haitong Securities Asset Management Co., Ltd. since October 2019 and general manager of the capital management department of Haitong Securities since December 2019.

Mr. Zhang worked for the finance and accounting department of Haitong Securities Company Limited from June 1996 to February 2004, during which he served as an investment officer from June 1996 to March 2001 and the assistant manager of the integrated management department from March 2001 to February 2004. Mr. Zhang has served in various positions in Haitong Securities since February 2004, including manager of the integrated management department of the finance and accounting department from February 2004 to March 2006, manager of the capital management department of the finance department from March 2006 to May 2007, assistant to general manager of the finance department from May 2007 to February 2013, deputy general manager of the finance department from March 2013 to October 2015, and director of Haitong Innovation Securities Investment Co., Ltd. from March 2012 to May 2019. Mr. Zhang served as the deputy general manager of the capital management department of Haitong Securities from October 2015 to December 2019.

Mr. Zhang graduated with a diploma in industrial accounting from Shanghai Mechanical and Electronic Engineering Technology University in the PRC in January 1995, and a bachelor's degree in law from the Open College of the Party School of the Central Committee of the Communist Party of China in December 2005. Mr. Zhang obtained the qualification to engage in securities business issued by the Securities Association of China in March 2004.

Ms. Zhou Jianli (周劍麗), aged 47, is our executive Director, deputy general manager and chief financial officer. Ms. Zhou joined our Company as chief financial officer in February 2014, has served as deputy general manager and chief financial officer since August 2015, and has served as a Director since May 2017. Ms. Zhou has served as a supervisor of Gui'an UT since January 2017 and a director of Haitong UniFortune, Haitong UniTrust Financial Leasing and Shanghai UniCircle Investment & Development Co., Ltd. since April 2017. She has been a director of Shanghai Dingjie Construction Development Co., Ltd. since June 2018 and the chairman of Haitong UniTrust Financial Leasing since August 2018.

Ms. Zhou served as the Youth League secretary and teaching assistant of the College of Foreign Languages in Northeast Forestry University in the PRC from July 1993 to August 1995; a lecturer of the College of Economics and Management in Northeast Forestry University in the PRC from December 1997 to February 2000. Ms. Zhou served in various positions at Haitong Securities from February 2000 to March 2014, including the manager of the finance department of Harbin business department from February 2000 to August 2002, officer of the finance and accounting department from August 2002 to June 2004, senior executive officer of the finance and accounting department from June 2004 to July 2007, assistant manager of the financial management department of the finance department from July 2007 to August 2009, manager of the financial management department of the finance department from September 2009 to February 2013, and assistant to general manager of the finance department from March 2013 to March 2014. Ms. Zhou was the chief financial officer of Haitong UT Capital from February 2014 to June 2017.

Ms. Zhou obtained a bachelor of engineering degree in wood processing from Northeast Forestry University in the PRC in July 1993, and a master's degree in business administration from the Harbin Institute of Technology in the PRC in December 1997. Ms. Zhou obtained a qualification of Certified Tax Agent issued by the Ministry of Personnel of the PRC and the State Taxation Administration in June 2005; a qualification of Chinese Certified Public Accountant issued by the Ministry of Finance in May 1998; and was accredited as a senior accountant by Shanghai Municipal Human Resources and Social Security Bureau in the PRC in December 2011.

Mr. Jiang Yulin (蔣玉林), aged 61, is our independent non-executive Director. Mr. Jiang has been appointed as an independent non-executive Director of our Company in May 2017. Mr. Jiang has also served as an executive director since August 2016, and chairman, executive director and member of the Nomination Committee of City e-Solutions Limited (currently known as China Tian Yuan Healthcare Group Limited) (a company listed on the Hong Kong Stock Exchange (stock code: 0557)) since September 2016.

Mr. Jiang served in various positions in the PBOC from November 1979 to November 1985, including officer of the credit office of Linquan County branch, Fuyang City, Anhui Province from November 1979 to January 1984, deputy head and head of credit office of Linquan County Branch, Fuyang City, Anhui Province from January 1984 to November 1985. Mr. Jiang served in various positions in the Industrial and Commercial Bank of China from November 1985 to February 2015, including the vice president of Linquan County branch, Fuyang City, Anhui Province from November 1985 to May 1988; president of Jieshou City branch, Fuyang City, Anhui Province from May 1988 to December 1991; vice president of Fuyang City Branch, Anhui Province from December 1991 to September 1997; president of Wuhu City Branch, Anhui Province from September 1997 to September 2000; vice president of Anhui Branch from September 2000 to October 2006; president of Yunnan Branch from October 2006 to July 2010; general manager of the credit business department of the headquarters from July 2010 to January 2014; general manager of the information management department from January 2014 to February 2015. Mr. Jiang served as an independent supervisor of Maanshan Iron & Steel Company Limited (a company listed on the Shanghai Stock Exchange (stock code: 600808) and the Hong Kong Stock Exchange (stock code: 0323)) from September 2002 to August 2005.

Mr. Jiang served as the chairman of the board of directors of ICBC Financial Leasing Co., Ltd. from January 2015 to May 2016; and non-executive director, chairman of the Risk Management Committee and member of the audit committee of Industrial and Commercial Bank of China (Asia) Limited from August 2015 to May 2016.

Mr. Jiang obtained a doctorate's degree in economics from Wuhan University in the PRC in December 2013. Mr. Jiang was qualified as a senior economist issued by the Appraisal and Approval Committee for Professional & Technical Competence of the Industrial and Commercial Bank of China in August 1997.

Mr. Yo Shin (楊辰), aged 55, is our independent non-executive Director. Mr. Yo has been appointed as an independent non-executive Director of our Company in May 2017. Mr. Yo has also served as the deputy general manager of Xinjiang Great Wall Xinsheng Trust Co., Ltd. (currently known as Great Wall Xinsheng Trust Co., Ltd.) since October 2011.

Mr. Yo served as a teacher of the finance department of Nankai University in the PRC from July 1986 to March 1991; officer of the Asia development department of the international business department of Sompo Japan Insurance Inc. (日本安田火災海上保険株式会社, currently known as Sompo Japan Nipponkoa Insurance Inc. (損保ジャパン興亜株式會社)) from May 1996 to February 2001; vice president of directors of Shenzhen Shengjin Chuangye Investment Development Limited from May 2005 to January 2016; vice president of Shenzhen Leaguer Digital TV Co., Ltd. from May 2005 to December 2009; director and member of the strategy committee of Shanghai Feilo Acoustics Co., Ltd. (a company listed on the Shanghai Stock Exchange, (stock code: 600651)) from July 2009 to July 2012.

Mr. Yo graduated from the undergraduate school of finance and obtained a bachelor's degree of economics from Nankai University in the PRC in July 1986, and obtained a master of arts degree in commerce from Waseda University in Japan in March 1995. Mr. Yo obtained the certificate of qualified senior management of listed companies from Shanghai Commission of China Securities Regulatory Commission (the senior management of companies (independent director) in Shanghai Training (2009) No. 1497) in July 2009.

Mr. Zeng Qingsheng (曾慶生), aged 45, is our independent non-executive Director. Mr. Zeng has been appointed as an independent non-executive director of the Company in May 2017. Mr. Zeng has served as the associate professor, doctoral supervisor, professor and deputy dean of the School of Accounting of Shanghai University of Finance and Economics in the PRC since March 2010 and an independent director of Shanghai Wanye Enterprises Co., Ltd. (a company listed on the Shanghai Stock Exchange (stock code: 600641)) since December 2015.

Mr. Zeng worked as a lecturer and associate professor of the Faculty of Accounting of Antai College of Economics and Management of Shanghai Jiao Tong University in the PRC from April 2005 and March 2010. Mr. Zeng served as an independent director of Suzhou Sunmun Technology Co., Ltd. (a company listed on the Shenzhen Stock Exchange (stock code: 300522)) from April 2010 to September 2016; an independent director of Jiangsu Feiliks International Logistics Inc. (a company listed on the Shenzhen Stock Exchange (stock code: 300240)) from May 2014 to May 2017; an independent director of Jiangsu Skyray Instrument Company Limited (a company listed on Shenzhen Stock Exchange (stock code: 300165)) from April 2015 to April 2018; an independent director of Orient-Chip Technology Co. Ltd. from September 2015 to May 2018; an independent director of Sunsea Telecommunications Co., Ltd. (now known as Sunsea AIoT Technology Co., Ltd.) (a company listed on the Shenzhen Stock Exchange (stock code: 002313) from August 2016 to September 2018; and an independent director of Jiangsu Yixing Rural Commercial Bank Co., Ltd. from June 2017 to February 2019.

Mr. Zeng obtained a bachelor's degree in accounting from China Textile University (currently known as Donghua University) in the PRC in July 1998, a master's degree in accounting and professional management from Shanghai University of Finance & Economics in the PRC in February 2001, a doctoral degree in accounting and professional management from Shanghai University of Finance & Economics in the PRC in March 2005, and a visiting scholar of Rensselaer Polytechnic Institute in the U.S. from August 2010 to August 2011. Mr. Zeng also obtained a qualification of non-executive member issued by The Chinese Institute of Certified Public Accountants in the PRC in December 2009, a qualification certificate as independent director from Shanghai Stock Exchange in the PRC (No: 210059) in August 2012, a certificate of qualified senior management (independent director) of listed companies from Shenzhen Stock Exchange in the PRC (No: 1406013435) in November 2014, a certificate of qualified senior management (independent director) of listed companies from Shenzhen Stock Exchange in the PRC (No: 1607617675) in September 2016 and a certificate of qualified senior management (independent director) from Shanghai Stock Exchange in the PRC (No: D1804063) in November 2018.

Mr. Wu Yat Wai (胡一威), aged 51, is our independent non-executive Director. Mr. Wu has been appointed as an independent non-executive Director of the Company in May 2017.

Mr. Wu served as an analyst of the finance department of The Hong Kong Jockey Club from September 1992 to April 1993; assistant manager and manager of the corporate trust department of Bankers Trust Company from April 1993 to July 1995; analyst of Credit Lyonnais Securities (Asia) Limited from November 1996 to April 2000; served in Lehman Brothers Asia Limited from April 2000 to May 2005, during which he served as the senior vice president of the equity research division in Hong Kong; and served in Goldman Sachs (Asia) L.L.C. from May 2005 to May 2016, during which he served as the managing director of the global investment research division.

Mr. Wu was a director of Constant Fine Limited from January 1997 to May 2001. Constant Fine Limited was incorporated in Hong Kong and primarily engaged in real estate investment business in Hong Kong and did not conduct any substantial business operation since its incorporation. In June 2001, Constant Fine Limited was struck off by the Registrar of Companies of Hong Kong and it was officially dissolved in November 2001. Mr. Wu confirmed that Constant Fine Limited had no asset or liability from its incorporation to its dissolution.

Mr. Wu obtained a bachelor's degree in business administration from Hong Kong Baptist College (currently known as Hong Kong Baptist University) in September 1991; and a master's degree in accounting and finance from London School of Economics and Political Science in the United Kingdom in August 1992.

Supervisors

Ms. Wang Meijuan (王美娟), aged 55, is our Chairman of the Board of Supervisors and non-employee representative Supervisor. Ms. Wang has served as a Supervisor of the Company since January 2014; and serves as the chairman of the Board of Supervisors and non-employee representative Supervisor since May 2017. Ms. Wang has also served as a supervisor of Jilin Modern Agricultural and Emerging Markets Investment Fund Limited since December 2010, a non-executive director of Haitong International Securities Group since September 2012, a supervisor of Haitong UniTrust Financial Leasing since April 2014, a supervisor of Haitong UniFortune and Shanghai UniCircle Investment & Development Co., Ltd. since May 2014, a director of Xi'an Aerospace New Energy Industry Investment Fund. Co., Ltd. since January 2011.

Ms. Wang served in various positions in Haitong Securities Company Limited from May 2001 to March 2002, including officer of the audit department from May 2001 to August 2001, assistant to general manager of the audit department from August 2001 to March 2002. Ms. Wang had served in various positions in Haitong Securities since March 2002, including deputy general manager of the audit department from March 2002 to July 2003, deputy general manager of the supervision and audit department from July 2003 to May 2006, deputy general manager of the risk control department from May 2006 to September 2006, chief auditor and deputy general manager of the risk control department from September 2006 to March 2009, deputy general manager of the risk control department from March 2009 to March 2011, and general manager of the audit department from March 2011 to December 2019. Ms. Wang also served as the chairman of the board of supervisors of Haitong Futures Co., Ltd. (海通期貨有限公司) from July 2005 to March 2016, the chairman of the board of supervisors of 海通期貨股份有限公司 from March 2016 to May 2019, a director of Haitong Capital Co., Ltd. from October 2008 to July 2019, a supervisor of Haitong Innovation Securities Investment Co., Ltd. from April 2012 to May 2019, and a supervisor of Haitong Securities from December 2014 to June 2019.

Ms. Wang obtained a bachelor's degree in economics from Shanghai University of Finance and Economics in the PRC in July 1985, and a master's degree in economics from Shanghai University of Finance and Economics in the PRC in January 1988. Ms. Wang obtained the qualification to engage in securities business issued by the Securities Association of China in August 2003.

Ms. Zhao Yue (趙越), aged 37, is our employee representative Supervisor. Ms. Zhao joined our Company in August 2016 as the person-in-charge of the Party Affairs Department of the Human Resources Department, and she has served as the assistant to the general manager of the Party Affairs Department since September 2016, and the employee representative Supervisor since May 2017.

Ms. Zhao served in various positions at the Coast Guard Unit of Shanghai Defence Forces of the People's Armed Police from June 2008 to July 2016, including staff officer of the investigation team of the command department from June 2008 to July 2009, officer of the cadres department of the political office from July 2009 to March 2013, and deputy chief of the cadres department of the political office from March 2013 to July 2016.

Ms. Zhao obtained a bachelor's degree in border defense management from The Chinese People's Armed Police Force Academy in the PRC in June 2005 and a master's degree in military science from The Chinese People's Armed Police Force Academy in the PRC in June 2008. Ms. Zhao was accredited as an accountant by the Financial Bureau of Pudong New District of Shanghai in the PRC in January 2017.

Mr. Chen Xinji (陳新計), aged 33, is our employee representative Supervisor. Mr. Chen joined the Company as an assistant to the general manager of the Treasury Management Department in November 2016, and has been an employee representative Supervisor since June 2017.

Mr. Chen served in various positions in Haitong Securities from July 2007 to October 2016, including financial management controller of the finance department from July 2007 to March 2014, statistical information controller of the finance department from March 2014 to November 2015, and assistant manager of the accounting and auditing department of the finance department from November 2015 to October 2016.

Mr. Chen obtained a bachelor's degree in accounting from Guanghua School of Management of Peking University in the PRC in July 2007, and a master's degree in business administration from China Europe International Business School in the PRC in August 2017. Mr. Chen was accredited as an accountant by the Financial Bureau of Beijing in the PRC in November 2007, and obtained the qualification to engage in securities business issued by the Securities Association of China in August 2009.

Senior Management

Mr. Ding Xueqing (丁學清), aged 56, is our executive Director and general manager. See "— Directors" in this section for the biography of Mr. Ding.

Ms. Zhou Jianli (周劍麗), aged 47, is our executive Director, deputy general manager and chief financial officer. See "— Directors" in this section for the biography of Ms. Zhou.

Mr. Liu Heping (劉和平), aged 51, is our deputy general manager and chief legal officer. Mr. Liu joined our Company in November 2014 as chief legal officer, and has been a deputy general manager and chief legal officer since August 2015.

Mr. Liu served in various positions in Haitong Securities from July 2000 to November 2014, including officer of the general manager office from July 2000 to June 2002, assistant manager of the legal department of the general manager office from June 2002 to February 2004, division head of the legal department of the general manager office from February 2004 to January 2007, assistant to general manager of the risk and asset management department from January 2007 to September 2008, officer of the compliance office from September 2008 to February 2009, assistant to general manager of the compliance department from March 2009 to March 2011, and assistant to general manager of the compliance and risk management department from March 2011 to November 2014.

Mr. Liu obtained a bachelor of law degree in moral and political education from Anhui Normal University in the PRC in July 1993, a master of law degree in economic law from East China College of Political Science and Law (currently known as East China University of Political Science and Law) in the PRC in July 2000, and a doctoral degree in international law from East China College of Political Science and Law (currently known as East China University of Political Science and Law) in June 2005. Mr. Liu was qualified as a lawyer issued by the Department of Justice of Anhui Province in the PRC in May 1994.

Ms. Wu Jian (吳健), aged 46, is our deputy general manager and chief human resources officer. Ms. Wu joined our Company in November 2014 as chief human resources officer and was appointed as the assistant to general manager and the chief human resources officer in August 2015 and deputy general manager in March 2019.

Ms. Wu served in various positions in Haitong Securities from July 1996 to November 2014, including secretary of the general manager office from July 1996 to June 2002, officer of the human resources development department from June 2002 to June 2004, senior officer of the human resources development department from June 2004 to October 2005, assistant manager and manager of the manpower deployment department of the human resources department from November 2005 to April 2014, and manager of the talent management department of the human resources department and assistant to general manager from April 2014 to November 2014.

Ms. Wu obtained a bachelor of law degree in secretarial profession from Shanghai Normal University in the PRC in July 1996 and a master's degree in finance from Shanghai University of Finance and Economics in the PRC in January 2007.

Mr. Fu Da (傅達), aged 33, is our deputy general manager, chief risk officer, secretary to the Board and a joint company secretary. Mr. Fu joined our Company in December 2014 as the general manager of High-End Customers Department. He was appointed as the assistant to general manager in November 2015, secretary to the Board in May 2017 and deputy general manager and chief risk officer in March 2019.

Mr. Fu has served in various positions in Haitong Securities from September 2009 to December 2014, including an officer of the investment banking department from September 2009 to July 2011, manager of the investment banking department from July 2011 to April 2012, and senior manager of the investment banking department from April 2012 to December 2014.

Mr. Fu obtained a bachelor's degree in finance from Jinan University in the PRC in June 2008, and a master's degree in finance and economics from The London School of Economics and Political Science in the United Kingdom in July 2009.

Mr. Lu Yang (路陽), aged 40, is our deputy general manager. Mr. Lu has served in various positions of our Company since August 2010, including the chief marketing officer and general manager of the Machinery Business Department from August 2010 to February 2012, general manager of the Industrial Equipment Business Department from March 2012 to February 2014, vice president managing the industrials from March 2014 to November 2015, assistant to general manager since November 2015 and deputy general manager since March 2019.

Mr. Lu served in New Century Financial Leasing Co., Ltd. from July 2002 to August 2004, and served in Far Eastern International Leasing Co., Ltd. from September 2004 to July 2010.

Mr. Lu obtained a bachelor's degree in business administration from Shanghai Jiao Tong University in the PRC in July 2002, and a master's degree in business administration from Fudan University in the PRC in June 2010.

Mr. Gao Yong (高勇), aged 57, is the compliance officer of our Company. Mr. Gao has served as general manager of the Strategic Development Department of our Company since September 2015 and was appointed as compliance officer in August 2018. He has been a supervisor of Shanghai Dingjie Construction Development Co., Ltd. since June 2018.

Mr. Gao worked in the Xiaodongmen sub-branch and credit division of the Nan City branch of Shanghai (subsequently merged with the Huangpu branch of Shanghai) of Industrial and Commercial Bank of China from September 1981 to December 1996. He successively served as the deputy head of credit division, deputy head of credit review division, deputy head of credit customer department 1, assistant manager of financial business department and assistant manager of credit management department in Zhoujiadu sub-branch of the Pudong branch of Industrial and Commercial Bank of China from December 1996 to December 2005. Mr. Gao served as vice president of Pudong Avenue sub-branch of Industrial and Commercial Bank of China from January 2006 to December 2013 and the assistant manager (market 2) of Pudong branch of Shanghai of Industrial and Commercial Bank of China from January 2014 to July 2015.

Mr. Gao obtained an associate's degree in financial studies from Shanghai University of Finance and Economics in June 1987, a research master's degree in business management from City University of Macau (formerly known as Asia International Open University (Macau)) in March 2000 and a bachelor's degree in management from Air Force Engineering University in June 2005.

Mr. He Chen (何晨), aged 55, is the assistant to the general manager of the Company. Mr. He has been the head of the general manager office of the Company since January 2017 and the assistant to the general manager since August 2018.

Mr. He was a platoon leader of the ninth regiment of the third division of the first army group, political advisor, commander-level propaganda officer, deputy battalion-level political associate and deputy battalion-level officer in charge of propaganda and publicity from July 1985 to December 1994. He was a political associate at the headquarters of Wuhu military division from December 1994 to July 1997 and the chief of propaganda and security section of the political department of Wuhu military division from July 1999 to March 2002. He was a member of the standing committee of the communist party of Fanchang county and the political committee member of people's armed forces of Fanchang county from March 2002 to November 2005, a member of the standing committee of Fanchang county from November 2005 to February 2006, a member of the standing committee of the communist party and the secretary of disciplinary committee of Fanchang county from February 2006 to April 2008, a member of the standing committee of the communist party and a deputy standing magistrate of Fanchang county from April 2008 to September 2009, deputy secretary general of Wuhu municipal communist party committee and Wuhu municipal government and the director and secretary of communist party of the municipal bureau for complaints of Wuhu from September 2009 to March 2013, the head and secretary of communist party committee of housing and urban-rural development committee of Wuhu from March 2013 to September 2013, the head of housing and urban-rural development committee of Wuhu, Secretary of the Communist Party and the deputy secretary of Chengdong New District municipal communist party committee from September 2013 to May 2014, the head of housing and urban-rural development committee of Wuhu, Secretary of the Communist Party, the deputy secretary of Chengdong New District municipal communist party committee and of the head of Wuhu Housing Expropriation Administration Office (acting) from May 2014 to May 2016 and the head of housing and urban-rural development committee of Wuhu, Secretary of the Communist Party and the head of Wuhu Housing Expropriation Administration Office from May 2016 to December 2016.

Mr. He graduated from the Nanjing Army College in July 1985 and obtained a bachelor's degree in economics from Party School of the Central Committee in December 1996.

Ms. Sang Linna (桑琳娜), aged 43, is our assistant to general manager. Ms. Sang joined our Company in April 2009 and served as general manager of Business Department and vice president of business from April 2009 to August 2015 and executive deputy general manager and chief operating officer of Gui'an UT form April to October 2018. She joined our Company again in November 2018, and has served as Assistant to general manager of our Company since March 2019.

Ms. Sang served as a sales manager of CIT Finance & Leasing Corporation from July 2002 to April 2009, and a vice president of Peking Central Ocean Prolific Energy Power Investment Limited from August 2015 to October 2016, a vice president of Zhengqi (Beijing) Asset Management Co. Ltd. from January 2017 to September 2017 and a general manager of Shaanxi DaTang Silk Road International Financial Leasing Co., Ltd. from September 2017 to April 2018.

Ms. Sang graduated from North China University of Technology in July 1999 with a major in international trade and obtained a master's degree in business administration from Shanghai Jiao Tong University in June 2010.

Joint Company Secretaries

Mr. Fu Da (傅達), aged 33, is our deputy general manager, chief risk officer, secretary to the Board and a joint company secretary. See "— Senior Management" in this section for his biography.

Ms. So Shuk Yi Betty (蘇淑儀), is one of the joint company secretaries of the Company. Ms. So currently serves as vice president of SWCS Corporate Services Group (Hong Kong) Limited, a professional services provider specializing in corporate services. She has over 20 years of experience in company secretarial field.

2 CHANGE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Wang Meijuan has ceased to serve as a director of Haitong Capital Co., Ltd. since July 2019 and a general manager of the audit department of Haitong Securities since December 2019.

In October 2019, Mr. Zhang Shaohua was appointed as a director of Shanghai Haitong Securities Asset Management Co., Ltd. Mr. Zhang has served as the general manager of the capital management department of Haitong Securities since December 2019.

In November 2019, Ms. Ha Erman was elected as a non-executive Director of the Company pursuant to the approval by resolution at the third extraordinary general meeting of the Company of 2019.

In November 2019, Mr. Li Chuan was elected as a non-executive Director of the Company pursuant to the approval by resolution at the third extraordinary general meeting of the Company of 2019.

Mr. Li Chuan has served as a general manager of Shanghai Electric Insurance Limited since November 2019 and a director of Shanghai Electric Hong Kong Treasury Management Co., Limited since December 2019.

Since December 2019, Ms. Ha Erman has served as a supervisor of AECC Commercial Aircraft Engine Co., Ltd.

Save for the above, there are no other substantial changes of directors, supervisors and senior management during the Report Period.

The Board is pleased to present the corporate governance report of the Company for the year ended December 31, 2019.

1 CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining a high level of corporate governance in order to protect the rights of its Shareholders, enhance corporate value and improve the effectiveness of its development strategy as well as the transparency and accountability of the Group. The Company has adopted the corporate governance code set out in Appendix 14 to the Hong Kong Listing Rules (the "Corporate Governance Code") as its corporate governance practices.

From the Listing Date to December 31, 2019, the Company complied with all the provisions set out in the Corporate Governance Code.

The Company will continue to improve its corporate governance practices based on its business activities and development needs, and review such practices from time to time to ensure it complies with the corporate governance code and keeps up with the latest development.

2 MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted a code of conduct for the securities transactions of Directors and Supervisors no less exacting than the standards of the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules (the "Model Code"). Having made specific enquiry of all Directors and Supervisors, the Directors and Supervisors of the Company have confirmed that they had complied with the abovementioned code during the period from the Listing Date to December 31, 2019.

3 SHAREHOLDERS' GENERAL MEETING

Functions and Powers of Shareholders' General Meeting

The Shareholders' general meeting is the organ of authority of the Company, and is composed of all Shareholders of the Company. The Shareholders' general meeting shall exercise the following major functions and powers:

(1) to decide on the operating policies and investment plans of the Company;

(2) to elect and replace Directors, and to determine the remuneration of the relevant Directors;

(3) to elect and replace shareholder representative Supervisors, and to determine the remuneration of the relevant Supervisors;

(4) to consider and approve the reports of the Board and the Board of Supervisors;

(5) to consider and approve the proposed annual financial budgets, final accounts, profit distribution plans, loss recovery plans and share incentive plans of the Company;

(6) to adopt resolutions on matters such as any increase or reduction of the registered capital, merger, division, dissolution, liquidation or change of corporate form of the Company, issuance of bonds, appointments, dismissals or non-reappointments of accounting firm and amendments to the Articles of Association of the Company;

(7) to consider and approve proposals made by shareholders representing not less than three percent (3%) (including 3%) of the voting shares of the Company separately or in aggregate;

(8) to consider and approve any single guarantee provided by the Company with an amount exceeding 10% of the latest audited net assets of the Company, or any external guarantee with a total amount reaching or exceeding 30% of the latest audited total assets of the Company, or any external guarantee provided by the Company and its subsidiaries with a total amount reaching or exceeding 50% of the latest audited net assets of the Company and such subsidiaries, or any external guarantee provided to any party with a asset-liability ratio of over 70%;

(9) to consider and approve acquisition or disposal of any material asset with an amount exceeding 30% of the latest audited total assets of the Company within one year.

Shareholders' General Meetings

A Shareholders' general meeting shall either be an annual general meeting or an extraordinary general meeting. The annual general meeting is convened once a year and shall be held within six months from the end of the preceding accounting year. A written notice of a Shareholders' general meeting convened by the Company shall be given 45 days prior to the convening of such meeting (inclusive of the day on which the meeting is held), and a notice in the form of announcement shall be given 45 to 50 days prior to the convening of such meeting, to all Shareholders whose names appear in the register of Shareholders specifying the matters to be considered at the meeting and the date and venue of the meeting.

During the Reporting Period, the Company convened 4 Shareholders' general meetings and considered and approved 15 resolutions related to system amendment, appointment of Directors, review of reports, connected transactions and changes in accounting policies.

Attendance of the general meetings by Directors is set out as follows:

Director	Number of meetings attended/ should have attended
Mr. Ren Peng	4/4
Ms. Ha Erman[1]	1/1
Mr. Li Chuan[2]	1/1
Mr. Ding Xueqing	4/4
Mr. Wu Shukun	4/4
Mr. Zhang Shaohua	4/4
Ms. Zhou Jianli	4/4
Mr. Jiang Yulin	4/4
Mr. Yo Shin	4/4
Mr. Zeng Qingsheng	4/4
Mr. Wu Yat Wai	4/4

(1) Ms. Ha Erman has been a non-executive Director of the Company since November 2019.

(2) Mr. Li Chuan has been a non-executive Director of the Company since November 2019.

4 BOARD OF DIRECTORS

Functions and Powers of the Board

The Board is the decision-making body of the Company and shall be accountable to the Shareholders' general meeting. The Board exercises the following major functions and powers:

(1) to convene Shareholders' general meetings and to report on its work to the Shareholders' general meetings;

(2) to implement the resolutions of the Shareholders' general meetings;

(3) to decide on the business plans and investment plans of the Company;

(4) to formulate the annual financial budget and final accounts of the Company;

(5) to formulate the plans for profit distribution and making up losses of the Company;

(6) to formulate proposals for the increase or reduction of the registered capital and the issue of corporate bonds of the Company;

(7) to formulate proposals for the acquisition and disposal of the material assets of the Company and plans for merger, division or dissolution of the Company;

(8) to decide on the establishment of the internal management structure of the Company;

(9) to appoint or remove the general manager and secretary to the Board of the Company, to appoint or remove senior management, such as the deputy general manager, chief financial officer, chief risk officer (risk control officer), chief compliance officer and assistant to the general manager based on the recommendations of the general manager, and to decide on their remuneration;

(10) to formulate proposals for any amendment to the Articles of Association;

(11) to approve the guarantees which are not subject to the approval of the Shareholders' general meeting;

(12) to approve the acquisition and disposal of material assets of the Company which are not subject to the approval of the Shareholders' general meeting;

(13) to formulate the basic management system of the Company;

(14) to determine other material matters and administrative matters, and to execute other significant agreements, except for the matters to be resolved at the Shareholders' general meeting in accordance with the Company Law and the Articles of Association;

(15) to propose the appointment or removal of accounting firm as the auditor of the Company to the Shareholders' general meeting;

(16) to manage the matters in relation to the information disclosure of the Company;

(17) to decide on the risk management system of the Company;

(18) to exercise other functions or powers conferred by the Shareholders' general meeting and the Articles of Association.

Composition of the Board

The Board currently consists of 11 Directors, among which, two are executive Directors, five are non-executive Directors and four are independent non-executive Directors. Details are as follows:

Executive Directors:

Mr. Ding Xueqing

Ms. Zhou Jianli

Non-executive Directors:

Mr. Ren Peng (chairman of the Board)

Ms. Ha Erman

Mr. Li Chuan

Mr. Wu Shukun

Mr. Zhang Shaohua

Independent non-executive Directors:

Mr. Jiang Yulin

Mr. Yo Shin

Mr. Zeng Qingsheng

Mr. Wu Yat Wai

Biographical details of the Directors are set out in the section headed “Directors, Supervisors and Senior Management” in this annual report.

Except as disclosed in the biographies of Directors set out in the section headed "Directors, Supervisors and Senior Management" in this annual report, no Director has any personal relationship (including finance, business, family or other significant/related relationships) with other Directors, Supervisors or chief executives.

Meetings of the Board

The Board shall hold at least 4 meetings in each year. Notices of such meetings shall be served to all of the Directors and Supervisors at least fourteen (14) days before the dates of the meetings in order to give all Directors the opportunity to attend meetings on a regular basis and discuss matters on the agenda.

During the Reporting Period, the Board held 13 Board meetings and considered and approved 47 resolutions related to the issuance and listing of H shares, development plan, business development, asset transactions, connected transactions, system amendment, appointment and removal of personnel, operation examination and assessment and mandate for guarantees.

Attendance of the Board meetings by Directors is set out as follows:

Director	Number of meetings attended/ should have attended
Mr. Ren Peng	13/13
Ms. Ha Erman[1]	2/2
Mr. Li Chuan[2]	2/2
Mr. Ding Xueqing[3]	12/13
Mr. Wu Shukun	13/13
Mr. Zhang Shaohua	13/13
Ms. Zhou Jianli	13/13
Mr. Jiang Yulin[4]	12/13
Mr. Yo Shin	13/13
Mr. Zeng Qingsheng[5]	12/13
Mr. Wu Yat Wai	13/13

(1) Ms. Ha Erman has been a non-executive Director of the Company since November 2019.

(2) Mr. Li Chuan has been a non-executive Director of the Company since November 2019.

(3) Mr. Ding Xueqing did not attend the 22nd meeting of the first session of the Board but appointed Ms. Zhou Jianli as his proxy.

(4) Mr. Jiang Yulin did not attend the 18th meeting of the first session of the Board but appointed Mr. Yo Shin as his proxy.

(5) Mr. Zeng Qingsheng did not attend the 18th meeting of the first session of the Board but appointed Mr. Yo Shin as his proxy.

Chairman of the Board and General Manager

According to provision A.2.1 of the Corporate Governance Code, the roles of chairman and general manager should be separated and performed by different persons.

Mr. Ren Peng is the chairman of the Board of the Company. He is responsible for leading the Board, ensuring that the Board operates effectively and performs its duties, and serves the best interests of the Company. Responsibilities of the chairman of the Board are follows:

(1) to preside over Shareholders' general meetings and convene and preside over meetings of the Board;

(2) to supervise the implementation of the resolutions passed by the Board;

(3) to sign the securities issued by the Company;

(4) to exercise other functions and powers conferred by the Board.

Mr. Ding Xueqing is the general manager of the Company and exercises the following functions and powers:

(1) to be in charge of the operation and management of the Company and to organize the implementation of the resolutions of the Board;

(2) to organize the implementation of the annual business plans and investment plans of the Company;

(3) to formulate plans for the establishment of the internal management structure of the Company;

(4) to formulate plans for the establishment of the branches of the Company;

(5) to formulate the basic management system of the Company;

(6) to formulate basic rules and regulations of the Company;

(7) to propose the appointment or removal of deputy general managers, chief financial officer, chief risk officer (risk control officer), compliance officer, assistants to general manager and other senior management;

(8) to appoint or remove the management personnel other than those required to be appointed or removed by the Board;

(9) to exercise other functions and powers conferred by the Articles of Association and the Board.

Duties, Responsibilities and Contributions of the Board and the Senior Management

The Board reserves the right of final decision on all material matters concerning policies, strategies and budgets, internal control and risk management, corporate governance, major transactions (especially transactions that may involve conflicts of interest), financial data, appointment of Directors and other important operation matters of the Company. Directors may seek independent professional advice when performing their duties at the expense of the Company. They are also encouraged to conduct independent consultations with the senior management of the Company. Responsibilities to execute Board decisions, direct and coordinate the daily operations and management of the Company are delegated to the management.

The Board leads and guides the management directly and indirectly through professional committees, including formulating strategies and supervising their implementation, monitoring the operation and financial performance of the Group, and ensuring that a good internal control and risk management system is in place. All Directors (including non-executive Directors and independent non-executive Directors) have contributed their wide range of business experience, knowledge and professionalism to the efficient operation of the Board. Independent non-executive Directors play a balancing role in the Board, and enable the Board to make effective independent judgments in corporate actions and operations. All Directors must ensure that they perform their duties in good faith, comply with applicable laws and regulations, and act in the interests of the Company and its Shareholders at all times.

The day-to-day management, administration and operations of the Group are delegated to the senior management. The Board reviews the functions and responsibilities authorized to the senior management on a regular basis. The management shall obtain approval from the Board before entering into any major transactions.

The Company has made appropriate insurance arrangements for its Directors and senior management in respect of legal actions that may arise from corporate activities against its Directors and senior management.

