海通恒信國際融資租賃股份有限公司
Haitong Unitrust International Financial Leasing Co., Ltd.

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

Stock Code: 1905

2021 Annual Report

CONTENTS

This report has been prepared in Chinese and English respectively. In case of discrepancy, the Chinese version shall prevail, except for the financial report prepared in accordance with IFRS, of which the English version shall prevail.

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. The Company strives to become a financial leasing company that leads industry innovation with the characteristics of capital market.

Over the years, 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 development strategy of maintaining a balanced customer base, the Group has pursued its long-term goal of "professional, group-based, internationalized and digitalized" business development. It has also 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 advanced manufacturing, transportation & logistics, urban utilities, energy and environmental protection, construction, culture and tourism, healthcare and other industries by implementing the best practices of investment banking and strengthening the collaboration with our parent company, financial institutions and industrial ecosphere partners, etc. 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 seven specialized business departments, namely Public Services Department, Construction Department, Advanced Manufacturing Business Department, Digital Environmental Protection Business Department, Healthcare Business Department, Asset Transaction and Structured Financing Department and Project Management Department. We have also established 17 branches. Our branch network also encompasses a number of subsidiaries in areas including Hong Kong, Tianjin and Shanghai. Through implementing a "One Body, Two Wings" business development strategy, we have expanded the geographical coverage and customer base 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.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. DING Xueqing (Chairman of the Board)

Ms. ZHOU Jianli

Non-executive Directors

Mr. REN Peng

Ms. HA Erman

Mr. LI Chuan

Mr. WU Shukun

Mr. ZHANG Shaohua

Independent non-executive Directors

Mr. JIANG Yulin

Mr. YAO Feng

Mr. ZENG Qingsheng

Mr. WU Yat Wai

Mr. YAN Lixin

AUDIT COMMITTEE OF THE BOARD

Mr. ZENG Qingsheng (Chairman)

Mr. ZHANG Shaohua

Mr. YAN Lixin

NOMINATION COMMITTEE OF THE BOARD

Mr. JIANG Yulin (Chairman)

Mr. REN Peng

Mr. WU Yat Wai

REMUNERATION AND EVALUATION COMMITTEE OF THE BOARD

Mr. JIANG Yulin (Chairman)

Mr. WU Shukun

Mr. YAO Feng

Mr. ZENG Qingsheng

RISK MANAGEMENT COMMITTEE OF THE BOARD

Mr. YAN Lixin (Chairman)

Mr. DING Xueqing

Mr. ZHANG Shaohua

Mr. YAO Feng

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE OF THE BOARD

Mr. DING Xueqing (Chairman)

Ms. HA Erman

Ms. ZHOU Jianli

Mr. YAN Lixin

BOARD OF SUPERVISORS

Ms. ZHOU Tao (chairwoman)[Note]

Mr. CHEN Xinji

Mr. HU Zhangming

JOINT COMPANY SECRETARIES

Mr. FU Da

Ms. SO Shuk Yi Betty (ACG, ACS)

AUTHORIZED REPRESENTATIVES

Mr. DING Xueqing

Ms. SO Shuk Yi Betty (ACG, ACS)

(Note) Ms. ZHOU Tao has tendered her resignation from the office of the shareholder representative supervisor of the second session of the Board of Supervisors and the Chairwoman of the Board of Supervisors of the Company. Her resignation will come into effect upon the election of a new supervisor at the Company's general meeting. Please refer to the announcement of the Company dated March 6, 2022 for details.

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 Certified Public Accountants LLP and Deloitte Touche Tohmatsu)
("Deloitte Touche Tohmatsu")

Domestic Auditor
Deloitte Touche Tohmatsu Certified Public Accountants LLP
30th Floor, Bund Center
222 Yan'an Road East
Shanghai, China

International Auditor
Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors
35/F, One Pacific Place
88 Queensway
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

No. 599 South Zhongshan 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, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai
Hong Kong

COMPANY'S WEBSITE

http://www.utfinancing.com

STOCK CODE

1905

LISTING DATE

June 3, 2019

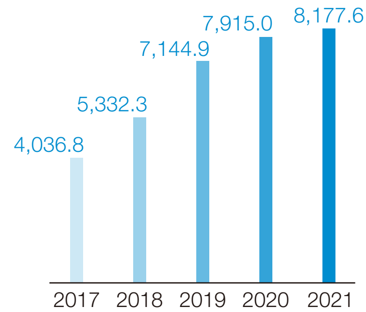
Financial Summary

1. OVERVIEW OF KEY FINANCIAL DATA

For the year ended December 31, 2021

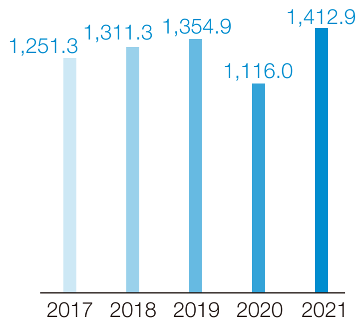
Total revenue
RMB in millions

8,177.6



Profit for the year
RMB in millions

1,412.9



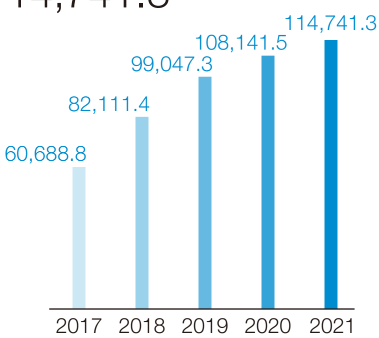
Basic earnings per share
RMB yuan/share

0.16

As at December 31, 2021

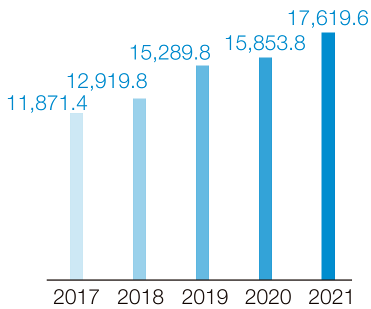
Total assets
RMB in millions

114,741.3



Total equity
RMB in millions

17,619.6



Net assets per share
RMB yuan/share

1.84

Net interest margin

2020	2021
3.17%	3.30%

Average yield of interest-earning assets

2020	2021
7.03%	6.79%

Net interest spread

2020	2021
2.69%	2.86%

Weighted average return on net assets

2020	2021
7.45%	8.91%

Asset-liability ratio

As at December 31, 2020	As at December 31, 2021
85.34%	84.64%

NPA ratio

As at December 31, 2020	As at December 31, 2021
1.10%	1.07%

2. CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	For the year ended December 31				
	2021	2020	2019	2018	2017
	(RMB in millions, except percentages)				
Total revenue	**8,177.6**	7,915.0	7,144.9	5,332.3	4,036.8
Total revenue and other income, gains or losses	**8,953.2**	8,545.1	7,449.0	5,565.4	4,287.7
Interest expenses	**(3,527.8)**	(3,676.1)	(3,331.3)	(2,316.3)	(1,524.2)
Total expenses	**(7,021.6)**	(7,056.9)	(5,647.9)	(3,810.0)	(2,638.4)
Profit before income tax	**1,931.6**	1,488.2	1,801.1	1,755.3	1,649.3
Income tax expense	**(518.7)**	(372.2)	(446.2)	(444.1)	(398.1)
Profit for the year	**1,412.9**	1,116.0	1,354.9	1,311.3	1,251.3
Earnings per share attributable to ordinary shareholders of the Company (RMB yuan/share)					
— Basic	**0.16**	0.13	0.16	0.17	0.17
— Diluted	**N/A**	N/A	0.16	N/A	N/A
Profitability indicators					
Return on average assets[(1)]	**1.27%**	1.08%	1.50%	1.84%	2.35%
Weighted average return on net assets[(2)]	**8.91%**	7.45%	9.92%	11.49%	12.10%
Cost-to-income ratio[(3)]	**13.02%**	10.93%	10.78%	11.52%	10.85%
Profit margin before tax and provision[(4)]	**45.61%**	43.16%	43.24%	47.27%	55.55%
Net profit margin[(5)]	**17.28%**	14.10%	18.96%	24.59%	31.00%
Profitability indicators of assets					
Average yield of interest-earning assets[(6)]	**6.79%**	7.03%	7.23%	6.66%	6.42%
Of which: finance lease business[(7)]	**6.96%**	7.36%	7.54%	6.83%	6.63%
Average cost of interest-bearing liabilities[(8)]	**3.93%**	4.34%	4.58%	4.66%	4.41%
Net interest spread[(9)]	**2.86%**	2.69%	2.65%	2.01%	2.02%
Net interest margin[(10)]	**3.30%**	3.17%	3.17%	3.16%	3.31%

3. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	As at December 31				
	2021	2020	2019	2018	2017
	(RMB in millions, except percentages)				
Non-current assets	**52,874.0**	52,279.2	47,897.8	38,638.6	28,526.8
Receivables from finance lease business(Note 1)	**42,792.0**	40,883.6	37,934.9	30,824.7	22,212.6
Property and equipment	**5,463.2**	7,154.2	4,730.0	4,217.4	1,578.2
Current assets	**61,867.3**	55,862.3	51,149.5	43,472.8	32,162.0
Receivables from finance lease business(Note 1)	**45,768.6**	42,742.3	36,950.4	30,828.0	21,323.5
Total assets	**114,741.3**	108,141.5	99,047.3	82,111.4	60,688.8
Current liabilities	**57,562.4**	48,362.6	46,183.7	35,083.0	24,338.7
Borrowings	**25,584.2**	22,205.2	19,660.8	18,162.1	15,116.2
Bonds payable	**22,989.5**	18,408.9	20,114.2	12,856.9	6,074.4
Total equity	**17,619.6**	15,853.8	15,289.8	12,919.8	11,871.4
Equity attributable to owners of the Company					
— Ordinary shareholders	**15,151.4**	14,278.3	14,035.9	11,187.8	10,191.4
— Other equity instrument holders	**2,384.5**	1,523.8	1,237.2	1,237.0	1,235.3
Non-controlling interests	**83.7**	51.7	16.7	495.0	444.7
Non-current liabilities	**39,559.3**	43,925.1	37,573.8	34,108.6	24,478.7
Borrowings	**18,145.2**	21,796.4	18,096.4	12,836.5	9,691.6
Bonds payable	**14,865.4**	13,951.1	11,332.8	14,594.8	9,970.0

Financial Summary

	As at December 31				
	2021	2020	2019	2018	2017
	(RMB in millions, except percentages)				
Net assets per share (RMB yuan/share)	**1.84**	1.73	1.70	1.60	1.46
Solvency indicators					
Asset-liability ratio(11)	**84.64%**	85.34%	84.56%	84.27%	80.44%
Gearing ratio(12)	**463.03%**	481.66%	452.62%	452.41%	344.12%
Asset quality indicators					
NPA ratio(13)	**1.07%**	1.10%	1.08%	0.94%	0.93%
Allowance coverage ratio for NPAs(14)	**258.80%**	255.16%	265.19%	339.05%	335.92%

Note 1: Receivables from finance lease business include finance lease receivables and receivables arising from sale and leaseback arrangements.

(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 and amortization of aircraft held for operating lease business), staff costs and other operating management related expenses by the total revenue and other income, gains or losses.

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

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

(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 (excluding assets related to other business such as 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. 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 other business such as 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.

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

(10) Calculated by dividing net interest income (excluding other business such as 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 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 and bonds payable.

(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.

DING Xueqing
Chairman and executive Director

In 2021, in the face of the drastic changes in the international and regional situations and the recurring pandemic, economic recoveries around the world remained inconsistent. As 2021 also marked the beginning of China's "14th Five-Year Plan", the Chinese government has maintained its resilient and prudent policies to effectively coordinate its pandemic prevention and control measures and its economic development. Efforts were also made to speed up the new dual circulation development pattern for the domestic and international markets, step up the cross-cycle adjustments of its macroeconomic policies and strengthen its support for the real economy. The GDP of China recorded a growth of 8.1% in 2021. With the overall national power of China increasing substantially, the "14th Five-Year Plan" kicked off to a good start.

In response to the complicated domestic and international environments, we adhered to our strategic plan as well as the national strategies and policies of China. As part of our initiatives to adapt to the ever-changing environments, we remained committed to the provision of our leasing services for the real economy based on our "practical, pioneering, robust and excellent" operation concepts. We also formulated plans for business innovation and upgrade. Great efforts have been made to promote high-quality and sustainable development of the Company by continuing our "professional, group-based, internationalized and digitalized" business development. As at December 31, 2021, our total assets amounted to RMB114,741.3 million, representing an increase of 6.1% as compared with the end of last year; and our total equity amounted to RMB17,619.6 million, representing an increase of 11.1% as compared with the end of last year. In 2021, our total revenue amounted to RMB8,177.6 million, representing a year-on-year increase of 3.3%; and profit of the year amounted to RMB1,412.9 million, representing a year-on-year increase of 26.6%. As at the end of 2021, the NPA ratio and allowance coverage ratio for NPAs of the Group were 1.07% and 258.80%, respectively, reflecting the improvement in risk resistance.

In 2021, we continued to optimize our asset layout. While consolidating our businesses in urban utilities, construction, healthcare and other industries, we aligned our strategic plan with the "14th Five-Year Plan" of China, and invested emerging strategic industries such as high-end equipment manufacturing, digital economy and green leasing. These initiatives allowed the asset layout of the Company to remain consistently stable, insightful and profitable. The Company promoted the transactions of its leased assets, enriched its financing product portfolios and accelerated the turnover of high-quality leased assets. Its continuous fin-tech development resulted in technology-enabled business growth and management enhancement. In response to the government inclusive financial policy in support of medium-, small- and micro-sized enterprises, we increased our investment in high-end equipment manufacturing, mechanical engineering and other sectors, provided inclusive financial services for the real economy and bolstered the sound development of MSEs. Moreover, we actively fulfilled our corporate social responsibilities by providing financial support for regional development. In 2021, we were selected as the "Executive Chairman Unit" (執行會長單位) of the Shanghai Financial Leasing Industry Association (上海市融資租賃行業協會) and participated in the preparation of the Shanghai Financial Leasing Industry Report (2021) (《上海融資租賃行業報告(2021)》), in which we cooperated with our peers to foster the healthy development of the financial leasing industry in Shanghai. In 2021, we received several awards, including the "2021 Top 100 Emerging Enterprises in Shanghai" (2021上海新興產業企業100強), the "Outstanding Achievement Award for Leading Enterprises in Realizing the Goal of Emission Peak and Carbon Neutrality in the Fourth Session of China's Financial Leasing Award Ceremony" (第四屆中國融資租賃「騰飛獎」雙碳服務目標領軍企業), the "Outstanding Promotor of Asset Securitization Business" of the Bond Market for 2021 by the Shanghai Stock Exchange (上海證券交易所債券市場2021年度「資產證券化業務優秀發起人」), "Top 100 Tax Contributions" of Foreign-invested Enterprises in Shanghai in 2020 (2020年度上海市外商投資企業「納稅貢獻百強」), and "Top Ten Innovative Cases Award" of Shanghai Financial Leasing Industry in 2020 (2020年度上海融資租賃行業「十佳創新案例獎」).

In celebration of the 100th anniversary of the founding of the Communist Party of China (the "CPC") in 2021, we promoted the education of the history of the CPC and organized celebration activities to highlight the brand building efforts and leadership of the CPC. In order to ensure the compliance of business development with the regulatory requirements, we continued to monitor the changes in the regulatory policies for the financial leasing industry and raise our compliance standard. Adhering to our prudent risk management philosophy, we improved our overall risk management system by embedding various risk management measures in each segment of our business operation. Through further enhancing our overall risk management level and stepping up our risk management initiatives, we strived for the long-term balance between stable business growth and risk prevention. Despite the adverse external conditions such as increasing economic uncertainties and the pandemic, the Company distributed annual dividend for 2020 and interim dividend for 2021 to its Shareholders and proposed profit distribution for 2021 at the Shareholders' general meeting to ensure continuous, stable and reasonable return for its Shareholders.

In 2022, as the global economy growth is expected to be further dampened, financial support of major economies will be mitigated. Regional turmoil and geopolitical conflicts will lead to higher uncertainty in the global capital market, tightened global liquidity and greater risks in the financial market. Benefitting from the effective pandemic prevention and control measures and the efficient implementation of the macroeconomic adjustment policies, China is expected to maintain its leading position in terms of economic growth. Given the stable macroeconomic and financial environment, the prudent economic adjustment policies and the promising development of the strategic emerging industries of China, the Group has been presented with a favorable opportunity and a scalable market for its sustainable, healthy development. In 2022, the Company will adopt the general philosophy of "Adapting to Changes with Persistence and Integrity". Committed to our mission of providing leasing services for the real economy, the Company will expand its business layout in respect of MSEs, technological innovation and green leasing in strict accordance with the strategies and guidelines of China. These measures will further enhance our asset structure and business ecosystem, maintain our technological advancement and extend the application of fin-tech. With higher operation and management capability, Haitong Unitrust will be able to pave its way for its high-quality and sustainable development.

At last, on behalf of the Board, I would like to express my sincere gratitude to our Shareholders, customers, business partners and other parties for their continuous trust and support. As the saying goes, "Tough times will never last, but tough people will". Through cooperating and working together, we will be able to create a better future with wider vision and greater efforts in 2022.