Independent Non-executive Directors

During the Reporting Period, the Board had been in compliance with the Hong Kong Listing Rules regarding the appointment of at least three independent non-executive directors, and that the appointed independent non-executive directors shall account for at least one-third of the members of the Board. At least one of the independent non-executive directors shall have appropriate professional qualifications or accounting or related financial management expertise as required. The qualifications of the four independent non-executive Directors of the Company fully comply with the requirements of Rules 3.10(1) and (2) of the Hong Kong Listing Rules.

The Company has received confirmation of the independence of each of the independent non-executive Directors in accordance with Rule 3.13 of the Hong Kong Listing Rules. The Company considers that all the independent non-executive Directors were independent persons during the period from the Listing Date to December 31, 2019 under Rule 3.13 of the Hong Kong Listing Rules.

Re-appointment of Non-executive Directors and Directors

The current non-executive Directors of the Company are Mr. Ren Peng, Ms. Ha Erman, Mr. Li Chuan, Mr. Wu Shukun, and Mr. Zhang Shaohua, and the term of office is from the date of appointment to the date of expiry of the first session of the Board.

Non-executive Directors provide the Board with extensive business and financial expertise, experience and independent judgment. All non-executive Directors actively participate in Board meetings, play a leading role in management of issues involving potential conflicts of interest, serve professional committees of the Board, and contribute to the effective management of the Company in various aspects.

Provision A.4.1 of the Corporate Governance Code stipulates that non-executive directors shall have a fixed term of office and shall be subject to re-election. According to the Articles of Association of the Company, each Director of the Company shall have a fixed term of three years subject to the approval of the Shareholders' general meeting of the Company, and his/her term of office shall be renewable upon re-election at the Shareholders' general meeting of the Company.

Continuous Professional Development of Directors

All newly appointed Directors are provided with necessary induction training and information to ensure that they have appropriate understanding of the operation and businesses of Company and their responsibilities under relevant regulations, laws, rules and provisions.

The Company also arranges seminars for Directors to provide them with updated information on the latest developments and changes in the Hong Kong Listing Rules and other relevant legal and regulatory requirements from time to time. Directors are also provided with updated information on the performance, position and prospects of the Company on a regular basis, enabling the Board as a whole and each Director to perform their duties.

Directors shall participate in appropriate continuous professional development programs to develop and update their knowledge and skills to ensure that their contributions to the Board are informed and relevant. The Company encourages all Directors to attend relevant training courses at the expense of the Company.

During the Reporting Period, all Directors participated in appropriate continuous professional development activities by way of attending relevant trainings and seminars, and reading regulation updates, seminar materials and internal research materials and circulars provided by the Company. Record of Directors receiving trainings and reading materials regarding duties and responsibilities of Director during the Reporting Period are as follow:

Director	Type of training received by Director Note
Mr. Ren Peng	A
Ms. Ha Erman	A
Mr. Li Chuan	A
Mr. Ding Xueqing	A
Mr. Wu Shukun	A
Mr. Zhang Shaohua	A
Ms. Zhou Jianli	A
Mr. Jiang Yulin	A
Mr. Yo Shin	A
Mr. Zeng Qingsheng	A
Mr. Wu Yat Wai	A

Note: Types of training

A: Participate in training courses and reading materials regarding duties and responsibilities of Director, including but not limited to presentations, seminars, conferences and lectures.

5 PROFESSIONAL COMMITTEES OF THE BOARD

The Board has established four professional committees, namely the Audit Committee, the Risk Management Committee, the Nomination Committee and the Remuneration and Evaluation Committee, to oversee specific aspects of the affairs of the Company. All Board committees of the Company have been established in accordance with the terms of reference in writing. The terms of reference of the Board committees are published on the websites of the Company and the Hong Kong Stock Exchange.

The majority of the members of each Board committee are independent non-executive Directors or non-executive Directors. The list of chairman and members of each Board committee is set out in the section headed “Company Profile” in this report.

Audit Committee

The Audit Committee consists of three members, namely two independent non-executive Directors, Mr. Zeng Qingsheng (chairman) and Mr. Yo Shin, and one non-executive Director, Mr. Zhang Shaohua.

The main responsibilities of the Audit Committee are as follows:

(1) reviewing the financial information of the Company and its disclosure;

(2) monitoring the integrity of the financial statements and annual reports and accounts, interim reports and quarterly reports (if any) of the Company, and reviewing significant opinions contained therein in respect of relevant financial reporting. The Audit Committee shall consider any significant or unusual matters reflected or required to be reflected in such reports and accounts, and shall give due consideration to any matters raised by the accounting and financial reporting staff, compliance officers or external auditors of the Company;

(3) reviewing and evaluating the financial control system and internal audit system of the Company;

(4) discussing the internal control system with the management to ensure that the management has performed its duty to have an effective internal control system. The discussion should include adequacy of the resources, staff qualifications and experience, training programs and budgets thereof in relation to accounting and financial reporting function of the Company;

(5) considering major investigation findings on internal control matters and the response of the management to these findings on its own initiative or as delegated by the Board;

(6) conducting all types of specific audits and liaising with the internal audit department and external auditor so as to coordinate their works; ensuring that the internal audit department is adequately resourced and has appropriate standing within the Company, and examining the effectiveness of internal audit function;

(7) reviewing the financial and accounting policies and practices of the Group;

(8) providing advice and suggestions on the appraisals and replacement of the head of the internal audit department of the Company;

(9) proposing the appointment, re-appointment or change of the external auditor, approving the remuneration and terms of engagement of the external auditor;

(10) reviewing and monitoring the independence and objectivity of the external auditor and the effectiveness of the audit process in accordance with the applicable standards. The Audit Committee shall discuss with the external auditor the nature and scope of the audit and the relevant reporting obligations before the audit commences, and shall develop and implement policies on the provision of non-audit services by the external auditor;

(11) acting as the representative of the Company and the external auditor and monitoring their relationship;

(12) other responsibilities as stipulated in the Articles of Association and other relevant matters as authorized by the Board.

The terms of reference of the Audit Committee are available on the websites of the Hong Kong Stock Exchange and the Company.

The Audit Committee held two meetings during the year ended December 31, 2019 to review matters in relation to financial results and reports, changes in accounting policies, appointment of external auditors and interim profit distribution for 2019.

The annual results of the Company for the year ended December 31, 2019 have been reviewed by the Audit Committee.

The attendance of each member of the Audit Committee at the committee meetings is set out in the following table:

Director	Number of meetings attended/ should have attended
Mr. Zeng Qingsheng (chairman)	2/2
Mr. Zhang Shaohua	2/2
Mr. Yo Shin	2/2

Nomination Committee

The Nomination Committee consists of three members, namely one non-executive Director, Mr. Ren Peng (chairman), and two independent non-executive Directors, Mr. Jiang Yulin and Mr. Wu Yat Wai.

The main responsibilities of the Nomination Committee are as follows:

(1) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least once a year and making recommendations on proposed changes to the Board in accordance with the corporate strategy of the Company based on the relevant provisions of the Company Law and specific circumstances such as the characteristics of the shareholding structure of the Company. In considering the composition of the Board, various aspects regarding the diversity of the members shall be taken into account, including but not limited to gender, age, cultural and education background and professional experience;

(2) examining and proposing to the Board the standards and procedures for the selection of Directors and senior management;

(3) identifying qualified candidates for Directors and senior management extensively;

(4) reviewing and making recommendations on the candidates for Directors and senior management;

(5) reviewing and making recommendations on the candidates for other senior management required to be appointed by the Board;

(6) evaluating the independence of independent non-executive Directors;

(7) making recommendations to the Board on the appointment or reappointment of Directors, and the succession plan for Directors (particularly the chairman of the Board and the general manager);

(8) other duties as stipulated by the Articles of Association and matters authorized by the Board.

The terms of reference of the Nomination Committee are available on the websites of the Hong Kong Stock Exchange and the Company.

Board diversity policy

The Company understands and believes that the diversity of the Board has great benefit for the performance of the Company. The Company considers enhancing diversity at the board level as a key element in supporting its achievement of strategic goals and sustainable development. The Board has adopted a board diversity policy to ensure that the Board achieves an appropriate balance in terms of skills, experience and diversity of perspectives required for improving its efficiency.

The Nomination Committee will review the structure, size and composition of the Board at least once a year to ensure that the board diversity policy is effectively implemented.

The criteria adopted by the Nomination Committee to consider the suitability of relevant persons for directorship include their quality, qualifications, experience, professional skills and knowledge as well as the requirements of the Listing Rules. In assessing composition of the Board, the Nomination Committee will consider all aspects and factors of diversity of members stipulated in the board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industrial and regional experience. The Nomination Committee shall fully consider the diversity of members before making recommendations to ensure that the Board will be composed of members with accounting or financial expertise, legal professional qualifications, financial investment experience or experience in industries related to the Company. The Nomination Committee shall identify suitable and qualified individuals for the election of Directors and select or make recommendations on the selection of candidates for nomination to the Board.

Nomination Policy for Directors

The Company has adopted a nomination policy for Directors. Such policy has been included in the terms of reference of the Nomination Committee. The policy sets out the objectives, selection criteria and nomination procedures for selecting or recommending appointment or re-appointment of Director candidates. During the Reporting Period, Ms. Ha Erman and Mr. Li Chuan were nominated as Directors.

The nomination methods and procedures for Directors are as follows:

(1) the Nomination Committee shall actively communicate with relevant departments of the Company, conduct research and prepare written materials on the demands of the Company for Directors;

(2) the Nomination Committee may extensively identify and select candidates for Directors in the Company, controlling (shareholding) enterprises and talent market;

(3) collecting information of candidates such as occupation, education qualification, detailed working experience and part-time jobs, and preparing written materials accordingly;

(4) the Nomination Committee shall fully consider opinions of the nominees in respect of the nomination;

(5) convening meetings of the Nomination Committee, and conducting reviews on the qualification of the initial candidates in accordance with the job requirements of Directors;

(6) submitting suggestions and relevant materials regarding the candidates for Directors to the Board before election;

(7) the Nomination Committee, in performing its duties, may invite people with relevant experience and experts from independent and professional consulting institutions to attend meetings or convene an expert review meeting if so required;

(8) carrying out other follow-up work based on the decisions and feedback of the Board.

The Nomination Committee should give due consideration to the Hong Kong Listing Rules, the Articles of Association and applicable laws and regulations when identifying individuals suitably qualified to become Board members. In addition, the Nomination Committee considers factors including occupation, education background, job title, detailed work experience and all the part-time positions of the candidates, and whether the candidates have a balance of skills, experience and diversity of perspectives, the ability to devote sufficient time and attention to the affairs of the Company and contribute to the diversity of the Board when evaluating the candidates.

The Nomination Committee held two meetings during the year ended December 31, 2019 to discuss matters in relation to the appointment of senior management of the Company and the nomination of candidates for non-executive Directors.

The attendance of each member of the Nomination Committee at the committee meetings is set out in the following table:

Director	Number of meetings attended/ should have attended
Mr. Ren Peng (chairman)	2/2
Mr. Jiang Yulin	2/2
Mr. Wu Yat Wai	2/2

Remuneration and Evaluation Committee

The Remuneration and Evaluation Committee consists of three members, namely two independent non-executive Directors, Mr. Jiang Yulin (chairman) and Mr. Yo Shin, and one non-executive Director, Mr. Wu Shukun.

The main responsibilities of the Remuneration and Evaluation Committee are as follows:

(1) reviewing the assessment criteria for Directors and senior management, conducting assessments and making recommendations;

(2) reviewing and examining the remuneration policies and plans of Directors and senior management based on the corporate policies and objectives formulated by the Board, the position, duties and terms of reference of the Directors and senior management and with reference to the remuneration of similar positions in the same region, in the same industry or competitors, and making recommendations to the Board on the establishment of compliant and transparent procedures;

(3) evaluating the remuneration system of the Company, and reviewing and supervising its implementation;

(4) making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, including non-pecuniary interests, pension rights and compensation payments (including compensation payable for loss or termination of their office or appointment);

(5) making recommendations to the Board on the remuneration of non-executive Directors;

(6) supplementing and revising the remuneration system and structure based on the market environment and the development of the Company from time to time;

(7) considering salaries paid, time commitment and responsibilities by comparable companies, and employment conditions elsewhere in the Group;

(8) other duties as stipulated by the Articles of Association and matters authorized by the Board.

The terms of reference of the Remuneration and Evaluation Committee are available on the websites of the Hong Kong Stock Exchange and the Company.

The Remuneration and Evaluation Committee held one meeting during the year ended December 31, 2019 to review matters in relation to the remuneration policy of Directors, performance evaluation of executive Directors, approval of terms of service contracts of executive Directors, the formulation of annual operation goals and annual appraisal results.

The attendance of each member of the Remuneration and Evaluation Committee at such meetings is set out in the following table:

Director	Number of meetings attended/ should have attended
Mr. Jiang Yulin (chairman)	1/1
Mr. Wu Shukun	1/1
Mr. Yo Shin	1/1

Risk Management Committee

The Risk Management Committee consists of three members, namely one independent non-executive Director, Mr. Yo Shin (chairman), one executive Director, Mr. Ding Xueqing, and one non-executive Director, Mr. Zhang Shaohua.

The main responsibilities of the Risk Management Committee are as follows:

(1) supervising and providing guidance for the establishment and improvement of the risk management and internal control systems of the Company; reviewing and monitoring the policies and requirements of the Company on the compliance with laws and regulations;

(2) reviewing plans, annual work plans and annual reports in relation to the risk management and internal control systems of the Company;

(3) reviewing the organizational structure and allocation of duties in relation to the risk management and internal control systems of the Company;

(4) reviewing policies and work processes in relation to the risk management and internal control systems of the Company;

(5) reviewing the risk management strategies and action plans for major risks of the Company;

(6) conducting research on the management of risks arising from major investing and financing activities and other major operational and managerial matters, and providing recommendations to the Board;

(7) discussing the risk management systems with the senior management to ensure that the senior management has discharged its duty to establish and implement effective risk management systems; ensuring adequate resources, staff qualifications and experience, training for employees and relevant budget in respect of risk management;

(8) conducting research on major emergency risk events and results of important investigations of other matters relating to risk management and internal control, as well as the responses from the management;

(9) reviewing the corporate governance policies and practices of the Company, and making recommendations to the Board;

(10) reviewing and monitoring the training and continuous professional development of the Directors and senior management;

(11) formulating, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to the employees and Directors;

(12) reviewing the Company's compliance with the Corporate Governance Code and disclosure in the corporate governance report;

(13) other matters as authorized by the Board.

The terms of reference of the Risk Management Committee are available on the websites of the Hong Kong Stock Exchange and the Company.

The Risk Management Committee held three meetings during the year ended December 31, 2019 to review matters in relation to annual compliance report, annual risk assessment report, amendment to administrative measures for comprehensive risk management and measures for management of concentration of credit assets in order to access the effectiveness regarding the functions of corporate risk management and internal control system as well as the internal audit of the Company.

The attendance of each member of the Risk Management Committee at the committee meetings is set out in the following table:

Director	Number of meetings attended/ should have attended
Mr. Yo Shin (chairman)	3/3
Mr. Ding Xueqing	3/3
Mr. Zhang Shaohua	3/3

6 RISK MANAGEMENT AND INTERNAL CONTROL

The Board confirms its responsibilities for risk management and internal control systems, and for reviewing the effectiveness of such risk management and internal control systems. Such systems are designed to manage rather than eliminate the risk of failing to achieve business objectives, and can only provide reasonable rather than absolute assurance that there will be no material misstatement or loss.

The Board reviews the effectiveness of the risk management and internal control procedures of the Company and its subsidiaries at least once a year. The review covers all major control issues, including financial, operational and compliance control and risk management issues. The annual review of the Board should, in particular, ensure the adequacy of resources, staff qualifications and experience of the accounting, internal audit and financial reporting functions, training programmes and budget of the accounting, internal audit and financial reporting functions of the Company.

Thorough Comprehensive Risk Management and Internal Control Systems

Adhering to prudent risk management principle, the Group has established a comprehensive risk management system and embedded various risk management measures into all aspects of its business operations. The Group has continuously improved its overall risk management level and core competitiveness through further optimization of its comprehensive risk management system. The objective of risk management of the Group is to manage risks within acceptable level and maximize risk-adjusted returns.

The main duties of the Board include reviewing and approving our major risk management strategies and policies, monitoring the implementation of risk management rules and procedures, and assessing our overall risk exposure. The Board of Supervisors is responsible for supervising the formulation and implementation of risk management and internal control systems and policies by the Directors and senior management. Senior management is responsible for implementing the decisions of the Board and effectively performing responsibilities related to risk management and internal control. All branches and the departments are responsible for participating in the formulation of business systems and operating procedures relating to their own responsibilities, and strictly enforcing the risk management and internal control systems.

The Company has established the Risk Management Committee, the Audit Committee and the internal control departments such as the risk management department, the audit department, the compliance department and the disciplinary inspection office. The Risk Management Committee is an advisory organization for the Board on matters related to risk management and internal control systems, and is mainly responsible for the establishment and improvement of risk management and internal control systems. The Risk Management Committee is also responsible for the review, approval and management of policies, measures and procedures, overall implementation and effectiveness relating to the overall risk management and internal control systems.

The internal control team of the Group plays an important role in monitoring the internal governance of the Company. The main duties of the internal control team include regulation and review of the financial position and internal control of the Company and audit of all the subsidiaries of the Company. The Audit Committee is mainly responsible for the supervision of internal audit of the Company, evaluation and improvement of the internal control system of the Company and risk analysis of major investment projects under operation of the Company.

Independent and Sound Internal Audit

The Group adopts a risk-oriented approach for its internal audit. The Group carries out independent, objective internal audit to perform its supervisory, assessing and advisory functions and to supervise the management of major risks in order to support the Board, the Board of Supervisors and the senior management. The Group has developed audit management measures and related audit systems. The scope of audit covers the internal control and risk management process of its various business departments, functional departments, branches, subsidiaries and components of its business development, with particular focus on key businesses, key components and key positions.

Continuous Improvement of Risk Management and Internal Control Systems

The Company continues to improve its governance structure, strengthen its comprehensive risk management system and enhance its internal control system. Continuous efforts were made to standardize its internal authorization system, optimize the management of connected transactions and further promote the effective implementation of internal control. These initiatives allowed the Company to further strengthen the implementation of internal control, effectively control its major risks and carry out continuous improvement in its management levels so that its internal control levels and risk prevention capabilities could align with the development and achievement of its strategic goals.

During the Reporting Period, the Company formulated and issued systems that optimized risk management and internal control, including the Measures for Comprehensive Risk Management of Haitong UniTrust International Leasing Co., Ltd. (2019 revision) (《海通恒信國際租賃股份有限公司全面風險管理辦法(2019年修訂版)》), the Management Measures on Operational Risk of Haitong UniTrust International Leasing Co., Ltd. (Provisional) (《海通恒信國際租賃股份有限公司操作風險管理辦法(試行)》), the Management Measures on Risk Pricing and Limits of Haitong UniTrust International Leasing Co., Ltd. (Provisional) (2019 revision) (《海通恒信國際租賃股份有限公司風險定價和限額管理辦法(試行)(2019年修訂版)》) and the Management Measures on the Prevention of Operational Risk of Financial Leasing Business of Haitong UniTrust International Leasing Co., Ltd. (Fourth revision) (《融資租賃業務操作風險防範管理辦法(第4次修訂)》), to further enhance the control of Office Automatic System ("OA System") approval process.

Inside Information

The Company is aware of its obligations under the Securities and Futures Ordinance and the Hong Kong Listing Rules and the overriding principle that inside information should be announced immediately after such information comes to its attention and/or when relevant decisions are made unless it falls within "safe harbours" as defined under the Securities and Futures Ordinance. In addition, the Company has formulated the Information Disclosure Management System (《信息披露管理制度》) to clarify the division of responsibilities for information management and the procedures for information dissemination. The Company has also carried out real-time monitoring of possible inside information and arrange for intermediaries to determine whether such information is inside information and is practicable for disclosure. If the disclosure standards are met, the information should be disclosed as early as possible. Before the disclosure, the scope of knowledge should be strictly controlled and the fluctuation of the stock price should be monitored until the completion of the disclosure of the inside information. If the disclosure standards are not met, the Company will also maintain strict confidentiality.

With the support of the Audit Committee, the Risk Management Committee and the management report, the Board reviewed the risk management and internal control systems, including financial, operational and compliance control, for the year ended December 31, 2019, and considered that the relevant systems were effective and adequate.

7 CORPORATE GOVERNANCE

The Risk Management Committee is responsible for performing corporate governance duties, including:

(1) reviewing the corporate governance policies and practices of the Company, and making recommendations to the Board;

(2) reviewing and monitoring the training and continuous professional development of the Directors and senior management;

(3) formulating, reviewing and monitoring the code of conduct and compliance manual applicable to the employees and Directors;

(4) reviewing the Company's compliance with the Corporate Governance Code and disclosure in the corporate governance report.

The Board has regularly reviewed the shareholders communication policy to ensure its effectiveness. It also reviews the corporate governance policies and practices of the Company, the training and continuous professional development of Directors and senior management, policies and practices regarding compliance with laws and regulatory requirements of the Company, compliance with the Model Code and written employee guidelines and compliance with the Corporate Governance Code of the Company as well as disclosures made in this corporate governance report.

8 JOINT COMPANY SECRETARIES

Mr. Fu Da is a joint company secretary of the Company and is responsible for advising the Board on corporate governance and ensuring compliance with policies and procedures of the Board, applicable laws, rules and regulations.

In order to maintain satisfactory corporate governance and ensure compliance with the Hong Kong Listing Rules and applicable laws of Hong Kong, the Company has also engaged Ms. So Shuk Yi Betty of SWCS Corporate Services Group (Hong Kong) Limited, a corporate secretary service provider, as the other joint company secretary of the Company to assist Mr. Fu Da in fulfilling his role as the company secretary of the Company. The main contact person of Ms. So Shuk Yi Betty with the Company is Mr. Ding Xueqing, an executive Director and general manager of the Company.

During the Reporting Period, Mr. Fu Da and Ms. So Shuk Yi Betty participated in relevant professional training of not less than 15 hours in accordance with Rule 3.29 of the Hong Kong Listing Rules.

9 RESPONSIBILITIES OF DIRECTORS TO THE FINANCIAL STATEMENTS

The Directors confirm that they are responsible for the preparation of the financial statements of the Company for the year ended December 31, 2019.

The Board is responsible for the preparation of balanced, clear, understandable and assessable annual and interim reports, the release of inside information and other data required to be disclosed under the Listing Rules and other statutory and regulatory requirements.

The Directors are not aware of any significant uncertainties relating to events or conditions that may cast significant doubt upon the ability of the Company to continue as a going concern. If the Directors are aware of any significant uncertainties or circumstances that may seriously affect the ability of the Company to continue as a going concern, they should clearly set out the uncertainties with detailed discussion in this corporate governance report.

The management has provided the Board with the necessary explanations and information to enable the Board to make informed assessment of the financial statements of the Company which had been submitted to the Board for approval.

10 REMUNERATION OF AUDITOR

The statement made by Deloitte Touche Tohmatsu on their reporting responsibilities on the consolidated financial statements of the Company is set out in the independent auditor's report on page 181 of this annual report.

The approximate emoluments of the audit and non-audit services provided by the auditor to the Group. during the year ended December 31, 2019 are set out below:

Type of service	Amount RMB in thousands
Audit service	3,809.8
Non-audit service	159.9
Total	3,969.7

11 RIGHTS OF SHAREHOLDERS

Procedures for Convening Extraordinary General Meetings

According to the Articles of Association, shareholders who request the convening of extraordinary general meetings or class meetings shall follow the procedures listed below:

(1) Shareholders holding an aggregate of not less than ten percent (10%) (including 10%) shares carrying voting rights at such proposed meeting may, upon signing one or more written requests with the same content and format, request the Board to convene an extraordinary general meeting or class meeting and state the subject of the meeting. Shares held by the abovementioned shareholders shall be calculated as at the date of submitting the written request.

(2) Upon receiving the above written request, the Board shall, in accordance with laws, administrative regulations and the Articles of Association and based on the actual circumstances, decide whether to convene a shareholders' general meeting or not, and inform the proposer of the decision within ten (10) days upon the receipt of such request.

(3) If the Board objects to convene the extraordinary general meeting, or fails to response within 10 days upon the receipt of the request, a single shareholder or shareholders holding an aggregate of not less than 10% shares of the Company may propose to the Board of Supervisors to convene an extraordinary general meeting and such request shall be proposed to the Board of Supervisors in written form.

If the Board of Supervisors agrees to convene an extraordinary general meeting, it shall issue a notice of such general meeting within five days upon the receipt of the request. Any change of any proposal in the notice shall be subject to the consent of related shareholders.

If the Board of Supervisors fails to issue a notice of such general meeting within the specified period, it is regarded that the Board of Supervisors will not convene and chair a general meeting and shareholders individually or jointly holding not less than 10% shares of the Company for more than 90 consecutive days may convene and chair a general meeting.

(4) If shareholders holding an aggregate of not less than ten percent (10%) (including 10%) shares carrying voting rights at such proposed meeting convene a shareholders' general meeting, they shall use reasonable endeavours to ensure that all shareholders are informed of the meeting and the proposals thereat, and that the meeting is convened in a manner as similar as possible to the manner in which a shareholders' general meeting is convened by the Board.

If shareholders holding an aggregate of not less than ten percent (10%) (including 10%) shares carrying voting rights at such proposed meeting or the Board of Supervisors convene a meeting due to the failure of the Board to do so on request as mentioned above, the reasonable expenses incurred shall be borne by the Company and deducted from any sums owed by the Company to such default Directors.

Procedures for Shareholders to Make Inquiries to the Board

Shareholders who wish to make enquiries about the Company with the Board may make enquiries to the headquarters of the Company by phone at 86-21-61355388, fax at 86-21-61355380 or email at utbo-public@utflc.com.

Procedures for Submitting Proposals at Shareholders' General Meetings

According to the Articles of Association, when the Company convenes the shareholders' general meeting, shareholders holding not less than three percent (3%) (including 3%) of the total shares of the Company with voting rights are entitled to put forward new proposals in writing to the Company within ten (10) days before the shareholders' general meeting, and the Company shall include such proposals into the agenda for such shareholders' general meeting if such matter falls within the functions and powers of shareholders' general meeting.

The content of such proposals shall fall within the functions and powers of shareholders' general meeting, have clear topics and specific resolutions, and comply with laws, administrative regulations, listing rules of the places where the stock of the Company are listed and relevant provisions of the Articles of Association.

For procedures of nomination of candidates for directorship by shareholders, please refer to the website of the Company.

12 DIVIDEND POLICY

The Company attaches importance to reasonable return to investors and maintains continuous and stable dividend distribution while taking into account the long-term interests of the Company, the overall interests of all shareholders and the sustainable development of the Company. The Company distributes dividends in cash, stocks, or a combination of cash and stocks. The Company may also make interim profit distribution under suitable conditions.

All proposed dividends shall be subject to the distribution plan of the Board and the approval of shareholders. Future decisions to declare or pay any dividends and the amount of dividends shall depend on a number of factors, including:

(1) the actual and expected financial performance of the Company;

(2) the expected working capital requirements, capital expenditure requirements and future expansion plans of the Company;

(3) current and future liquidity of the Company;

(4) economic conditions and other internal or external factors that may affect the business or financial performance and conditions of the Company;

(5) any other factors deemed appropriate by the Board.

Dividend distribution of the Company shall also be subject to applicable laws and regulations. The Company cannot assure shareholders that it will declare or pay such amount or any amount of dividends for each or any year.

13 INVESTOR RELATIONS

The Company believes that effective communication with shareholders is essential to the enhancement of investor relations and investors' understanding of the business, performance and strategy of the Company. Through enhancing information disclosure management and investor relationship management, optimizing corporate governance structure and improving the operating system of shareholders' general meetings, the Company has effectively safeguarded the rights of all shareholders, especially the rights of retail investors. As such, communication and exchange between the Company and its shareholders have been increased.

In order to facilitate effective communication, the Company has adopted a shareholder communication policy which aims to establish and promote connection and communication between the Company and its shareholders. The Company has also put in place a website (http://www.utfinancing.com), where updates on its business operations and development, financial data, corporate governance practices and other information will be made available to the public.

14 CHANGES TO THE ARTICLES OF ASSOCIATION

During the period from the Listing Date to December 31, 2019, the major changes to the Articles of Association include: the amendment to Article 95 of the Articles of Association concerning the composition of the Board as approved by the extraordinary general meeting held on November 11, 2019 by the Company. For details, please refer to the announcement of the Company dated August 30, 2019 and the circular dated September 26, 2019.

The latest version of the Articles of Association has been published on the websites of the Hong Kong Stock Exchange and the Company.

The Board is pleased to present the Directors' report and audited consolidated financial statements of the Group for the year ended December 31, 2019.

1 DIRECTORS AND SUPERVISORS:

Executive Directors:

Mr. Ding Xueqing

Ms. Zhou Jianli

Non-executive Directors:

Mr. Ren Peng (Chairman of the Board)

Ms. Ha Erman (appointed on November 11, 2019)

Mr. Li Chuan (appointed on November 11, 2019)

Mr. Wu Shukun

Mr. Zhang Shaohua

Independent non-executive Directors

Mr. Jiang Yulin

Mr. Yo Shin

Mr. Zeng Qingsheng

Mr. Wu Yat Wai

Supervisors

Ms. Wang Meijuan (Chairman)

Ms. Zhao Yue

Mr. Chen Xinji

Details of the biographical details of Directors and Supervisors are set out in the section headed "Directors, Supervisors and Senior Management — Biographies of Directors, Supervisors and Senior Management" in this annual report.

2 BUSINESS REVIEW

Principal Business

The Group is mainly engaged in the provision of comprehensive financial services, including finance leasing, operating leasing and advisory services, to customers in transportation & logistics, manufacturing, infrastructure, construction & real estate, health care and other industries.

Business Review and Analysis of Key Indicators of Financial Performance

For business review and analysis of key indicators of financial performance of the Group for the year ended December 31, 2019, please refer to the sections of "Financial Summary" and "Management Discussion and Analysis" in this annual report.

Environmental, Social and Governance Performance

The Group strives to perform environmental, social and governance responsibilities. We believe that striking a balance among the environment, employees, shareholders and society is the key to the success of our business. It is the objective of the Company to maintain long-term sustainable development and to develop a leading domestic finance leasing brand name.

While striving to achieve business growth, the Group also actively performs its environmental, social and governance responsibilities. In the environmental aspect, the Group adopts the concept of environmental protection into project development and business operation. The Group also reserves funds for the well-being of the public and refrains from funding highly polluting and technologically underdeveloped business. The Group supports the development of corporates in the environment and clean energy sector, and advocates paperless office, green office, energy conservation and environmental protection. In the social aspect, the Group pays great attention to business quality, integrity education, prevention of corruption, protection of intellectual property rights, protection of customers' interests, support of social and public welfare, and optimization of employees' protection system. The Group also supports the development of inclusive finance, poverty alleviation development, infrastructure construction, transformation and upgrade of manufacturing industry and other relevant businesses.

When performing its social responsibilities, the Group also complies with the Environmental, Social and Governance Reporting Guide of the Hong Kong Stock Exchange to liaise with important stakeholders such as government and regulatory authorities, investors, customers, employees and suppliers on environmental, social and governance issues of the Group by means of questionnaires and interviews. The results thereof are the basis of the environmental, social and governance report to be disclosed by the Group. For details of the environmental, social and governance information of the Group for 2019, please refer to the section headed "Environmental, Social and Governance Report" in this annual report.

Compliance with Laws and Regulations

The Group has been in strict compliance with the Companies Ordinance, the Hong Kong Listing Rules, the SFO, the Company Law of the People's Republic of China (《中華人民共和國公司法》), the Basic Norms of Enterprise Internal Control《企業內部控制基本規範》and other relevant requirements of laws, regulations, rules and provisions on information disclosure, corporate governance and standard industry operation.

To the knowledge of the Directors of the Company, the Group had no violation of relevant laws and regulations which have significant impact on the Group in the year ended December 31, 2019.

Major Risks and Risk Management

For major risks and risk management of the Group for the year ended December 31, 2019, please refer to the section "Management Discussion and Analysis — Risk Management" in this annual report.

Future Developments of the Group

For future developments of the Group after the year ended December 31, 2019, please refer to the sections headed "Chairman's Statement", "General Manager's Statement", "Management Discussion and Analysis" in this annual report. The above sections form part of the Directors' Report.

Subsequent Events

Impact of the Coronavirus Disease 2019 (the "COVID-19")

The COVID-19 outbreak since the end of January 2020 has brought additional uncertainties to the Group's operating environment and has impacted the Group's operations. At present, the Group's operation is generally stable. Details of subsequent events are set out in note 52 to the consolidated financial statements.

3 SHARE CAPITAL

Details of the share capital of the Company are set out in note 35 to the consolidated financial statements.

Public Float

The Hong Kong Stock Exchange has granted a waiver under Rule 8.08(1)(d) of the Listing Rules to accept a lower public float percentage of the issued share capital of the Company (the "Minimum Public Float") subject to:

(1) the Minimum Public Float shall be 15% of the total issued share capital of the Company;

(2) the quantity and scale of the issued securities and the extent of their distribution shall enable the market to operate properly with a lower percentage of public float;

(3) the Company shall confirm sufficiency of public float in the Company's successive annual reports after the Listing;

(4) the Company shall implement appropriate measures and mechanisms to ensure continual maintenance of the minimum percentage of public float prescribed by the Hong Kong Stock Exchange.

Pursuant to the waiver, the Company has complied with the public float requirement, i.e. the percentage of Shares held by the public (being 15%) immediately after the completion of global offering. According to the information publicly available and to the knowledge of Directors, at any time during the Reporting Period and up to the date of this annual report, not less than 15% of the total issued Shares in the share capital of the Company are held by the public as approved by the Hong Kong Stock Exchange and according to the Hong Kong Listing Rules.

4 BOND FINANCING INSTRUMENTS ISSUED

In 2019, in order to fulfil its business development needs and further replenish operation capital and optimize the structure of assets and liabilities, the Group sought direct financing by issuing debts, including the issue of short-term commercial papers of RMB1,000 million, ultra-short-term commercial papers of RMB7,500 million, private placement notes of RMB2,700 million and private corporate bonds of RMB1,000 million, amounting to RMB12,200 million in aggregate, the details of which are set out below:

(1) In January 2019, the Company issued ultra-short-term commercial papers of RMB1,000 million with a maturity period of nine months and interest rate of 3.25% per annum in the PRC;

(2) In February 2019, the Company issued ultra-short-term commercial papers of RMB1,000 million with a maturity period of nine months and interest rate of 3.1% per annum in the PRC;

(3) In February 2019, the Company issued private corporate bonds of RMB500 million with a maturity period of three years and interest rate of 5.2% per annum in the PRC;

(4) In March 2019, the Company issued ultra-short-term commercial papers of RMB1,000 million with a maturity period of seven months and interest rate of 3.48% per annum in the PRC;

(5) In April 2019, the Company issued private placement notes of RMB300 million with a maturity period of three years and interest rate of 4.65% per annum in the PRC;

(6) In May 2019, the Company issued private placement notes of RMB1,000 million with a maturity period of three years and interest rate of 4.7% per annum in the PRC;

(7) In July 2019, the Company issued private corporate bonds of RMB500 million with a maturity period of three years and interest rate of 4.83% per annum in the PRC;

(8) In August 2019, the Company issued ultra-short-term commercial papers of RMB500 million with a maturity period of nine months and interest rate of 3.45% per annum in the PRC;

(9) In August 2019, the Company issued short-term commercial papers of RMB1,000 million with a maturity period of one year and interest rate of 3.37% per annum in the PRC;

(10) In September 2019, the Company issued ultra-short-term commercial papers of RMB1,000 million with a maturity period of nine months and interest rate of 2.9% per annum in the PRC;

(11) In October 2019, the Company issued ultra-short-term commercial papers of RMB1,000 million with a maturity period of nine months and interest rate of 2.9% per annum in the PRC;

(12) In November 2019, the Company issued ultra-short-term commercial papers of RMB1,000 million with a maturity period of nine months and interest rate of 2.9% per annum in the PRC;

(13) In November 2019, the Company issued ultra-short-term commercial papers of RMB500 million with a maturity period of three months and interest rate of 2.3% per annum in the PRC;

(14) In December 2019, the Company issued private placement notes of RMB1,400 million with a maturity period of three years and interest rate of 4.5% per annum in the PRC;

(15) In December 2019, the Company issued ultra-short-term commercial papers of RMB500 million with a maturity period of three months and interest rate of 2.3% per annum in the PRC.