DING Xueqing
Chairman and executive Director
March 29, 2022

General Manager's Statement

ZHOU Jianli
Executive Director and General Manager

In 2021, strictly adhering to the national strategies and policies, the Group focused on providing leasing services with optimized asset structure and devoted to financially supporting the development of the real economy and a harmonious society. The Group pursued the operating strategies of "cross-border thinking, promoting innovative development, strengthening our capacity and grasping business opportunities" and further strengthened its industrialized and specialized operation capacities. Efforts were made in the construction of a business ecosystem and exploration of business model for transactions of leasing assets to promote high quality and sustainable development of the Company through compliant and innovative operations. Our efforts in increasing revenue, maintaining prudent operation, controlling risks and optimizing financing were proven successful. (1) Our profitability improved significantly. The Group focused on serving the real economy and continued to increase business investment, optimize liability structure and strengthen asset management. Our profit for the year was RMB1,412.9 million, representing a year-on-year increase of 26.6%. (2) Our business expanded steadily. The Group continued to enrich its financial product portfolio and actively explored new growth momentum. Our total revenue was RMB8,177.6 million, representing a year-on-year growth of 3.3%. (3) Our total assets maintained steady growth. As at December 31, 2021, total assets of the Group amounted to RMB114,741.3 million, representing an increase of 6.1% as compared with December 31, 2020. The total equity of the Group amounted to RMB17,619.6 million, representing an increase of 11.1% as compared with December 31, 2020. (4) Our asset structure was further optimized. The Group closely followed national policy and provided strong support to the development of MSEs. Businesses of the Group in urban utilities, construction and other industries remained stable. Development of emerging strategic industries such as high-end equipment manufacturing and digital economy was promoted to accelerate the development of the business ecosystem. In 2021, the Group invested RMB66,777 million in its business, representing a year-on-year growth of 10.5%. (5) We continued to optimize our comprehensive risk management system and improve our asset quality. We further enhanced our whole-process risk management and control and proactive risk management. Assets quality of the Group improved steadily. As at December 31, 2021, the NPA ratio and allowance coverage ratio for NPAs of the Group were 1.07% and 258.80%, respectively. (6) With enhancing financing ability, our financing cost decreased effectively. In 2021, leveraging our credit advantages, we recorded a financing withdrawal of RMB64,503 million, including a direct financing withdrawal of RMB34,588 million, accounting for 53.62% of the total amount. The average cost of interest-bearing liabilities was 3.93%, representing a year-on-year decrease of 0.41 basis points.

In 2021, we steered the direction of business restructuring based on our excellent market insights. We structured our asset portfolio which focuses on stable assets related to people's livelihood and features assets with growth potential from high-end equipment manufacturing, digital economy, green leasing and other strategic emerging industries that align with the national policy direction and boast promising development prospects. We further optimized our business structure and established the Advanced Manufacturing Business Department which provides comprehensive financial services to create a business ecosystem that leads the innovative development of the industry. Efforts were also made to form a vertically integrated industrial chain comprising electronic consumption, new energy vehicle manufacturing, smart grids, new materials and other industries. We have also established the Asset Transaction and Structured Financing Department to facilitate transactions of leasing assets and explore new growth momentum. We participated in the establishment of the leasing assets trading platform in Shanghai, and cooperated with other financial institutions to complete the first leased assets transaction through such platform. The Project Management Department was established to develop a collaborative ecosystem focusing on major infrastructure projects, promote the integration of industrial and financing resources and improve our asset generation and management abilities. We further optimized our asset allocation to boost organic growth. The reform of branches in different categories and levels was fully implemented to facilitate the transformation and upgrade of our operation and management system. We put efforts in the development of fin-tech and established fin-tech departments in Haitong Unitrust Headquarters, MSE Subsidiary and UniFortune Subsidiary to support our business development empowered by fin-tech efficiently. We also further strengthened our comprehensive risk management. Through effective whole-process risk management and control, our risk pricing model was optimized, customer rating system was improved and concentration management was enhanced, which has further refined our quantitative risk and comprehensive risk management standards. We have been adhering to the bottom line of compliance and have improved our compliance governance through promoting the compliance culture and enhancing the efficiency and effectiveness of systems. We paid close attention to the changes in regulatory policies of the industry and maintained close communication with regulatory authorities to ensure our compliance and sound operation.

In 2022, in response to the complicated environment with both challenges and opportunities, we will focus on providing leasing services and serving the real economy. We will further optimize our asset structure, expand the asset transaction business, deepen the reform of branches and accelerate the application of fin-tech to improve our operation and management efficiency. In strict accordance with the "14th Five-Year Plan" of China, we will put efforts in achieving "emission peak and carbon neutrality", as well as environmental conservation and protection, new energy and other green leasing industries and segments which are encouraged and supported by government policies and favored by the capital market. Taking advantage of the opportunities from industrial transformation and upgrade, we will further consolidate high quality operating resources in different industries and regions and strengthen the development of industrialization to improve our abilities to serve the real economy. We will strive to achieve specialized, high quality and sustainable development and become a benchmark financial leasing company in China.

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

ZHOU Jianli
Executive Director and General Manager
March 29, 2022

Management Discussion and Analysis

1. OPERATION OVERVIEW

1.1 MACROECONOMY

In 2021, the global economy gradually bottomed out. However, due to the continuous impact of new variants of coronavirus, the pandemic remained unstable in some regions and the global economy showed a “W-shaped” recovery. Benefitting from the rapid recovery of industrial chains, supply chains and logistics, global industrial production and commodities trading recovered steadily and returned roughly to their pre-pandemic levels. With the drastic fluctuation in commodities prices, many manufacturers were faced with various sources of pressure arising from higher raw material prices, shipping costs and exchange rates, which led to rapid global inflation. Weaker economic and financial support measures and tightened monetary policies in major developed economies as well as the Fed’s interest rate hike caused fluctuations in the global financial market. The increasingly fragile internal and external economic environments of emerging markets and developing countries showed signs of significant differentiation and imbalance.

In 2021, in the face of various challenges such as the complicated and changing international environment and the spread of COVID-19 in China, the Chinese government departments at all levels implemented the decisions and plans of the Central Committee of the Communist Party and the State Council. Based on the principle of steady progress, the Chinese government organized pandemic prevention and control as well as economic and social development with scientific approaches, strengthened cross-cycle adjustment of macroeconomic policies and increased support for the real economy. The result was the remarkable recovery of the Chinese economy and the satisfactory progress in high-quality development. As China pursued the new dual circulation development pattern for the domestic and international markets, the potential of domestic demand of the domestic circulation was unleashed continuously. Economic development remained resilient and dynamic, marking a good start of the “14th Five-Year Plan”. In 2021, the GDP of the year amounted to RMB114,367.0 billion, representing a year-on-year increase of 8.1% and an average increase of 5.1% over two years. Fixed-asset investment in China amounted to RMB54,454.7 billion, representing a year-on-year increase of 4.9% and an average increase of 3.9% over two years. The total retail sales of consumer goods amounted to RMB44,082.3 billion, representing a year-on-year increase of 12.5% and an average increase of 3.9% over two years. The recovery remained steady in general. In terms of industries, the output growth of the primary, secondary and tertiary industries recorded year-on-year increases of 7.1%, 8.2% and 8.2%, respectively. As industrial production maintained its growth, the output growth of major manufacturing sectors in China recorded a year-on-year increase of 9.6% and an average increase of 6.1% over two years. The output growth of high-tech manufacturing industry and equipment manufacturing industry recorded year-on-year increases of 18.2% and 12.9%, respectively, which were 8.6 and 3.3 percentage points higher than major manufacturing sectors, respectively. The output growth of new energy vehicles, industrial robots, integrated circuits, microcomputer equipment recorded increases of 145.6%, 44.9%, 33.3% and 22.3%, respectively, resulting in rapid growth in emerging strategic industries.

In 2021, with steady decline in China's macroeconomic leverage ratio, the prudent monetary policies were proven flexible, effective and appropriate. Market liquidity was reasonable and adequate, while the funding structure of financial institutions was continuously optimized. The stable operation of the overall financial market created a suitable monetary and financial environment for high-quality economic development. In 2021, money supply and social financing in China maintained their steady growth, while green, inclusive and other credit facilities picked up growth momentum. Market interest rates were stable with a slight decline and social financing cost hit new lows. The adaptability and inclusiveness of the financial system and financial services were further strengthened. As at the end of December 2021, the balance of broad money (the "M2") amounted to RMB238.29 trillion, representing a year-on-year increase of 9.0%. The balance of narrow money (the "M1") amounted to RMB64.74 trillion, representing a year-on-year increase of 3.5%. The balance of social financing amounted to RMB314.13 trillion, representing a year-on-year increase of 10.3%. During the year, the amount of new loans amounted to RMB19.95 trillion, representing a year-on-year increase of RMB315.0 billion. Financial support for the real economy continued to be strengthened. In 2021, the interest rate of corporate loan was 4.61%, which was the lowest level in over 40 years of reform and opening-up. The balance of medium- and long-term loans to the manufacturing industry recorded a year-on-year increase of 31.8%. The balance of inclusive loans to MSEs recorded a year-on-year increase of 27.3%. Financial institutions continued to increase support for industrials, medium-, small- and micro-sized enterprises and other entities, which effectively consolidated the foundation for economic recovery.

1.2 REGULATORY ENVIRONMENT

In 2021, the financial leasing industry was subject to more standardized and refined regulation in general. Local government departments successively issued regulatory requirements or rules for the financial leasing industry, providing financial leasing companies with guidelines on business operation rules, risk monitoring indicators and other aspects. On-site and off-site supervision mechanisms of financial leasing companies were clarified through strengthening localized management and regular reporting. In August 2021, Shanghai Municipal Financial Regulatory Bureau issued the "Provisional Measures for the Supervision and Administration of Financial Leasing Companies in Shanghai" (《上海市融資租賃公司監督管理暫行辦法》). Based on the actual situation of the financial leasing industry in Shanghai, the provisional measures refined the approval and reporting of certain matters. Regulations on business scopes and regulatory indicators of financial leasing companies under the provisional measures were consistent with the "Provisional Measures for the Supervision and Administration of Financial Leasing Companies" (《融資租賃公司監督管理暫行辦法》) issued by the CBIRC in June 2020. The issuance of local regulatory measures will help to promote lawful and compliant operation of financial leasing companies in various regions, improve risk prevention and control capabilities, and facilitate the standardized, orderly, long-term, healthy and high-quality development of the industry. In addition, in December 2021, the PBOC promulgated the Regulations on the Supervision and Administration of Local Finance (Draft for Comment) (《地方金融監督管理條例(草案徵求意見稿)》), which specifies the responsibilities and measures of local financial supervision and administration departments for supervising and managing financial leasing companies and other local financial organizations. It also regulates relevant supervision and management in order to prevent and eliminate regional financial risks and promote the sound development of local finance.

1.3 INDUSTRY CONDITIONS

2021 was a crucial year for the development of the financial leasing industry. As regulators continued to integrate and eliminate shell companies to enable the industry reshuffle, the development of the industry became increasingly regulated. With the intensified homogeneous competition and accelerated elimination of the weakest of the financial leasing industry, transformation became an urgent task for the industry. There was greater pressure for quality and risk control of financial leasing assets. Adjustment of operating strategies and business models was also needed. In general, the development of the industry continued to slacken following the slowdown in 2020. As at the end of December, 2021, the total number of financial leasing companies in China (excluding single project companies, branches, SPV subsidiaries, local leasing enterprises in Hong Kong, Macau and Taiwan, companies acquired overseas and companies that have officially withdrawn from the market (including enterprises listed as inaccessible or having abnormal operation by local regulators)) was approximately 11,917, representing a decrease of 239 financial leasing companies from 12,156 financial leasing companies as at the end of 2020. The balance of finance lease contracts in China amounted to approximately RMB6,210.0 billion, representing a decrease of RMB294.0 billion, approximately 4.5%, from RMB6,504.0 billion as at the end of 2020.

Despite short-term challenges, the development of the financial leasing industry in China remains resilient in the medium- to long-term. On the one hand, with the implementation of the “emission peak and carbon neutrality” strategy and the continuous upgrade of industrial structure, the performance of the financial leasing industry in terms of green development and ESG has received increasing attention. Equipment-intensive emerging sectors, such as high-end equipment manufacturing, new energy, electronic information, energy conservation and environmental protection, and new infrastructure, have entered a stage of rapid development. Benefiting from its “financing with capital + goods” feature, close integration with the real economy and optimized expertise, the financial leasing industry will enjoy greater development potential. On the other hand, as local regulatory requirements for the financial leasing industry were issued and specific regulatory measures were implemented, the industry will enter a new stage that features prudent policies, regulated development and steady improvement. Leasing companies with abnormal operation or less standardized governance will be rapidly eliminated. Industry concentration will further increase, creating a more favorable operation environment and greater development opportunities for large financial leasing companies with sound governance, compliant operation and strong capabilities.

2. DEVELOPMENT REVIEW

In 2021, in response to new industry development, the Group continuously promoted its corporate quality and sustainability in close line with the government strategies and policies, its commitment to serving the real economy and resumption of its focus on providing leasing services. As such, the Company ensured its quality and sustainable growth and recorded significant increase in its revenue.

MAINTAINING INNOVATIVE AND DIVERSIFIED BUSINESS MODEL AND ENSURING CONTINUOUS INCREASE IN SCALE AND REVENUE

In 2021, capitalizing on the latest regulatory trend of the industry and maintaining its keen market insight, the Group set up advanced manufacturing business department, asset transaction and structured financing department and project management department and integrated MSE Subsidiary to ensure the stable and compliant business development of the Company. These initiatives further enriched its business models and expanded its product lines, enabling continuous growth in its scale and revenue. As at December 31, 2021, the total assets and total equity of the Group amounted to RMB114,741.3 million and RMB17,619.6 million, respectively, representing increases of 6.1% and 11.1 %, respectively, as compared with December 31, 2020. In 2021, the total revenue of the Group amounted to RMB8,177.6 million, representing an increase of 3.3% compared with last year. The profit for the year of the Group amounted to RMB1,412.9 million, representing an increase of 26.6% compared with last year. In 2021, the average yield of interest-earning assets of the Group was 6.79%, and the weighted average return on net assets was 8.91%.

SERVING THE REAL ECONOMY AND FURTHER OPTIMIZING ASSETS STRUCTURE

Adhering to its objective of serving the real economy and continuously implementing its development strategies of "One Body, Two Wings" and "One Big and One Small", the Group put efforts in developing localized segments and strengthening operation and layouts of regional markets. With further optimized assets structure, the Group was able to maintain the consistency among its stable asset allocation, development insights and economic return. Greater project investment was made in urban utilities, construction, healthcare and other industries. The introduction of projects in emerging strategic industries, such as high-end equipment manufacturing, digital economy and green leasing, was also encouraged. In active response to government policy, the Group consolidated its foothold in leasing services while increasing its investment in business of MSE customers. Financial technology was adopted to enhance the services provided to medium-, small- and micro-sized enterprises and retail customers, which in turn further supported the healthy development of quality customer base. The Group also participated in the establishment of the Shanghai leased asset trading platform. Active research efforts were made in respect of the asset trading and turnover platform and the subsequent trial operation of the listing transactions. With the integration of various asset trading and structured financing businesses, the Group accelerated the turnover of quality leased assets and created new driving force for its business. In 2021, the Group invested RMB66,777 million in its business, representing a year-on-year increase of 10.5%.

DIVERSIFIED AND STABLE FINANCING CHANNELS TO MAINTAIN STABLE ASSETS AND LIABILITIES STRUCTURE AND REDUCE FINANCING COST EFFECTIVELY

The Group continued to develop diversified and stable financing channels and introduced innovative financing methods and instruments to effectively support the business operation of the Group. Through improving the management of liquidity risk and liabilities structure, the Group was able to improve the utilization efficiency of funds and balance its assets and liabilities. As at December 31, 2021, the Group established credit relationships with 76 financial institutions and signed accumulative credit lines of approximately RMB103.787 billion, of which the unused credit balance was approximately RMB45.626 billion. In respect of innovative financing instruments, the Group issued the first USD bonds of overseas subsidiaries in June 2021, which effectively replenished overseas liquidity. In December 2021, the Group successfully issued the first special plan of equipment lease and asset securities of MSEs with dual original owners, marking the first-ever capital market financing of MSE Subsidiary.

In 2021, the Group recorded a financing withdrawal of RMB64.503 billion. Indirect financing withdrawals of RMB29.915 billion were realized through channels such as syndicated loans, bank bilateral loans and bank acceptance bills, accounting for 46.38% of the total financing amount; direct financing of RMB34.588 billion were realized through issuance of ABS of RMB10.26 billion, ultra short-term financing bonds of RMB11.0 billion, public equity corporate bonds of RMB4.4 billion, private placement notes of RMB2.0 billion, medium-term notes of RMB2.138 billion and asset-backed notes of RMB4.79 billion, accounting for 53.62% of the total financing amount. With further optimized liabilities structure, the financing cost of the Company was effectively reduced. In 2021, average cost of interest-bearing liabilities of the Group was 3.93%, representing a decrease of 0.41 percentage points as compared with last year.

OPTIMIZED COMPREHENSIVE RISK MANAGEMENT MECHANISM AND ENHANCED PROACTIVE RISK MANAGEMENT

The Group continued to optimize its comprehensive risk management mechanism. Emphasis was placed on its data-based, quantification-oriented, research-driven and fin-tech-enabled features to extensively enhance its risk management capability and level. It also embedded various risk management throughout its business operations and promoted the establishment of risks models and approval systems based on big data analysis. Integration of IoT and data analysis with the asset management system was deepened to further enhance its risk identification and quantitative risk management capabilities. In addition, the Group strengthened its risk prevention and handling capabilities through proactive asset allocation management, response initiatives for and mitigation of risk events and increased efforts in asset disposals. With the establishment of IoT platform and algorithm model, more efficient real-time monitoring and risk warning of leased assets were made available to medium-, small- and micro-sized enterprises and retail customers. Through risk data inquiry, the Group carried out early risk prevention and control to further enhance proactive risk identification capabilities. In May and December 2021, the Company and its subsidiary, UniFortune Subsidiary, completed the launch of the data reporting program to enable direct connection with the second-generation credit information system of the PBOC, respectively, becoming the first two financial leasing companies that have been granted access to the second-generation credit information system simultaneously. As such, the high-quality development of various businesses of the Group was ensured. During the Reporting Period, the asset quality of the Group was further enhanced and the NPA ratio was maintained at a safe and controllable level with stronger risk resistibility. As at December 31, 2021, the NPA ratio and allowance coverage ratio for NPAs were 1.07% and 258.80%, respectively.

STRENGTHENING COMPLIANCE MANAGEMENT OF ALL EMPLOYEES AND CONTINUOUSLY IMPROVING COMPLIANCE GOVERNANCE

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 the existence of the Company". The compliance management was strengthened in various aspects such as improvement of systems and regulations and supervision of implementation of systems to enhance its compliance governance. In 2021, the Group continued to pay close attention to the changes in regulatory policies on financial leasing industry and proactively took measures to be in compliance with regulatory requirements. The Group also optimized the system management mechanism to strengthen the integration of business and policies. The Group attached great importance to compliance training for all employees, issued "Monthly Regulatory News" (《監管動態月報》) regularly, launched online training on the theme of "Commitment to Steady and Sustainable Development with Stronger Compliance" (「行穩致遠，合規護航」), and conducted research and study on the regulatory system, to further cultivate compliance values and culture. As such, the compliance awareness among all employees was significantly improved. Moreover, through continuous measures such as compliance review, compliance inspections, compliance assessment and adopting compliance accountability system, the implementation of various systems was supervised and the principle of managing employees and events in accordance with the systems was established.