5 PROFIT DISTRIBUTION

Interim Dividend

In December 2019, the Board of Directors of the Company has distributed 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 was RMB0.50 per 10 Shares (tax inclusive) with a total amount of RMB411,765,000.00 (tax inclusive).

For details of the distribution of 2019 interim dividend of the Company, please refer to the announcement of the Company dated December 17, 2019.

Annual Dividend

The Board of Directors of the Company recommended to distribute cash dividend to all of its ordinary shareholders for the year ended December 31, 2019. Based on the number of Shares of 8,235,300,000 Shares, the annual dividend to be distributed will be RMB0.44 per 10 Shares (tax inclusive) with a total amount of RMB362,353,200.00. According to the Articles of Association, the proposed annual 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 PBOC one week immediately prior to the date of the annual general meeting of 2019 to be held by the Company. The proposed distribution of annual dividend is subject to the approval of the Shareholders during the annual general meeting of 2019 to be held by the Company and is expected to be distributed no later than July 30, 2020. Once approved, the 2019 annual dividend of the Company will be paid to the Shareholders whose names appear on the share register of the Company on June 2, 2020.

For the purpose of determining the entitlement of Shareholders to receive the 2019 annual dividend, the register of members of the Company will be closed from Thursday, May 28, 2020 (inclusive) to Tuesday, June 2, 2020 (inclusive). In order to qualify for receiving the 2019 annual 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 Wednesday, May 27, 2020. The 2019 annual dividend is expected to be distributed no later than July 30, 2020.

There is no arrangement under which a Shareholder has waived or agreed to waive any dividend.

Taxation

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.

6 CONNECTED TRANSACTIONS

During the Reporting Period, the Company has established a sound system and a scientific and complete management framework for connected transactions, and the internal control is generally comprehensive and effective. The Company is in strict compliance with the requirements of review and disclosure of connected transactions under Chapter 14A of the Hong Kong Listing Rules, the Company Law and other relevant laws and regulations, and Articles of Association, connected transaction management system (關連交易管理制度) of the Company and other internal regulations.

Non-Exempt Continuing Connected Transactions

The Group had entered into non-exempt continuing connected transactions with Haitong Securities and/or its controlled companies during the Reporting Period. The following table sets forth the details of such connected transactions:

Continuing connected transactions	Connected Person(s)	Annual cap for 2019 (RMB in millions)	Actual transaction amount for the year ended December 31, 2019 (RMB in millions)
1. Business Referral Framework Agreement[1]	Haitong Securities and/or its controlled companies		
Payment of service fees by the Group to Haitong Securities and/or its controlled companies		19.7	4.5
Payment of service fees by Haitong Securities and/or its controlled companies to the Group		7.0	0.5
2. Financial Service Framework Agreement[1]	Haitong Securities and/or its controlled companies		
Payment of service fees by the Group to Haitong Securities and/or its controlled companies[2]		192.0	128.8
3. Financial Products Investment Framework Agreement[1]	Haitong Securities and/or its controlled companies		
Maximum daily balance of financial products purchased by the Group from Haitong Securities and/or its controlled companies		800.0	0.0
Payment of income by Haitong Securities and/or its controlled companies to the Group		5.0	0.0

Continuing connected transactions	Connected Person(s)	Annual cap for 2019 (RMB in millions)	Actual transaction amount for the year ended December 31, 2019 (RMB in millions)
4. Property Management Service Agreement and Catering Service Agreement[(3)]	Weitai Properties		
Property management services provided by Weitai Properties to the Group		N/A	N/A
Catering operation services provided by Weitai Properties to the Group		N/A	N/A

(1) For details of the connected transactions, please see section headed "Connected Transactions" in the Prospectus of the Company. As those non-exempted continuing connected transactions will be conducted on a continuing basis over a period of time, the Directors consider that strict compliance with the announcement and independent shareholder's approval requirements under the Hong Kong Listing Rules would be impractical and unduly burdensome and would impose unnecessary administrative costs upon the Company. Accordingly, at the time of the application for Listing, the Company has applied for, and the Hong Kong Stock Exchanged has granted, a waiver from strict compliance with the announcement and (as the case may be) independent shareholders' approval requirements for the abovementioned non-exempt continuing connected transaction.

(2) Service fee for assets management plan issued by the Group and managed by Haitong Securities and/or its controlled companies were included in the interest payable to Haitong Securities. Service fees for these assets management plans are calculated in accordance with the actual interest payable by the Group.

(3) The Company entered into a property management service agreement and catering service agreement with Weitai Properties on December 31, 2019. As the term of services under the property management service agreement and catering service agreement shall be January 1, 2020 to December 31, 2020, the annual cap for 2019 and the actual transaction amount as of December 31, 2019 are not applicable.

(1) Business Referral Framework Agreement

(a) Description of the Transaction

On May 16, 2019, the Company entered into a business referral framework agreement with Haitong Securities in respect of the business referral services provided by the Group, Haitong Securities and its controlled companies to each other and payment of service fees for such services. The business referral framework agreement provides that all service fees shall be (i) negotiated on arm's length basis taking into consideration the types of customers referred, categories of projects, the extent of the participation and contribution of the referrer and other factors;

(ii) determined on normal commercial terms at a fee not less favorable than that available from independent third parties for similar and comparable services; and (iii) in compliance with, amongst others, the Hong Kong Listing Rules and applicable laws.

The business referral framework agreement was effective from June 3, 2019 and will expire on December 31, 2021 and is renewable upon mutual agreement, subject to compliance with the then applicable provisions of the Hong Kong Listing Rules.

(b) Purposes of the Transaction

The Group, Haitong Securities and its controlled companies provide business referral services for each other on normal commercial terms in the ordinary and usual course of their business. Such cooperation enables us and Haitong Securities and its controlled companies to capitalize on the respective high quality and broad customer bases and information resource platforms of each other to further expand the business and maximize the interests of the shareholders as a whole.

(c) Hong Kong Listing Rules Implications

Haitong Securities is a Controlling Shareholder of the Company. Therefore, Haitong Securities and its controlled companies are connected persons of the Company under Chapter 14A of the Hong Kong Listing Rules and the business referral framework agreement entered into between the Group and Haitong Securities and/or its controlled companies constitute continuing connected transaction of the Company under the Hong Kong Listing Rules.

As the highest applicable percentage ratio of the transactions contemplated under the business referral framework agreement under Chapter 14A of the Hong Kong Listing Rules for the three years ended December 31, 2019, 2020 and 2021, on an annual basis, was higher than 0.1%, but lower than 5%, such continuing connected transactions shall be subject to the annual review, reporting and announcement requirements under Chapter 14A of the Listing Rules but exempt from independent shareholders' approval requirement.

For details of the transactions, please referred to the section headed "Connected Transactions" in the Prospectus.

(2) Financial Service Framework Agreement

(a) Description of the Transactions

On May 16, 2019, the Company entered into a financial service framework agreement with Haitong Securities, pursuant to which Haitong Securities and its controlled companies shall provide financial services, including underwriting, sponsoring and asset management services, to the Group, and the Company shall pay the underwriting, sponsoring and/or management fees to Haitong Securities and its controlled companies. The financial service framework agreement provides that all such services and fees shall be (i) in the ordinary and usual course of businesses of the Group and Haitong Securities and its controlled companies; (ii) determined on an arm's length basis; (iii) entered into on normal commercial terms and terms with service fees that are no less favorable to the Group than those available from independent third parties for similar services; and (iv) in compliance with, amongst others, the Hong Kong Listing Rules and applicable laws.

The financial service framework agreement was effective from June 3, 2019 and will expire on December 31, 2021 and is renewable upon mutual agreement, subject to compliance with the then applicable provisions of the Hong Kong Listing Rules.

(b) Purposes of the Transaction

Haitong Securities and its controlled companies provide underwriting and/or asset management services in respect of the asset management plans, debt securities, ABS schemes and income certificates issued by the Group on normal commercial terms in the ordinary and usual course of their business.

(c) Hong Kong Listing Rules Implications

Haitong Securities is a Controlling Shareholder of the Company. Therefore, Haitong Securities and its controlled companies are connected persons of the Company under Chapter 14A of the Hong Kong Listing Rules and the financial service framework agreement entered into between the Group and Haitong Securities and/or its controlled companies constitute continuing connected transaction of the Company under the Hong Kong Listing Rules.

As the highest applicable percentage ratio of the transactions contemplated under the financial service framework agreement under Chapter 14A of the Hong Kong Listing Rules for the three years ended December 31, 2019, 2020 and 2021, on an annual basis, was higher than 0.1%, but lower than 5%, such continuing connected transactions shall be subject to the annual review, reporting and announcement requirements under Chapter 14A of the Hong Kong Listing Rules but exempt from independent shareholders' approval requirement.

For details of the transactions, please referred to the section headed "Connected Transactions" in the Prospectus.

(3) Financial Products Investment Framework Agreement

(a) Description of the Transactions

On May 16, 2019, the Company entered into a financial products investment framework agreement with Haitong Securities, pursuant to which the Company may purchase Financial Products from Haitong Securities and its controlled companies. Taking into consideration of the fact that the commercial terms and market rates of such financial products are typically transparent, the financial products investment framework agreement provides that all the transactions and payments shall be (i) in the ordinary and usual course of businesses of the Group and Haitong Securities and its controlled companies; (ii) determined on an arm's length basis, (iii) entered into on normal commercial terms no less favorable than those offered to independent third parties by Haitong Securities or its subsidiaries for sale of similar products; and (iv) in compliance with, amongst others, the Hong Kong Listing Rules and applicable laws.

The financial products investment framework agreement was effective from June 3, 2019 and will expire on December 31, 2021 and is renewable upon mutual agreement, subject to the then applicable provisions of the Hong Kong Listing Rules.

(b) Purposes of the Transaction

To improve the efficiency of funds utilization, the Group purchases income certificates and other financial products (the "Financial Products") from third parties, including Haitong Securities and its controlled companies, from time to time on normal commercial terms in the ordinary course of its business.

(c) Hong Kong Listing Rules Implications

Haitong Securities is a Controlling Shareholder of the Company. Therefore, Haitong Securities and its controlled companies are connected persons of the Company under Chapter 14A of the Hong Kong Listing Rules and the financial products investment framework agreement entered into between the Group and Haitong Securities and/or its controlled companies constitute continuing connected transaction of the Company under the Hong Kong Listing Rules.

As the highest applicable percentage ratio of the transactions contemplated under the financial products investment framework agreement under the Chapter 14A of the Hong Kong Listing Rules for the three years ended December 31, 2019, 2020 and 2021, on an annual basis, was higher than 5%, such continuing connected transactions shall be subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

For details of the transactions, please referred to the section headed "Connected Transactions" in the Prospectus.

(4) Property Management Service Agreement and Catering Service Agreement

On December 31, 2019, the Group entered into a property management service agreement and catering service agreement with Weitai Properties.

(a) Description of the Transactions

The Company entered into the property management service agreement and catering service agreement with Weitai Properties, pursuant to which Weitai Properties shall provide property management services and catering services to the office building of the Company for one year from January 1, 2020 to December 31, 2020. Property management services shall include office building cleaning services, greening services, front desk and conference services as well as security services. The annual fee and annual cap shall be RMB5.5 million (tax inclusive) and RMB6 million (tax inclusive), respectively. Catering services shall include the provision of meals for the employees of the Company, provision of catering services for conferences and business meetings of the Company as well as other catering services. The annual fee and annual cap shall be RMB10.16 million (tax inclusive) and RMB12 million (tax inclusive), respectively.

(b) Purpose of the Transactions

The procurement of property management and catering operation services from Weitai Properties will ensure smooth and efficient daily operations of the office building by providing our employees with safe and quality office and dining environment to improve employees' satisfaction.

(c) Hong Kong Listing Rules Implications

Weitai Properties is a wholly-owned subsidiary of Haitong Securities, the ultimate Controlling Shareholder of the Company. Therefore, Weitai Properties is a connected person of the Company and the transactions contemplated under the property management service agreement and the catering service agreement constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratio for the transactions contemplated under each of the property management service agreement and the catering service agreement under Rule 14.07 of the Listing Rules is higher than 0.1% but less than 5%, the transactions are subject to reporting, announcement and annual review requirements under Chapter 14A of the Hong Kong Listing Rules, but exempt from circular (including independent financial advice) and independent shareholders' approval requirements.

For details of the transaction, please refer to the announcement of the Company dated December 31, 2019.

Internal Control Procedures Adopted by the Company in respect of the Implementation of Continuing Connected Transaction

In order to ensure the terms under relevant framework agreements for the continuing connected transactions are fair and reasonable and are carried out on normal commercial terms, the Company has adopted the following internal control procedures:

(1) The Company has adopted and implemented a comprehensive management system on connected transactions. Under such system, the shareholders' general meetings, the Board meetings, the General Manager and the secretary of the Board are responsible for supervision, management and approval of the Company's connected transactions in accordance with relevant requirement of the Hong Kong Listing Rules and the Articles of Association. In addition, the relevant functional and business departments of the Company are jointly responsible for the daily management of the connected transactions;

(2) The independent non-executive Directors will review the framework agreements for non-exempt continuing connected transactions to ensure that the agreements have been entered into on normal commercial terms, on terms that are fair and reasonable and carried out in accordance with the terms of such agreements. The auditor of the Company will also review annually the pricing policies and annual caps of such agreements;

(3) In determining the provision of services or financial products to the Company, Haitong Securities and/or its controlled companies will provide fee quotes to the Company in advance. As mentioned above, in order to ensure that the pricing policies under relevant framework agreements for the continuing connected transactions are fair and reasonable, the relevant functional departments of the Company shall review the prices proposed by Haitong Securities and/or its controlled companies through the following review procedures:

- if market prices are available, the proposed price will be compared with market prices to ensure that the proposed price is equivalent to or no less favorable to the Company than prices offered by independent third parties providing similar services or financial products. The Company will make enquiries to various independent third party service providers for their prices for further internal assessments;

- if no market prices are available, various factors will be considered in determining whether the price is fair and reasonable, such as regulatory requirements, actual needs of the Company, the nature of service/financial products, and the financial position and creditworthiness of the service/financial products provider; and

- the proposed price will be reviewed to ensure it is consistent with the pricing terms under the relevant framework agreements for the non-exempt continuing connected transactions, and that the terms offered by Haitong Securities and/or its controlled companies to the Company are no less favorable to the Company than those offered to independent third parties.

(4) In determining the actual fee for the referral services provided by the Company to Haitong Securities and/or its controlled companies, the Company will consider factors such as the nature and costs of services rendered, our profit margin and the referral fees we charge independent third parties for similar services to determine whether the relevant pricing policies are fair and reasonable. In addition, as mentioned above, in order to ensure the fairness and reasonableness of the pricing policies under the relevant framework agreements for the continuing connected transactions, relevant business and functional departments of the Company will follow the corresponding review procedures to evaluate the price to ensure it is consistent with the pricing policies under the relevant agreements for the continuing connected transactions, and the terms offered by the Company to Haitong Securities and/or its controlled companies are no less favorable to the Company than those offered to independent third parties; and

(5) In determining the term of consideration of property management service agreement and catering service agreement, the Company has made reference to a number of factors, including the comparable market prices and government guidance prices (if applicable), to ensure that the price is fair and reasonable and on normal commercial terms. In the event that the total amount of costs is expected to exceed the agreed amount of consideration, Weitai Properties will provide a cost list and the Company will compare such costs with the market prices of the same type of services to determine the reasonable costs for the services.

Confirmation of Independent Non-executive Directors

Independent non-executive Directors have reviewed the continuing connected transactions and confirmed that such transactions are:

(1) entered into during the ordinary and usual course of business of the Company;

(2) on normal commercial terms or better terms; and

(3) conducted on terms under relevant agreements which are fair and reasonable and are in the interest of the shareholders as a whole.

Confirmation of Auditor

Pursuant to Rule 14A.56 of the Hong Kong Listing Rules, the Board has received a confirmation of auditor that the continuing connected transactions:

(1) have been approved by the Board;

(2) are conducted according to the pricing policy of the Group;

(3) are conducted on the terms of the relevant agreements; and

(4) do not exceed their respective annual caps for the year ended December 31, 2019.

Certain related party transactions as described in the notes of the consolidated financial statements constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Hong Kong Listing Rules, and comply with the disclosure requirements of Chapter 14A of the Hong Kong Listing Rules.

Save as disclosed in this annual report, during the Reporting Period, the Company had no connected transactions or continuing connected transactions that are required to be disclosed in accordance with the provisions under Chapter 14A of the Listing Rules in relation to the disclosure of connected transactions and continuing connected transactions.

7 EMPLOYEES, CUSTOMERS AND SUPPLIERS

Major Customers

For the year ended December 31, 2019, revenues from the five largest customers of the Group accounted for 5.46% (2018: 4.62%) of the total revenue of the Group, while revenue from the single largest customer of the Group accounted for 2.37% (2018: 1.16%) of the total revenue of the Group.

During the Reporting Period, neither the Directors, their associates, nor shareholders (which to the best knowledge of the Directors, holding more than 5% of the Company's issued share capital) had any interest in the five largest customers of the Group.

Major Suppliers

We do not have any major suppliers due to the nature of business of the Group.

Customer Relationship

The Group understands the importance of good customer relationship. We adhere to a customer-oriented principle and strive to provide reliable and convenient quality tailor-made services. We continue to improve customers' recognition and trustworthiness of the Group so as to strengthen our market position for more sustainable development opportunities. Save as disclosed in the Prospectus, the Company had no outstanding material ligation or arbitration during the Reporting Period.

Employee Relationship

The Group regards its employees as the most precious asset and believes constructive development of employees can enhance the competitiveness and sustainability of the Company. Hence, the Company has established a comprehensive employee training system and has been establishing a medium to long term incentive scheme to share the development results of the Group with employees, enhancing their satisfaction, happiness, loyalty and sense of achievement. For talent development and remuneration and benefits policies of employee, please refer to the section headed "Management Discussion and Analysis — Human Resources". During the Reporting Period, the Company had not experienced any labour disputes that affected our daily business operations.

In addition, the Company provides a safe and healthy working environment for its employees, regularly inspected and maintained office equipment, examined the safety and hygiene of restaurants and cleaned carpet and air conditioning system. During the Reporting Period, the Company had not received any report on material incidents of work related injuries.

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

As at December 31, 2019, to the knowledge of 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	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	H Shares	Interests of controlled corporation[1]	4,559,153,176	55.36%	78.68%	Long
	Domestic Shares	Interests of controlled corporation[1]	2,440,846,824	29.64%	100%	Long
Haitong International Holdings Limited	H Shares	Interests of controlled corporation[2]	4,559,153,176	55.36%	78.68%	Long
Haitong UT Capital Group Co., Limited	H Shares	Beneficial owner[1][2]	4,559,153,176	55.36%	78.68%	Long
Haitong Capital Co., Ltd.	Domestic Shares	Beneficial owner[1]	2,440,846,824	29.64%	100%	Long

(1) Haitong Securities holds 100% of equity interests in Haitong Capital Co., Ltd. and Haitong International Holdings Limited. Hence, pursuant to the SFO, Haitong Securities 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 International Holdings Limited through Haitong UT Capital Group Co., Limited.

(2) Haitong International Holdings Limited holds the 100% of equity interests in Haitong UT Capital Group Co., Limited. Hence, pursuant to the SFO, 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.

Save as disclosed above, as at December 31, 2019, to the knowledge of the Directors, no other persons had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept by the Company under Section 336 of the SFO.

9 INTERESTS AND SHORT POSITIONS OF THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at December 31, 2019, none of the Directors, Supervisors or the chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Directors, Supervisors, chief executives or their respective associates are deemed to have under such provisions of the SFO), or which were required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

10 DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this annual report, at no time during the Reporting Period was the Company or its subsidiaries a party to any arrangements to enable the Directors or the Supervisors to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate and none of the Directors, the Supervisors, their spouses or children under the age of 18, had any rights to subscribe for Shares in, or debt securities of the Company or any other body corporate, or had exercised any such rights during the period.

11 DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed in this annual report, as at December 31, 2019, none of the Directors or their respective associates had interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

12 SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Apart from Ms. Ha Erman and Mr. Li Chuan (as non-executive Directors) who entered into service contracts with the Company on November 11, 2019, each of the Directors entered into a service contract with the Company on May 23, 2017.

Ms. Wang Meijuan (as Supervisor) entered into a service contract with the Company on May 23, 2017. Ms. Zhao Yue (as Supervisor) entered into a service contract with the Company on May 19, 2017. Mr. Chen Xinji (as Supervisor) entered into a service contract with the Company on June 21, 2017.

During the Reporting Period, none of the Directors and Supervisors has entered into a service contract with the Company which cannot be terminated by the Company within one year without payment of compensation (other than statutory compensation).

13 REMUNERATION OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

Remuneration of Directors and senior management is proposed by the Remuneration and Evaluation Committee based on the position, duties, academic qualifications, working experience, work performance, performance of duties and appraisals with reference to the remuneration of similar position in the same region, in the same industry or competitors. The remuneration of Directors is subject to the approval by the shareholders' general meeting while the remuneration of the senior management is subject to the approval by the Board. The remuneration of Supervisors is subject to the approval by the shareholders' general meeting.

Details of remuneration of Directors, Supervisors and chief executive of the Group for the year ended December 31, 2019 are set forth in notes 44 and 45 to the consolidated financial statements of the Group.

14 INDEMNITIES OF DIRECTORS AND SUPERVISORS

According to the Articles of Association, the Company will undertake the civil liability arising from the discharge of the duties of its Directors, Supervisors and senior management to the extent by, or without prejudice against, the applicable laws and administrative regulations, unless such Directors, Supervisors and senior management members were proven to have failed to perform their duties honestly or in good faith.

At no time during the Reporting Period was or is there any permitted indemnity provision being in force for the benefit of any of the Directors or Supervisors (whether made by the Company or otherwise) or an associated company (if made by the Company). The Company has arranged appropriate liability insurance coverage for the Directors, Supervisors and senior management.

15 DIRECTORS' AND SUPERVISORS' INTERESTS IN MATERIAL TRANSACTIONS, ARRANGEMENT OR CONTRACTS

The Company and Haitong Securities had entered into continuing connected transaction framework agreements, details of which are set out in "— Connected Transactions" in this section. Mr. Ren Peng, Mr. Wu Shukun and Mr. Zhang Shaohua, non-executive Directors, held positions in Haitong Securities but they have not had any management role in the Company and have not involved in day-to-day management of the Company.

Save as disclosed above, during the Reporting Period, none of the Directors or Supervisors or entities connected with the Directors or Supervisors had material interests, either directly or indirectly in transactions, arrangement or contracts to which the Company, any of its subsidiaries was a party, and of significance to the business of the Group.

16 PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

From the Listing Date to December 31, 2019, the Company or any of its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company.

17 PRE-EMPTIVE RIGHTS

There is no provision under the Articles of Association and the PRC laws regarding pre-emptive rights that requires the Company to offer new Shares to its existing Shareholders on a pro-rata basis.

18 SHARE OPTION ARRANGEMENTS

As at December 31, 2019, the Company did not have any share option incentive plan.

19 ADMINISTRATION CONTRACTS

During the Reporting Period, the Company did not enter into any contracts in respect of management and administration work in relation to its entire or any significant parts of business.

20 DISTRIBUTABLE RESERVES

As at December 31, 2019, the distributable reserves of the company amounted to RMB2,423,230,020.12 (as at December 31, 2018: RMB1,831,012,459.06).

21 PROPERTY AND EQUIPMENT

Details of changes in property and equipment of the Company and the Group as at December 31, 2019 are set forth in note 16 to the consolidated financial statements.

22 RETIREMENT AND BENEFITS

Details of the retirement and employees benefit scheme of the Company are set forth in note 9 to the consolidated financial statements.

23 DONATIONS

For the year ended December 31, 2019, the total charitable donations and other donations of the Group amounted to RMB50,000.00 (2018: RMB18,246.58).

24 LOAN AGREEMENTS

Before the Listing Date, the Company entered into loan agreements with specific banks, of which loans with a total amount of approximately RMB2,000 million include terms requiring that: (1) the Company and its shareholders undertake that, except where the lender's consent is obtained, the Company and its shareholders will not pledge their Shares in the Company in favor of external parties, nor reduce the share capital of the Company; and (2) the Company shall ensure that Haitong Securities maintains actual control over the Company. The terms of such loan agreements are three years.

25 AUDIT OF ANNUAL RESULTS

The accounting principles and practices adopted by the Group and the audited consolidated financial statements for the year ended December 31, 2019 have been jointly reviewed by the Audit Committee together with the management and the external auditor of the Company.

Deloitte Touche Tohmatsu was appointed as the auditor of the Company for the year ended December 31, 2019. Deloitte Touche Tohmatsu has audited the annexed financial statements prepared in accordance with the IFRS.

By order of the Board of Directors
Ren Peng
Chairman
Shanghai, the PRC, March 26, 2020

Report of the Board of Supervisors

During the Reporting Period, adhering to the principles of conscientiousness, fidelity, diligence and prudence in accordance with Company Law of the People's Republic of China, the Articles of Association, the rules of procedure for the Board of Supervisors of Haitong UniTrust International Leasing Co., Ltd. and other relevant laws and regulations, the Board of Supervisors and all of its members engaged in corporate governance and performed effective supervision practically and diligently. The members of the Board of Supervisors attended all meetings of the Board and Shareholders' general meetings during the Reporting Period and carried out effective supervision in material aspects including due diligence of the Board and senior management of the Company, financial activities, internal control, risk control and compliance management as well as operating activities of the Company. The Board of Supervisors expressed opinions and advices regarding material decisions of the Company in order to safeguard the interest and right of Shareholders, the Company and employees and promote sustainable and stable development of the Company.

Duties of the Board of Supervisors include, but not limited to, examining the Company's financial position; supervising the performance of duties by the Directors, general manager and other members of senior management of the Company; verifying the financial reports, business reports and plans for distribution of profits to be submitted by the Board to the Shareholders' general meetings; should any queries arise, engaging, in the name of the Company, certified accountants and auditors for a review on the abovementioned information; proposing to convene an extraordinary general meeting; exercise other duties and powers specified in laws, administrative regulations, normative documents and the Articles of Association.

Detailed biography of the Supervisors set forth in the section headed "Directors, Supervisors and Senior Management — Biography of Directors, Supervisors and Senior Management" in this annual report.

1 MEETINGS OF THE BOARD OF SUPERVISORS

For the year ended December 31, 2019, the Board of Supervisors held 5 meetings in total. 12 resolutions regarding connected transactions, changes in accounting policies, re-appointment of auditor, financial report, risk evaluation report, compliance report, interim results and distribution of interim profit were considered and passed at the meetings.

The following table sets forth the attendance of Supervisors at meetings of the Board of Supervisors:

Supervisor	Number of meetings attended/ Should have attended
Ms. Wang Meijuan (Chairman)	5/5
Ms. Zhao Yue	5/5
Mr. Chen Xinji	5/5

2 ATTENDING MEETINGS OF THE BOARD AND SHAREHOLDERS' GENERAL MEETINGS

During the Reporting Period, the Company held 4 Shareholders' general meetings and 13 meetings of the Board. The Board of Supervisors attended the relevant meetings and effectively supervised the legality and compliance of material decision making process including the formulation of development plan and operation targets of the Company, operation assessment, financial budgets and final accounts, election of Directors and selection and engagement of senior management, connected transactions, major projects and asset transactions, and proposed constructive and specific suggestions and supervisory opinion. The following table sets forth the attendance of Supervisors at the relevant meetings:

Supervisor	Shareholders' general meetings Number of meetings attended/ Should have attended	Meetings of the Board Number of meetings attended/ Should have attended
Ms. Wang Meijuan (Chairman)	4/4	13/13
Ms. Zhao Yue	4/4	13/13
Mr. Chen Xinji	4/4	13/13

3 SUPERVISION OF FINANCIAL POSITION

The Board of Supervisors regularly obtained financial information of the Company and received work reports and presentation of work planning by the chief financial officer, the Finance Department and the Treasury Management Department, including major financial indicators, assets liability, profit and loss, fees, capital management, execution of budgets and final accounts. The Board of Supervisors proposed that the Company shall continue to strengthen its financial management and financial resources control and further enhance the financial management of subsidiaries and SPV companies within and outside the PRC. The Company shall also improve initiative in liquidity risk management to prevent liquidity risk.

4 SUPERVISION OF OPERATION AND MANAGEMENT OF THE COMPANY

The Board of Supervisors attended meetings of the Board and Shareholders' general meetings to regularly receive report of operation management on the general operation of the Company, including assets scale, income and profit, business development, development positioning, assets quality, progress of annual operation plans and future work highlights, to understand the operating position of the Company promptly and comprehensively. The Board of Supervisors suggested that in view of the ongoing promotion of "One Body, Two Wings" strategy and continuous growth of subsidiaries, the Company shall optimize its organization structure and enhance function management to improve the efficiency and effectiveness of management of subsidiaries and branches.

5 SUPERVISION OF INTERNAL COMPLIANCE

The Board of Supervisors approved and received compliance reports to deeply understand: (1) compliance management of the Company regarding business development, risk management, financial management, capital management, assets management and anti-money laundering; (2) establishment of compliance culture; (3) formulation, amendment and execution of compliance management system; (4) significant policy change in industry in which the Group operates; (5) compliance accountability; (6) duty performance of the person in charge of compliance and compliance management personnel; (7) establishment of and protection for compliance management team; (8) planning of compliance management work; (9) report on compliance with industry regulation. The Board of Supervisors is of the view that the compliance management of the Company is under normal operation and the Company shall enhance its management of subsidiaries in accordance with the requirements of regulatory department to safeguard legality and compliance.

6 CONTINUOUS ENHANCEMENT OF RISK MANAGEMENT SUPERVISION

The Board of Supervisors approved and received presentations on comprehensive risk management and risk evaluation report, including: (1) general risk assessment of the industry; (2) operation of comprehensive risk management and risk control indicators; (3) identification and management of various risks; (4) risk management structure and culture establishment; (5) soundness of the risk management system; (6) monitoring and control, report and contingency mechanism of risk; (7) establishment of risk management data and information system and quantification of risk; (8) risk management of new business; (9) pilot operation of consolidated risk management; (10) future risk management planning. The Board of Supervisors proposed that the Company shall pay attention to the risk management of new business projects and aircraft leasing projects, enhance forward-looking management of risk analysis and prevention and improve risk handling.

7 REVISION OF RULES AND SYSTEMS OF THE BOARD OF SUPERVISORS

The Board of Supervisors continuously refined its system. To further standardize operation of the Company, the Board of Supervisors amended the Rules of Procedure for the Board of Supervisors of Haitong UniTrust International Leasing Co., Ltd. (Draft) and assisted the amendment of the Articles of Association based on the requirement of corporate governance upon Listing. The amendments were considered and passed at the shareholders' General meeting in April 2019. The amended rules of procedure for the Board of Supervisors has enhanced the supervisory and management functions of the Board of Supervisors according to the requirement of corporate governance. Standardization and control of the duty performance by the members of the Board of Supervisors was improved which facilitated the performance of independent supervision by the Supervisors.

8 MAJOR WORKING PLANS OF THE BOARD OF SUPERVISORS

Fully engage in and improve corporate management

According to the development needs of the Company, the Board of Supervisors shall hold meetings in a timely manner as required and attend Shareholders' general meetings and meetings of the Board to effectively perform its supervisory duty, improve the corporate management and promote reasonable decision making for the Company so as to defend the legal rights of the Company, Shareholders, employees, the society and other stakeholders.

Perform Supervisory Role and Enhance Management of the Company

The Board of Supervisors will supervise the Company's decision making of major business affairs, standardized compliance management, comprehensive risk management, financial management and duty performance of Directors and senior management in order to promote management enhancement, compliance operation and sound development of the Company.

Refine working mechanism of the Board of Supervisors

The Board of Supervisors will further improve its organization and refine the working mechanism for effective supervision through obtaining business updates of the Company from various channels, strengthening the communication with the Board and senior management as well as information sharing among the Supervisors and gaining in-depth understanding of industry development trend and major business and investment of the Company.

The Board of Supervisors of Haitong UniTrust International Leasing Co., Ltd.

March 26, 2020

ABOUT THE REPORT

This is the first Environmental, Social and Governance Report (the "ESG Report") issued by Haitong UniTrust International Leasing Co., Ltd., aiming to disclose the Company's economic, social and environmental initiatives and accomplishments to the stakeholders.

REPORTING STANDARDS

The Report is prepared based on the requirements of Environmental, Social and Governance Reporting Guide set out in Appendix 27 of the Listing Rules issued by the Stock Exchange and the Environmental, Social and Governance Reporting Guide Consultation Summary issued by the Stock Exchange on December 18, 2019.

REPORTING SCOPE

Organizational scope: The ESG Report covers Haitong UniTrust International Leasing Co., Ltd. and its subsidiaries within the scope of annual reports and consolidated financial statements.

Reporting period: from January 1, 2019 to December 31, 2019.

Issuing cycle: The ESG Report is issued annually.

DATA DESCRIPTION

The data and cases in the ESG Report are derived from the original records or financial reports on the actual operation of the Group. The financial figures are presented in RMB. Based on the search results in environmental databases of IPE and EPMAP, there are no negative records related to the Company and its subsidiaries covered in the Report.

REPORTING PRINCIPLES

The Report follows the reporting principles in Environmental, Social and Governance Reporting Guide ("ESG Reporting Guide") including:

- Materiality

  Based on the principle of materiality, the Report determines the major issues to be responded herein and provides key disclosures of environmental, social and governance matters with potential significant impacts on the investors and other stakeholders.

- Quantitative

  Based on the principle of quantitative, the Report discloses the quantitative key performance indicators ("KPIs"), gives the description of such KPIs, and provides the calculation basis and assumptions.

- Balance

  Based on the principle of balance, the Report reflects the objective facts and discloses indicators involving both positive information and negative information.

- Consistency

  Based on the principle of consistency, the Report gives the description of the ESG quantitative KPIs, provides the calculation basis and assumptions, and maximizes the consistency of indicators used for different reporting periods to reflect the tendency of performance level.

1. RESPONSIBILITY ORIENTATION AND OPERATION COMPLIANCE & ROBUSTNESS

1.1 Responsibility Concept and Management

Structure of Responsibility Concept and Management

We adhere to the guidelines of supporting real economy with financial service, seize the opportunities of intensified transformation of the Chinese economy, stick to the business policy of "cross-border thinking, promoting innovative development, strengthening our capacity and grasping business opportunities", follow the principles of solidarity and cooperation, and pioneering and innovation, and effectively implement the strategy of "One Body, Two Wings" and "one big and one small", to successfully launch the strategic transformation of the Company, fulfill the responsibilities for shareholders, employees, customers and community, and create value for stakeholders.

The Company actively incorporates the environment, social and governance (the "ESG") concept into various aspects of our business management, continuously and earnestly implements our responsibility concept and commitment to stakeholders, and promotes the sustainable development of the Company and stakeholders.