PROMOTING REFORM OF BRANCHES IN DIFFERENT CATEGORIES AND LEVELS AND CAPITALIZING ON TECHNOLOGY TO REDUCE COSTS WHILE ENHANCING EFFICIENCY

We have consolidated our organizational structure, optimized our business directions and extensively promoted the reform of branches in different categories and levels. Through improving resources allocation, boosting internal motivation and promoting the transformation and upgrade of operation and management mechanisms, we were able to enhance management efficiency and professional level of our departments, branches and subsidiaries. We have established the fin-tech department and increased investment in the research and development of systems and platforms, data application and intelligent IoT. Online customer acquisition mini-program, pre-approval system, electronic signing system and other digital platforms have also been launched. These efforts effectively improved management and handling efficiency of fin-tech in respect to business introduction, credit approval, risk assessment, contract signing, fund usage and asset management. We also enhanced the application of technology to improve customer satisfaction and service quality and reduce operating cost. Capital management and cost control were strengthened through matching financing capacity with our business. The idle funding cost was lowered with strict control on expenses and the input-output efficiency was further improved, realizing cost reduction while enhancing our efficiency.

3. OPERATION OUTLOOK

In 2022, the global economic growth is expected to be moderate as the global industrial production and commodity trading recovers steadily. Nonetheless, the development of the pandemic and the response policies are the key factors affecting the global economy. Recovery progress of different economies in the world will be highly varied due to differences in social governance strength, fiscal and monetary policies, responsiveness to emergency, medical insurance level, schedule of pandemic control and other basic capacities of different governments. Compared with emerging market and developing economies other than China, the economic recovery in developed economies is significantly faster. In addition, in face of the worsened bottlenecks of global supply chain and high inflationary pressure, the global economy is expected to face increasing risk of stagflation. Affected by the action of Federal Reserve to raise interest rates, central banks of other countries may have follow-up actions. The global liquidity will be further tightened and the financial market is exposed to the risk of fluctuation.

Under the challenge brought by regional turmoil and geopolitical conflicts, the market has experienced tremendous changes and the external condition has become more complicated and severe with higher degree of uncertainty. In China, the economic growth is under pressure due to dampened demand and insufficient supply as a result of uncertain external demand and lackluster domestic consumption, increasing prices caused by shortage of certain raw materials and components as well as the supply constraints resulted from the "dual control on energy consumption". In 2022, in response to the complicated and changing environments at home and abroad, the Chinese government will continue to implement targeted and sustainable fiscal policies to improve quality and efficiency, ensure sufficient fiscal expenditure and accelerate the payment schedule, and increase support to medium-, small- and micro-sized enterprises and retail customers and the manufacturing sector through tax and surcharge reduction. The Chinese government will maintain a flexible, prudent, rational and moderate monetary policy with reasonably sufficient liquidity, and guide financial institutions to increase support for the real economy, especially for SMEs, technological innovation, and green development. China will continue to make an effort to accomplish the tasks of ensuring "Stability on the Six Fronts" and "Security in the Six Areas". Economic growth will be managed within a reasonable range. Fiscal and monetary policies will be coordinated through a combination of cross-cyclical and counter-cyclical macro control policies to support the upgrade of different industries and enhance the strategic technology of China. Efforts will also be made to expedite the digitalization of industries and facilitate the upgrade of traditional industries in order to achieve "emission peak and carbon neutrality". Integration between consumption and investment will also be encouraged in order to strike a better balance between supply and demand. In the long run, China will remain cautious when developing its economy and will fully and precisely uphold its new development principles which emphasize the supply-side structural reform. The formation of a new development pattern, which is based on domestic general-circulation, along with international and domestic dual-circulation, will be accelerated through structural adjustment and upgrade. As such, domestic consumption will be boosted and domestic dynamics will be strengthened to promote the steady growth of the economy in terms of quality and scale.

In 2022, the Group will pay close attention to the domestic and international economic conditions and continue to adhere to the principle of serving the real economy with financial services. The Group will be committed to its development strategies, expansion of business coverage and integration and optimization of resources allocation. It will also improve risk and assets management and expedite the application of fin-tech to support its business development with innovation. The Group will capitalize on the upgrade in the industry and transformation of market drivers and leverage the opportunity arising from government policies such as “emission peak and carbon neutrality” and the “14th Five-Year Plan” on the Green Development of Industrial Sectors. The Group will cater for the increasingly diverse needs of its customers by capitalizing on its advantage of “financing with capital + goods”. It will also continue to consolidate its leading position and competitive strengths through the following strategies to promote professional, high-quality and sustainable development of the Company.

IMPLEMENTING THE “ONE BIG AND ONE SMALL” CUSTOMER DEVELOPMENT STRATEGY TO OPTIMIZE ASSET LAYOUT OF THE COMPANY

We will continue to implement “one big and one small” customer development strategy and focus on the provision of leasing services to form a service model centered on leased assets and further strengthen the collaboration and synergy with Haitong Securities and our strategic cooperative partners for greater mutual benefits. We will also share our customer resources, improve the value chain of customer services and continue to develop the ecosystem for circulation of leased assets as well as the trading platform for leased assets. These initiatives will enable us to provide diverse and integrated services for LME, MSE and retail customers. As such, we will be able to maintain a balanced growth in terms of scale and profitability and achieve credit risk diversification.

In respect of large-sized enterprise customers and large projects, we will grasp the opportunity arising from the infrastructure investment, higher domestic demands and reform of digitalization brought by the industrial upgrade and the “14th Five-Year Plan” to expand our projects in key industries. We will also further tap into the financing needs of enterprises in the advanced manufacturing, urban utilities, construction and healthcare industries and expand to new energy, new material, major equipment and other segments by capitalizing on the upgrades of materials, technologies, equipment, consumption and energy consumption structure. We will explore business opportunities in digital economy and green leasing, and further diversify our business and commercial models to develop new leasable areas. Meanwhile, we will enhance the stickiness of our partners in the ecosystem and strengthen business cooperation with leading companies in the industrial sectors by leveraging our industry expertise. We intend to 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 leverage our advantages of "financing with capital + goods" and improve our cooperation with leading suppliers in the industry and explore business resources from upstream and downstream industries in line with the business model of our finance lease services under certain business scenarios. In response to the government policies of China, we will actively identify high-quality MSEs which have strong competitiveness and continue to develop our equipment leasing business targeting MSEs in support of their sustainable growth. In addition, leveraging the changing needs from customers and the innovation of technologies in the era of digitalization, we plan to create new growth momentum for MSEs by developing a new digital system for inclusive finance empowered by fin-tech and business innovation. In order to provide efficient financial services for our customers, we will further improve the application of electronic deals and streamline our business procedures.

ENHANCING SALES AND SERVICE NETWORK BY "ONE BODY, TWO WINGS" BUSINESS DEVELOPMENT MODEL TO FACILITATE THE COLLABORATION AMONG OUR BUSINESS UNITS

We intend to further improve our sales and service network by "One Body, Two Wings" business development model and strengthen the collaboration among our business headquarters, branches and subsidiaries. We will deepen the construction of localized marketing network, enhance business guidance and establish business support teams. In order to consolidate our regional professional leasing brand, we will push forward the reform and regulate the division of management of our branches. Allocation of resources will be enhanced by capitalizing on the synergy of the "Two Wings" model, so as to support the long-term business growth and breakthroughs of the Group.

Our business headquarters will strategically focus on their target industries and customer market and continue to lead our key projects in strategic emerging industries such as high-end equipment manufacturing, digital economy and green leasing. More efforts will be put into the business development in green leasing such as sewage treatment, hazardous waste treatment, sanitation integration, green construction materials, photovoltaics and wind power. We will conduct research on the trend and logic of industry-related finance, 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 regional marketing network with focus on building regional teams. Division of management in branches will be further optimized to boost their organic growth momentum and strengthen their strategic positioning in the regional markets. We strive to build up our core strengths in regional markets in order to provide services with local characteristics to support the local economies and entities. We promote innovation based on local characteristics and conduct researches on the local development trend of the financial leasing industry to expand and diversify our business coverage. We will also enhance the collaboration between our business headquarters and local teams and further improve the marketing capacity and efficiency of branches in order to support the regional economic development and maintain our network advantage among our peers. In addition, we will continue to implement division of management to boost the organic growth momentum of branches. We will also pursue regional business expansion and promote the transformation and upgrade of our operation management system in order to develop our branches as the benchmark financial leasing companies in the regional markets.

Our subsidiary, MSE Subsidiary, will actively follow the national policy of inclusive finance by focusing on providing leasing services for the real economy, and continue to upgrade our financial products to satisfy the “short-term, small-amount, frequent and urgent” needs of MSEs effectively for their healthy growth. MSE Subsidiary will adhere to the vision of “focusing on industrial ecosystem and supporting MSEs” and conduct research on establishing head-to-head strategic cooperation with major enterprises along the industrial chains. We will further improve and promote cooperation model with leading companies. Continuous efforts will be made to maintain our core competitive strengths in the products and services for high-end equipment manufacturing business. We will expedite the development of cooperation model and procedures with major manufacturers of engineering machinery to further expand the coverage and bases of customers. In respect of MSE healthcare business, we will further strengthen the professional teams and streamline the business procedures for key suppliers and specific segments. We will also accelerate the application of fin-tech in providing financial leasing services to MSEs. Various functions for automatic review and approval will be launched, and IoT system for MSE intelligent bracelets will be developed. We will further standardize the procedures and enhance the batch performance during the business process so as to improve the efficiency and convenience of customer services. Our subsidiary, UniFortune Subsidiary, will further expand the coverage of its business network, accelerate the development of commercial vehicle financial leasing business with key domestic manufacturers and foster the strategic cooperation in passenger vehicle business with new energy logistics vehicle manufacturers and major logistics platforms. UniFortune Subsidiary will also strive to develop a “green travel” ecosystem under which high-quality financial solutions will be provided to facilitate the development of infrastructure for the new energy vehicle sector. Its continuous efforts in developing new energy commercial vehicle projects and strengthening the cross-selling synergy capability of modern logistics business will lay a solid foundation for the new transformation and development pattern of vehicle business.

DEEPENING THE BUSINESS CONCEPT OF INVESTMENT BANKS AND PROMOTING DEVELOPMENT OF INDUSTRIAL ECOSYSTEM

Through complying with the best practices of investment banking and continuing our in-depth research on the market demand and business opportunities during the “14th Five-Year Plan” period, we will closely follow the trend of industrial policy of the government and structural adjustment and upgrade and focus on developing businesses related to people’s livelihood, green development and low carbon and technological innovation. Leveraging resources from the extensive customer and investor base of our investment banking system, we will fully support the establishment of a business ecosystem which boosts the interaction of stakeholders, suppliers and core enterprises. Suitable financial services and products will be provided to facilitate all development and project initiatives of enterprises. We will explore the value of services in the whole industry chain with a focus on maintaining a balanced asset structure with future insights.

Our operation is customer-oriented. Capitalizing on our investment banking's competitive advantage, we will strengthen our synchronized development with Haitong Securities and its branches in various business aspects in a bid to provide an array of diverse and comprehensive financial services for our customers. To capture the opportunities arising from the new economic development pattern under domestic general circulation, digitalization of industries, energy reform, reform of the science and technology management system, as well as other policies for strengthening the strategic technology capability of China, we will create an innovative business model for the development of a professional and specialized leasing business. We will increase our support to the real economy, in particular to MSEs, technological innovation and green development, and expand our business coverage in emerging industries including high-end equipment manufacturing, digital economy and green leasing. We will provide comprehensive financial services to customers engaging in data centers, cloud computing, intelligence and other segments by making use of information technology. We also intend to provide services to financial institutions and government departments in respect of the investment, establishment and maintenance of data centers with high quality.

CONTINUOUSLY IMPROVING THE COMPREHENSIVE RISK MANAGEMENT SYSTEM AND ENSURING STABLE DEVELOPMENT OF COMPLIANCE

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. We will improve our risk management and internal control system with the combined effort of optimizing our risk model and enhancing the overall risk management and control. In order to safeguard our assets and ensure the smooth business operation of the Group, we will continue to ensure that the risk exposure of our operation is predictable, controllable and acceptable. The main target of our overall risk management is to facilitate reasonable business allocation and sustainable development. While maintaining steady business growth, we will continue to improve the quality of development by adjusting our asset allocation and structure and exploring growth opportunities in emerging industries. By standardizing asset inspection and review, the tracking and analysis of assets allocation will be enhanced. We will improve the IoT monitoring system to strengthen our risk prevention and solution. We will also enhance our risk awareness and strictly maintain our bottom line for risk control to ensure the safety of assets of the Group while enhancing the allocation and management of assets.

We will continue to refine and delineate the functions and responsibilities of Risk Management Committee of the Board, the risk management department, the credit review & approval department, the commerce department, the compliance department, the audit department, the disciplinary inspection office and other relevant departments to implement synchronized management of key processes in our risk management practices. We will take greater initiative in risk management and compliance management, pay close attention to the changes in regulatory environment and strictly implement industry regulatory policies and systems. These efforts will enable us to optimize our risk monitoring, prevention and response measures and improve our risk management and compliance governance. In order to strengthen our internal control and enhance the risk management level of the Group, we will continue to optimize the management and investment systems of subsidiaries so as to achieve effective and synchronised management, investment and corporate governance and compliance of subsidiaries.

We will continue to adopt the management approach which combines dynamic control and quantified management. Application of risk model and big data in risk control system will be promoted. We will conduct study on the application of parameters such as regional differences, types of enterprises and major risk events in risk pricing models to further enhance the quantified management of "customer rating and pricing risk". We also plan to implement differentiated risk management measures according to the characteristics of different businesses, types of customers, industries, regions and risks. We will continue to improve our credit risk management methods and tools, stress testing methods and models, risk monitoring system and risk reporting system.

OPTIMIZING FINANCING CHANNELS AND DEVELOPING INNOVATIVE FINANCING INSTRUMENTS

Based on the comprehensive risk management system, we will adhere to the bottom line of liquidity risk and strictly comply with regulatory indicators through liquidity risk stress test, interest rate sensitivity analysis, monitoring of maturity mismatch of assets and liabilities and other tools. We will further enhance the development of assets and liabilities management system and refine the internal systems and processes related to assets and liabilities management. Forward-looking management of financing plans will be stepped up to ensure that our funds can meet the safety, liquidity and profitability requirements. We will continue to upgrade our system and strengthen the streamlined, informationized and smart technological management of funding management. With the application of fin-tech, we will strengthen the proactive management of liquidity risk and enhance the funding management efficiency.

We will further expand the scope and level of cooperation with financial institutions to further enhance our financing channels and asset structure. It is also our commitment to broadening funding sources and effectively reducing financing cost by exploring innovative financing instruments in green leasing, inclusive finance and other aspects so as to provide strong support for the sustainable business development of the Group. We will continue to enhance our net capital, optimize financing structures and match financing capacity with our business. We will actively explore various direct financing instruments in the capital markets, reasonably allocate direct financing and indirect financing, and improve the liabilities structure of the Group.

EXPANDING THE COVERAGE OF FIN-TECH TO CONTINUOUSLY IMPROVE THE LEVEL OF DIGITALIZATION AND THE APPLICATION OF SMART TECHNOLOGIES

We will further increase our investment in the development of fin-tech and explore the application of big data, IoT, artificial intelligence and other technologies in different business scenarios. Fin-tech will be applied in all aspects of our operation management to comprehensively enhance the automatic, digital, mobile and intelligent information systems of the Group. We will continuously improve the business procedures and operation efficiency of the Group by making full use of technologies. We will establish an integrated data platform with enhanced functions of data coordination and automatic analysis. Operation, funding and financial systems will be upgraded. We will also develop and promote the mobile systems in order to effectively improve the operation management efficiency and operation quality of the Group and speed up the progress of digitalization. Moreover, big data modelling techniques will be applied to enhance our risk modelling. We will actively develop and expand the application of the Internet of Things. Through the application of vehicle GPS system, leased device bracelet and other equipment, we will step up the management of leased assets and implement online real-time asset monitoring and risk alert. Our system-assisted decision-making of risk control will be based on big data analysis and mining and rules of risk alert will be refined to improve our risk management. We will further enhance the digitalization level and the application of smart technologies of operation management of the Group.

REFINING HUMAN RESOURCES MANAGEMENT SYSTEM AND FACILITATING HARMONIC AND SUSTAINABLE DEVELOPMENT

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. Through continuous optimization of our talent competency model, we will identify professional elites with diverse backgrounds. By implementing team talent cultivation projects, we will iterate and optimize our staff structure to maintain sufficient talent reserve and well-coordinated echelons at all levels within the Company. We will continue to implement the three-pillar management mechanism and HRBP model to provide better support for our business development. The human resources management system of the Company will be further refined to improve the training management system. We will create a more diverse, open and fair professional career platform for employees so as to lay a solid foundation for our talent pool in line with the long-term growth of the Company. Competitiveness of our remuneration system and employee incentive system will be further enhanced to attract, retain and motivate top quality talents in the industry to join the Company, which in turn will enhance talent cohesion. We will continue to implement the position system and promotion mechanism. Efforts will be made to establish career growth platform and reasonable and unimpeded career development path. We will also optimize long-term performance assessment and remuneration incentive system. These initiatives will enable our employees to achieve their career development and benefit from the long-term development of the Company, unleash the energy and dedication of human resources, and improve the sense of accomplishment and fulfilment of employees.

4. ANALYSIS OF CONSOLIDATED STATEMENT OF PROFIT OR LOSS

4.1 OVERVIEW OF CONSOLIDATED STATEMENT OF PROFIT AND LOSS

For the year ended December 31, 2021, the Group realized a total revenue of RMB8,177.6 million, representing an increase of 3.3% as compared with RMB7,915.0 million last year, and realized a profit of RMB1,412.9 million, representing an increase of 26.6% as compared with RMB1,116.0 million last year.