The Board participates in the consideration and decision-making of major ESG issues, and supervises and shoulders overall responsibility for the ESG work. Relevant functions, business departments, branches and subsidiaries are responsible for the implementation of ESG tasks. Moreover, we've introduced the ESG quantitative performance management system, built the ESG data online collection system based on the duties of each department, and implemented the online filling and analysis of data, in order to realize the effective management of ESG performance, and guarantee the continuous and effective implementation of ESG tasks.

Communication with stakeholders

The Company pays high attention to the communication with stakeholders, and has established a regular mechanism for communication with groups having major impact on the development of the Company, including shareholders, customers, employees, government and regulators, suppliers and partners, and the community. Through the communication, we gain a deep understanding of their demands, suggestions and comments, and integrate concerns from all the stakeholders into our operation and decision-making procedures, in order to create value for them.

Expectations of stakeholders and responses

Key stakeholders	Issues	Communication and response
Shareholders	Risk management Operation compliance Anti-corruption	General meeting of shareholders Regular information disclosure Investor communication meetings
Customers	Service experience optimization Customer service and communication Customer privacy protection Financial products and services innovation	Customer surveys Customer inquiries and complaints Customer exchange meetings WeChat official account and other media
Employees	Employees' rights and benefits Employee health and safety Employee development and training	Trade Union activities Employee experience Online learning platform
Government and regulators	Operation compliance Risk management Anti-corruption Real economy service	Cooperation in regulators' inspection Comprehensive risk management system Complaints and reports Real economy business support
Suppliers and partners	Supply chain management Financial products and services innovation	Formulating purchasing management rules Bidding activities Industry cooperation and exchange
Community	Community services Environmental management Real economy service Inclusive finance	Charity activities Green operation Energy saving and environmental protection business support People's livelihood business support Micro, small and medium enterprises support

Identification and Analysis of Material Issues

The Company actively responds to the national and industry policies, and determines material issues for key disclosure in the sequence of identification, assessment and reporting based on the relevant social responsibility standards, the Company's strategy, and key concerns and expectations of stakeholders, in order to better respond to their demands and expectations, and improve the communication value of the ESG report.

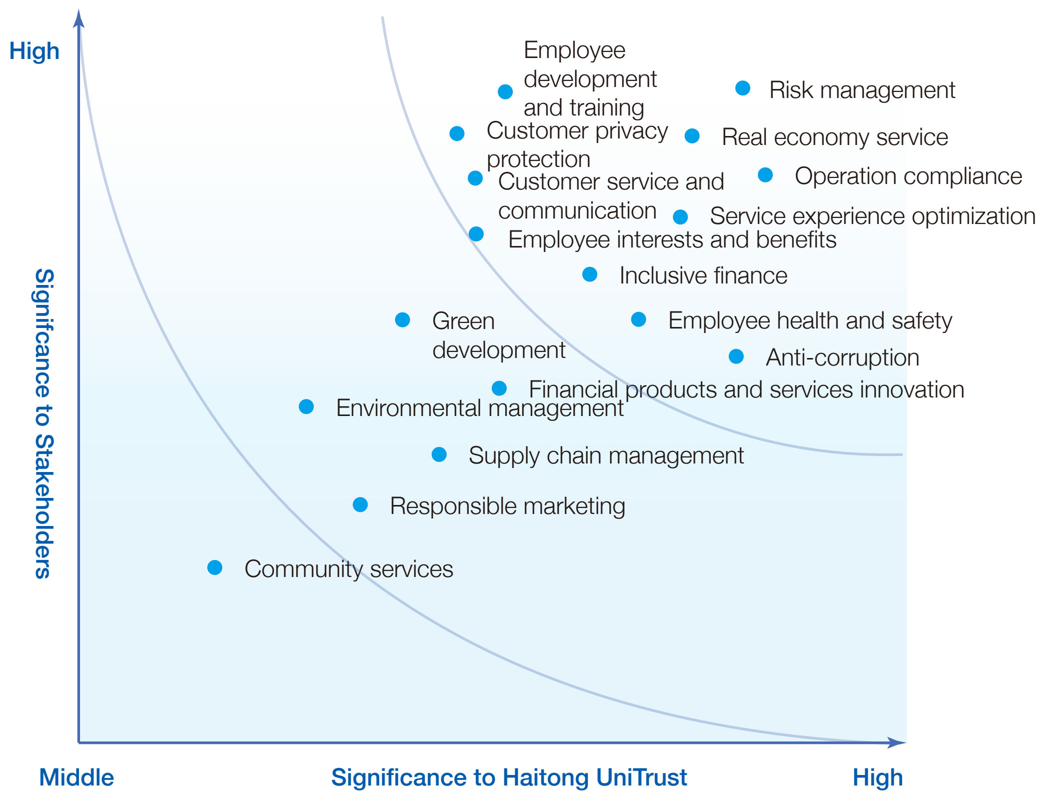
Analysis process of material issues

- We identified the policy requirements for and development opportunities of Haitong UniTrust by analyzing the macro policies and industry hotspots at home and abroad
- We identified the key social responsibilities to be fulfilled by referring to ESG Reporting Guide and other standards
- We identified 17 issues by interpreting the corporate culture and development strategy and responsibility practice

- We assessed the 17 issues from two dimensions as significance to stakeholders and significance to Haitong UniTrust based on the concerns of stakeholders, department interviews and expert judgement

- We built the analysis matrix of material issues based on the assessment results, sorted the issues based on their significance, and made key disclosure of issues with high materiality in the ESG report

Matrix of material issues



1.2 Corporate Governance

Corporate governance improvement

In strict accordance with the Company Law of the People's Republic of China (《中華人民共和國公司法》), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and other applicable laws and regulations, the Company is committed to promoting the construction of modern corporate governance system and governance capacity, follows the principles of independent operation, effective check and balance, mutual cooperation and coordinated operation of all governance entities, continuously optimizes the operation mechanism of major resolutions made by general meeting, reasonable decisions made by board of directors, effective management and implementation by senior management, and strict supervision by board of supervisors, and improves the governance efficiency of the Company.

In 2019, the Company held 4 general meetings of shareholders, 13 meetings of board of directors, 8 meetings of special committees, and 5 meetings of board of supervisors, which considered 15, 47, 14 and 12 resolutions respectively, thus guaranteeing the standard operation as well as scientific, standard and transparent governance of the Company.

The Board consists of 11 directors, including 4 independent non-executive directors. The diversified background and management experience of the Board members provide guarantee for the scientific and effective decision-making of board. The independent non-executive directors have professional experience in terms of financial management, risk management and professional knowledge, etc. Specifically, Mr. Ren Peng has professional background of business administration and finance, Mr. Ding Xueqing has computer application software and business administration background, Mr. Wu Shukun holds doctor's degree in management science and engineering management, Mr. Zhang Shaohua has legal background, and Ms. Zhou Jianli has business administration background and tax and accountant qualifications, who can consider the legal and policy risks of the corporate management in terms of economic, social and environmental issues, and drive the sustainable and healthy development of the Company.

Investor relations management

In order to promote the legal and standard operation of the Company and safeguard the legal interests of the Company and investors, the Company discloses its information in a true, accurate, complete, timely and fair manner according to the provisions of the Company Law of the People's Republic of China Securities Law of the People's Republic of China (《中華人民共和國證券法》), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Articles of Association of Haitong UniTrust International Leasing Co., Ltd. (《海通恒信國際租賃股份有限公司章程》), etc.

The Company has developed the Information Disclosure Management System of Haitong UniTrust International Leasing Co., Ltd. (《海通恒信國際租賃股份有限公司信息披露管理制度》), which authorizes secretary to the Board and the general office of the Board to take charge of the information disclosure, so as to guarantee consistent content, channel, time and object of the disclosure. Moreover, the Company timely discloses the quarterly financial performance reports, and issues the unaudited performance reports at the critical periods before publishing the semi-annual reports and annual reports, thus guaranteeing timely disclosure of key information to investors.

In terms of investor communication, the Company responds to the inquiries of investors on our business and development results frequently through channels including results press conference, Investor Relations section of the website, e-mail and telephone, guarantees the smooth routine communication with investors, and promotes their understanding and recognition of the development of the Company.

2019 interim results teleconference

In September 2019, the Company held the 2019 interim results teleconference, which presented our development results and future development orientation to investors and investment bank analysts, and gave detailed answers to their questions about our financial performance, industry development and regulation, development strategy, etc., thus enhancing the market's in-depth understanding of our developments.

1.3 Risk and Compliance Management

Risk management

The Company is exposed to various risks during business operation, including credit risk, liquidity risk, market risk, operational risk, compliance and legal risk and reputational risk. The Company upholds the prudent risk management concept, developed the Comprehensive Risk Management Rules of Haitong UniTrust International Leasing Co., Ltd. (《海通恒信國際租賃股份有限公司全面風險管理辦法》) according to Internal Control Norms for Enterprises (《企業內部控制基本規範》), the Articles of Association of Haitong UniTrust International Leasing Co., Ltd. and other laws and regulations, incorporates various risk management measures into each link of our business, and continuously improves overall risk management level and core competitiveness of the Company through continuous improvement of comprehensive risk management system.

The Company adopt a risk management structure featured by three lines of defence set at the business department, risk management department and audit department. We take "comprehensive risk management system & internal control management system" as the basis, and well-defined duties and powers, in order to guarantee the implementation of effective management of various major risks. Meanwhile, the Company implements the prudent and flexible risk management policy, highlights risk quantification and risk research, adheres to risk culture concept of matching the business efficiency with business effectiveness, implements the risk control requirements in various performance management indicators, and guarantees the knowability, controllability and tolerability of risks.

With the increasing attention to the environmental and social risks, the Company has incorporated the ESG factors into the risk control. Based on the research and analysis of macro economy, industry and government policies by the business team, credit audit team and risk management team, we have developed the Industry Access Catalogue of Haitong UniTrust International Leasing Co., Ltd. (《海通恒信國際租賃股份有限公司行業准入分類》), which divides the industries of customers into four categories as preferential support, moderate support, prudent access, and withdrawal based on their respective risk levels, and implements differentiated credit extension criteria. For example, we provide preferential support to key industries with strong national support as health industry, public utilities, energy saving and environmental protection industry and high-end manufacturing industry, and gradually withdraw from industries with severe overcapacity as coal and steel industries, in order to manage the potential environmental risks and achieve the sustainable business, environment and community.

Industry categories and examples

Category	Description	Example
Preferential support	Growing industries in alignment with the 13th Five-year Plan and supply-side reform direction: with the condition of effective risk control. We will intensify marketing, increase supply and market share, and strive to realize a supply growth rate above the average level.	• Next-generation IT industry (IDC Date Centre) • Education • High-end equipment manufacturing industry (aerospace, robot & intelligent manufacturing) • Healthcare industry (hospitals and pharmacies) • Energy saving and environmental protection industry (sewage treatment, solid waste treatment) • Public utilities (water, gas and heating supply)
Moderate support	Based on the different characteristics of industry segments, we will moderately increase our support to leading industry players.	• Manufacturing industry (automobile, electrical machinery and equipment) • Transportation industry (port, railway and road transportation) • Logistics industry • Modern agriculture
Prudent access	With the condition of effective risk control, we will implement prudent access to the industries.	• Wholesale and retail industries • Other traditional manufacturing industries (textile and paper) • Real estate industry
Withdrawal	Due to high risk, we will gradually withdraw from the industries.	• Industries with severe overcapacity (steel and coal)

Compliance management

According to the Compliance Management Rules of Haitong Securities Co., Ltd. (《海通證券股份有限公司合規管理辦法》), Subsidiary Management Rules of Haitong Securities Co., Ltd. (《海通證券股份有限公司子公司管理辦法》) and the Articles of Association of Haitong UniTrust International Leasing Co., Ltd., we've developed the Compliance Management Rules of Haitong UniTrust International Leasing Co., Ltd. (《海通恒信國際租賃股份有限公司合規管理辦法》) and the Regulations Management Rules of Haitong UniTrust International Leasing Co., Ltd. (《海通恒信國際租賃股份有限公司規章制度管理辦法》), and built a four-level compliance management structure system covering the board of directors, general manager office meeting, compliance director and affiliates (functions, departments, branches and subsidiaries).

The Company incorporates the compliance assessment into the employee performance assessment, assesses each business unit by specially allocating a compliance indicator in the performance assessment system, and includes the assessment results in the performance management system of the Company.

As for the construction of compliance culture, the Company has developed the compliance concept of operation compliance, full staff compliance, compliance starts with management, compliance creating value, and compliance determining survival. Moreover, we enhance compliance training & education and compliance culture construction in various forms, and organize regular learning and training for employees on national laws and regulations, rules, other normative documents, industry standards and in-house management rules, in order to develop their compliance awareness and guarantee the compliant and sound operation of the Company.

Regular compliance training to promote the construction of compliance culture

In order to strengthen the business personnel's understanding of regulatory developments and awareness of business compliance, the Company provides branches and business headquarters with compliance trainings, communicates the latest regulatory developments to business units, and shares the cases regarding regulatory penalties, compliance inspection and attribution analysis of financial leasing companies, thus strengthening our education on compliance risk awareness and promoting the construction of compliance culture of the Company.

Compliance management training of Anhui branch

Anti-corruption

The Company strictly abides by the Code of Integrity and Self-discipline of the Communist Party of China (《中國共產黨廉潔自律準則》), Regulations of the Communist Party of China on Internal Oversight (《中國共產黨黨內監督條例》), etc., developed the Measures for Management of Punishment against Employees Violating Rules Haitong UniTrust International Leasing Co., Ltd. (《海通恒信國際租賃股份有限公司員工違反規章制度行為處罰管理辦法》) and Regulations of Haitong UniTrust International Leasing Co., Ltd., rules for the Management of Gifts Hand-in and Registration (《海通恒信國際租賃股份有限公司關於禮品禮金上交登記的管理規定》), etc., and defined clear punishments against employees with violations as fraud, racketeering, money laundering, bribe offering, bribe taking and bribe soliciting, in order to promote the integrity of employees of the Company.

The Company organizes all the Party members, cadres and executives to sign the integrity commitment agreement, issues the quarterly discipline inspection and supervision newsletter, gives reminders on integrity before the major festivals, incorporates the integrity into the trainings for Party members on political theory and provides employees with e-learning through the platform of Haitong Wealth Academy. As the selection of new cadres, the Company strictly complies with the "Party Integrity Opinion Response", provides timely feedback on the integrity of cadres to be promoted or reappointed, and carries out timely written or face-to-face interviews on integrity and self-discipline with new cadres.

The Company has developed relevant systems on complaint, whistle-blowing, discipline inspection and supervision, and employees can report the violations through the audit and supervision section of the internal Office Automatic System ("OA System"). In terms of the whistleblower protection, the Company strictly implements the Code of Conduct for Intraparty Political Life under New Circumstances (《關於新形勢下黨內政治生活的若干準則》) to guarantee the whistle-blowing rights of Party members. Meanwhile, the Company defines the rights of employees to whistle-blow violations in the Compliance Management Rules of Haitong UniTrust International Leasing Co., Ltd., and requires the Company and its affiliates to keep the whistleblowers secret and prevent the retaliation against the whistleblowers.

In order to further strengthen the employees' awareness of integrity and self-discipline, regulate their conduct, and improve their moral cultivation, focusing on the work arrangements of the year of professional ethics and discipline education, the Company organized a special education campaign themed "professional ethics, self-discipline and practical action" in 2019. By the end of 2019, the Company had organized 23 special education activities in the forms of classroom or video, covering over 1,400 employees, and 7 on-site trainings for new employees on integrity and self-discipline, covering over 200 employees.

Anti-corruption performance indicators

Indicator	Unit	2017	2018	**2019**
Number of closed corruption lawsuits lodged against the Company and employees	Case	0	0	**0**
Times of anti-corruption training	Time	6	10	**30**
Number of persons receiving anti-corruption training	Person	222	342	**1,665**

Anti-money laundering

The Company carries out anti-money laundering according to the applicable laws and regulations as Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》) and the requirements of regulators, and prevents employees from providing services for illegal funds and activities. We've established a sound anti-money laundering internal control system, and issued the Compliance Management Rules of Haitong UniTrust International Leasing Co., Ltd. to strictly implement the anti-money laundering. During the reporting period, the Company reported zero violations related to money laundering.

Supply chain management

The Company's suppliers are mainly companies in sectors as information technology, engineering, equipment, service, and low value consumables. The Company has developed the Measures for Management of Purchasing of Haitong UniTrust International Leasing Co., Ltd. (《海通恒信國際租賃股份有限公司採購管理辦法》) to define the principles of openness, fairness, equity and good faith applicable to purchasing activities. Moreover, the Company pays attention to the business ethics and social responsibility of suppliers, and strictly monitors and prevents various commercial bribes of suppliers through the screening, evaluation and regular inspection of suppliers.

During the Reporting Period, the Company reported zero violations of suppliers in terms of business ethics, environmental protection and labor codes that cause major actual or potential adverse impacts.

Supplier performance indicators

Indicator	Unit	2017	2018	**2019**
Suppliers in Mainland China	Company	690	804	**844**
Suppliers overseas and in Hong Kong, Macau and Taiwan	Company	9	38	**49**

Intellectual property protection

The Company strictly abides by the applicable laws and regulations including the Trademark Law of the People's Republic of China (《中華人民共和國商標法》) and Patent Law of the People's Republic of China (《中華人民共和國專利法》), and protects our own intellectual property while not infringing upon the intellectual property of third parties.

Moreover, the Company guarantees to use copyrighted software on all our office equipment. In terms of the preparation of publicity materials, we try to prevent the typeface, images, trademarks and copy from infringing upon the intellectual properties of other organizations or individuals. In addition, we include intellectual property protection clauses in the contracts, which state that "the supplier undertakes that the products and services provided by it don't infringe upon any intellectual property of third parties. In case that any third party brings an action against the Company due to the suspected infringement upon third-party interests by the products and services provided by the supplier, the Company shall timely notify the supplier in writing, and the supplier shall engage a lawyer to participate in the investigation and legal proceedings of relevant incident. The supplier shall be liable for the responsibilities and obligations to be assumed by the Company in the court verdict as well as all the expenses incurred by the Company in the proceedings."

2. PRIMARY BUSINESS DEVELOPMENT & REAL ECONOMY SERVICE

2.1 Supporting the Transformation and Upgrading of Manufacturing Industry

At present, a new round of transformation and upgrading as well as reform and development of the manufacturing industry is approaching worldwide, and the high-quality intelligent transformation is significantly accelerated. As one of the important channels supporting the real economy, the financial leasing service can effectively promote the technical upgrading and transformation of the manufacturing industry, and assist the manufacturing enterprises in eliminating excess inventory, accelerating equipment circulation, increasing the return on assets and improving market competitiveness.

As a financial leasing service provider, the Company actively plays the dual roles in financing capitals and financing goods, and provides earnest services for enterprises in high-end manufacturing industry and advanced manufacturing industry to support their transformation and upgrading. In 2018, the Company issued the Guidelines for Credit Review of Industrial Equipment Industry (《工業裝備行業信審指引》), which specified to offer preferential support to enterprises in high-end manufacturing industry and advanced manufacturing industry engaged in computers, communications and electronics, aiming to significantly drive the high-quality development of the manufacturing industry.

Supporting the development of enterprises in advanced manufacturing industry

Founded in 2002, Beijing A Group Co., Ltd. ("A Group") is a technology leading company mainly engaged in research and development, production, sales and service of high-end rail transit equipment. In 2009, A Group was listed on the Growth Enterprise Market of Shenzhen Stock Exchange, becoming one of the first companies listed on Growth Enterprise Market.

In 2018, A Group sought for working capital to support the development due to its capacity expansion of Jiangmen Plant. Haitong UniTrust financed RMB60 million for the listing entity of A Group in the form of leaseback, which supplemented the working capital and effectively met the financing needs of the enterprise. In 2020, A Group needed to purchase a batch of equipment for its capacity expansion of Anhui Plant, and the Company will continue exploiting our advantages in financial leasing to support its continuous upgrading, thus supporting the development of enterprises in advanced manufacturing industry.

Providing financial leasing service to support the high-quality development of B Company

Founded in 2008, Shenzhen B Co., Ltd. ("B Company") is a national-level high-tech enterprise engaged in display LED packaging.

In 2010, during the start-up period of B Company, the Company provided manufacturing equipment to help it expand the capacity and realize steady development. In the subsequent equipment purchasing, we provided financial leasing services for it. Due to the use of our financial leasing product, B Company achieved continuous capacity expansion and business expansion. In June 2019, B Company submitted its prospectus to apply for initial public offering at Growth Enterprise Market of Shenzhen Stock Exchange.

2.2 Supporting the Development of Micro, Small and Medium Enterprises

Micro, small and medium enterprises represent an essential part of national economy, and their sound development can activate market-oriented economy and optimize resource allocation. However, micro, small and medium enterprises generally face financing difficulty and high financing costs, which hinder their sustainable development.

The Company actively implements the development strategy of "One Big and One Small", and is devoted to providing micro, small and medium enterprises and equipment suppliers with diversified financing services as direct financing and leaseback, in order to support the development of micro, small and medium enterprises. In 2014, the Company set up the MSE Business Department, which actively identifies micro, small and medium enterprises with core competitiveness and meeting strategic transformation direction, and assists them in gaining the recognition of capital market.

In 2019, MSE Business Department completed over 11,000 orders involving micro, small and medium enterprises, with a total financing amount of nearly RMB8 billion. The financing significantly drove the development of micro, small and medium enterprises in fundamental sectors as machining, electronics, three-dimensional (the "3D") printing, printing, textiles, packaging and healthcare.

Supporting the financing of micro, small and medium enterprises in advanced manufacturing industry

Taizhou C Co., Ltd. ("C Company") is a professional modeling company integrating design and production of various models as well as development and design of various modeling materials, and is mainly engaged in the 3D printing of various models including medical models, teaching models, prototypes and sculpture.

In 2019, due to the capacity expansion, C Company needed to purchase 10 new 3D printing devices, but its existing asset size could not support it to acquire sufficient working capital loan from banks. Upon knowing its financing requirements, the Company provided C Company with RMB2 million loan, which significantly supported its long-term development.

Workshop of C Company

Providing micro, small and medium enterprises in manufacturing and processing sectors with inclusive financing solution

Suzhou D Co., Ltd. ("D Company") is a company engaged in manufacturing and processing of hardware parts. In July 2016, Haitong UniTrust began to provide financing service for D Company, which only had an annual turnover of RMB700,000 at that time, making it a typical MSME in manufacturing and processing sector.

Since 2016, Haitong UniTrust successively provided D Company with multiple production equipment in the form of direct leasing to support its capacity expansion. By 2019, we've financed nearly RMB2 million for it. With our support, D Company achieved equipment renewal and continuous capacity expansion, with the annual turnover increasing from RMB700,000 in 2016 to RMB5.37 million in 2019.

2.3 Supporting the Development of People's Livelihood Related Industries

The strong support and improvement of people's livelihood is an important guarantee to drive the sustainable and sound development of economy and ensure harmony and stability of society. Haitong UniTrust pays great attention to the support of people's livelihood related projects, and provide services as direct leasing and leaseback of equipment to continuously support the construction of elderly nursing, healthcare and tourism projects related to people's livelihood, improve the living environment of the residents and meet the increasing demands of the people for a better life.

In terms of construction of public service facilities including transportation infrastructure, industrial buildings and residential buildings, while providing financial leasing services, we pay attention to improving project approval efficiency, reducing approval period, accelerating the loan grant, in order to improve the construction speed and service efficiency of urban public infrastructure and support the construction of people's livelihood related projects.

In the field of inclusive healthcare, the Company actively develops the private medical projects, deeply participates in the medical industry chain, expands the cooperation with large healthcare groups and medical equipment manufacturers, provides pharmaceutical enterprises with comprehensive financing solutions, and promotes the improvement of medical service level. In 2019, Haitong UniTrust provided financing services for 130 projects of 69 public medical institutions, 26 private medical institutions and 6 pharmaceutical consumable enterprises.

Exploring the in-vitro diagnosis field to broaden the access to medical service

In-vitro diagnosis is a major segment of medical device industry, with over 80% disease diagnosis relying on in-vitro diagnosis in China at present. With the continuous implementation of hierarchical diagnosis and treatment system in China, people are raising their requirements for the service capabilities of primary-level medical and health institutions, which boost the demands for in-vitro diagnosis products and assistive technology.

Based on our cooperation with leading players in in-vitro diagnosis segment, the Company provides downstream agents with factoring products matching their operational support and based on real trading, which can effectively mitigate their purchasing and payment collection pressure, assist them in expanding customer base, offer more abundant products to primary-level medical institutions nationwide, and provide high-quality medical services for extensive population. By 2019, Haitong UniTrust provided 2 in-vitro diagnosis manufacturers and 7 in-vitro diagnosis agents, covering about 70 to 80 primary-level medical institutions.

Offering leaseback service to support local tourism development

Xixian New Area E Co., Ltd. ("E Company") is mainly responsible for the key culture and entertainment projects in Jinghe New Town. Xixian Fucha Characteristic Town, its major operating entity, integrates sales of Fu Tea, tourism and cultural industry and strives to develop into the Capital of Fu Tea in China.

In 2019, the Company launched the leaseback towards the relevant equipment and movable property in the tourist attractions of E Company, and financed RMB150 million for the construction of commercial street project in Fu Tea Town to support the development of tourist industry in Xixian New Area.

3. HIGH-QUALITY SERVICES & CUSTOMER RESPONSIBILITY FULFILLMENT

3.1 High-quality Services

Customer basic rights protection

The Company adheres to the customer requirement orientation, continuously optimizes the customer service process, and improves our customer service level. The Company has developed the Measures for Management of Customers of Haitong UniTrust International Leasing Co., Ltd. (《海通恒信國際租賃股份有限公司客戶管理辦法》), which defines the responsible department and specific responsibilities and further regulates the customer service process.

The Company has launched our 400 customer service hotlines, and receives customer inquiries and complaints through various channels including official hotline, WeChat official account and offline branches. For the inquiries and complaints received, our customer service staff will immediately carry out communication, and forward customer comments and communication results to relevant personnel of the Company, in order to guarantee the proper handling of customer inquiries and complaints, and earnestly protect the basic rights of customers.

Customer service performance indicators

Indicator	Unit	2017	2018	2019
Number of customer inquiries	Case	20,304	26,030	**55,368**
Including: Number of complaints	Case	2	9	**14**
Percentage of complaint solving	%	100	100	**100**
Customer satisfaction	%	100	100	**100**

In terms of product advertising and marketing, the Company strictly abides by the requirements of the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》) and regulators, carries out legal publicity of financial products, standardizes the sales of financial products, provides customers with genuine and complete product information, and safeguards the legal rights of customers.

During the reporting period, the Company reported zero violations regarding information and labeling of products and services and zero violations of marketing regulations.

Continuous optimization of customer experience

The Company continuously promotes our control of customer service quality and trainings for customer service staff, and introduces customer service telephone software and WeChat official account for customer service to improve the overall customer service level of the Company and provide satisfactory customer service experience.

In terms of trainings for customer service staff, the Company regularly organizes discussions about training requirements with customer service staff, communicates with relevant departments over training plans based on feedback from employees, arranges professional trainings and knowledge sharing, searches relevant micro-class resources by taking full advantage of online learning platform and pushes them to customer service staff, and improves their service skills through sharing, learning and examination.

In 2019, the Company introduced the customer service telephone software, which queues the incoming calls and automatically forwards the calls not responded within 10 seconds to the vacant agents to minimize the waiting time of the customers. Meanwhile, the Company keeps records of incoming and outgoing calls of customer service staff, and carries out regular random inspection of the recordings to assist them in reflective learning and improving service skills.

Improving customer service level with financial technology

In 2019, Haitong UniTrust explored to improve our customer service level with financial technology. Specifically, we launched the WeChat official account named "Haitong UniTrust Connect", which features the automatic inquiry function based on frequently asked questions and common requirements of customers, thus effectively improving the service coverage and response efficiency. In the future, we will continue providing smart and manual service, carry out innovative upgrading of customer service, and provide more comprehensive customer service.

3.2 Information Security and Privacy Protection

According to the Cybersecurity Law of the People's Republic of China (《中華人民共和國網絡安全法》) and the Regulations of the People's Republic of China on Protecting the Safety of Computer Information Systems (《中華人民共和國計算機信息系統安全保護條例》), the Company has developed systems including Employee Handbook on Information Security Code (《員工信息安全規範手冊》) and Operating Guide for Information System User Permission (《信息系統用戶權限操作指引》) as well as the information security governance code, set up the information security leading group, and defined the information security governance strategy.

In terms of customer information and privacy protection, the Company has developed the Measures for Management of Information System Data of Haitong UniTrust International Leasing Co., Ltd., (《海通恒信國際租賃股份有限公司信息系統數據管理辦法》) which specified the approval procedures for data modification and extraction and the mechanism of dual review, in order to protect customer information and privacy from two aspects as data confidentiality and availability. For data confidentiality, the Company set up the overall data leakage prevention mechanism by data encryption in all links. For data availability, we established the data backup mechanism and regular backup strategy to comprehensively protect the security of customer information and privacy.

During the reporting period, the Company reported zero disclosure incident regarding customer information and privacy.

3.3 Promoting the Industry Cooperation and Exchange

The Company adheres to the corporate mission of "laying out high-quality assets and realizing deep industrialization", the Company took the lead in establishing the Haitong Data Industry Alliance and Cooperation Alliance of Listed Company Innovative Development Strategy, and holding exhibition activity of the Greater Bay Area Industrial Expo and other exchange activities to strengthen the cooperation and resources sharing with industry players and drive the sustainable development of various industries.

Industry alliance drives industry development

In order to respond to the national call of big data strategy transformation and implement the business philosophy of "investment bank + investment + leasing", Haitong UniTrust initiated the establishment of the Haitong Data Industry Alliance in 2016. Consisting of over 30 enterprises in various industries as smart city, big data, energy saving and environmental protection, the Alliance is committed to integrating the upstream and downstream resources of the industry chain, promoting the integration of industry and finance, offering practical solutions and services for alliance members, and driving the development and upgrading of various industries.

Moreover, the Company initiated the establishment of the Cooperation Alliance of Listed Company Innovative Development Strategy with hundreds of listed companies and financial institutions. We actively assist the alliance members in participating in bidding of large projects, provide bid winners with financial leasing service, and provide a comprehensive exchange platform to promote the in-depth cooperation with enterprises and long-term development of the industry.

The exhibition activity of Greater Bay Area Industrial Expo was successfully held

In order to enhance the cross-industry exchange and provide a good exchange platform for in-depth cooperation among enterprises, the Company successfully held the exhibition activity of the Greater Bay Area Industrial Expo in Shenzhen in November 2019. The expo exhibited various world-class high-precision manufacturing equipment in modern industry segments including industrial automation, intelligent plant, artificial intelligence, 3D printing, mold machining and plastic machinery. At the Expo, the Company actively responded to the business inquiries of suppliers, carried out in-depth discussions with suppliers, and completed on-site agreement signing with multiple suppliers, thus driving the progress of suppliers and the development of emerging industrial segments.

4. PEOPLE ORIENTATION & HAPPY WORKPLACE CO-CREATION

4.1 Employee Rights Protection

Legal equal employment

The Company pays attention to the introduction of outstanding talents. In strict accordance with laws and regulations as the Labor Law of the People's Republic of China (《中華人民共和國勞動法》) and the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), we attract talents in a fair, just and open recruitment policy, define a standard and orderly recruitment process, and encourage a diversified reserve of talents.

The Company has developed the Labor Contract Management Rules of Haitong UniTrust International Leasing Co., Ltd. (《海通恒信勞動合同管理規定》), Code of Conduct of Employees (《員工守則》) and other systems. We fully respect the employees' legal rights of equal employment, prohibit the discrimination in terms of sex, nationality and race, etc., and guarantee the standard recruitment and dismissal procedures. Moreover, in strict accordance with the Labor Law of the People's Republic of China and the Labor Contract Law of the People's Republic of China, we check the valid ID information of candidates to prevent employment of child labor. During the reporting period, the Company reported zero violations regarding employment of child labor and forced labor.

Haitong UniTrust has long been committed to providing employees with good working environment and benefits. We continuously improve the employee benefits system, abide by the standard working hour system (i.e. no more than 40 hours per week), and guarantee the employees are entitled to legal holidays, annual leave, sick leave, marriage leave, etc.

The Company has developed the General Rules for Salary Management of Haitong UniTrust International Leasing Co., Ltd. (《海通恒信國際租賃有限公司薪酬管理總則》), the Measures for Management of Salary Management of Headquarters of Haitong UniTrust International Leasing Co., Ltd. (《海通恒信國際租賃有限公司總部薪酬管理辦法》) and other rules, and determines the employees' salary based on market level and performance assessment. We pay full social insurances and housing fund contributions for employees on time, and offer additional benefits including corporate pension program, supplementary medical insurance program and additional leave, thus providing employees with comprehensive security.

Employee employment performance indicators

Indicator		Unit	2017	2018	**2019**
Total employees		Person	1,189	1,460	**1,684**
By sex	Male	Person	725	925	**1,090**
	Female	Person	464	535	**594**
By employment type	Employment contract	Person	1,168	1,433	**1,652**
	Labor dispatch	Person	11	25	**31**
	Other employment types	Person	10	2	**1**
By age group	>50 years old	Person	18	15	**17**
	30–50 years old	Person	638	820	**1,061**
	<30 years old	Person	533	625	**606**

Indicator		Unit	2017	2018	2019
By region	Mainland China	Person	1,185	1,454	**1,676**
	Overseas (including Hong Kong, Macao and Taiwan)	Person	4	6	**8**
Employee turnover rate		%	16.37	14.23	**14.73**
By sex	Male	%	17.58	14.74	**15.10**
	Female	%	14.36	13.25	**14.06**
By age group	>50 years old	%	18.18	44.00	**28.00**
	30–50 years old	%	15.47	14.52	**13.77**
	<30 years old	%	17.24	12.85	**15.50**
By region	Mainland China	%	16.35	14.14	**14.75**
	Overseas (including Hong Kong, Macao and Taiwan)	%	20.00	25.00	**11.11**
Employees' leave	Actual number of female employees taking maternity leave	Person	29	31	**32**
	Proportion of female employees back to work after taking maternity leave	%	93	94	**91**

Employee health and safety

The effective maintenance and enhancement of physical and psychological health of employees is the foundation of sound development of the Company. According to the Labor Law of the People's Republic of China and the Labor Contract Law of the People's Republic of China and other applicable laws and regulations, in addition to the comprehensive medical security system, the Company offers them supplementary medical insurance program and organize regular physical examination of employees, in order to maintain their physical health. Meanwhile, we organize psychological health lectures from time to time to assist employees in pressure relief and emotional regulation and enhance their psychological health. Moreover, the Company organizes annual fire drills to strengthen the safety awareness of employees. During the reporting period, the Company reported zero violations regarding occupational health and safety of employees.

4.2 Employee Development Support

Employee assessment and promotion

In terms of performance assessment, the Company is committed to establishing a scientific and effective performance management system and developing a performance culture featured by circular development of employee and employer. Through objective setting and planning, performance monitoring and assessment, performance feedback and guiding, and results application and rewards, we assess the work performance and competency of employees in a fair, comprehensive and objective manner, to meet the prerequisites for developing their development potential, improving their performance level and strengthening their performance management.

In terms of position promotion, the Company follows the principles of market, profession and system orientation, developed the Measures for Management of MD Position System of Haitong UniTrust International Leasing Co., Ltd. (《海通恒信國際租賃有限公司MD職位體系管理辦法》), establishes professional level promotion channel in addition to traditional administrative level promotion, creates the dual career development paths (promotion and demotion) with performance and ability as the orientation, fully reflects the recognition of values of various professionals, and builds a positive competition atmosphere.