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

	For the year ended December 31,		
	2021	2020	Changes
	(RMB in millions)		
Total revenue	**8,177.6**	7,915.0	3.3%
Net investment gains	**34.2**	34.5	(0.9%)
Share of results of a joint venture	**—**	(40.3)	N/A
Other income, gains or losses	**818.9**	644.4	27.1%
Loss from derecognition of financial asset measured at amortised cost	**(77.5)**	(8.5)	N/A
Total revenue and other income, gains or losses	**8,953.2**	8,545.1	4.8%
Depreciation and amortization	**(422.8)**	(359.0)	17.8%
Staff costs	**(738.6)**	(585.5)	26.1%
Interest expenses	**(3,527.8)**	(3,676.1)	(4.0%)
Other operating expenses	**(534.1)**	(508.2)	5.1%
Impairment losses under expected credit loss model	**(1,713.0)**	(1,917.5)	(10.7%)
Other impairment losses	**(85.3)**	(10.6)	704.7%
Total expenses	**(7,021.6)**	(7,056.9)	(0.5%)
Profit before income tax	**1,931.6**	1,488.2	29.8%
Income tax expense	**(518.7)**	(372.2)	39.4%
Profit for the year	**1,412.9**	1,116.0	26.6%
Earnings per share attributable to ordinary shareholders of the Company (Expressed in RMB Yuan/share)			
— Basic	**0.16**	0.13	
— Diluted	**N/A**	N/A	

4.2 REVENUE

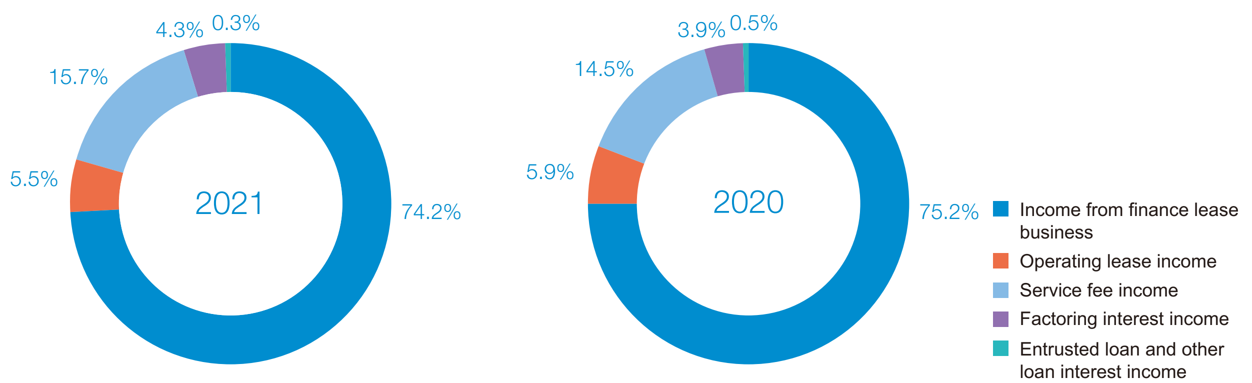
For the year ended December 31, 2021, the total revenue of the Group increased by 3.3% from RMB7,915.0 million last year to RMB8,177.6 million, which was mainly due to the continuous growth of the overall business scale of the Group. Income from finance lease business, service fee income and factoring interest income increased compared with 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,				
	2021	**% of total**	2020	% of total	Changes
	(RMB in millions, except percentages)				
Income from finance lease business(Note)	**6,066.5**	**74.2%**	5,950.0	75.2%	2.0%
Operating lease income	**451.1**	**5.5%**	464.4	5.9%	(2.9%)
Service fee income	**1,281.7**	**15.7%**	1,148.8	14.5%	11.6%
Factoring interest income	**355.7**	**4.3%**	312.1	3.9%	14.0%
Entrusted loan and other loan interest income	**22.6**	**0.3%**	39.7	0.5%	(43.1%)
Total revenue	**8,177.6**	**100.0%**	7,915.0	100.0%	3.3%

Note: Income from finance lease business includes finance lease income and interest income from sale and leaseback arrangements.

Percentage of total revenue



For the year ended December 31, 2021, income from finance lease business, service fee income and factoring interest income of the Group increased, while operating lease income decreased mainly due to the decrease of lease income from certain foreign aviation companies due to the continuous global pandemic. Entrusted loan and other loan interest income decreased due to the adoption of prudent business policies.

CUSTOMER ANALYSIS

We have a broad customer base. Our customers include LME customers, MSE[Note] & 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 years indicated:

	For the year ended December 31,					
	2021			2020		
	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	59,787.1	3,564.2	5.96%	51,566.0	3,137.0	6.08%
MSE & retail customers	35,098.5	2,880.6	8.21%	38,038.6	3,164.8	8.32%
Total	94,885.6	6,444.8	6.79%	89,604.6	6,301.8	7.03%

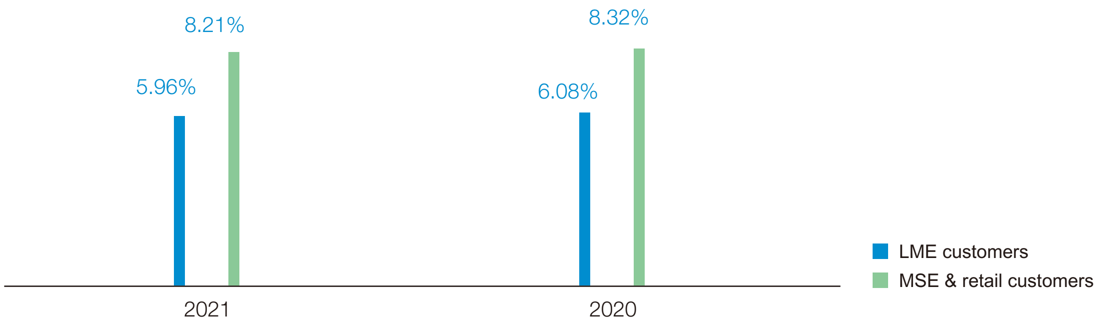
(1) Represents the average balance before deduction of allowances for impairment losses of receivables from finance lease business, factoring receivables, as well as entrusted loans and other loans at the end of last year and the middle and the end of the year.

(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.

(Note) MSEs refer to enterprises which have annual revenue of RMB100 million or below and have entered into any contract with us in a net financing amount of no more than RMB10 million. The amount of RMB10 million mentioned above is consistent with the limit of loans to MSEs stipulated by the CBIRC (single credit of no more than RMB10 million (inclusive)).

The following chart sets forth the average yield of each type of customer for the periods indicated:



The Group's average yield in 2021 was 6.79%, representing a decrease of 0.24 percentage points as compared with 7.03% last year. The decrease in average yield was mainly because the Group optimized the industrial layout and supported the development of the real economy and duly adjusted our profit expectation from end-customers according to the policy of the government.

INDUSTRY ANALYSIS

The Group's business is widely distributed in various industries, including advanced manufacturing, transportation & logistics, urban utilities, energy and environmental protection, construction, culture and tourism, healthcare 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 years indicated:

	For the year ended December 31,					
	2021			2020		
	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)					
Advanced manufacturing	22,317.3	1,891.6	8.48%	20,138.9	1,732.2	8.60%
Transportation & logistics	27,195.2	2,235.2	8.22%	32,639.0	2,836.9	8.69%
Urban utilities	10,254.1	796.4	7.77%	7,136.5	478.8	6.71%
Energy and environmental protection	9,926.0	799.0	8.05%	7,804.7	635.2	8.14%
Construction	10,089.0	792.8	7.86%	8,992.3	745.8	8.29%
Culture and tourism	5,213.3	421.8	8.09%	3,817.1	337.4	8.84%
Healthcare	5,152.0	456.0	8.85%	4,297.5	374.0	8.70%
Others	4,738.7	333.7	7.04%	4,778.6	310.3	6.49%
Total	94,885.6	7,726.5	8.14%	89,604.6	7,450.6	8.31%

(1) Represents the average balance before deduction of allowances for impairment losses 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.

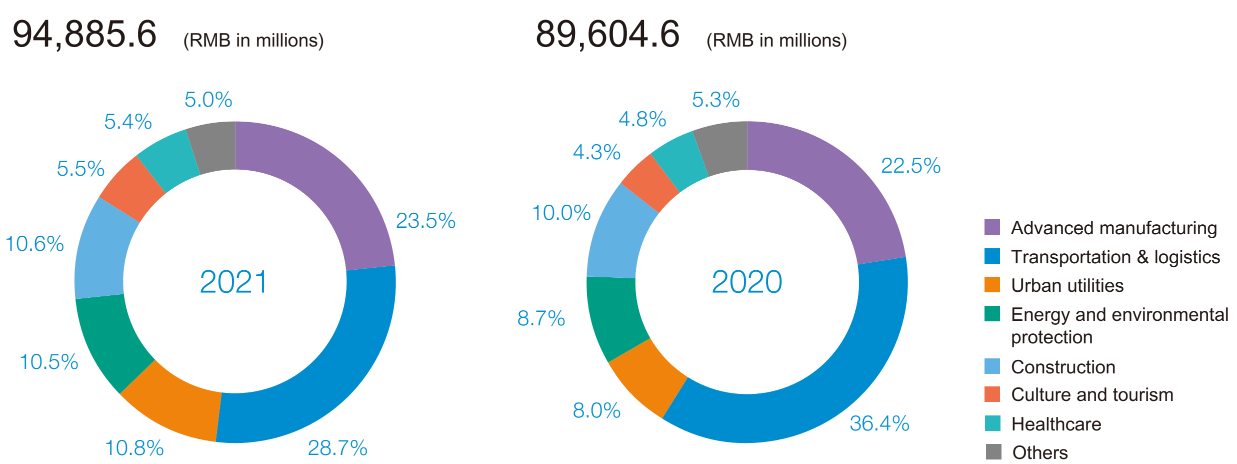
(2) Consists of income from finance lease business, factoring interest income, entrusted loan and other loan interest income and service fee income for the specific industry.