The Company provides employees with a transparent, standard and customized promotion path, and divides the position system into five professional orders as business sales, credit review risk control, business leaseback, product research and development and functional management horizontally, and sets up nine ranks (sixteen levels) as Managing Director, Executive Manager and Director vertically, in order to adapt to different business characteristics and competition requirements.

Professional training for employees

The Company focuses on the combination of theory and practice, and devotes itself to building a professional, comprehensive and standard personnel training system. Based on the Talent Team Competency Model Handbook of Haitong UniTrust International Leasing Co., Ltd. (《海通恒信國際租賃股份有限公司人才梯隊能力模型手冊》), Training Management Handbook of Haitong UniTrust International Leasing Co., Ltd. (《海通恒信國際租賃股份有限公司培訓管理手冊》) and other rules. The Company provides comprehensive and diversified trainings including new employee training, management training, general skill training, business training and internal trainer training to build a platform for the growth of employees.

In 2019, the Company carried out a total of 108 training projects, consisting of 77 face-to-face training projects, 21 web-based training projects and 10 external training projects.

Training system of the Company in 2019

Project	Description
New employee training	• Provide new employees with trainings on company history, corporate culture and rules, etc.
Management ability training	• Sailing Project: enhance the political quality, management quality and humanistic quality of cadres • Spark Project: through the learning mode of execution, improve the young talents' management skills and comprehensive quality through resolution of practical problems • Sailing Operation: guide the growth of young employees, improve their practical skills to realize the transformation from theoretical knowledge to applied knowledge
General skill training	• Web-based training of "Professional Etiquette and Quality" and face-to-face training of "Professional Ethics and Discipline Education" that cover all employees
Business training	• Qualification trainings: basic knowledge training for new project managers, guidance for interview of qualification exam of project managers, and face-to-face questions & answers of qualification exam of project managers • Business sharing meeting: regular business sharing meetings for mature project managers to share business experience, develop innovative thinking and improve professional quality • Dandelion program: special trans-department training for business backbone and business directors of branches to enhance the collaboration and consistency of various departments during project implementation
Internal trainer training	• Provide trainings for all internal trainers and senior internal trainers on course development and teaching skills

Employee training performance indicators

Indicator		Unit	2017	2018	2019
Person-time of employee training		Person-time	2,471	2,954	**5,478**
Investment in employee training		RMB(0,000)	59.50	122.50	**132.80**
Coverage of employee training		%	100	100	**100**
By gender	Female	%	100	100	**100**
	Male	%	100	100	**100**
By employee category	Senior management	%	100	100	**100**
	Middle management	%	100	100	**100**
	General employees	%	100	100	**100**
Training duration per employee per year		Hours	10	12	**17**
By gender	Female	Hours	9	12	**17**
	Male	Hours	10	12	**17**
By employee category	Senior management	Hours	20	22	**24**
	Middle management	Hours	10	20	**22**
	General employees	Hours	10	12	**17**

Sailing Project — Cadre training

The Sailing Project includes a five-year capability improvement plan for cadres of the Company, and provides about 40 courses in three topics including business management, team management and collaboration management. In order to improve training effectiveness, Sailing Project is implemented in multiple forms such as online learning, face-to-face training, team co-creation and assignment tracking.

Spark Project — Young talent training

The target groups of Spark Project are young talents selected by various departments of the Company. Through the mode of "team, action and learning" and three stages including "problem identification and innovation focus", "practical exploration and problem solving" and "results summary and knowledge transfer". The Spark Project aims to improve the problem-solving ability and business management ability of employees. In 2019, the Company organized two sessions of Spark Project, attracting 34 trainees.

Haitong UniTrust Star Program — Management trainee training

Haitong UniTrust Star Program lasts for half a year, consists of three stages including training, rotation and position fixing, and covers 8 tasks including induction training, department rotation, interim training and theme reporting. In 2019, the Company offered training for 18 management trainees.

Haitong UniTrust Star Program adopts the training system of multiple levels, multiple stages and multiple dimensions, and offers customized career planning for employees, aiming to enrich the expertise and know-how of management trainees, strengthen their sense of belonging and sense of identity, and accelerate the transformation from new employees to professional talents.

4.3 Employee Care

Focusing on employee care

Employees are the drivers of corporate development, and employee care is the core of building a harmonious company. In terms of employee care, the Company keeps an eye on the life, work and difficulties of employees, pays attention to their pressure relief, and strives to create a healthy, positive and comfortable work atmosphere.

The Company has developed and implemented the Management Rules for Trade Union Consolation of Haitong UniTrust (《海通恒信工會慰問工作管理細則》). The Company organizes various consolation activities including heatstroke prevention, winter protection, haze protection, movie watching, as well as consolations during the Spring Festival, Dragon Boat Festival, Mid-Autumn Festival and National Day to deliver warmth and care to employees. Meanwhile, we actively implemented the construction of home of staff, and devote ourselves to improving the living conditions of employees and building a comfortable community for them. In 2019, the labor union of the Company won the award of Advanced Home of Staff of the finance system in Shanghai.

Winning the honorary title of "Four-star Nursing Room" in Shanghai

In addition to guaranteeing the salary and rights of marriage leave, maternity leave and breastfeeding breaks of female employees, Haitong UniTrust actively built a nursing room to provide female employees with a private, clean, comfortable and safe space for nursing. Moreover, the Company carries out regular satisfaction surveys, maintains and upgrades the nursing room based on feedback. The Company earnestly improves the living conditions of employees, continuously strengthens the humanistic care, and enhances their sense of belonging, sense of fulfillment and happiness.

Enriching life of employees

The Company actively organizes various outdoor activities such as outward bound, recreational and sports games, spring and autumn outings, and holiday celebrations. The Company organized the calligraphy, paintings and photography competition, book reading program themed "Pleasant Reading Enriches Life", ceremony celebrating the 70th anniversary of founding of PRC and other cultural construction events to enrich the spare-time life of employees, optimize their work-life balance, and strengthen their cohesive force and centripetal force.

5. GREEN DEVELOPMENT & SHARING BETTER LIFE

5.1 Promoting the Ecological Civilization Development

Boosting green mobility

In the context of ecological civilization construction nationwide, the concept of green transportation is increasingly strengthened. In May 2019, the Ministry of Transport, together with other twelve authorities, issued the Action Plan for Green Travel (2019–2022) (《綠色出行行動計劃(2019–2022年)》), which proposed to implement the purchase and renewal of energy-efficient and new energy vehicles, intensify the promotion and application of energy-efficient and new energy vehicles, so as to build a green mobility-friendly environment and improve the urban green mobility level.

In order to support the development of national green transportation industry, the Company issued the Guidelines for Credit Review of Public Transport Industry (《公共交通行業信審指引》), which specifies detailed operating procedures and credit extension scale for the financing requirements of bus companies in prefecture-level cities and top 100 counties and in particular, provides extensive support for bus companies to purchase new energy bus financing to better serve the new energy bus sector.

In 2019, the Company successfully implemented several financing transactions (totaling RMB150 million) on purchasing of new energy buses, and successively provided over 300 new energy buses for Taojiang County of Yiyang, Susong County of Anqing, Bijie and other regions, thus effectively supporting the development of green mobility.

Providing financing service for new energy buses to support the urban and rural green mobility

Taojiang County F Co., Ltd. ("F Company") was founded in 2019. In order to respond to the urban-rural integration strategy and notice on giving priority to development of public transport of the State Council and the planning of Ministry of Transport on public transport service covering all villages, and improve the current bus service availability, F Company, with support from local government, planned to purchase 130 new energy battery electric buses valuing over RMB60 million.

Through financial leasing, the Company purchased 130 new energy vehicles and leased them to F Company. The new energy vehicles have been put into service in September 2019. The project not only successfully solved the bus service problem of people in Taojiang County, but also responded to the national strategic policy on green mobility and energy saving and emission reduction, demonstrating the remarkable practice of the Company in supporting green development concept.

Haitong Unifortune, one of the subsidiaries of the Company, is a professional entity engaged in vehicle financing service. It provides the financial leasing service for the mobility platform of new energy vehicles (online car-hailing service and taxi) for major car leasing companies and drivers, thus supporting the green shared mobility.

In 2019, Haitong Unifortune issued the New Energy Vehicle Development Planning (《新能源車輛發展規劃》) to comprehensively enter into the new energy vehicle market segment, aiming to support the green mobility development from three aspects including green mobility, green logistics and green life.

Key aspects of new energy vehicles development planning of Haitong UniFortune

Key aspect	Key task
Green mobility	providing the financial leasing service for the mobility platform of new energy vehicles (online car-hailing service and taxi) for major car leasing companies and drivers, thus supporting the green shared mobility.
Green logistics	assisting major cities in logistics distribution centers to carry out vehicle iterations, financing and leasing new energy trucks to logistics and distribution centers to assist intercity distribution, and solve environmental protection problems of freight vehicles.
Green life	cooperating with domestic new energy original equipment manufacturer of new energy vehicles and their affiliated 4S stores to carry out the promotion and leaseback business of new energy vehicles nationwide, thus developing the green lifestyle of residents.

Promoting development of environmental protection industry

In the context of incentive for environmental protection and green economy nationwide, the Companyactively participates in researches in sewage treatment, solid waste treatment, urban sanitation, energy saving & efficiency improvement, etc., and devotes itself to providing professional financial services for energy saving and environmental protection enterprises.

In 2019, the Company issued the White List of Energy Saving and Environmental Protection Enterprises (《節能環保白名單》) to classify the industry players and provide eligible customers with more accurate and professional services. In 2019, the Company approved the financing for 41 projects in energy saving and environmental protection industry, totaling RMB1.789 billion.

In the context of implementation of garbage classification nationwide, the development of environmental sanitation comprehensive service sector is of great significance to improve the environmental management level and drive the ecological civilization construction. In this regard, the Company developed the guidelines named "Environmental Sanitation Connect" for the products, which provides guidance for links as transaction structure, access conditions, high-risk customers, one vote against meaning veto and product control, and helps the customers of environmental sanitation management segment rapidly apply for approval, thus providing better customer service. In 2019, the Company acquired the approval for over 10 environmental sanitation customers, and indirectly supported the treatment and disposal of over 360,000-ton garbage, 10,000,000-ton municipal sewage and 14,000,000-ton industrial sewage.

Supporting Jiawang District in realizing ecological restoration with financial leasing solution

Xuzhou G Co., Ltd. ("G Company") is mainly engaged in river control, reservoir management, water supply, sewage treatment and water supply network construction, and is responsible for the comprehensive water environmental governance tasks of Jiawang District.

In 2019, the Company raised RMB120 million for G Company through financial leasing. The funds were used as a supplement to working funds of Jiawang Water for purposes of reservoir environmental governance, comprehensive operation, river dredging, and malodorous river management to support Jiawang District to achieve a better environment.

At present, Jiawang District has successfully implemented the reconstruction of 23 malodorous rivers, and built 1 national water scenic area, 4 provincial water scenic areas, 13 clear water villages and 1 clear water town, becoming the model of ecological restoration and transformation development of resource-exhausted cities nationwide.

5.2 Low-carbon Operation Practice

The environment is the foundation of human survival and also an important issue of enterprise sustainable development. Although the Company is a financial company with low energy consumption and emissions, it has always earnestly integrated the responsibilities of environmental protection, energy saving and resource utilization into its routine operation. The Company strictly abides by environmental protection laws and regulations including the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), adheres to principles of environmental protection and energy saving, implements the low-carbon operation concept, and strives to efficiently utilize resources and energy and build a green and efficient office environment. In 2019, the Company reported zero violations regarding environmental protection.

- Power consumption management: encourage employees to turn off all unnecessary devices and lights after daily work and set the device into sleep mode to avoid the idle of office equipment, and arrange the security personnel for patrol after the business hours

- Water consumption management: regulate the management of bottled water by on-demand supply and quota management

- Paper saving: launch the printing card swiping system to avoid ineffective repeated printing and to minimize waste paper

- Solid waste and wastewater treatment: Set collection points for classified collection of non-hazardous wastes (e.g. mail cartons and used newspaper) and hazardous wastes (e.g. waste batteries and used electronics), and deliver them to professional suppliers for recycling; discharge the wastewater to municipal sewage plants by connecting the in-house pipes to the municipal pipeline

Video conference system facilitates green office

The Company adheres to the concept of efficient office and green operation. In 2019, the Company purchased 20 video conferencing devices, and launched the smart video conference room system to support remote trainings, interviews, meetings and other daily activities. The video conference system can reduce the travel expenses and time of employees, minimize the unnecessary use of vehicles, effectively save resources and mitigate the greenhouse gas emissions from transportation.

Introducing the smart printing card swiping system to save paper

In order to meet the objective of paper saving, in 2019, the Company purchased 16 novel printers, introduced a smart printing card swiping system, and utilized the printing server to perform central monitoring and management of printers, so as to urge the employees to save paper. Through the optimization and upgrading of printer configuration and system, the Company can regulate and control the printing resources, effectively reduce quantity of printing errors, and control the printing costs. With these measures, we reduced about 15% paper consumption in 2019, contributing to the achievement of objective of low-carbon operations.

Table of environmental performance indicators

Indicator[1]	Unit	2017	2018	2019
Total greenhouse gas emission[2]	Ton of CO_2 equivalent	659.87	879.43	**985.79**
Greenhouse gas emission per person	Ton of CO_2 equivalent/person	0.48	0.51	**0.50**
Greenhouse gas emission per unit area	Ton of CO_2 equivalent/m^2	0.04	0.06	**0.07**
Total Power consumption[3]	kWh	840,313.72	1,055,590.04	**1,199,550.29**
Power consumption per person	kWh/person	609.81	616.22	**611.39**
Power consumption per unit area	kWh/m^2	49.95	73.64	**83.01**
Total water consumption	Ton	80.00	80.00	**80.00**
Water consumption per person	Ton/person	0.07	0.06	**0.05**
Water consumption per unit area	Ton/m^2	0.01	0.01	**0.01**
Gas consumed by the Company's own vehicles	litre	25,376.00	50,528.56	**52,407.19**
Waste volume of electronics[4]	Unit	100	150	**200**

Note 1: Data scope of GHG emission and intensity, power consumption and intensity, gas consumed by the company's own vehicles includes Haitong UniTrust Headquarters (HQ), Haitong Unifortune HQ and 17 branches including Beijing, Henan, Sichuan, Chongqing, Guangzhou, Hubei, Fujian, Shandong, Liaoning, Zhejiang, Jiangsu, Shaanxi, Guangxi, Hunan, Jiangxi, Anhui and Guangdong; Data scope of other statistics includes Haitong UniTrust HQ and Haitong Unifortune HQ.

Note 2: Greenhouse gas emissions include direct emission by company natural gas consumption and vehicle gas consumption, and indirect emission by outsourced power, which are estimated based on average carbon dioxide emission factor of Chinese regional power grids issued by Department of Climate Change of NDRC, greenhouse gas emission factor of mobile sources provided by HKEx, and urban greenhouse gas calculation tool 2.0 issued by WRI.

Note 3: The power consumption of Haitong UniTrust HQ and Haitong Unifortune HQ are estimated.

Note 4: The non-hazardous waste in our operation mainly refers to the daily office waste. The hazardous waste mainly refers to ink box, electronic waste, toner cartridge, etc. The waste volume of electronics is mainly the statistical amount of waste batteries and the Company has not yet calculated the waste volume of ink box and toner cartridge.

5.3 Community Engagement

The Company always pays attention to the development of the surrounding community, and actively organizes and participates in various charity activities. In 2019, the Company focused on the culture and health fields, and organized public benefit activities including book donation and sick children aid, thus offering care to community and vulnerable groups. In 2019, the Company invested a total of RMB50,000 on community engagement, and the volunteer service hours of our employees amounted to 142 hours.

Integrating community charity engagement into Party building

The Party committee of the Company has long been considering the active fulfillment of social responsibility as a key part of Party building. With active response to the call of Party Committee of Huangpu District, the Party committee vigorously contributes to the poverty alleviation mission by supporting the paired project, i.e. to donate supplies to students of Banwen village primary school in Sino-Burmese border area.

In 2019, Haitong UniTrust launched the book donation activity themed “Building dreams of children & Love in Haitong UniTrust”, and called upon our employees to donate books for students of Banwen village primary school, which raised over 90 books.

Learn-from-Lei Feng volunteer service activity themed “Love in Haitong & Care for Sick Children”

In order to respond to the call, carry forward the spirit of Lei Feng and spread the volunteer service concept, the Company organized a series of volunteer service activities themed “Love in Haitong & Care for Sick Children” to offer support and care to child patients in inpatient department of Children’s Hospital of Fudan University in Shanghai.

The volunteer team of our employees planned various performance programs for the child patients to enrich their monotonous life. Moreover, the Company donated toys and daily necessities to them on behalf of the employees, bringing social care to them and wishing them an early recovery.

Party building activity themed "Care for autistic children & Love Relay Running Program in Shanghai"

In April 2019, Shanghai Sports Development Foundation launched a public benefit program themed "Love You in Your World", which called upon the public to donate for the rehabilitation courses of autistic children and assist them in integrating into the community.

The Company actively responded to the call for public benefit program, and organized our employees to participate in the group marathon themed "Love Relay". Five volunteers of the Company finished the 42 kms marathon mileage, and made donations at the charity bazaar along the route on behalf of the Company to relieve the financial burden of the families of autistic children and contribute to their healthy growth.

HKEX ESG REPORTING GUIDE INDEX

Aspects, General Disclosures and KPIs	Description	Section
A. Environment		
Aspect A1: Emissions		
General Disclosure A1	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	5.2 Low-carbon Operation Practice
KPI A1.1	The types of emissions and respective emissions data.	5.2 Low-carbon Operation Practice
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	5.2 Low-carbon Operation Practice
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	5.2 Low-carbon Operation Practice
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	5.2 Low-carbon Operation Practice
KPI A1.5	Description of measures to mitigate emissions and results achieved.	5.2 Low-carbon Operation Practice
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	5.2 Low-carbon Operation Practice

Aspects, General Disclosures and KPIs	Description	Section
Aspect A2: Use of Resources		
General Disclosure A2	Policies on the efficient use of resources, including energy, water and other raw materials.	5.2 Low-carbon Operation Practice
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	5.2 Low-carbon Operation Practice
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	5.2 Low-carbon Operation Practice
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	5.2 Low-carbon Operation Practice
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	5.2 Low-carbon Operation Practice
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable, as the Company provides financial products
Aspect A3: The Environment and Natural Resources		
General Disclosure A3	Policies on minimizing the issuer's significant impact on the environment and natural resources.	5.1 Ecological Civilization Development
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	5.1 Ecological Civilization Development

Aspects, General Disclosures and KPIs	Description	Section
B. Social		
Employment and Labour Practices		
Aspect B1: Employment		
General Disclosure B1	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	4.1 Employee Rights Protection
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	4.1 Employee Rights Protection
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	4.1 Employee Rights Protection

Aspects, General Disclosures and KPIs	Description	Section
Aspect B2: Health and Safety		
General Disclosure B2	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	4.1 Employee Rights Protection
KPI B2.1	Number and rate of work-related fatalities.	Not applicable
KPI B2.2	Lost days due to work injury.	Not applicable
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	4.1 Employee Rights Protection

Aspects, General Disclosures and KPIs	Description	Section
Aspect B3: Development and Training		
General Disclosure B3	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	4.2 Employee Development Support
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. top management, middle management).	4.2 Employee Development Support
KPI B3.2	The average training hours completed per employee by gender and employee category.	4.2 Employee Development Support
Aspect B4: Labor Standards		
General Disclosure B4	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	4.1 Employee Rights Protection
KPI B4.1	Description of measures to review employment practices to avoid child and forced labor.	4.1 Employee Rights Protection
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	4.1 Employee Rights Protection

Aspects, General Disclosures and KPIs	Description	Section
B. Social		
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure B5	Policies on managing environmental and social risks of the supply chain.	1.3 Risk and Compliance Management
KPI B5.1	Number of suppliers by geographical region.	1.3 Risk and Compliance Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	1.3 Risk and Compliance Management

Aspects, General Disclosures and KPIs	Description	Section
Aspect B6: Product Responsibility		
General Disclosure B6	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.	3.1 High-quality Services
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	3.1 High-quality Services
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	1.3 Risk and Compliance Management
KPI B6.4	Description of quality assurance process and recall procedures.	Not applicable
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	3.2 Information Security and Privacy Protection

Aspects, General Disclosures and KPIs	Description	Section
Aspect B7: Anti-corruption		
General Disclosure B7	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	1.3 Risk and Compliance Management
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	1.3 Risk and Compliance Management
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	1.3 Risk and Compliance Management

Aspects, General Disclosures and KPIs	Description	Section
Aspect B8: Community Investment		
General Disclosure B8	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' rights.	5.3 Community Engagement
KPI B8.1	Focus areas of contribution (e.g. education, environment, labor demand, health, culture and physical education).	5.3 Community Engagement
KPI B8.2	Resources contributed (e.g. money or time).	5.3 Community Engagement

"Articles of Association"	the articles of association of the Company and its amendments from time to time
"Audit Committee"	the audit committee of the Company
"Board"	the board of directors of the 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
"Controlling Shareholder"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	director(s) of the Company
"GDP"	gross domestic product
"Group" or "we" or "us"	the Company and its subsidiaries
"Gui'an UT"	Gui'an UT Financial Leasing (Shanghai) Co., Ltd
"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
"Haitong UniFortune"	Haitong UniFortune International Leasing Co., Ltd.

"Haitong UniTrust", "Company" or "We"	Haitong UniTrust International Leasing Co., Ltd.
"Haitong UniTrust Financial Leasing"	Haitong UniTrust Financial Leasing (Shanghai) Corporation
"Haitong UT Capital"	Haitong UT Capital Group Co., Limited
"Haitong UT Holding"	Haitong UT Holding Limited
"HK$" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"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 on the Main Board of the Hong Kong Stock Exchange
"Listing Date"	June 3, 2019
"Nomination Committee"	the nomination committee of the Company
"PBOC"	People's Bank of China, the central bank of the PRC
"Prospectus"	the prospectus of the Company dated May 21, 2019
"Remuneration and Evaluation Committee"	the remuneration and evaluation committee of the Company

"Reporting Period"	the year ended December 31, 2019
"Risk Management Committee"	the risk management committee of the Company
"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
"Weitai Properties"	Shanghai Weitai Properties Management Co., Ltd.

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
"CDS"	Credit Default Swap
"4S stores"	Automobile Sales Servicshop 4S
"IDC"	Internet Data Center
"IT"	information technology
"LME"	large- and medium-sized enterprise
"LPR"	Loan Prime Rate
"MSE"	micro- and small-sized enterprise
"NPA(s)"	non-performing asset(s)
"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"

Deloitte. 德勤

TO THE SHAREHOLDERS OF HAITONG UNITRUST INTERNATIONAL LEASING CO., LTD.

(incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Haitong UniTrust International Leasing Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 186 to 308, which comprises the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Expected credit loss allowance of finance lease receivables, receivables arising from sale and leaseback arrangements and loans and receivables	
We identified the impairment of finance lease receivables, receivables arising from sale and leaseback arrangements and loans and receivables as a key audit matter due to the aggregate amount of these assets is material and it requires the application of judgment and estimation by the management to determine the amount of expected credit loss ("ECL"). The measurement model for ECL involves significant judgements and estimations, including determination of whether there is significant increase in credit risk (SICR) and whether an asset is credit-impaired, the probability of default (PD) and loss given default (LGD), and incorporation of forward-looking information. As disclosed in Notes 20, 21 and 22, respectively, as at December 31, 2019, the Group held finance lease receivables of RMB54,364 million, less loss allowance of RMB1,423 million; receivables arising from sale and leaseback arrangements of RMB22,193 million, less loss allowance of RMB249 million; loans and receivables of RMB8,857 million, less loss allowance of RMB772 million.	Our procedures in relation to the expected credit loss allowance of finance lease receivables, receivables arising from sale and leaseback arrangements and loans and receivables included: • We understood management's process in credit approval, post approval monitoring, the identification of SICR indicators and impairment evidence, and data input used by ECL model; • In particular, we tested the operating effectiveness of the controls over the identification of SICR indicators and impairment evidence; • On sample basis, we obtained credit analysis performed by management based on the business operating and financial information of the debtors, type of collaterals or guarantors to assess the appropriateness of the management's identification of SICR and credit-impaired assets; • With the support of our internal specialists, we evaluated the reasonableness of the ECL model methodology and related parameters including PD, LGD, SICR, risk exposure and forward-looking information; • For data used in ECL model we tested, on sample basis, the credit risk grading, write-off and recovery data for the year by checking to the relevant information on the credit risk grading list and write-off list approved by the management, and actual recovery records; • For credit-impaired assets, we tested on a samples basis the reasonableness of future cash flows estimated by the Group, including the expected recoverable amount from the counterparties, guarantors, or realization of collateral held in supporting the computation of loss allowance; • Recalculating the ECL allowance made by management.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

The engagement partner on the audit resulting in the independent auditor's report is David Leung Ho Ming.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
March 26, 2020

Consolidated Statement of Profit or Loss for the Year Ended December 31, 2019

	Notes	2019 RMB'000	2018 RMB'000
Revenue			
Finance lease income	5	**4,552,042**	3,698,412
Interest income from sale and leaseback arrangements	5	**716,325**	—
Operating lease income	5	**433,634**	174,339
Service fee income	5	**1,065,371**	912,036
Factoring interest income	5	**306,216**	473,517
Entrusted loan and other loan interest income	5	**71,347**	74,019
Total revenue		**7,144,935**	5,332,323
Net investment gains or losses	6	**3,755**	63,546
Share of result of a joint venture	19	**8,419**	12,943
Other income, gains or losses	7	**291,872**	156,560
Total revenue and other income, gains or losses		**7,448,981**	5,565,372
Depreciation and amortization	8	**(257,043)**	(86,091)
Staff costs	9	**(546,404)**	(456,224)
Interest expenses	10	**(3,331,259)**	(2,316,323)
Other operating expenses	11	**(193,161)**	(172,595)
Listing expenses		**(31,451)**	(13,480)
Impairment losses under expected credit loss model	12	**(1,272,352)**	(761,829)
Other impairment losses		**(16,186)**	(3,505)
Total expenses		**(5,647,856)**	(3,810,047)
Profit before income tax		**1,801,125**	1,755,325
Income tax expenses	13	**(446,213)**	(444,069)
Profit for the year		**1,354,912**	1,311,256

	Notes	2019 RMB'000	2018 RMB'000
Attributable to:			
Owners of the Company			
— Ordinary shareholders		**1,266,487**	1,215,258
— Other equity instrument holders		**50,148**	49,897
Non-controlling interests		**38,277**	46,101
		1,354,912	1,311,256
Earnings per share attributable to ordinary shareholders of the Company (Expressed in RMB Yuan per share)			
— Basic	14	**0.16**	0.17
— Diluted	14	**0.16**	N/A

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Year Ended December 31, 2019

	2019 RMB'000	2018 RMB'000
Profit for the year	**1,354,912**	1,311,256
Other comprehensive income/(expense):		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation	**27,892**	(8,797)
Fair value gains on hedging instrument designated in cash flow hedges	**2,502**	—
Other comprehensive income/(expense) for the year, net of income tax	**30,394**	(8,797)
Total comprehensive income for the year	**1,385,306**	1,302,459
Attributable to:		
Owners of the Company		
— Ordinary shareholders	**1,296,881**	1,206,461
— Other equity instrument holders	**50,148**	49,897
Non-controlling interests	**38,277**	46,101
	1,385,306	1,302,459

Consolidated Statement of Financial Position as at December 31, 2019

	Notes	2019/12/31 RMB'000	2018/12/31 RMB'000
Non-current assets			
Property and equipment	16	**4,730,048**	4,217,428
Right-of-use assets	17	**185,720**	—
Intangible assets	18	**15,774**	14,342
Finance lease receivables	20	**24,786,256**	30,824,664
Receivables arising from sale and leaseback arrangements	21	**13,148,660**	—
Interest in a joint venture	19	**710,889**	245,798
Financial assets at fair value through profit or loss	27	**35,921**	36,078
Loans and receivables	22	**2,738,737**	2,424,059
Deferred tax assets	23	**1,006,941**	727,607
Other assets	24	**538,857**	148,586
Total non-current assets		**47,897,803**	38,638,562
Current assets			
Finance lease receivables	20	**28,155,387**	30,828,048
Receivables arising from sale and leaseback arrangements	21	**8,795,032**	—
Loans and receivables	22	**5,345,915**	4,276,336
Other assets	24	**921,422**	725,916
Accounts receivable	25	**16,682**	41,237
Financial assets held under resale agreements	26	**1,154,514**	980,836
Financial assets at fair value through profit or loss	27	**1,252,063**	2,326,319
Derivative financial assets	28	**49,619**	10,170
Cash and bank balances	29	**5,458,838**	4,283,957
Total current assets		**51,149,472**	43,472,819
Total assets		**99,047,275**	82,111,381

Consolidated Statement of Financial Position
as at December 31, 2019

	Notes	2019/12/31 RMB'000	2018/12/31 RMB'000
Current liabilities			
Borrowings	30	**19,660,876**	18,162,075
Derivative financial liabilities	28	**98,805**	23,472
Accrued staff costs	31	**175,986**	138,193
Accounts payable	32	**279,399**	401,138
Bonds payable	33	**20,114,151**	12,856,859
Income tax payable		**494,850**	368,909
Other liabilities	34	**5,359,619**	3,132,307
Total current liabilities		**46,183,686**	35,082,953
Net current assets		**4,965,786**	8,389,866
Total assets less current liabilities		**52,863,589**	47,028,428
Equity			
Share capital	35	**8,235,300**	7,000,000
Reserves			
— Capital reserve	36	**2,497,465**	1,780,163
— Surplus reserve	36	**314,999**	203,446
— Hedging reserve	36	**2,502**	—
— Translation reserve	36	**18,275**	(9,617)
Retained profits		**2,967,374**	2,213,818
Other equity instrument			
— Perpetual note	37	**1,237,212**	1,237,008
Equity attributable to owners of the Company			
— Ordinary shareholders		**14,035,915**	11,187,810
— Other equity instrument holders		**1,237,212**	1,237,008
Non-controlling interests		**16,660**	495,026
Total equity		**15,289,787**	12,919,844

Consolidated Statement of Financial Position
as at December 31, 2019

	Notes	2019/12/31 RMB'000	2018/12/31 RMB'000
Non-current liabilities			
Borrowings	30	**18,096,373**	12,836,538
Bonds payable	33	**11,332,791**	14,594,792
Deferred tax liabilities	23	**10,808**	12,319
Other liabilities	34	**8,133,830**	6,664,935
Total non-current liabilities		**37,573,802**	34,108,584
Total equity and non-current liabilities		**52,863,589**	47,028,428

The consolidated financial statements on pages 186 to 308 were approved and authorised for issue by the Board of Directors on March 26, 2020 and signed on behalf by:

Ding Xueqing	Zhou Jianli
Executive Director/	Executive Director/
General Manager	Chief Financial Officer

Consolidated Statement of Changes in Equity for the Year Ended December 31, 2019

	Attributable to owners of the Company									
	Share capital RMB'000	Capital reserve RMB'000	Surplus reserve RMB'000	Hedging reserve RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Ordinary shareholders Sub-total RMB'000	Other equity instrument RMB'000	Non-controlling interest 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 2)	–	–	–	–	–	(2,011)	(2,011)	–	(25)	(2,036)
At January 1, 2019 (restated)	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 year	–	–	–	–	–	1,266,487	1,266,487	50,148	38,277	1,354,912
Other comprehensive income for the year	–	–	–	2,502	27,892	–	30,394	–	–	30,394
Total comprehensive income for the year	–	–	–	2,502	27,892	1,266,487	1,296,881	50,148	38,277	1,385,306
Issuance of shares, net (Note 35)	1,235,300	728,501	–	–	–	–	1,963,801	–	–	1,963,801
Capital injection by non-controlling interests (Note 51)	–	–	–	–	–	–	–	–	14,304	14,304
Appropriation to surplus reserve	–	–	111,553	–	–	(111,553)	–	–	–	–
Distribution of perpetual note	–	–	–	–	–	12,516	12,516	(50,062)	–	(37,546)
Dividends recognised as distribution	–	–	–	–	–	(411,765)	(411,765)	–	–	(411,765)
Effect of acquisition of a subsidiary (Note 51)	–	(11,199)	–	–	–	–	(11,199)	–	(530,922)	(542,121)
Others	–	–	–	–	–	(118)	(118)	118	–	–
At December 31, 2019	8,235,300	2,497,465	314,999	2,502	18,275	2,967,374	14,035,915	1,237,212	16,660	15,289,787

Consolidated Statement of Changes in Equity for the Year Ended December 31, 2019

	Attributable to owners of the Company									
	Share capital RMB'000	Capital reserve RMB'000	Surplus reserve RMB'000	Hedging reserve RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Ordinary shareholders Sub-total RMB'000	Other equity instrument RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
At January 1, 2018	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 year	–	–	–	–	–	1,215,258	1,215,258	49,897	46,101	1,311,256
Other comprehensive expenses for the year	–	–	–	–	(8,797)	–	(8,797)	–	–	(8,797)
Total comprehensive income/ (expenses) for the year	–	–	–	–	(8,797)	1,215,258	1,206,461	49,897	46,101	1,302,459
Capital injection by non-controlling interests	–	–	–	–	–	–	–	–	2,743	2,743
Appropriation to surplus reserve	–	–	86,842	–	–	(86,842)	–	–	–	–
Distribution of perpetual note	–	–	–	–	–	12,457	12,457	(49,826)	–	(37,369)
Others	–	–	–	–	–	(1,620)	(1,620)	1,620	–	–
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

Consolidated Statement of Cash Flows for the Year Ended December 31, 2019

	2019 RMB'000	2018 RMB'000
OPERATING ACTIVITIES		
Profit before income tax	**1,801,125**	1,755,325
Adjustments for:		
Interest expense	**3,331,259**	2,316,323
Interest income from deposits with financial institutions	**(71,667)**	(43,502)
Impairment losses recognised	**1,288,538**	765,334
Depreciation and amortization	**257,043**	86,091
Losses on disposal of property and equipment and intangible assets	**(42)**	39
Share of result of a joint venture	**(8,419)**	(12,943)
Foreign exchange losses, net	**10,382**	19,750
Net gains arising from financial assets at fair value through profit or loss	**(8,569)**	(18,837)
Unrealized fair value change	**91,822**	(33,097)
Operating cash flows before movements in working capital	**6,691,472**	4,834,483
Decrease/(increase) in finance lease receivables	**7,971,983**	(18,852,762)
Increase in receivables arising from sale and leaseback arrangements	**(22,193,103)**	—
(Increase)/decrease in loans and receivables	**(1,658,829)**	4,511,717
Decrease/(increase) in financial assets at fair value through profit or loss	**1,041,000**	(1,875,000)
Decrease/(increase) in accounts receivable	**13,513**	(41,152)
Increase in other assets	**(322,592)**	(660,427)
Increase in accrued staff costs	**37,793**	20,608
Decrease in accounts payable	**(121,739)**	(418,263)
Increase in other liabilities	**2,385,378**	2,867,543
Cash used in operations	**(6,155,124)**	(9,613,253)
Income taxes paid, net	**(587,607)**	(536,846)
Interest received	**71,667**	43,502
Interest paid	**(2,695,169)**	(1,977,867)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	**(9,366,233)**	(12,084,464)

Consolidated Statement of Cash Flows for the Year Ended December 31, 2019

	Note	2019 RMB'000	2018 RMB'000
INVESTING ACTIVITIES			
Proceeds on sale of financial assets held under resale agreements		**17,690,300**	5,083,000
Proceeds on sale of financial assets at fair value through profit or loss		**6,312,569**	23,728,019
Disposal of property and equipment and intangible assets		**77**	46
Proceeds of restricted deposits		**215,535**	6,448
Amounts repaid from a related party		**—**	161,362
Amounts advanced to a related party		**—**	(161,362)
Purchase of financial assets held under resale agreements		**(17,862,500)**	(6,070,600)
Purchase of financial assets at fair value through profit or loss		**(6,291,000)**	(23,687,763)
Purchase of property and equipment and intangible assets		**(918,147)**	(2,673,521)
Acquisition of a subsidiary		**(172,314)**	—
NET CASH FROM/(USED IN) INVESTING ACTIVITIES		**(1,025,480)**	(3,614,371)
FINANCING ACTIVITIES			
Proceeds from issuance of shares		**2,040,364**	—
Proceeds from capital injection of the non-controlling investors		**14,304**	2,743
Proceeds from borrowings		**27,427,708**	22,587,924
Proceeds from issuance of bonds		**28,563,754**	27,449,179
Repayment of borrowings		**(21,033,719)**	(16,438,626)
Repayment of bonds payable		**(24,525,841)**	(16,005,125)
Repayments of lease liabilities		**(41,184)**	—
Payments for the costs of borrowing		**(61,783)**	(81,298)
Payments for the costs of bonds issuance and perpetual note issuance		**(95,415)**	(66,790)
Issue costs paid		**(65,866)**	—
Payment of distribution of perpetual note		**(50,062)**	(49,826)
Payment of dividends		**(411,765)**	—
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		**11,760,495**	17,398,181
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,368,782**	1,699,346
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	40	**3,662,767**	1,969,639
Effect of foreign exchange rate changes		**21,578**	(6,218)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	40	**5,053,127**	3,662,767

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2019

1. GENERAL INFORMATION

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 on June 3, 2019. 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").

The approved business scope of the Group mainly includes the finance lease business, lease business, purchase of leased assets from both domestic and international suppliers, residual value disposal and maintenance of leased assets, advisory services and guarantee of lease transactions, commercial factoring business related to the main business and other services as approved by relevant law.

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

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and Amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time in the current year:

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 year has had no material impact on the Group's financial performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 *Leases* ("IAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application, January 1, 2019.

For contracts entered into or modified on or after January 1, 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessor

In accordance with the transitional provisions in IFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with IFRS 16 from the date of initial application and comparative information has not been restated.

The accounting policies applicable to the Group as a lessor in the comparative period were not different from IFRS 16.

Sale and leaseback

The Group acts as a buyer-lessor

In accordance with the transition provisions of IFRS 16, sale and leaseback transactions entered into before the date of initial application were not reassessed. Upon application of IFRS 16, the Group as a buyer-lessor does not recognise the transferred asset if such transfer does not satisfy the requirements of IFRS 15 as a sale. Sale and leaseback transactions in which the relevant seller-lessees have an obligation or a right to repurchase the relevant assets were accounted as financing arrangements under IFRS 9.

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 recognises a right-of-use asset and a corresponding liability for all leases except for short-term leases and leases of low-value assets.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

IFRS 16 Leases (continued)

As a lessee (continued)

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 recognise right-of-use assets and liabilities for leases with lease term ends within 12 months of the date of initial application.

Summary of effects arising from initial application of IFRS 16

On transition to IFRS 16, the Group recognised an additional RMB30,838 thousand of right-of-use assets and RMB33,553 thousand of lease liabilities, recognizing the difference in total equity 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%.

	2019/1/1 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 recognised at January 1, 2019	33,553
Analysed as	
Current	25,310
Non-current	8,243
	33,553

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

IFRS 16 Leases (continued)

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

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

	2019/1/1 RMB'000
Right-of-use assets relating to operating leases recognised upon application of IFRS 16	**30,838**
By class:	
Land and buildings	**30,677**
Vehicle	**148**
Parking space	**13**
	30,838

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at January 1, 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at December 31, 2018 RMB'000	Adjustments RMB'000	Carrying amounts under IFRS 16 at January 1, 2019 RMB'000
Non-current assets			
Right-of-use assets	—	30,838	**30,838**
Deferred tax assets	727,607	679	**728,286**
Equity			
Retained earnings	2,213,818	(2,011)	**2,211,807**
Non-controlling interest	495,026	(25)	**495,001**
Current Liabilities			
Lease liabilities	—	25,310	**25,310**
Non-current liabilities			
Lease liabilities	—	8,243	**8,243**

note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended December 31, 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at January 1, 2019 as disclosed above.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (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 consolidated statement of financial position as at December 31, 2019, its consolidated statement of profit or loss and the consolidated statement of cash flows for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

	Note	As reported RMB'000	Adjustments RMB'000	Amounts without application of IFRS 16, as a lessor RMB'000
Non-current assets				
Finance lease receivables	(a)	24,786,256	13,148,660	37,934,916
Receivables arising from sale and leaseback arrangements	(a)	13,148,660	(13,148,660)	–
Current assets				
Finance lease receivables	(a)	28,155,387	8,795,032	36,950,419
Receivables arising from sale and leaseback arrangements	(a)	8,795,032	(8,795,032)	–
Revenue				
Finance lease income	(a)	4,552,042	716,325	5,268,367
Interest income from sale and leaseback arrangements	(a)	716,325	(716,325)	–
Cash used in operating activities				
Decrease in finance lease receivables	(a)	7,971,983	(22,193,103)	(14,221,120)
Increase in receivables arising from sale and leaseback arrangements	(a)	(22,193,103)	22,193,103	–

note (a): The adjustments are related to sale and leaseback transactions which did not satisfy the requirements of IFRS 15 as a sale. If IAS 17 were applied, there will be reclassification of receivables arising from sale and leaseback arrangements to finance lease receivables of RMB21,943,692 thousand and the reclassification of interest income from sale and leaseback arrangements to finance lease income of RMB716,325 thousand.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	Insurance Contracts[1]
Amendments to IFRS 3	Definition of a Business[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1 and IAS 8	Definition of Material[4]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[4]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[5]

1 Effective for annual periods beginning on or after January 1, 2021.

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after January 1, 2020.

3 Effective for annual periods beginning on or after a date to be determined.

4 Effective for annual periods beginning on or after January 1, 2020.

5 Effective for annual periods beginning on or after January 1, 2022.

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in IFRS Standards*, will be effective for annual periods beginning on or after January 1, 2020.

The directors of the Company anticipate that the application of all above new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with IFRS 16 (since January 1, 2019) or IAS 17 (before application of IFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets.*

For financial instruments which are transacted at fair value and a valuation technique that unobservable input is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interest.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between the (i) aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to owner of the company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less accumulated impairment losses, if any.

Investments in a joint venture

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

The results and assets and liabilities of the joint venture are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of the joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. Changes in net assets of the joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in a joint venture (continued)

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have joint control over a joint venture, it is accounted as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former joint venture and the retained interest is a financial asset within the scope of IFRS 9, the Group measures the retained interest at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the joint venture, and the fair value of any retained interest and any proceeds from disposing the relevant interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant joint venture.

When the Group reduces its ownership interest in a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in a joint venture (continued)

When the Group increases its ownership interest in a joint venture, the consideration transferred to acquire the additional shares should be added to the existing carrying amount of the investment without remeasurement of the previously held interest.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

Property and equipment

Property and equipment for use in the supply of services, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property and equipment (other than construction in progress) less their residual values over their estimated useful lives, using straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress is carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment (continued)

The estimated residual value rates and useful lives of each class of property and equipment, other than construction in progress, are as follows:

	Estimated residual value rates	Estimated useful lives
Electronic equipment	5%	3–5 years
Motor vehicles	5%	6 years
Office equipment	5%	3–5 years
Leasehold improvements	nil	2–5 years
Leasehold land and buildings	5%	30–35 years

Pursuant to the condition of aircraft at initial recognition, the estimated residual value rates and useful lives of each class of equipment held for operating lease businesses are as follows:

	Estimated residual value rates	Estimated useful lives
Aircraft	15%	18–25 years

Properties under development

Properties under development which are intended to be sold upon completion of development are classified as current assets, and carried at the lower of cost and net realizable value. Cost specific identification basis including allocation of the related land cost, development expenditure incurred and where appropriate, borrowing costs capitalized. Net realizable value represented the estimated selling price for the properties less estimated cost to completion and costs necessary to make the sales.

Properties under development are transferred to properties held for sales upon completion.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Derecognition of Intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Impairment on tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of tangible and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. The impairment loss is allocated on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment on tangible and intangible assets other than goodwill (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) or in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Leases (upon application of IFRS 16 in accordance with transitions in Note 2)

Definition of a lease

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

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of properties that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

The Group as a lessee (continued)

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

The Group as a lessee (continued)

Lease liabilities (continued)

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities within “borrowings”.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

The Group as a lessee (continued)

Lease modifications (continued)

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term.

Interest and rental income which are derived from the Group's ordinary course of business are presented as revenue.

Refundable rental deposits

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

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Sale and leaseback transactions

The Group applies the requirements of IFRS 15 to assess whether sale and leaseback transaction constitutes a sale by the Group.

The Group as a buyer-lessor

For a transfer of asset that does not satisfy the requirements of IFRS 15 to be accounted for as a sale of asset, the Group as a buyer-lessor does not recognise the transferred asset and recognises a receivable arising from sale and leaseback arrangements equal to the transfer proceeds within the scope IFRS 9.

For a transfer of asset that satisfies the requirements of IFRS 15 to be accounted for as a sale of asset, the Group as a buyer-lessor accounts for the purchase of the asset applying applicable standards, and for the lease applying the lessor accounting requirements in accordance with IFRS 16.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency (foreign currencies) are recognised at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into RMB, which is the presentation currency of the Group, using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period or the exchange rates similar with the spot exchange rate on the date of the transaction. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the shareholders of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. For properties under development for which revenue is recognised over time, the Group ceases to capitalise borrowing costs as soon as the properties are ready for the Group's intended sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Employee benefits

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries in the period the related service is rendered after deducting any amount already paid.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

Social welfare

Social welfare expenditure refers to payments for employees' social welfare system established by the government of the PRC, including social pension insurance, health care insurance, housing funds and other social welfare contributions. The Group contributes on a regular basis to these funds based on certain percentage of the employees' salaries and the contributions are recognised in profit or loss for the period when employees have rendered service entitling them to the contribution.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

Deferred tax (continued)

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related 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.

Current and deferred tax for the year

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest which are derived from the Group's ordinary course of business are presented as revenue.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of IFRS 9/ initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "net investment gains or losses" line item.

Impairment of financial assets and other items subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets which are subject to impairment under IFRS 9, including bank balances, finance lease receivables, receivables arising from sale and leaseback arrangements, loans and receivables, financial assets held under resale agreements, accounts receivable and other financial assets. The amount of ECL is updated at the end of each reporting period to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument (referred to as Stage 2 and Stage 3). In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date (referred to as Stage 1). Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for accounts receivable. The ECL on these assets are assessed individually for debtors with significant balances and collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the borrower or issuer;

(b) the borrower is past due more than 90 days;

(c) the borrower is unlikely to pay its credit obligations to the Group in full;

(d) the disappearance of an active market for that financial asset because of financial difficulties; or

(e) other objective evidences of credit-impairment.

When assessing the likelihood of the borrower to pay its credit obligation, the Group takes into account both qualitative and quantitative indicators. Qualitative indicator, such as the breach of covenants, and quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Group uses a variety of sources of information to assess credit-impairment which are either developed internally or obtained from external sources.

It may not be possible to identify a single discrete event – instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Group assesses whether debt instruments that are financial assets measured at amortized cost or FVTOCI are credit-impaired at each reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Significant increase in credit risk

The Group monitors all financial assets that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Group will measure the loss allowance based on lifetime ECL rather than 12-month ECL. The Group's accounting policy is to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result the Group monitors all financial assets that are subject to impairment for significant increase in credit risk.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- the borrower is past due more than 30 days;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Significant increase in credit risk (continued)

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a finance lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16 (since January 1, 2019) or IAS 17 *Leases* (prior to January 1, 2019).

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortized cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, except for finance lease receivables, receivables arising from sale and leaseback arrangements, loans and receivables, other assets, accounts receivable, financial assets held under resale agreements, cash and bank balances, where the corresponding adjustment is recognised through a loss allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognised in other comprehensive income is not subsequently reclassified to profit or loss, but is transferred to retained profits.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group or a contract that will or may be settled in the Group's own equity instruments and is a non-derivative contract for which the Group is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Group's own equity instruments.

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'at amortized cost'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire hybrid (combined) contract to be designated as at FVTPL.

No financial liability is designed as at FVTPL by the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities at amortized cost

Financial liabilities including borrowings, accounts payable, bonds payable, interests payable, notes payable, amounts due to holding companies and other payables are subsequently measured at amortized cost, using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, canceled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

All derivatives are recognised as assets when the fair value is positive and as liabilities when the fair value is negative.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets held under resale agreements

Financial assets that have been purchased under agreements with a commitment to resell at a specific future date are not recognised in the statement of financial position. The cost of purchasing such assets is presented under "financial assets held under resale agreements" in the consolidated statement of financial position.

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 that is used in a hedging relationship 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;
- the 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Hedge accounting (continued)

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 recognised in other comprehensive income and accumulated under the heading of cash flow hedging 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 recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognised 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 recognised 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 recognised 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 cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

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

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits with original maturity of less than three months, which are not restricted as to use.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

The Group recognises revenue to depict the transfer of promised services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. A 5-step approach to revenue recognition is applied:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a service (or a bundle of services) that is distinct or a series of distinct services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct service.

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The Group recognises revenue from the following major sources:

(i) Finance lease income

The Group's accounting policy for recognition of revenue from finance leases is described in the accounting policy for leasing above.

(ii) Interest income from sale and leaseback arrangements

The Group's accounting policy for recognition of interest income from sale and leaseback arrangements is described in the accounting policy for leasing above.

(iii) Rental income from operating leases

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing above.

(iv) Factoring interest income and entrusted loan and other loan interest income

Factoring interest income and entrusted loan and other loan interest income are recognised as revenue in each period according to the effective interest rate method during the terms of the contract.

(v) Service fee income

Service fee income is from contracts with customers and recognised 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.

(vi) Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a timely basis using the effective interest method, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those estimations involved (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Classification of leases

The Group has entered into certain lease businesses whereby the Group has determined that it has transferred substantially all the risks and rewards incidental to ownership of the assets held for lease businesses to the lessees, as the present value of the minimum lease payments of the lease amounts to at least substantially all of the fair value of the assets held for lease businesses at the inception of the leases. Accordingly, the Group has excluded the assets held for lease businesses under finance lease from its consolidated statement of financial position and instead recognised finance lease receivables and receivables arising from sale and leaseback arrangements (Note 20 and 21). Otherwise the Group includes the assets held for lease businesses under operating lease in property and equipment. The determination of whether the Group has transferred substantially all the risks and rewards incidental to ownership depends on an assessment of the relevant arrangements relating to the lease, which involved critical judgments by management.

Classification of financial assets

Upon the initial recognition of financial assets, the Group needs to determine the classification of financial assets in accordance with IFRS 9. Since the subsequent measurement methods are different for various categories of financial assets, the classification of financial assets would have an impact on the Group's financial condition and operational results.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of finance lease receivables, receivables arising from sale and leaseback arrangements and loans and receivables

The Group reviews its finance lease receivables, receivables arising from sale and leaseback arrangements and loans and receivables to assess impairment on a regular basis. The methodologies and assumptions used for estimating the impairment are reviewed regularly. Details of finance lease receivables, receivables arising from sale and leaseback arrangements and loans and receivables are set out in Notes 20, 21 and 22, respectively.

Management estimates the amount of loss allowance for ECL on financial lease receivables, receivables arising from sale and leaseback arrangements and loans and receivables that are measured at amortized cost based on the credit risk of the finance lease receivables, receivables arising from sale and leaseback arrangements and loans and receivables. The loss allowance amount is measured as the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of the finance lease receivables, receivables arising from sale and leaseback arrangements and loans and receivables. The assessment of the credit risk of the finance lease receivables, receivables arising from sale and leaseback arrangements and loans and receivables involves high degree of judgement, estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

The following significant judgments are required in applying the accounting requirements for measuring the ECL:

Significant increase of credit risk

As explained in Note 3, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward looking information. Refer to Note 3 for more details.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (continued)

Impairment of finance lease receivables, receivables arising from sale and leaseback arrangements and loans and receivables (continued)

Models and assumptions used

The Group uses various models and assumptions in estimating ECL, for example GDP growth rate, Producer Price Index ("PPI") and Consumer Price Index ("CPI"). Judgment is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. See Note 3 for more details on ECL.

Income taxes

There are certain transactions and activities for which the ultimate tax determination is subject to the final approval of annual tax return the Group filed with relevant tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

5. REVENUE AND SEGMENT INFORMATION

	2019 RMB'000	2018 RMB'000
Finance lease income (note i)	**4,552,042**	3,698,412
Interest income from sale and leaseback arrangements (note ii)	**716,325**	—
Operating lease income	**433,634**	174,339
Service fee income (note iii)	**1,065,371**	912,036
Factoring interest income (note iv)	**306,216**	473,517
Entrusted loan and other loan interest income (note iv)	**71,347**	74,019
Total revenue	**7,144,935**	5,332,323

note:

(i): The Group has no variable lease payments which is not included in the measurement of finance lease receivables for the year ended December 31, 2019.

(ii): Upon the application of IFRS 16 on January 1, 2019, receivables from the sale and leaseback transactions newly entered into on or after January 1, 2019 which did not satisfy the requirements of IFRS 15 as a sale will be classified as receivables arising from sale and leaseback arrangements. Accordingly, the related income is interest revenue calculated using the effective interest method.

(iii): Service fee income is from contracts with customers and recognised 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 charge 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.

(iv): The factoring interest income and entrusted loan and other loan interest income are all interest revenue calculated using the effective interest method.

The management of the Company has determined that the Group has only one operating and reportable segment throughout the reporting period. The management of the Company reviews the consolidated statement 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 year ended December 31, 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

	2019 RMB'000	2018 RMB'000
Net losses arising from derivative financial instruments	(52,879)	(13,991)
Net gains arising from financial assets at fair value through profit or loss	56,634	77,537
	3,755	63,546

7. OTHER INCOME, GAINS OR LOSSES

	2019 RMB'000	2018 RMB'000
Interest income from deposits with financial institutions	71,667	43,502
Interest income from financial assets held under resale agreements	76,726	30,421
Foreign exchange losses	(10,382)	(19,750)
Government grants (note)	132,762	56,706
Losses on disposal of financial lease assets	(14,105)	(7,895)
Others	35,204	53,576
	291,872	156,560

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

8. DEPRECIATION AND AMORTIZATION

	2019 RMB'000	2018 RMB'000
Depreciation of property and equipment	207,344	83,001
Depreciation of right-of-use assets	45,509	—
Amortization of intangible assets	4,190	3,090
	257,043	86,091

9. STAFF COSTS

	2019 RMB'000	2018 RMB'000
Salaries, bonus and allowances	**422,978**	356,645
Social welfare	**111,413**	89,524
Others	**12,013**	10,055
	546,404	456,224

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

	2019 RMB'000	2018 RMB'000
Interest on liabilities:		
Bank borrowings and others	**1,877,994**	1,277,831
Bonds payables	**1,446,807**	1,038,492
Lease liabilities	**6,458**	—
	3,331,259	2,316,323

11. OTHER OPERATING EXPENSES

	2019 RMB'000	2018 RMB'000
Lease rentals in respect of rented premises	—	38,523
Short-term lease expenses (note)	15,707	—
Business traveling expenses	51,721	39,347
Advisory expenses	26,861	23,374
Communication expenses	11,524	9,053
Bank charges	12,301	9,053
Business development expenses	11,856	11,425
Administrative expenses	8,927	8,696
Tax and surcharges	8,904	6,706
Auditor's fee	3,102	1,904
Others	42,258	24,514
	193,161	172,595

note: The Group applies the short-term lease recognition exemption to leases of properties that have a lease term of 12 months or less from the commencement date and do not contain a purchase option.

12. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL

	2019 RMB'000	2018 RMB'000
Impairment loss recognised/(reversed) on:		
— finance lease receivables	739,086	722,061
— receivables arising from sale and leaseback arrangements	249,411	—
— loans and receivables	274,572	31,659
— accounts receivable	11,042	651
— financial assets held under resale agreements	(1,478)	6,764
— cash and bank balances	(54)	30
— other assets	(227)	664
	1,272,352	761,829

13. INCOME TAX EXPENSES

	2019 RMB'000	2018 RMB'000
Current tax:		
PRC Enterprise Income Tax	**721,131**	588,089
Hong Kong Profit Tax	**4,767**	217
Other jurisdictions	**171**	393
Sub-total	**726,069**	588,699
Deferred tax	**(279,856)**	(144,630)
Total	**446,213**	444,069

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%.

The reconciliation between the income tax expense at the statutory tax rate of 25% and the effective tax rate is as follows:

	2019 RMB'000	2018 RMB'000
Profit before income tax	**1,801,125**	1,755,325
Tax at the statutory tax rate of 25%	**450,281**	438,831
Tax effect of expenses not deductible for tax purpose	**31,194**	22,473
Tax effect of income not taxable for tax purpose	**(24,094)**	(11,904)
Tax effect of share of profit of a joint venture	**(1,961)**	(3,236)
Effect of different tax rates of subsidiaries	**(9,207)**	(2,095)
Income tax expense for the year	**446,213**	444,069

14. EARNINGS PER SHARE

	2019 RMB'000	2018 RMB'000
Earnings for the purpose of basic and diluted earnings per share:		
Profit for the year attributable to ordinary shareholders of the Company	**1,266,487**	1,215,258
Weighted average number of shares for basic earnings per share (in '000) (note)	**7,717,489**	7,000,000
Weighted average number of shares for diluted earnings per share (in '000)	**7,717,489**	7,000,000
Basic earnings per share (Expressed in RMB Yuan per share)	**0.16**	0.17
Diluted earnings per share (Expressed in RMB Yuan per share)	**0.16**	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.

The computation of diluted earnings per share for the year ended December 31, 2019 does not assume the exercise of the Company's over-options because the exercise price of the over-options was higher than the average market price of shares for the option period.

No diluted earnings per share in 2018 was presented as there were no potential ordinary shares in issue in 2018.

15. DIVIDENDS

	2019 RMB'000	2018 RMB'000
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2019 Interim — RMB0.05 (inclusive of tax) (2018: 2018 Interim dividend Nil) per share	**411,765**	—

Subsequent to the end of the reporting period, an annual dividend in respect of the year ended December 31, 2019 of RMB0.44 (inclusive of tax) (2018: annual dividend in respect of the year ended December 31, 2018 Nil) per 10 Shares, in an aggregate amount of RMB362,353,200 (2018: Nil), has been proposed by the Board of Directors of the Company and is subject to approval by the shareholders in the annual general meeting of 2019.

16. PROPERTY AND EQUIPMENT

	2019 RMB'000	2018 RMB'000
Equipment held for operating lease business	**4,547,076**	4,167,408
Property and equipment held for administrative purpose	**182,972**	50,020
Total	**4,730,048**	4,217,428

16a. Equipment held for operating lease business

	Aircraft RMB'000
Cost	
As at January 1, 2019	**4,284,375**
Additions	**486,888**
Exchange differences	**90,198**
As at December 31, 2019	**4,861,461**
Accumulated depreciation	
As at January 1, 2019	**116,967**
Charge for the year	**193,460**
Exchange differences	**3,958**
As at December 31, 2019	**314,385**
Net carrying amount	
As at January 1, 2019	**4,167,408**
As at December 31, 2019	**4,547,076**

	Aircraft RMB'000
Cost	
As at January 1, 2018	1,563,547
Additions	2,645,476
Exchange differences	75,352
As at December 31, 2018	4,284,375
Accumulated depreciation	
As at January 1, 2018	38,945
Charge for the year	73,626
Exchange differences	4,396
As at December 31, 2018	116,967
Net carrying amount	
As at January 1, 2018	1,524,602
As at December 31, 2018	4,167,408

As at December 31, 2019, the net carrying amount of Group's aircraft pledged as collateral for the Group's bank borrowings amounted to RMB4,255,379 thousand (as at December 31, 2018: RMB3,859,992 thousand).

16. PROPERTY AND EQUIPMENT (CONTINUED)

16b. Property and equipment held for administrative purpose

	Motor vehicles RMB'000	Electronic equipment RMB'000	Office equipment RMB'000	Leasehold land and buildings RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Cost							
As at January 1, 2019	**5,112**	**18,723**	**6,392**	**18,550**	**30,521**	**7,057**	**86,355**
Additions	**1,379**	**3,235**	**374**	**75,705**	**660**	**65,960**	**147,313**
Transfer	**—**	**3**	**10**	**—**	**736**	**(749)**	**—**
Disposals	**(412)**	**(1)**	**(39)**	**—**	**(1,714)**	**—**	**(2,166)**
Exchange differences	**—**	**3**	**1**	**—**	**7**	**—**	**11**
As at December 31, 2019	**6,079**	**21,963**	**6,738**	**94,255**	**30,210**	**72,268**	**231,513**
Accumulated depreciation							
As at January 1, 2019	**1,737**	**11,037**	**3,224**	**965**	**19,372**	**—**	**36,335**
Charge for the year	**700**	**3,698**	**1,112**	**1,303**	**7,071**	**—**	**13,884**
Eliminated on disposals	**(391)**	**—**	**(23)**	**—**	**(1,267)**	**—**	**(1,681)**
Exchange differences	**—**	**1**	**—**	**—**	**2**	**—**	**3**
As at December 31, 2019	**2,046**	**14,736**	**4,313**	**2,268**	**25,178**	**—**	**48,541**
Net carrying amount							
As at January 1, 2019	**3,375**	**7,686**	**3,168**	**17,585**	**11,149**	**7,057**	**50,020**
As at December 31, 2019	**4,033**	**7,227**	**2,425**	**91,987**	**5,032**	**72,268**	**182,972**

	Motor vehicles RMB'000	Electronic equipment RMB'000	Office equipment RMB'000	Leasehold land and buildings RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Cost							
As at January 1, 2018	3,605	17,830	5,535	18,550	26,977	9,583	82,080
Additions	1,507	2,175	610	—	955	640	5,887
Transfer	—	293	308	—	2,567	(3,168)	—
Disposals	—	(1,580)	(65)	—	—	—	(1,645)
Exchange differences	—	5	4	—	22	2	33
As at December 31, 2018	5,112	18,723	6,392	18,550	30,521	7,057	86,355
Accumulated depreciation							
As at January 1, 2018	1,199	9,108	2,192	462	15,559	—	28,520
Charge for the year	538	3,429	1,092	503	3,813	—	9,375
Eliminated on disposals	—	(1,500)	(60)	—	—	—	(1,560)
Exchange differences	—	—	—	—	—	—	—
As at December 31, 2018	1,737	11,037	3,224	965	19,372	—	36,335
Net carrying amount							
As at January 1, 2018	2,406	8,722	3,343	18,088	11,418	9,583	53,560
As at December 31, 2018	3,375	7,686	3,168	17,585	11,149	7,057	50,020

17. RIGHT-OF-USE ASSETS

Right-of-use assets

	Land and buildings RMB'000	Others RMB'000	Total RMB'000
Cost			
As at January 1, 2019	53,394	216	53,610
Additions	200,534	27	200,561
Disposals	(272)	—	(272)
As at December 31, 2019	253,656	243	253,899
Accumulated depreciation			
As at January 1, 2019	22,717	55	22,772
Charge for the year	45,460	49	45,509
Eliminated on disposals	(102)	—	(102)
As at December 31, 2019	68,075	104	68,179
Net carrying amount			
As at January 1, 2019	30,677	161	30,838
As at December 31, 2019	185,581	139	185,720

The Group leases various land and buildings, vehicle and parking space for its operations. Lease contracts are entered into for term of 18 months to 74 months. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

For the year ended December 31, 2019, expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of IFRS 16 amounts to RMB15,707 thousand. No expense was related to leases of low-value assets excluding short-term leases of low value assets.

As at December 31, 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in Note 11.

For the year ended December 31, 2019, total cash outflow for leases amounts to RMB63,349 thousand.

In addition, lease liabilities of RMB189,040 thousand are recognised as at December 31, 2019 (Note 30). For the year ended December 31, 2019, the interest expense of lease liabilities amounts to RMB6,458 thousand (Note 10). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

As at December 31, 2019, the Group did not entered into any lease that is not yet commenced.

18. INTANGIBLE ASSETS

	Computer Software and others RMB'000
Cost	
As at January 1, 2019	**28,683**
Additions	**5,622**
As at December 31, 2019	**34,305**
Accumulated amortization	
As at January 1, 2019	**14,341**
Charge for the year	**4,190**
As at December 31, 2019	**18,531**
Carrying amount	
As at January 1, 2019	**14,342**
As at December 31, 2019	**15,774**

	Computer Software RMB'000
Cost	
As at January 1, 2018	19,714
Additions	9,016
Disposals	(47)
As at December 31, 2018	28,683
Accumulated amortization	
As at January 1, 2018	11,298
Charge for the year	3,090
Eliminated on disposals	(47)
As at December 31, 2018	14,341
Carrying amount	
As at January 1, 2018	8,416
As at December 31, 2018	14,342

19. INVESTMENT IN A JOINT VENTURE

	2019/12/31 RMB'000	2018/12/31 RMB'000
The Group's share of profit from continuing operations	**8,419**	12,943
The Group's share of total comprehensive income	**8,419**	12,943
The carrying amount of 25% shares through the acquisition of Haitong UT Holding Limited	**459,863**	—
Exchange differences	**(3,191)**	—
Aggregate carrying amount of the Group's interests in a joint venture	**710,889**	245,798

Details of the Group's joint venture at the end of the reporting year are as follow:

Name of entity	Country of incorporation	Principal place of business	Proportion of ownership interest held by group 2019	2018	Principal activity
Gui'an UT Financial Leasing (Shanghai) Co., Ltd. (貴安恒信融資租賃(上海)有限公司)	PRC	PRC	**40%**	15%	Leasing

note: Besides holding 15% of the ownership interest of Gui'an UT Financial Leasing (Shanghai) Co., Ltd. (貴安恒信融資租賃(上海)有限公司) (the "Joint Venture Company"), on June 8, 2017, the Company entered into an agreement with Haitong UT Capital Group Co., Limited ("the Parent Company"), pursuant to which the Company agreed to acquire 25% equity interest in the Joint Venture Company from the Parent Company through the overseas subsidiary which established overseas. Under such agreement, the Company shall exercise, on behalf of the Parent Company, all shareholder's rights other than the rights to sell and to receive income (including cash dividend and stock dividend) within the custody period agreed in this agreement, including but not limited to the rights to decide and to vote and other shareholder's rights of such equity interests. On November 20, 2017, the Parent Company further entered into an agreement with Haitong UT Holding Limited, Guizhou Gui'an Financial Investment Co., Ltd, and the Company, to transfer its 25% equity interest in Gui'an UT Financial Leasing (Shanghai) Co., Ltd. to Haitong UT Holding Limited. After the transfer, along with Haitong UT Holding Limited, the Company has the right to appoint two out of five directors of the Joint Venture Company. No major operating decision is carried out unless more than two-thirds of the five directors attend the directors' meeting and all the attendant directors reach an agreement on it. The Company also has the right to nominate a candidate as the executive manager in charge of supervising the operational transactions and implementing the decisions for the board. Therefore, the Company is able to exercise joint control over this Joint Venture Company together with Haitong UT Holding Limited and another equity holder Guizhou Gui'an Financial Investment Co., Ltd. The Group acquired additional 25% shares of the "Joint Venture Company" through the acquisition of Haitong UT Holding Limited in 2019. Refer to Note 51 for details.

20. FINANCE LEASE RECEIVABLES

	2019/12/31 RMB'000
Minimum finance lease receivables	
— Within one year	31,614,990
— In the second year	18,316,347
— In the third year	7,717,572
— In the fourth year	1,102,009
— In the fifth year	196,705
— After five years	401,150
Gross amount of finance lease receivables	59,348,773
Less: Unearned finance lease income	(4,984,413)
Present value of minimum finance lease receivables	54,364,360
Less: Loss allowance	(1,422,717)
Carrying amount of finance lease receivables	52,941,643
Present value of minimum finance lease receivables	
— Within one year	28,957,576
— In the second year	16,798,678
— In the third year	7,064,671
— In the fourth year	1,017,695
— In the fifth year	186,959
— After five years	338,781
Total	54,364,360
Analyzed as:	
Current	28,155,387
Non-current	24,786,256
Total	52,941,643

20. FINANCE LEASE RECEIVABLES (CONTINUED)

	2018/12/31 RMB'000
Minimum finance lease receivables	
— Within one year	34,796,245
— More than one year but not exceeding five years	34,344,977
— More than five years	284,646
Gross amount of finance lease receivables	69,425,868
Less: Unearned finance lease income	(6,068,188)
Present value of minimum finance lease receivables	63,357,680
Less: Loss allowance	(1,704,968)
Carrying amount of finance lease receivables	61,652,712
Present value of minimum finance lease receivables	
— Within one year	31,754,869
— More than one year but not exceeding five years	31,343,044
— More than five years	259,767
Total	63,357,680
Analyzed as:	
Current	30,828,048
Non-current	30,824,664
Total	61,652,712

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

As at December 31, 2019, the Group's finance lease receivables pledged as collateral for the Group's bank borrowings amounted to RMB8,832,561 thousand (as at December 31, 2018: RMB18,485,996 thousand).

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

20. FINANCE LEASE RECEIVABLES (CONTINUED)

Movements of loss allowance for 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	**995,408**	**365,353**	**344,207**	**1,704,968**
Changes in the loss allowance:				
— Transfer to Stage 1	**8,850**	**(8,116)**	**(734)**	**—**
— Transfer to Stage 2	**(47,626)**	**47,796**	**(170)**	**—**
— Transfer to Stage 3	**(1,258)**	**(50,460)**	**51,718**	**—**
— Recovery of finance lease receivables previously written off	**—**	**—**	**57,029**	**57,029**
— Write-offs	**—**	**—**	**(649,755)**	**(649,755)**
— Other derecognition	**—**	**—**	**(428,611)**	**(428,611)**
— (Credit)/charge to profit or loss	**(146,135)**	**72,816**	**812,405**	**739,086**
As at December 31, 2019	**809,239**	**427,389**	**186,089**	**1,422,717**

	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	791,751	352,949	351,508	1,496,208
Changes in the loss allowance:				
— 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	995,408	365,353	344,207	1,704,968

20. FINANCE LEASE RECEIVABLES (CONTINUED)

Analysis of present value of minimum 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, 2019	**52,243,091**	**1,675,580**	**445,689**	**54,364,360**
As at December 31, 2018	61,345,606	1,360,613	651,461	63,357,680

In 2019, the amount of financial lease receivables of the Group in stage 1 decreased because receivables from the sale and leaseback transactions newly entered into on or after January 1, 2019 which did not satisfy the requirements of IFRS 15 as a sale are classified as receivables arising from sale and leaseback arrangements upon the application of IFRS 16 on January 1, 2019, and the amount of loss allowances in this stage decreased. Write-off and other derecognition of the principal resulted in decrease of the amount of financial lease receivables in stage 3, and the amount of loss allowances in this stage decreased.

21. RECEIVABLES ARISING FROM SALE AND LEASEBACK ARRANGEMENTS

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

	2019/12/31 RMB'000
— Within one year	**9,922,821**
— In the second year	**7,783,770**
— In the third year	**3,995,867**
— In the fourth year	**1,851,864**
— In the fifth year	**1,203,216**
Gross amount of receivables arising from sale and leaseback arrangements	**24,757,538**
Less: Interest adjustment	**(2,564,435)**
Present value of receivables arising from sale and leaseback arrangements	**22,193,103**
Less: Loss allowance	**(249,411)**
Carrying amount of receivables arising from sale and leaseback arrangements	**21,943,692**

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

	2019/12/31 RMB'000
Present value of receivables arising from sale and leaseback arrangements:	
— Within one year	8,894,996
— In the second year	6,977,512
— In the third year	3,581,967
— In the fourth year	1,660,044
— In the fifth year	1,078,584
Total	22,193,103
Analyzed as:	
Current	8,795,032
Non-current	13,148,660
Total	21,943,692

Upon the application of IFRS 16 on January 1, 2019, receivables from the sale and leaseback transactions newly entered into on or after January 1, 2019 which did not satisfy the requirements of IFRS 15 as a sale were classified as receivables arising from sale and leaseback arrangements. The measurement of sale and leaseback transactions entered into before January 1, 2019 remains unchanged.

As at December 31, 2019, the Group's receivables arising from sale and leaseback arrangements pledged as collateral for the Group's bank borrowings amounted to RMB4,977,336 thousand.

Movements of loss allowance for 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 January 1, 2019	—	—	—	—
Changes in the loss allowance:				
— Charge to profit or loss	240,109	8,252	1,050	249,411
As at December 31, 2019	240,109	8,252	1,050	249,411

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

Analysis of present value of 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, 2019	**22,156,131**	**34,461**	**2,511**	**22,193,103**

22. LOANS AND RECEIVABLES

	2019/12/31 RMB'000	2018/12/31 RMB'000
Factoring receivables	**7,675,554**	6,346,945
Entrusted loans and other loans	**1,181,445**	889,250
Subtotal of loans and receivables	**8,856,999**	7,236,195
Less: Loss allowance for factoring receivables	**(717,389)**	(442,965)
Loss allowance for entrusted loans and other loans	**(54,958)**	(92,835)
Total	**8,084,652**	6,700,395
Analyzed as:		
Current	**5,345,915**	4,276,336
Non-current	**2,738,737**	2,424,059
Total	**8,084,652**	6,700,395

22. LOANS AND RECEIVABLES (CONTINUED)

22a. The table below illustrates the gross and net amounts of factoring receivables:

	2019/12/31 RMB'000	2018/12/31 RMB'000
Within one year	**5,398,790**	4,210,447
More than one year but not exceeding five years	**2,928,399**	2,544,617
More than five years	**163,204**	142,785
Gross amount of factoring receivables	**8,490,393**	6,897,849
Less: Interest adjustment	**(814,839)**	(550,904)
Present value of factoring receivables	**7,675,554**	6,346,945
Less: Loss allowance	**(717,389)**	(442,965)
Carrying amount of factoring receivables	**6,958,165**	5,903,980
Present value of factoring receivables:		
— Within one year	**4,880,474**	3,874,175
— More than one year but not exceeding five years	**2,647,600**	2,341,388
— More than five years	**147,480**	131,382
Total	**7,675,554**	6,346,945

22b. The table below illustrates the gross and net amounts of entrusted loans and other loans:

	2019/12/31 RMB'000	2018/12/31 RMB'000
Within one year	**969,958**	751,945
More than one year but not exceeding five years	**204,591**	121,709
More than five years	**6,896**	15,596
Gross amount of entrusted loans and other loans	**1,181,445**	889,250
Less: Loss allowance	**(54,958)**	(92,835)
Carrying amount of entrusted loans and other loans	**1,126,487**	796,415

22. LOANS AND RECEIVABLES (CONTINUED)

22c. Movements of loss allowance for loans and 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	**198,482**	**333,653**	**3,665**	**535,800**
Changes in the loss allowance:				
— Transfer to Stage 2	**(46,278)**	**46,278**	**—**	**—**
— Transfer to Stage 3	**—**	**(143,271)**	**143,271**	**—**
— Other derecognition	**—**	**—**	**(38,450)**	**(38,450)**
— (Credit)/charge to profit or loss	**(7,719)**	**186,928**	**95,363**	**274,572**
— Exchange differences arising on translation	**425**	**—**	**—**	**425**
As at December 31, 2019	**144,910**	**423,588**	**203,849**	**772,347**

	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	289,915	213,191	68,834	571,940
Changes in the loss allowance:				
— Transfer to Stage 1	141,529	(141,529)	—	—
— Transfer to Stage 2	(30,628)	30,628	—	—
— Transfer to Stage 3	(264)	—	264	—
— Write-offs	—	—	(68,033)	(68,033)
— (Credit)/charge to profit or loss	(202,304)	231,363	2,600	31,659
— Exchange differences arising on translation	234	—	—	234
As at December 31, 2018	198,482	333,653	3,665	535,800

22. LOANS AND RECEIVABLES (CONTINUED)

22d. Analysis of loans and receivables balances:

	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, 2019	**6,843,637**	**1,539,777**	**473,585**	**8,856,999**
As at December 31, 2018	6,096,119	1,130,651	9,425	7,236,195

23. DEFERRED TAXATION

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

	2019/12/31 **RMB'000**	2018/12/31 RMB'000
Deferred tax assets	**1,006,941**	727,607
Deferred tax liabilities	**(10,808)**	(12,319)
	996,133	715,288

23. DEFERRED TAXATION (CONTINUED)

The following are the major deferred tax assets/(liabilities) recognised and movements thereon:

	Loss allowance 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	Accelerated depreciation RMB'000	Others RMB'000	Total RMB'000
As at January 1, 2018	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 exchange rates	8	10	—	742	(1,028)	—	(268)
As at December 31, 2018	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 (restated)	**732,361**	**(928)**	**(10,121)**	**21,136**	**(27,160)**	**679**	**715,967**
Credit/(charge) to profit or loss	**270,720**	**1,094**	**5,104**	**21,540**	**(18,589)**	**(13)**	**279,856**
Credit to other comprehensive income	**—**	**394**	**—**	**—**	**—**	**—**	**394**
Effect of exchange rates	**3**	**12**	**—**	**565**	**(664)**	**—**	**(84)**
As at December 31, 2019	**1,003,084**	**572**	**(5,017)**	**43,241**	**(46,413)**	**666**	**996,133**

24. OTHER ASSETS

Non-current

	2019/12/31 RMB'000	2018/12/31 RMB'000
Repossession of finance lease assets	**111,680**	144,596
Prepayments on acquisition of property and equipment and intangible assets (note)	**290,486**	—
Long-term receivables from government cooperation projects	**75,277**	—
Foreclosed assets	**59,568**	7,505
Others	**9,032**	—
Sub-total	**546,043**	152,101
Less: Loss allowance	**(7,186)**	(3,515)
Total	**538,857**	148,586

note: Prepayments mainly comprised of prepayments for an office building.

Current

	2019/12/31 RMB'000	2018/12/31 RMB'000
Government project deposits (note)	**150,200**	335,000
VAT tax credit and provisional VAT tax credit	**133,043**	148,513
Properties under development	**496,185**	96,836
Prepayments	**88,801**	56,212
Deferred share issue costs	**—**	17,125
Others	**54,009**	74,054
Sub-total	**922,238**	727,740
Less: Loss allowance	**(816)**	(1,824)
Total	**921,422**	725,916

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

24. OTHER ASSETS (CONTINUED)

Movement of loss allowance for other assets are as follows:

	2019/12/31 RMB'000	2018/12/31 RMB'000
At the beginning of the year	**5,339**	2,337
Charged to profit or loss	**15,959**	4,169
Derecognition	**(13,294)**	(1,172)
Exchange differences arising on translation	**(2)**	5
At the end of the year	**8,002**	5,339

25. ACCOUNTS RECEIVABLE

	2019/12/31 RMB'000	2018/12/31 RMB'000
Accounts receivable from:		
— settlement of finance lease receivable	**27,803**	28,000
— operating lease	**—**	10,552
— others	**4,016**	6,936
Sub-total	**31,819**	45,488
Less: Loss allowance	**(15,137)**	(4,251)
Total	**16,682**	41,237

25. ACCOUNTS RECEIVABLE (CONTINUED)

Analyzed by aging as:

	2019/12/31 RMB'000	2018/12/31 RMB'000
Within one year	—	41,109
More than one year but not exceeding three years	**16,682**	121
More than three years	—	7
Total	**16,682**	41,237

Movement of loss allowance for accounts receivable are as follows:

	2019/12/31 RMB'000	2018/12/31 RMB'000
At the beginning of the year	**4,251**	4,037
Charged to profit or loss	**11,042**	651
Write-offs	**(155)**	(438)
Exchange differences arising on translation	**(1)**	1
At the end of the year	**15,137**	4,251

26. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	2019/12/31 RMB'000	2018/12/31 RMB'000
Finance lease receivables held under resale agreements	**828,000**	987,600
Treasury bonds held under resale agreements	**331,800**	—
Sub-total	**1,159,800**	987,600
Less: Loss allowance	**(5,286)**	(6,764)
Total	**1,154,514**	980,836

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019/12/31 RMB'000	2018/12/31 RMB'000
Measured at fair value:		
Money market funds (note)	**835,989**	1,895,563
Equity investments	**35,921**	36,078
Structured deposits	**340,125**	430,756
Asset management schemes and trust plans	**75,949**	—
Total	**1,287,984**	2,362,397
Analyzed as:		
Unlisted	**1,287,984**	2,362,397
Analyzed as:		
Current	**1,252,063**	2,326,319
Non-current	**35,921**	36,078
Total	**1,287,984**	2,362,397

note: As at December 31, 2019, the money market funds amounting to RMB601,633 thousand was managed by HFT Investment Management Co., Ltd. (December 31, 2018: RMB558,025 thousand). For the year ended December 31, 2019, the net gains from the above money market funds amounted to RMB14,951 thousand (2018: RMB10,287 thousand).

28. DERIVATIVE FINANCIAL INSTRUMENTS

	2019/12/31		
	Nominal Amount RMB'000	Assets RMB'000	Liabilities RMB'000
Derivatives under hedge accounting:			
Interest rate swaps	**4,162,610**	**—**	**(98,805)**
Currency forwards	**2,274,294**	**42,339**	**—**
Cross currency interest rate swaps	**956,573**	**7,280**	**—**
Total	**7,393,477**	**49,619**	**(98,805)**

	2018/12/31		
	Nominal Amount RMB'000	Assets RMB'000	Liabilities RMB'000
Derivatives not under hedge accounting:			
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 December 31, 2019, fixed interest rates for USD IRS were 3.4900% to 4.3650% (December 31, 2018: fixed interest rates for USD IRS were 2.3440% to 2.8200%).

As at December 31, 2019, currency forwards with forward exchange rates of buying USD and selling RMB ranged from 6.9655 to 7.1854(December 31, 2018: 6.7300 to 6.9094).

As at December 31, 2019, cross currency interest rate swaps were with fixed interest rates for USD IRS ranging from 3.6000% to 4.6545% and with forward exchange rates of buying USD and selling RMB ranging from 6.7350 to 6.9110.

Cash flow hedge

During the year ended December 31, 2019, the Group used interest rate swaps, currency forwards, cross currency interest rate swaps to hedge against exposures to cash flow variability primarily from interest rate and foreign exchange risks of borrowings.

During the year ended December 31, 2019, the effective portion of changes in the fair value of the derivatives qualifying as cash flow hedge amounting to RMB2,502 thousand (2018: Nil) were recognised in other comprehensive income.

29. CASH AND BANK BALANCES

	2019/12/31 RMB'000	2018/12/31 RMB'000
Restricted bank deposits (note)	**405,719**	621,254
Cash and bank balances	**5,053,127**	3,662,767
Less: Loss allowance	**(8)**	(64)
Total	**5,458,838**	4,283,957

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

30. BORROWINGS

	2019/12/31 RMB'000	2018/12/31 RMB'000
Bank borrowings	**34,416,672**	29,924,523
Borrowings from related parties	**1,161,537**	1,074,090
Other borrowings	**1,990,000**	—
Lease liabilities	**189,040**	—
Total	**37,757,249**	30,998,613
Analyzed as:		
Current	**19,660,876**	18,162,075
Non-current	**18,096,373**	12,836,538
Total	**37,757,249**	30,998,613

30. BORROWINGS (CONTINUED)

30a. Bank borrowings

	2019/12/31 RMB'000	2018/12/31 RMB'000
Secured borrowings	**11,943,954**	14,554,581
Unsecured and unguaranteed borrowings	**22,472,718**	14,856,575
Guaranteed borrowings	**—**	513,367
Total	**34,416,672**	29,924,523
Analyzed as:		
Current	**18,192,371**	17,087,985
Non-current	**16,224,301**	12,836,538
Total	**34,416,672**	29,924,523

	2019/12/31 RMB'000	2018/12/31 RMB'000
Carrying amount repayable:		
Within one year	**18,192,371**	17,087,985
More than one year but not exceeding two years	**9,253,585**	7,974,056
More than two years but not exceeding five years	**5,815,956**	3,330,063
More than five years	**1,154,760**	1,532,419
Total	**34,416,672**	29,924,523

The secured borrowings were pledged by finance lease receivables, receivables arising from sale and leaseback arrangements and bank deposits. Certain secured borrowings were also mortgaged by aircraft and the Company's equity interests in subsidiaries. Refer to Notes 16, 20, 21, and 29 for details.

30. BORROWINGS (CONTINUED)

30a. Bank borrowings (continued)

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

	2019/12/31	2018/12/31
	RMB'000	RMB'000
Contractual interest rate:		
Fixed-rate borrowing	**4.09%–5.45%**	3.25%–5.65%
Floating-rate borrowings	**PBOC Rate**	PBOC Rate
	***90%–122%**	*90%–122%
	LIBOR Plus	LIBOR Plus
	0.7%–1.75%	0.7%–1.75%
	LPR Plus	
	0.075%–0.98%	

30b. Borrowings from related parties

	2019/12/31	2018/12/31
	RMB'000	RMB'000
Carrying amount repayable:		
Within one year	**927,835**	1,074,090
More than two years but not exceeding five years	**233,702**	—
Total	**1,161,537**	1,074,090

As at December 31, 2019 and 2018, the borrowings from related parties were all unsecured, and the effective interest rate per annum of the Group were 2.70% to 4.00% and 2.70% to 5.52%, respectively.

30. BORROWINGS (CONTINUED)

30c. Other borrowings

	2019/12/31 RMB'000	2018/12/31 RMB'000
Secured borrowings	**490,000**	—
Unsecured and unguaranteed borrowings	**1,500,000**	—
Total	**1,990,000**	—
Analyzed as:		
Current	**490,500**	—
Non-current	**1,499,500**	—
Total	**1,990,000**	—

The secured borrowings were pledged by finance lease receivables and receivables arising from sale and leaseback arrangements.

	2019/12/31 RMB'000	2018/12/31 RMB'000
Carrying amount repayable:		
Within one year	**490,500**	—
More than one year but not exceeding two years	**1,000**	—
More than two years but not exceeding five years	**1,498,500**	—
Total	**1,990,000**	—

As at December 31, 2019, the effective interest rate per annum of the other borrowings were 5.00% to 5.45%.

30. BORROWINGS (CONTINUED)

30d. Lease liabilities

	2019/12/31 RMB'000
Carrying amount repayable:	
Within one year	50,170
More than one year but not exceeding two years	47,520
More than two years but not exceeding five years	91,350
	189,040
Less: Amount due for settlement with 12 months shown under current liabilities	(50,170)
Amount due for settlement after 12 months shown under non-current liabilities	138,870

31. ACCRUED STAFF COSTS

	2019/12/31 RMB'000	2018/12/31 RMB'000
Salaries, bonus and allowances	175,986	138,193
Total	175,986	138,193

32. ACCOUNTS PAYABLE

	2019/12/31 RMB'000	2018/12/31 RMB'000
Payable for acquisition of leasing equipment and factoring	**279,399**	401,138
Analyzed by aging as:		
Within 60 days	**229,069**	289,209
More than 61 days but not exceeding 90 days	**—**	6,856
More than 91 days	**50,330**	105,073
Total	**279,399**	401,138

33. BONDS PAYABLE

	2019/12/31 RMB'000	2018/12/31 RMB'000
Analyzed as:		
Current	**20,114,151**	12,856,859
Non-current	**11,332,791**	14,594,792
Total	**31,446,942**	27,451,651

33. BONDS PAYABLE (CONTINUED)

33a. Bonds payable by nature

	2019/12/31 RMB'000	2018/12/31 RMB'000
Short-term commercial papers (note i)	**998,802**	2,247,710
Ultra-short-term commercial papers (note ii)	**4,496,274**	2,997,585
Asset-backed securities (note iii)	**10,535,967**	9,006,332
Fixed medium-term notes (note iv)	**2,270,467**	3,390,861
Corporate bonds (note v)	**4,687,955**	3,685,031
Private placement notes (note vi)	**5,981,986**	3,289,130
Asset-backed notes (note vii)	**2,475,491**	2,835,002
Total	**31,446,942**	27,451,651

note i:

Issue Date	August 19, 2019
Outstanding principal amount	RMB1,000 million
Coupon rate	3.37%
Maturity period	1 year

note ii:

Issue Date	August 7, 2019	September 10, 2019	October 23, 2019	November 13, 2019	November 27, 2019	December 9, 2019
Outstanding principal amount	RMB500 million	RMB1,000 million	RMB1,000 million	RMB1,000 million	RMB500 million	RMB500 million
Coupon rate	3.45%	2.90%	2.90%	2.90%	2.30%	2.30%
Maturity period	270 days	270 days	270 days	270 days	90 days	90 days

33. BONDS PAYABLE (CONTINUED)

33a. Bonds payable by nature (continued)

note iii:

Issue Date	August 4, 2017	April 27, 2018	June 15, 2018	August 14, 2018	November 23, 2018	December 27, 2018
Outstanding principal amount	Senior: RMB1,568 million; Junior: RMB83 million	Senior: RMB60 million; Junior: RMB44 million	Senior: RMB165 million; Junior: RMB75 million	Senior: RMB265 million; Junior: RMB70 million	Senior: RMB456 million; Junior: RMB75 million	Senior: RMB215 million; Junior: RMB50 million
Coupon rate	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: 4.66%, 4.73% and 5.80%	Senior: 5.00% and 5.50%
Maturity period	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: 31 months; Junior: 37 months	Senior: 17 months; Junior: 36 months

Issue Date	February 27, 2019	March 19, 2019	April 16, 2019	May 31, 2019	June 14, 2019	August 8, 2019
Outstanding principal amount	Senior: RMB806 million; Junior: RMB80 million	Senior: RMB438 million; Junior: RMB50 million	Senior: RMB802 million; Junior: RMB80 million	Senior: RMB621 million; Junior: RMB50 million	Senior: RMB853 million; Junior: RMB80 million	Senior: RMB729 million; Junior: RMB50 million
Coupon rate	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 4.5%	Senior: 3.95%, 4.40% and 4.80%
Maturity period	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	Senior: 21 months; Junior: 36 months

Issue Date	August 27, 2019	October 31, 2019	December 24, 2019	December 26, 2019
Outstanding principal amount	Senior: RMB1,016 million; Junior: RMB74 million	Senior: RMB802 million; Junior: RMB50 million	Senior: RMB861 million; Junior: RMB50 million	Senior: RMB950 million; Junior: RMB50 million
Coupon rate	Senior: 4.28%, 4.40% and 4.45%	Senior: 4.05%, 4.20% and 4.60%	Senior: 4.20%, 4.35% and 4.60%	Senior: 4.10% and 4.60%
Maturity period	Senior: 32 months; Junior: 35 months	Senior: 32 months; Junior: 35 months	Senior: 33 months; Junior: 36 months	Senior: 20 months; Junior: 56 months

33. BONDS PAYABLE (CONTINUED)

33a. Bonds payable by nature (continued)

note iv:

Issue Date	June 3, 2016	July 13, 2016	March 20, 2018	April 24, 2018
Outstanding principal amount	RMB185 million	RMB290 million	RMB1,000 million	RMB800 million
Coupon rate	4.07%	4.10%	5.77%	5.23%
Maturity period	5 years (3+2)	5 years (3+2)	3 years	3 years

note v:

Issue Date	June 19, 2017	July 19, 2017	September 20, 2018	October 24, 2018	February 26, 2019	July 22, 2019
Outstanding principal amount	RMB1,500 million	RMB1,000 million	RMB800 million	RMB400 million	RMB500 million	RMB500 million
Coupon rate	4.95%	4.70%	5.05%	4.85%	5.20%	4.83%
Maturity period	3 years	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, 2018
Outstanding principal amount	RMB800 million	RMB600 million	RMB500 million	RMB800 million	RMB600 million
Coupon rate	5.80%	6.35%	6.50%	5.20%	5.13%
Maturity period	3 years	3 years	3 years	3 years	2 years

Issue Date	April 18, 2019	May 29, 2019	December 2, 2019
Outstanding principal amount	RMB300 million	RMB1,000 million	RMB1,400 million
Coupon rate	4.65%	4.70%	4.50%
Maturity period	3 years	3 years	3 years

33. BONDS PAYABLE (CONTINUED)

33a. Bonds payable by nature (continued)

note vii:

Issue Date	November 22, 2017	July 27 to 30, 2018	December 21 to 24, 2018	November 11, 2019
Outstanding principal amount	Senior: RMB1,360 million; Junior: RMB70 million	Senior: RMB45 million; Junior: RMB50 million	Senior: RMB448 million; Junior: RMB50 million	Senior: RMB640 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%	Senior: 3.95% (LPR-0.2%), 4.10% and 4.57%
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	Senior: 29 months; Junior: 32 months

34. OTHER LIABILITIES

	2019/12/31 RMB'000	2018/12/31 RMB'000
Current		
Amounts due to related parties	**804,283**	3,994
Deposits due within one year	**2,566,718**	1,892,549
Deferred revenue	**63,998**	150,771
Interest payable	**572,315**	527,736
Notes payable	**727,867**	358,796
Advance receipt	**4,788**	4,710
Other taxes payable	**3,900**	3,545
Accrued expenses	**161,233**	96,266
Government cooperation project payables	**224,554**	—
Contract liabilities	**120,000**	—
Other payables	**109,963**	93,940
Total	**5,359,619**	3,132,307
Non-current		
Deposits from clients	**7,116,287**	5,971,060
Deferred revenue	**666,492**	497,799
Deposits from suppliers and agents	**50,767**	21,279
Aircraft maintenance funds	**222,120**	138,547
Other payables	**78,164**	36,250
Total	**8,133,830**	6,664,935

35. SHARE CAPITAL

	2019/12/31	2018/12/31
	RMB'000	RMB'000
Issued and fully paid capital		
At beginning of the year	**7,000,000**	7,000,000
Additions (note i)	**1,235,300**	—
At end of the year (note ii)	**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 RMB728,501 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 were 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.

36. RESERVES

(1) Capital reserve

The movements of the capital reserve of the Group is as follows:

	Opening RMB'000	Addition RMB'000	Closing RMB'000
2019			
Capital premium	**1,740,574**	**717,302**	**2,457,876**
Other capital reserve	**39,589**	**—**	**39,589**
Total	**1,780,163**	**717,302**	**2,497,465**
2018			
Capital premium	1,740,574	—	1,740,574
Other capital reserve	39,589	—	39,589
Total	1,780,163	—	1,780,163

(2) Surplus reserve

The surplus reserve is the statutory surplus reserve.

Pursuant to the Company Law of the PRC, 10% of the net profit of the Company, as determined under the relevant accounting rules in the PRC, is required to be transferred to the statutory surplus reserve until this reserve reaches 50% of the share capital of the Company. The reserve appropriated can be used for offsetting accumulated losses, expansion of business and capitalization, in accordance with the Company's articles of association or as approved under proper authorization.

	Opening RMB'000	Addition RMB'000	Closing RMB'000
2019			
Statutory reserve	**203,446**	**111,553**	**314,999**
2018			
Statutory reserve	116,604	86,842	203,446

36. RESERVES (CONTINUED)

(3) Hedging reserve

The movements of the hedging reserve of the Group is as follows:

	Opening RMB'000	Addition RMB'000	Closing RMB'000
2019			
Hedging reserve	–	2,502	2,502

The hedging reserve represents the cumulative effective portion of gains and losses arising on changes in fair value of hedging instruments entered into for cash flow hedges.

(4) Translation reserve

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group at the exchange rate prevailing at the end of each reporting period, and the income and expenses are translated at the average exchange rates for the period or exchange rates similar with the spot exchange rate on the date of the transaction. Exchanges differences arising, if any, are recognised in other comprehensive income and accumulated in the translation reserve.

37. 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 capital

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 year ended December 31, 2019, profit attributable to the holders of the perpetual note of the Group amounting to RMB50,148 thousand (year ended December 31, 2018: RMB49,897 thousand), are determined with reference to the distribution rate specified in the terms and conditions.

38. INTERESTS IN STRUCTURED ENTITIES

(1) Interest in consolidated structured entities

The Group holds interests in some structured entities through investments in the notes issued by these structured entities. The assets of these structured entities mainly include asset-backed securities and asset-backed notes. When assessing whether to consolidate structured entities, the Group reviews all facts and circumstances to determine whether the Group, as manager, is acting as an agent or a principal. These factors considered include the scope of the manager’s decision-making authority, rights held by other parties, remuneration to which it is entitled and exposure to variability of returns. For the asset-backed securities and asset-backed notes, the Group fully subscribed junior tranche and provide the guarantee on the full repayment of the principal and interests of the senior tranche at maturity date. Therefore the structured entities are consolidated by the Group.

38. INTERESTS IN STRUCTURED ENTITIES (CONTINUED)

(1) Interest in consolidated structured entities (continued)

The carrying amounts of asset-backed securities consolidated by the Group amounted to RMB10,536 million and RMB9,006 million as of December 31, 2019 and 2018, respectively.

The carrying amounts of asset-backed notes consolidated by the Group amounted to RMB2,475 million and RMB2,835 million as of December 31, 2019 and 2018, respectively. Refer to Note 33 for details.

(2) Interest in unconsolidated structured entities

The Group has been involved in other structured entities through investments in structured entities that provide specialized investment opportunities to investors. These structured entities generally finance the purchase of assets by issuing units of products. The Group did not control these structured entities and therefore, these structured entities were not consolidated.

The Group has interests in structured entities managed by third parties through investing in money market funds, asset management schemes and trust plans.

The carrying amount and maximum risk exposure of the unconsolidated structured entities amounted to RMB912 million and RMB1,896 million as of December 31, 2019 and 2018, respectively. As at December 31, 2019 and 2018, total fair value gains from above structured entities amounted to RMB938 thousand and RMB20,563 thousand respectively. Refer to Note 27 for details.

39. TRANSFER 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 junior tranches asset-backed securities, substantially all the risks and rewards of ownership of the transferred assets are retained, so the Group continues to recognise the transferred asset in its entirety and recognises bonds payable for the consideration received.

As at December 31, 2019, the carrying amount of finance lease receivables amounted to RMB10,736 million has been transferred but not derecognised (December 31, 2018: RMB9,159 million).

As at December 31, 2019, the carrying amount of the receivables arising from sale and leaseback arrangements amounted to RMB301 million has been transferred but not derecognised (December 31, 2018: N/A).

As at December 31, 2019, there is no factoring receivables has been transferred but not derecognised (December 31, 2018: RMB373 million).

As at December 31, 2019, the related carrying amount of financial liabilities was RMB10,536 million (December 31, 2018: RMB9,006 million).

39. TRANSFER OF FINANCIAL ASSETS (CONTINUED)

Asset-backed 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 junior tranches asset-backed notes, substantially all the risks and rewards of ownership of the transferred assets are retained, so the Group continues to recognise the transferred asset in its entirety and recognises bonds payable for the consideration received.

As at December 31, 2019, the carrying amount of finance lease receivables amounted to RMB2,611 million has been transferred but not derecognised (December 31, 2018: RMB2,663 million).

As at December 31, 2019, the carrying amount of the receivables arising from sale and leaseback arrangements amounted to RMB62 million has been transferred but not derecognised (December 31, 2018: N/A).

As at December 31, 2019, the related carrying amount of financial liabilities was RMB2,475 million (December 31, 2018: RMB2,835 million).

40. CASH AND CASH EQUIVALENTS

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

	2019/12/31 **RMB'000**	2018/12/31 RMB'000
Deposit in banks	**5,053,127**	3,662,767
Total	**5,053,127**	3,662,767

41. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities. Interest payments in relation to below liabilities are included in other liabilities and presented in operating cash flow.

	As at January 1, 2019 RMB'000 (restated)	Financing cash flows RMB'000	Dividends distributed RMB'000	Foreign exchange losses RMB'000	Other changes RMB'000	As at December 31, 2019 RMB'000
Bank borrowings	29,924,523	4,300,986	–	118,530	72,633	34,416,672
Borrowings from related parties	1,074,090	45,214	–	42,233	–	1,161,537
Other borrowings	–	1,990,000	–	–	–	1,990,000
Bonds payable	27,451,651	3,942,498	–	–	52,793	31,446,942
Dividends payable	–	(411,765)	411,765	–	–	–
Distribution of perpetual note	–	(50,062)	50,062	–	–	–
Amounts due to related parties (note i)	3,994	(3,994)	–	(361)	804,644	804,283
Lease Liabilities	33,553	(41,184)	–	–	196,671	189,040
Total	58,487,811	9,771,693	461,827	160,402	1,126,741	70,008,474

	As at January 1, 2018 RMB'000	Financing cash flows RMB'000	Dividends distributed RMB'000	Foreign exchange losses RMB'000	Other changes RMB'000	As at December 31, 2018 RMB'000
Bank borrowings	22,933,396	6,883,477	–	15,385	92,265	29,924,523
Borrowings from related parties	1,874,445	(795,814)	–	(4,541)	–	1,074,090
Bonds payable	16,044,355	11,377,264	–	–	30,032	27,451,651
Distribution of perpetual note	–	(49,826)	49,826	–	–	–
Amounts due to related parties	18,720	(19,663)	–	884	4,053	3,994
Total	40,870,916	17,395,438	49,826	11,728	126,350	58,454,258

41. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONTINUED)

note i: The Group acquired 100% equity interest of Haitong UT Holding Limited from the Group's Parent Company in 2019. The other changes RMB804,644 thousand was a non-cash change, representing the "amounts due to related parties" booked on Haitong UT Holding Limited as of the acquisition date.

42. OPERATING LEASES

The Group as lessee

The Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018/12/31 RMB'000
Within one year	41,376
In the second to the fifth year	13,994
Total	55,370

42. OPERATING LEASES (CONTINUED)

The Group as lessor

Operating leases relate to the aircraft owned by the Group with lease terms of around 6 to 10 years. The lessees do not have an option to purchase the leased asset before the expiry of the lease period.

Minimum lease payments receivable on leases are as follows:

	2019/12/31 RMB'000
Within one year	**452,911**
In the second year	**485,877**
In the third year	**468,129**
In the fourth year	**458,527**
In the fifth year	**390,788**
After five years	**792,310**
Total	**3,048,542**

	2018/12/31 RMB'000
Within one year	408,660
In the second to the fifth year	1,596,615
Over five years	1,073,029
Total	3,078,304

43. COMMITMENTS

Capital commitments

In addition to the operating lease commitments detailed in Note 42 above, the Group had the following capital commitments at the end of the reporting period.

	2019/12/31 RMB'000	2018/12/31 RMB'000
Contracted, but not provided for:		
Construction agreements under Public-Private Partnership and government outsourcing projects	**2,590,831**	721,587
Property and equipment (note)	**2,912,601**	1,226,454
Total	**5,503,432**	1,948,041

note: As at December 31, 2019, the Company has entered agreements for buying an office building. The contract amount is approximately RMB1,418,630 thousand.

44. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The emoluments of the Directors and Supervisors of the Company paid or payable by the Group for the year ended December 31, 2019, and 2018 are set out below:

For the year ended December 31, 2019

Name	Director fee RMB'000	Salary and allowances RMB'000	Employer's contribution to pension schemes RMB'000	Discretionary Bonuses RMB'000	Total RMB'000
Executive Directors:					
Ding Xueqing(i)	–	1,546	665	4,324	6,535
Zhou Jianli(ii)	–	1,242	529	3,138	4,909
Non-executive Directors:					
Zhang Shaohua(iii)	–	–	–	–	–
Ren Peng(iv)	–	–	–	–	–
Wu Shukun(v)	–	–	–	–	–
Ha Erman(x)	–	–	–	–	–
Li Chuan(xi)	–	–	–	–	–
Independent Non-executive Directors:					
Jiang Yulin(vi)	210	–	–	–	210
Yo Shin(vi)	210	–	–	–	210
Zeng Qingsheng(vi)	210	–	–	–	210
Wu Yat Wai(vi)	210	–	–	–	210
Supervisors:					
Wang Meijuan(vii)	–	–	–	–	–
Zhao Yue(viii)	–	471	85	207	763
Chen Xinji(ix)	–	643	172	442	1,257
	840	3,902	1,451	8,111	14,304

44. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

For the year ended December 31, 2018

Name	Director fee RMB'000	Salary and allowances RMB'000	Employer's contribution to pension schemes RMB'000	Discretionary Bonuses RMB'000	Total RMB'000
Executive Directors:					
Ding Xueqing(i)	—	1,546	579	—	2,125
Zhou Jianli(ii)	—	1,242	413	—	1,655
Non-executive Directors:					
Zhang Shaohua(iii)	—	—	—	—	—
Ren Peng(iv)	—	—	—	—	—
Wu Shukun(v)	—	—	—	—	—
Independent Non-executive Directors:					
Jiang Yulin(vi)	210	—	—	—	210
Yo Shin(vi)	210	—	—	—	210
Zeng Qingsheng(vi)	210	—	—	—	210
Wu Yat Wai(vi)	210	—	—	—	210
Supervisors:					
Wang Meijuan(vii)	—	—	—	—	—
Zhao Yue(viii)	—	452	77	—	529
Chen Xinji(ix)	—	611	127	—	738
	840	3,851	1,196	—	5,887

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Group, and the non-executive directors' and the independent non-executive directors' emoluments shown above were for their services as directors of the Company.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year and no emoluments were paid by the Group to any of the directors, supervisors or senior management as an inducement to join or upon joining the Group or as compensation for redundancy.

44. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

notes:

(i) Ding Xueqing was appointed as executive director in November 2014.

(ii) Zhou Jianli was appointed as executive director in May 2017.

(iii) Zhang Shaohua was appointed as non-executive director in January 2014.

(iv) Ren Peng was appointed as non-executive director in June 2014.

(v) Wu Shukun was appointed as non-executive director in April 2017.

(vi) Jiang Yulin, Zeng Qingsheng, Yo shin and Wu Yat Wai were appointed as independent non-executive directors in May 2017.

(vii) Wang Meijuan was appointed as supervisor in January 2014.

(viii) Zhao Yue was appointed as supervisor in May 2017.

(ix) Chen Xinji was appointed as supervisor in June 2017.

(x) Ha Erman was appointed as non-executive director in November 2019.

(xi) Li Chuan was appointed as non-executive director in November 2019.

45. HIGHEST PAID INDIVIDUALS

The five highest paid employees of the Group during the year included two directors (2018: two directors), details of whose remuneration are set out in Note 44 above. Details of the remuneration for the year of the remaining three (2018: three) highest paid employees who are not the directors of the Company are as follows:

	2019/12/31	2018/12/31
	RMB'000	RMB'000
Basic salaries and allowances	**3,231**	3,275
Bonuses	**7,981**	—
Employer's contribution to pension schemes	**1,373**	1,021
Total	**12,585**	4,296

Bonuses are discretionary with reference to the Group's and the individuals' performance. No emoluments have been paid to or receivable by these individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the year ended December 31, 2019 and 2018.

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	2019/12/31	2018/12/31
	No. of employees	No. of employees
Emolument bands		
— HKD1,500,001–HKD2,000,000		
(Equivalent to RMB1,328,986 to RMB1,771,980)	**—**	3
— HKD4,000,001–HKD4,500,000		
(Equivalent to RMB3,543,961 to RMB3,986,955)	**1**	—
— HKD4,500,001–HKD5,000,000		
(Equivalent to RMB3,986,956 to RMB4,429,950)	**2**	—
Total	**3**	3

46. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

In addition to the subsidiaries of the Group set out in Note 51, the name and the relationship of the other related parties 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
Haitong Capital Investment Co., Ltd	Shareholder
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 International Securities Co., Ltd.	Fellow Subsidiary
Haitong Futures Co.,Ltd.	Fellow Subsidiary
Gui'an UT Financial Leasing (Shanghai) Co., Ltd.	Joint Venture Company

Other than as disclosed elsewhere in these consolidated financial statements, the Group has the following material transactions with the related parties for the years ended December 31, 2019 and 2018:

(1) Interest expenses

	2019 RMB'000	2018 RMB'000
Haitong UT Capital Group Co., Limited	–	(7,670)
Haitong International Holdings Limited	–	17,895
Unican Limited	**37,805**	48,211

(2) Other income, gains or losses

	2019 RMB'000	2018 RMB'000
Gui'an UT Financial Leasing (Shanghai) Co., Ltd. (note)	**74,451**	28,863
Haitong UT Holding Limited	–	176

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

46. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(3) Revenue

	2019 RMB'000	2018 RMB'000
Haitong Capital Investment Co., Ltd	**472**	—

As at December 31, 2019 and 2018, the Group had the following material balances with the related parties:

(4) Financial assets held under resale agreements

	2019/12/31 RMB'000	2018/12/31 RMB'000
Gui'an UT Financial Leasing (Shanghai) Co., Ltd.	**828,000**	987,600

(5) Other assets

	2019/12/31 RMB'000	2018/12/31 RMB'000
Gui'an UT Financial Leasing (Shanghai) Co., Ltd.	**4,284**	4,478

(6) Borrowings

	2019/12/31 RMB'000	2018/12/31 RMB'000
Unican Limited	**1,161,537**	1,074,090

(7) Bonds payable

	2019/12/31 RMB'000	2018/12/31 RMB'000
Haitong Securities Co., Ltd. (note)	**70,231**	334,000

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

46. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(8) Other liabilities

	2019/12/31 RMB'000	2018/12/31 RMB'000
Haitong Securities Co., Ltd.	**923**	24,908
Haitong UT Capital Group Co., Limited	**804,283**	3,994
Unican Limited	**80,557**	44,547
Shanghai Haitong Securities Asset Management Co., Ltd	**192**	—

(9) Others

(a) Key management personnel

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

	2019 RMB'000	2018 RMB'000
Basic salaries and allowances	**6,019**	6,063
Bonuses	**15,443**	—
Employer's contribution to pension schemes	**2,567**	2,013
Total	**24,029**	8,076

(b) Payment of referral service fees to related party

	2019 RMB'000	2018 RMB'000
Haitong Securities Co., Ltd.	**4,323**	12,348
Haitong Futures Co.,Ltd.	**170**	—

note: The referral fees for finance lease business are recognised as initial direct incremental costs and deducted from the initial recognition amount of the finance lease receivables.

46. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(9) Others (continued)

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

	2019 RMB'000	2018 RMB'000
Haitong Securities Co., Ltd.	**71,867**	24,735
Shanghai HFT Fortune Asset Management Co., Ltd	**6,652**	5,735
Shanghai Haitong Securities Asset Management Co., Ltd.	**40,354**	13,428

note: These issuance costs related to debt liabilities issued were recognised 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.

(d) *Payment of issuance costs of shares to related party*

	2019 RMB'000	2018 RMB'000
Haitong International Securities Co., Ltd.	**9,974**	—

(e) *Acquisition of a subsidiary*

The Group acquired Haitong UT Holding Limited from the Group's Parent Company in 2019. Refer to Note 51 for details.

47. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

	2019/12/31 RMB'000	2018/12/31 RMB'000
Non-current assets		
Property and equipment	**181,588**	48,249
Right-of-use assets	**173,330**	—
Intangible assets	**14,953**	13,322
Finance lease receivables	**23,423,968**	29,270,775
Receivables arising from sale and leaseback arrangements	**12,558,754**	—
Interest in a joint venture	**252,530**	245,798
Loans and receivables	**2,594,014**	2,337,891
Investments in subsidiaries	**2,314,427**	2,060,074
Deferred tax assets	**982,885**	706,925
Other assets	**446,628**	260,613
Total non-current assets	**42,943,077**	34,943,647

47. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY (CONTINUED)

	2019/12/31 RMB'000	2018/12/31 RMB'000
Current assets		
Finance lease receivables	**27,568,783**	29,430,350
Receivables arising from sale and leaseback arrangements	**8,410,947**	—
Loans and receivables	**5,304,995**	4,060,263
Other assets	**488,954**	590,460
Accounts receivable	**16,682**	30,667
Financial assets held under resale agreements	**1,154,514**	980,836
Financial assets at fair value through profit or loss	**884,108**	1,950,321
Derivative financial assets	**49,619**	7,814
Cash and bank balances	**5,021,473**	3,315,680
Total current assets	**48,900,075**	40,366,391
Total assets	**91,843,152**	75,310,038
Current liabilities		
Borrowings	**18,065,719**	16,010,296
Derivative financial liabilities	**13,635**	5,279
Accrued staff costs	**147,482**	105,573
Accounts payable	**210,013**	194,147
Bonds payable	**20,114,151**	12,856,859
Income tax payable	**451,210**	350,333
Other liabilities	**4,020,723**	2,989,673
Total current liabilities	**43,022,933**	32,512,160
Net current assets	**5,877,142**	7,854,231
Total assets less current liabilities	**48,820,219**	42,797,878

47. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY (CONTINUED)

	2019/12/31 RMB'000	2018/12/31 RMB'000
Equity		
Share capital	**8,235,300**	7,000,000
Reserves		
— Capital reserve	**2,495,716**	1,767,215
— Surplus reserve	**314,999**	203,446
— Hedging reserve	**(1,190)**	—
Retained profits	**2,423,231**	1,831,013
Other equity instrument		
— Perpetual note	**1,237,212**	1,237,008
Total equity	**14,705,268**	12,038,682
Non-current liabilities		
Borrowings	**15,031,818**	9,864,492
Bonds payable	**11,332,791**	14,594,792
Other liabilities	**7,750,342**	6,299,912
Total non-current liabilities	**34,114,951**	30,759,196
Total equity and non-current liabilities	**48,820,219**	42,797,878

note: The Company has applied IFRS 16 since January 1, 2019 in accordance with transitional provision stated in Note 2. Lease liabilities amounted to RMB28,689 thousand and right-of-use assets amounted to RMB26,118 thousand were recognised on initial application of IFRS 16 respectively.

47. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY (CONTINUED)

	Share capital RMB'000	Capital reserve RMB'000	Surplus reserve RMB'000	Hedging reserve RMB'000	Retained profits RMB'000	Other equity instrument RMB'000	Total equity RMB'000
At December 31, 2018	7,000,000	1,767,215	203,446	–	1,831,013	1,237,008	12,038,682
Effect arising from adoption of IFRS 16	–	–	–	–	(1,928)	–	(1,928)
At January 1, 2019 (restated)	7,000,000	1,767,215	203,446	–	1,829,085	1,237,008	12,036,754
Profit for the year	–	–	–	–	1,105,066	50,148	1,155,214
Other comprehensive expenses for the year	–	–	–	(1,190)	–	–	(1,190)
Total comprehensive income/ (expenses) for the year	–	–	–	(1,190)	1,105,066	50,148	1,154,024
Issuance of shares, net	1,235,300	728,501	–	–	–	–	1,963,801
Appropriation to surplus reserve	–	–	111,553	–	(111,553)	–	–
Distribution of perpetual note	–	–	–	–	12,516	(50,062)	(37,546)
Dividends recognised as distribution	–	–	–	–	(411,765)	–	(411,765)
Others	–	–	–	–	(118)	118	–
At December 31, 2019	8,235,300	2,495,716	314,999	(1,190)	2,423,231	1,237,212	14,705,268
At January 1, 2018	7,000,000	1,767,215	116,604	–	824,564	1,235,317	10,943,700
Profit for the year	–	–	–	–	1,082,454	49,897	1,132,351
Appropriation to surplus reserve	–	–	86,842	–	(86,842)	–	–
Distribution of perpetual note	–	–	–	–	12,457	(49,826)	(37,369)
Others	–	–	–	–	(1,620)	1,620	–
At December 31, 2018	7,000,000	1,767,215	203,446	–	1,831,013	1,237,008	12,038,682

48. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2019/12/31	2018/12/31
	RMB'000	RMB'000
Financial assets		
Financial assets measured at amortized cost:		
Cash and bank balances	**5,458,838**	4,283,957
Loans and receivables	**8,084,652**	6,700,395
Receivables arising from sale and leaseback arrangements	**21,943,692**	—
Financial assets held under resale agreements	**1,154,514**	980,836
Accounts receivable	**16,682**	41,237
Other financial assets	**286,785**	407,230
Financial assets at fair value through profit or loss:		
Financial assets at fair value through profit or loss	**1,287,984**	2,362,397
Derivative financial assets	**49,619**	10,170
Total	**38,282,766**	14,786,222

	2019/12/31	2018/12/31
	RMB'000	RMB'000
Financial liabilities		
Financial liabilities measured at amortized cost:		
Borrowings	**37,757,249**	30,998,613
Accounts payable	**279,399**	401,138
Bonds payable	**31,446,942**	27,451,651
Other financial liabilities	**13,179,033**	9,692,721
Financial liabilities at fair value through profit or loss:		
Derivative financial liabilities	**98,805**	23,472
Total	**82,761,428**	68,567,595

49. FINANCIAL RISK MANAGEMENT

Overview of financial risk management

The Group's activities expose it to a variety of financial risks. The Group identifies, evaluates and manages risks. The Group's risk management objective is to achieve an appropriate balance between risk and return, and minimize potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyze risks to set appropriate risk limits and control procedures, and to monitor the risks through appropriate control processes.

The board of directors of the Company establish overall risk management strategy. The management establishes related risk management policies and procedures, including credit risk, market risk, liquidity risk and so on. Such risk policies and procedures are carried out by Risk Management Department, Credit Review & Approval Department, Commerce Department, Asset Management Department, Business Department, Compliance Department, Treasury Management Department, Finance Department and other relevant committees after the approval of the board of directors.

The major financial risks of the Group are credit risk, market risk and liquidity risk. Market risk includes foreign currency risk and interest rate risk.

Credit risk

The Group is exposed to credit risk in relation to its cash and bank balances, finance lease receivables, receivables arising from sale and leaseback arrangements, factoring receivables, entrusted loans and other loans, financial assets held under resale agreements, accounts receivable and other financial assets. The Group's credit risk is primarily attributable to its finance lease receivables and receivables arising from sale and leaseback arrangements which is the risk of the lessees being unable to meet its contractual obligations.

The Group implemented standardized management procedures over the processes of target customers selection, the due diligence and application, credit review and approval, finance lease disbursement, post-lending monitoring, management of non-performing finance lease receivables and other aspects. Through implementation of relevant credit risk management policies and procedures, the effective use of finance lease information system and optimization of the portfolio of finance leases, the Group is able to timely and effectively identify, monitor and manage its potential credit risks.

Changes in the economic environment will have an impact on the Group's finance lease, and the adverse effects will increase the possibility of losses incurred by the Group. The Group's current major business operations are in mainland China, but the differences of economic development in different regions require the Group to closely manage the relevant credit risks. The Business Department, Credit Review & Approval Department, Asset Management Department and Risk Management Department in charge of different industries and regions are responsible for the whole chain management of the credit risks in this order, and periodically reporting on the quality of assets to the board of directors of the Company. The Group has established mechanisms to set credit risk limits for individual lessees and periodically monitors the above credit risk limits.

49. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Risk limit management and mitigation measures

The Group manages, limits, and controls the concentration of credit risks and, as far as possible, avoids risks concentration on single lessee, industry or region.

The Group manages customer limits to optimize the credit risk structure. The Group performs pre-project analysis of the lessee's ability to repay principal and interest, real-time supervision of the lessee's actual repayment status during the project to manage credit risks.

Other specific management and mitigation measures include:

(a) ***Guarantee***

The Group has developed a series of policies to mitigate credit risk, including obtaining collateral/pledge, security deposit and guarantee from an enterprise or individual.

According to the characteristics of the finance lease and sale and leaseback transactions, the Group has the ownership of the asset under the lease during the lease term. The Property Law of PRC stipulates the four powers and functions of ownership: possession, usage, benefit and punishment; it also stipulates that the owner has the right to establish usufructuary right and security interest over his own realty or chattel. Therefore, the Property Law protects the Group's effective rights. In the event of default, the Group is entitled to retrieve the asset.

In addition, the Group requests a third party guarantee or collateral from certain lessees, depending on the lessee's credit status and credit risk degree of the finance lease. The management evaluate the capability of the guarantor, the ownership and value of the mortgage and pledge and the feasibility of realizing the mortgage and pledge.

(b) ***Insurance on the asset of the finance lease and sale and leaseback transactions***

For finance lease and sale and leaseback transactions, the ownership of the lease asset belongs to the Group before the expiry of the lease, but the risks and rewards in operational use and maintenance have been transferred to the lessee. Therefore, if any accidents occur to the asset, the lessee should immediately report them to the insurance company and notify the Group, provide accident report with relevant documents and settle claims to the insurance company.

Group's exposure to credit risk

Credit risk refers to the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group considers all elements of credit risk exposure such as counterparty default risk and sector risk for risk management purposes.

49. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Group's exposure to credit risk (continued)

In addition to the credit risk limit management and other mitigation measures as described above, the Group monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime ECL rather than 12-month ECL.

In order to minimize credit risk, the Group has tasked to develop and maintain the Group's credit risk grading to categorize exposures according to their degree of risk of default. The credit grading information is based on a range of data that is determined to be predictive of the risk of default and applying experienced credit judgment. The nature of the exposure and the type of counterparty are taken into account in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.

The internal credit risk grades are designed and calibrated to reflect the risk of default as credit risk deteriorates. As the credit risk increases, the difference in risk of default between grades changes. Each exposure is allocated to a credit's risk grade at initial recognition, based on the available information about the counterparty. All exposures are monitored and the credit risk grade is updated to reflect current information. The Group uses credit risk grades as a primary input into the determination of the term structure of the probability of default ("PD") for exposures. The Group uses both quantitative and qualitative criteria to determine whether credit risk has increased significantly.

The Groups uses forward-looking macro-economic data such as GDP growth, PPI and CPI in its assessment of significant increase of credit risk as well as in its measurement of ECL.

The following table shows the Group's credit risk grading framework:

Category	Description	Basis for recognizing ECL
Stage 1	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired.	12m ECL
Stage 2	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired.	Lifetime ECL — not credit impaired
Stage 3	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred.	Lifetime ECL — credit impaired

49. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Group's exposure to credit risk (continued)

The table below shows the maximum credit risk exposure of the Group without consideration of the collateral and pledges:

	2019/12/31 RMB'000	2018/12/31 RMB'000
Financial assets at amortized cost:		
Cash and bank balances	**5,458,838**	4,283,957
Receivables arising from sale and leaseback arrangements	**21,943,692**	—
Loans and receivables	**8,084,652**	6,700,395
Financial assets held under resale agreements	**1,154,514**	980,836
Accounts receivable	**16,682**	41,237
Other financial assets	**286,785**	407,230
Financial assets at fair value through profit or loss:		
Financial assets at fair value through profit or loss	**340,125**	430,756
Derivative financial assets	**49,619**	10,170
Finance lease receivables	**52,941,643**	61,652,712
Total	**90,276,550**	74,507,293

The amounts of the credit risk exposures set out above are the carrying amounts as at December 31, 2019 and 2018. For financial instruments measured at fair value, the risk exposure considered as its carrying value changes in accordance with future fair value.

Finance lease receivables

For finance lease receivables, the Group has applied the general approach in IFRS 9 to measure ECL. Refer to Note 20 for the stage details.

Receivables arising from sale and leaseback arrangements

For receivables arising from sale and leaseback arrangements, the Group has applied the general approach in IFRS 9 to measure ECL. Refer to Note 21 for the stage details.

Loans and receivables

For loans and receivables, the Group has applied the general approach in IFRS 9 to measure ECL. Refer to Note 22 for the stage details.

49. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Group's exposure to credit risk (continued)

Financial assets held under resale agreements

The credit risk on the financial assets held under resale agreements is limited because the Group mainly invests in finance lease receivables with resale agreement, and these finance lease receivables are neither overdue nor impaired. There has not been a significant increase in credit risk of the financial assets held under resale agreements since initial recognition. The counterparty is a related party with good credit quality. The Group has applied the general approach in IFRS 9 to measure ECL. All the financial assets held under resale agreements are at Stage 1 of which the loss allowance is measured at 12 month ECL.

Accounts receivable and other financial assets

For accounts receivable, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. For other financial assets, the Group has applied the general approach in IFRS 9 to measure the loss allowance for ECL.

Bank balances

The bank balances is determined to have low risk at the reporting date. The credit risk on bank balances is limited because the counterparties are reputable banks, and the risk of inability to pay or redeem at the due date is low.

Market risk

The Group is exposed to market risks that may cause losses to the Group as a result of adverse market changes in market prices (including interest rates and exchange rates).

Market risks measurement techniques

The Group currently establishes position limits and uses sensitivity analysis to measure and control market risks. The Group regularly calculates and monitors the foreign exchange risk exposure, as well as the difference (exposure) between interest-bearing assets and liabilities which would need to be repriced or mature in a certain period, and then uses the exposure information to perform sensitivity analysis under changing exchange rate and market interest rate.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates.

Foreign currency risk of the Group is mainly attributable to the mismatch of the currencies of assets and liabilities and is mainly affected by changes in the exchange rates of RMB and US dollar. The Group manages its foreign exchange rates under the principle of risk neutralization by matching the allocation of assets and liabilities of different currencies according to sensitivity analysis of the impact on operation results by changes in exchange rate. If necessary, the Group will hedge the exposure of foreign currency risk by using foreign exchange derivatives when chances arise. The operating lease (aircraft leasing) business of the Group is funded by loans denominated in US dollar which can offset part of the foreign currency risk exposure. The Group hedge the foreign currency risk arising from funding by currency forwards and other instruments. Such arrangement effectively minimizes the foreign currency risk exposure. The foreign currency risk of the Group as a whole is relatively small and has no significant effect on the profits of the Group for the year.

49. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (continued)

Foreign currency risk (continued)

The carrying amounts of the Group's foreign currency denominated assets and liabilities at the end of each reporting period were as follows:

	Assets		Liabilities	
	2019/12/31	2018/12/31	**2019/12/31**	2018/12/31
	RMB'000	RMB'000	**RMB'000**	RMB'000
United States dollar	**1,431,589**	1,042,125	**4,572,464**	6,651,676

Sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in USD against RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB, the functional currency of respective group entities, against USD. 5% is the sensitivity rate represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end or the period end for a 5% change in foreign currency rate. The analysis illustrates the impact for a 5% weakening of USD against RMB and a positive number below indicates an increase in profit for the year. For a 5% strengthening of USD against RMB, there would be an equal and opposite impact on the profit for the year.

	2019/12/31	2018/12/31
	RMB'000	RMB'000
Increase in net profit	**117,783**	210,358

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk relates primarily to the Group's bank balances, finance lease receivables, receivables arising from sale and leaseback arrangements, loans and other receivables, financial assets held under resale agreements, accounts receivable, other financial assets, structure deposits in financial assets at fair value through profit or loss, borrowings, accounts payable, bonds payable, and other financial liabilities.

Management closely monitor the market, and control interest rate sensitivity gap by adjusting asset and liability structure, so as to achieve effective management of interest rate risk.

49. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (continued)

Interest rate risk (continued)

Fluctuations of prevailing rate quoted by the People's Bank of China are the major sources of the Group's and the Company's cash flow interest rate risk.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for interest bearing financial assets and liabilities. The analysis is prepared assuming the interest bearing financial assets and liabilities outstanding at the end of each reporting period were outstanding for the whole year or period. When reporting to the management on the interest rate risk, the Group will adopt a 100 basis points increase or decrease for sensitivity analysis, when considering the reasonably possible change in interest rates.

	2019/12/31	2018/12/31
	RMB'000	RMB'000
Increase (decrease) in net profit		
100 basis points increase	**253,840**	261,213
100 basis points decrease	**(253,840)**	(261,213)

Price Risk

The Group is exposed to price risk through its investment mainly in money market funds.

The management considers the price risk of the Group is not material as the ratio of the Group's investment mainly in money market funds is minimal.

Liquidity risk

Liquidity risk refers to the risk that the Group is unable to obtain fund at a reasonable cost to repay the liabilities or seize other investment opportunities. The objective of the Group's liquidity risk management is to ensure sufficient capital resource at any time to meet the repayment needs of matured liabilities, as well as the lessee's financing demand and seize new investment opportunities.

The major payment demand of the Group is the repayments of matured debt.

49. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (continued)

Liquidity risk (continued)

Liquidity risk management policy

Each year, the Group formulates annual liquidity risk tolerance based on comprehensive assessment of future development, operational strategies and market conditions and implements administrative measures accordingly under proper authorization and approval. In order to effectively monitor and manage liquidity risk, the Group formulated and promulgated systems such as Measures for the Management of Liquidity Risk, and carried out daily liquidity risk management through monthly tracking of the information system and assessment of conditions and indicators of liquidity risk. The details are as follows:

Regarding the intraday liquidity risk management:

- Monitor liquidity inflows and outflows on a daily basis to meet sufficient intraday liquidity positions and payment obligations under both normal and stressed conditions;

- Manage the internal liquidity reserves prudently to ensure the liquidity required for daily operations and debt repayments;

- Established liquidity risk control indicators system, managing, identifying and tracking risk control indicators, and implementing corresponding warning, report and contingency plans for liquidity risk;

- Drew up emergency plans regarding liquidity risks, launching liquidity emergency drills regularly or irregularly.

Regarding the medium and long-term liquidity risk management:

- Implement the asset-liability structure management by determining a reasonable asset-liability ratio, monitoring and forecasting the ratio and complying with a predetermined upper limit of the aforementioned ratio;

- Implement the debt maturity structure management by tracking and forecasting the debt maturity structure, analyzing the matching situation between assets and liabilities to ensure that mismatches are always within a reasonable range;

- Implement the management of credit line by continuously tracking various information of the existing credit line, such as the amount, type, duration, currency, etc., to meet a sufficient credit reserves position.

- The company values cooperation with every single major commercial bank, maintains financing reserve from multiple markets and channels, focuses on financing management at the group level and keeps financing channels unblocked.

49. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (continued)

Liquidity risk (continued)

Cash flow for non-derivative financial instruments

The table below presents the cash flows receivable and payable by the Group under non-derivative financial assets and liabilities and finance lease receivables by remaining contractual maturities at the end of each reporting period. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Group manages the inherent liquidity risk based on expected undiscounted cash inflows:

As at December 31, 2019

	Overdue RMB'000	On demand RMB'000	Within 3 months RMB'000	3 months to 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Financial Assets and finance lease receivables							
Cash and bank balances	–	5,443,046	15,797	–	–	–	5,458,843
Financial assets at fair value through profit or loss	–	835,989	416,112	–	–	35,921	1,288,022
Financial assets held under resale agreements	–	–	331,941	839,315	–	–	1,171,256
Finance lease receivables	499,151	–	8,546,271	22,569,568	27,332,633	401,150	59,348,773
Receivables from sale and leaseback arrangements	12,281	–	2,522,891	7,387,649	14,834,717	–	24,757,538
Loans and receivables	719,849	–	328,557	5,414,966	3,149,912	170,498	9,783,782
Accounts receivable	31,819	–	–	–	–	–	31,819
Other financial assets	–	174,639	–	–	30,683	71,594	276,916
Non-derivative financial assets total	1,263,100	6,453,674	12,161,569	36,211,498	45,347,945	679,163	102,116,949
Financial Liabilities							
Borrowings	–	–	5,749,327	15,245,438	17,799,930	1,188,103	39,982,798
Accounts payable	–	279,399	–	–	–	–	279,399
Bonds payable	–	–	4,027,143	17,268,531	11,998,189	–	33,293,863
Other financial liabilities	–	1,138,799	676,811	2,681,773	8,085,115	257,923	12,840,421
Non-derivative financial liabilities total	–	1,418,198	10,453,281	35,195,742	37,883,234	1,446,026	86,396,481
Net position	1,263,100	5,035,476	1,708,288	1,015,756	7,464,711	(766,863)	15,720,468

49. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (continued)

Liquidity risk (continued)

Cash flow for non-derivative financial instruments (continued)

As at December 31, 2018

	Overdue RMB'000	On demand RMB'000	Within 3 months RMB'000	3 months to 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Financial Assets and finance lease receivables							
Cash and bank balances	–	3,770,665	188,115	346,581	–	–	4,305,361
Financial assets at fair value through profit or loss	–	1,895,563	2,262	439,201	–	36,078	2,373,104
Financial assets held under resale agreements	–	–	–	985,109	–	–	985,109
Finance lease receivables	434,659	–	9,000,316	25,361,270	34,344,977	284,646	69,425,868
Loans and receivables	35,478	–	1,225,082	3,702,683	2,666,466	158,399	7,788,108
Accounts receivable	4,016	41,472	–	–	–	–	45,488
Other financial assets	–	383,988	995	–	–	–	384,983
Non-derivative financial assets total	474,153	6,091,688	10,416,770	30,834,844	37,011,443	479,123	85,308,021
Financial Liabilities							
Borrowings	–	–	6,535,588	12,414,155	11,601,511	1,546,642	32,097,896
Accounts payable	–	401,138	–	–	–	–	401,138
Bonds payable	–	–	5,886,203	8,093,488	15,374,216	–	29,353,907
Other financial liabilities	–	121,231	305,249	2,049,570	6,501,570	187,365	9,164,985
Non-derivative financial liabilities total	–	522,369	12,727,040	22,557,213	33,477,297	1,734,007	71,017,926
Net position	474,153	5,569,319	(2,310,270)	8,277,631	3,534,146	(1,254,884)	14,290,095

49. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (continued)

Liquidity risk (continued)

Derivative settled on a gross basis

The following tables detail the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted gross inflows and outflows on those derivatives that require gross settlement.

	Less than 3 months RMB'000	3 months to 1 year RMB'000	1 year to 5 years RMB'000	Total RMB'000
December 31, 2019				
Currency forwards				
Total inflows	14,156	1,427,694	859,479	2,301,329
Total outflows	(13,936)	(1,392,791)	(835,770)	(2,242,497)
	220	34,903	23,709	58,832

	Less than 3 months RMB'000	3 months to 1 year RMB'000	1 year to 5 years RMB'000	Total RMB'000
December 31, 2018				
Currency forwards				
Total inflows	16,021	559,622	1,418,363	1,994,006
Total outflows	(16,012)	(551,630)	(1,406,728)	(1,974,370)
	9	7,992	11,635	19,636

Capital management

The Group manages its capital to ensure that the companies in the Group are able to operate as a going concern by optimizing the structure of the debt and shareholders' equity while maximizing shareholders' return. The objective of the Company's capital management is to ensure in compliance with the relevant laws, regulations and other regulatory requirements. According to the current relevant laws and regulations in effect, the Company's risk assets shall not exceed 10 times of net assets.

As at December 31, 2019, the risk assets to net assets ratio did not violate aforementioned regulations.

50. FAIR VALUE OF FINANCIAL INSTRUMENTS

Some of the Group's financial assets and liabilities are measured at fair value or with fair value disclosed for financial reporting purposes. The Group uses valuation techniques to determine the fair value of financial instruments when unable to obtain the open market quotation in active markets.

Financial instruments that are not measured at fair value

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

	Carrying amount		Fair value	
	2019/12/31	2018/12/31	**2019/12/31**	2018/12/31
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial liabilities				
Bonds Payable	**31,446,942**	27,451,651	**31,619,948**	27,718,356

	2019/12/31			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Bonds payable	**—**	**(31,619,948)**	**—**	**(31,619,948)**

	2018/12/31			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Bonds payable	—	(27,718,356)	—	(27,718,356)

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 recorded at amortized cost in the Group and the Company's statements of financial position approximate their fair values because majority of these financial assets and liabilities are matured within one year or at floating interest rates.

50. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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).

Financial assets/ financial liabilities	Fair value as at 2019/12/31 RMB'000	2018/12/31 RMB'000	Fair value Hierarchy	Valuation technique(s) and key input(s)
1) Financial assets at fair value through profit or loss				
— Money market funds:	**Assets: 835,989**	Assets: 1,895,563	Level 2	Net asset value as published by the fund manager.
— Equity investments	**Assets: 35,921**	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: 340,125**	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.
— Asset management schemes and trust plans	**Assets: 75,949**	Assets: —	Level 2	Net asset value as published by the issuer/financial institution.

50. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

Financial assets/ financial liabilities	Fair value as at 2019/12/31 RMB'000	Fair value as at 2018/12/31 RMB'000	Fair value Hierarchy	Valuation technique(s) and key input(s)
2) Currency forwards	**Assets: 42,339 Liabilities: —**	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.
3) Interest rate swaps	**Assets: — Liabilities: (98,805)**	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: 7,280 Liabilities: —**	Assets: — Liabilities: —	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange/interest rates (from observable forward exchange rates/ observable yield curves at the end of the reporting period) and contract exchange/interest rates, discounted at a rate that reflects the credit risk of various counterparties.

50. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

Management determines the fair value of the Group's level 3 equity investments using valuation techniques that incorporate unobservable input. The fair value measurement of the equity investments will not change significantly if changing the unobservable input holding all other variables constant. The decreased movement of Group's level 3 equity investments amounting to RMB157 thousand is the fair value change during the year ended December 31, 2019.

There was no transfer between Level 1 and Level 2 during the year ended December 31, 2019 and 2018.

51. PARTICULARS OF SUBSIDIARIES

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below:

Name of subsidiaries	Place and date of Incorporation/ establishment	Registered capital	Equity interest held by the Company At December 31, 2019	2018	Principal activities
Directly held:					
Haitong UniFortune International Leasing Co., Ltd (note i)	People's Republic of China, 2011	RMB 210,000,000	**100%**	75%	Leasing
Shanghai UniCircle Investment & Development Co., Ltd.	People's Republic of China, 2006	RMB 100,000,000	**100%**	100%	Trading
Haitong UniTrust Financial Leasing (Shanghai) Corporation (note i)	People's Republic of China, 2014	RMB 1,360,000,000	**100%**	75%	Leasing
Haitong UT Leasing HK Limited	Hong Kong, 2017	USD 142,806,844	**100%**	100%	Leasing
Penglai Hengshi Properties Limited (note ii)	People's Republic of China, 2018	RMB 15,000,000	**95%**	95%	Government outsourcing businesses such as shanty town renovation

51. PARTICULARS OF SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place and date of Incorporation/ establishment	Registered capital	Equity interest held by the Company At December 31, 2019	2018	Principal activities
Longyao County Hengjing Engineering Project Management Co., Ltd. (note ii)	People's Republic of China, 2018	RMB 37,608,500	**90%**	90%	PPP project management
Longyao County Yutong Engineering Project Management Co., Ltd. (note ii)	People's Republic of China, 2018	RMB 65,151,880	**90%**	90%	PPP project management
Tonggu County Dingxin Engineering Project Management Co., Ltd. (note ii)	People's Republic of China, 2019	RMB 50,000,000	**73.9%**	NA	PPP project management
Indirectly held:					
Haitong UniTrust No.1 Limited	Ireland, 2016	USD1	**100%**	100%	Aircraft leasing
Haitong UT Leasing Irish Holding Corporation Limited	Ireland, 2017	USD1	**100%**	100%	Aircraft related business
Haitong UniTrust No.2 Limited	Ireland, 2017	USD1	**100%**	100%	Aircraft leasing
Haitong UniTrust No.3 Limited	Ireland, 2017	USD1	**100%**	100%	Aircraft leasing
Haitong UniTrust No.4 Limited	Ireland, 2017	USD1	**100%**	100%	Aircraft leasing
Haitong UniTrust No.5 Limited	Ireland, 2017	USD1	**100%**	100%	Aircraft leasing
Haitong UniTrust No.6 Limited	Ireland, 2017	USD1	**100%**	100%	Aircraft leasing
Haitong UT Leasing Irish Finance Limited	Ireland, 2018	USD1	**100%**	100%	Financial service on aircraft related business
Shanghai Dingjie Construction Development Co., Ltd.	People's Republic of China, 2018	RMB 20,000,000	**100%**	100%	Government outsourcing business and PPP project management
Haitong UT HK 1 Limited	Hong Kong, 2018	USD1	**100%**	100%	Leasing

51. PARTICULARS OF SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place and date of Incorporation/ establishment	Registered capital	Equity interest held by the Company At December 31, 2019	2018	Principal activities
Haitong UT HK 2 Limited	Hong Kong, 2018	USD1	**100%**	100%	Leasing
Haitong UT HK 3 Limited	Hong Kong, 2018	USD1	**100%**	100%	Leasing
Haitong UT HK 4 Limited	Hong Kong, 2018	USD1	**100%**	100%	Leasing
Haitong UT HK 5 Limited	Hong Kong, 2018	USD1	**100%**	100%	Leasing
Haitong UT HK 6 Limited	Hong Kong, 2018	USD1	**100%**	100%	Leasing
Haitong UT HK 7 Limited	Hong Kong, 2018	USD1	**100%**	100%	Leasing
Haitong UT HK 8 Limited	Hong Kong, 2018	USD1	**100%**	100%	Leasing
Haitong UT HK 9 Limited	Hong Kong, 2018	USD1	**100%**	100%	Financial service on aircraft related business
Haitong UT HK 10 Limited	Hong Kong, 2018	USD1	**100%**	100%	Financial service on aircraft related business
Haitong UT Holding Limited (note i)	Hong Kong, 2017	USD 1,000,000	**100%**	N/A	Leasing

As at December 31, 2019, the subsidiaries of the Group which are established in the PRC are all limited liability companies (corporate owned) registered under PRC law.

notes:

(i) The Group acquired 100% equity of Haitong UT Holding Limited from the Group's Parent Company for a consideration of HKD192,535 thousand in 2019. Through this transaction, the Group acquired additional 25% interest of Haitong UniFortune International Leasing Co., Ltd., Haitong UniTrust Financial Leasing (Shanghai) Corporation and Gui'an UT Financial Leasing (Shanghai) Co., Ltd., respectively After the acquisition, the Group wholly owned Haitong UniFortune International Leasing Co., Ltd. and Haitong UniTrust Financial Leasing (Shanghai) Corporation, and held 40% interest of Gui'an UT Financial Leasing (Shanghai) Co., Ltd. (Note 19).

(ii) During the year ended December 31, 2019, the subsidiaries of the Company received capital injection of RMB14,304 thousand from their minority shareholders. The capital injections from the above minority shareholders were recognised as non-controlling interests.

52. SUBSEQUENT EVENTS

Impact of the Coronavirus Disease 2019

The Coronavirus Disease 2019 ("COVID-19") outbreak from the end of January 2020 has brought additional uncertainties to the Group's operating environment and has impacted the Group's operations. At present, the Group's operation is generally stable, while the COVID-19 epidemic may have a further impact on the Group's leasing business. And the degree of impact will depend on the situation and duration of the epidemic prevention and control, and the implementation of national economic and industrial control policies. The Group has been closely monitoring the impact of the developments on the Group's businesses and has put in place contingency measures.

As of the date of this report, the situation related to the COVID-19 is not clear, and the impact on the financial situation and operating results of the Group is still under evaluation.

53. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform with the current year's presentation.