(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.

ANALYSIS BY AVERAGE BALANCE OF INTEREST-EARNING ASSETS

The average balance of interest-earning assets of the Group increased by 5.9% to RMB94,885.6 million in 2021 from RMB89,604.6 million in 2020. Remarkable achievements have been made in the promotion of business in, among urban utilities, culture and tourism, energy and environmental protection, healthcare, construction and advanced manufacturing, etc. The average balance of interest-earning assets for urban utilities, culture and tourism, energy and environmental protection, healthcare, construction and advanced manufacturing increased significantly by 43.7%, 36.6%, 27.2%, 19.9%, 12.2% and 10.8%, respectively, as compared with last year.

Average balance of interest-earning assets



ANALYSIS BY COMPREHENSIVE YIELD

The comprehensive yield of the Group decreased by 0.17 percentage points to 8.14% in 2021 as compared with 8.31% last year. The decrease was mainly attributable to the fact that the Group optimized the industrial layout, introduced high-quality customers through offering preferential treatments and duly adjusted our profit expectation from end-customers.

ADVANCED MANUFACTURING

We are committed to serving China's real economy in accordance with Chinese government's economic and industrial policies, such as the "14th Five-Year Plan", supply-side structural reform and the "Made in China 2025" initiative. We offer comprehensive financing services for customers in manufacturing industry to finance their equipment purchases and provide liquidity for their fixed assets. We serve customers across a wide range of manufacturing sectors, including high-end equipment manufacturing, new material, new generation of information technology and telecommunications. We target manufacturing customers with growth potential and recognized by capital market and encouraged by government policies. Our manufacturing customers consist primarily of large- and medium-sized state-owned enterprises at central and local levels, listed companies, innovative privately-owned enterprises engaging in manufacturing and emerging strategic industries and outstanding medium-, small-and micro-sized enterprises with growth potential. In addition, leveraging our advantages of customers resources, we have gradually built a win-win industrial ecosystem to share resources with our partners in order to expand our business scale in emerging manufacturing sectors and improve our competitive strength.

In 2021, the average balance of interest-earning assets attributable to our business in the advanced manufacturing industry amounted to RMB22,317.3 million, accounting for 23.5% of the average balance of interest-earning assets of the Group and representing an increase of 10.8% as compared with RMB20,138.9 million last year.

In 2021, the income from the advanced manufacturing industry amounted to RMB1,891.6 million, representing an increase of 9.2% as compared with RMB1,732.2 million last year, which was primarily due to the fact that the Group pursued its aspirations to serve the real economy and expanded the business in advanced manufacturing area such as medium-, small- and micro-sized enterprises.

The comprehensive yield of the advanced manufacturing industry decreased from 8.60% in 2020 to 8.48% in 2021, which was primarily due to the fact that the Chinese government stepped up the measures of its macroeconomic policies in support of the high-end equipment manufacturing and small- and micro-sized manufacturing enterprises. As a result, the average interest rate of the market decreased while market competition intensified as customers had more diversified financing channels and greater bargaining power. The Group also enhanced the investment in business with high-quality customers.

TRANSPORTATION & LOGISTICS

We strictly followed the national strategies and policies and proactively responded to the national strategic target in achieving "emission peak and carbon neutrality". We further developed specific sectors including green travel, urban transportation and transformation of new energy, logistics, commercial vehicle renting, commercial vehicles leasing and online car-hailing leasing, safeguarding the sustainable development of transportation with financial leasing and other services. Capitalizing on our extensive industry experiences, comprehensive ecosystem or industry resources, quality market channels, well-developed service network and through our local sales teams across 30 provinces in China, the Company strived to provide customers with faster and more accessible financial leasing and other services by using standardized due diligence and credit review processes and standard leasing contracts. We strived for establishing strategic cooperation relationship in various forms with mainstream commercial vehicle manufacturers and their leading dealers, and developing financing solutions for the industrial chain of new energy vehicles, so as to provide customers with an one-stop financial leasing service platform across the whole ecosystem.

In 2021, the average balance of interest-earning assets attributable to our business in the transportation & logistics industry amounted to RMB27,195.2 million, accounting for 28.7% of the average balance of interest-earning assets of the Group and representing a decrease of 16.7% as compared with RMB32,639.0 million last year.

In 2021, the income from transportation & logistics industry amounted to RMB2,235.2 million, representing a decrease of 21.2% as compared with RMB2,836.9 million last year. The decrease was mainly due to the decrease in average balance of interest-earning assets as the Group strictly controlled the granting of passenger vehicle financial leasing to retail customers and duly adjusted the product system that leased assets were required to be used for commercial cargo transportation, online car-hailing and other business activities in view of the tightened local regulatory policies and market changes of the industry. The income from transportation & logistics industry decreased correspondingly.

The comprehensive yield of the transportation & logistics industry decreased from 8.69% in 2020 to 8.22% in 2021. The decrease was mainly due to the intense market competition, and the efforts of the Group in optimizing the product portfolio of this industry, raising the barriers to customer entry and maintaining its bottom line for risk control.

URBAN UTILITIES

We provide financial leasing and other services to urban utilities enterprises engaging in the construction and management of smart city, urban public facilities and ports and the construction and operation of water supply infrastructure. We mainly serve urban utilities enterprises which have regional advantages and sound operating performance and are engaged in business related to people's livelihood. Leveraging our extensive experience and quality services, we provide diversified financial solutions for our customers in such sectors. We also actively provide financial leasing and other services to local government-led infrastructure development and operation project participants through the Public-Private-Partnership model ("PPP Model").

In 2021, the average balance of interest-earning assets attributable to our business in the urban utilities industry amounted to RMB10,254.1 million, accounting for 10.8% of the average balance of interest-earning assets of the Group and representing an increase of 43.7% as compared with RMB7,136.5 million last year.

In 2021, the income from urban utilities industry amounted to RMB796.4 million, representing an increase of 66.3% as compared with RMB478.8 million last year. The increase was mainly because the Group further strengthened its support for the urban utilities industry in response to the opportunities arising from the resumption of public infrastructure construction in various regions after the pandemic has been effectively controlled.

The comprehensive yield of the urban utilities industry increased from 6.71% in 2020 to 7.77% in 2021, which was primarily due to the fact that we capitalized on our group advantage and provided a wide range of services to customers through optimizing transaction structure and designing comprehensive financial products in view of the increasing demand for business transformation and industrialized operation.

ENERGY AND ENVIRONMENTAL PROTECTION

We provide financial leasing and other services to enterprises engaging in sectors including power supply and transmission, heating and gas supply, new energy battery manufacturing, hazardous waste treatment, environmental governance and comprehensive energy utilization. Such enterprises mostly have comprehensive qualifications, leading technologies and extensive experiences in their respective fields. We provide quality financial services to quality customers in the industries, especially customers in the new energy industry, to support the development of energy and environmental protection enterprises and facilitate the implementation of the national strategy of “emission peak and carbon neutrality”.

In 2021, the average balance of interest-earning assets attributable to our business in the energy and environmental protection industry amounted to RMB9,926.0 million, accounting for 10.5% of the average balance of interest-earning assets of the Group and representing an increase of 27.2% as compared with RMB7,804.7 million last year.

In 2021, the income from the energy and environmental protection industry amounted to RMB799.0 million, representing an increase of 25.8% as compared with RMB635.2 million last year. The increase was mainly due to expansion of the Group in the business of clean energy such as photovoltaics, new energy battery manufacturing, sewage disposal and environmental recovery according to the national strategy of “emission peak and carbon neutrality”.

The comprehensive yield of the energy and environmental protection industry decreased from 8.14% in 2020 to 8.05% in 2021. The decrease was mainly due to the fact that the Group focused on serving real economy and proactively expanded the customer base with leading technology, sound operation and high competitive edge in the energy and environmental protection industry in response to the national policies.

CONSTRUCTION

We provide financial leasing and other services to enterprises engaging in the engineering and construction of public service facilities and construction material business. The equipment we lease to construction customers primarily includes various construction equipment. Our construction enterprise customers are central and localized state-owned enterprises 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.

In 2021, the average balance of interest-earning assets attributable to our business in the construction industry amounted to RMB10,089.0 million, accounting for 10.6% of the average balance of interest-earning assets of the Group and representing an increase of 12.2% as compared with RMB8,992.3 million last year.

In 2021, the income from the construction industry amounted to RMB792.8 million, representing an increase of 6.3% as compared with RMB745.8 million last year. The increase was mainly due to the expansion of our business in this industry.

The comprehensive yield of the construction industry decreased from 8.29% in 2020 to 7.86% in 2021, which was primarily because the national macroeconomic policy enhanced the support to the real economy, resulting in a higher bargaining power of customers. As the Group endeavored to extend the base of quality customers amid intensifying market competition, the comprehensive yield of the construction industry decreased.

CULTURE AND TOURISM

We provide financial leasing and other services to enterprises engaging in cultural education, tourism and hotel operation. The cultural education customers we serve cover higher education, secondary education (including vocational education), basic education and other market segments. The equipment we lease to our customers mainly comprises teaching equipment, network equipment and multi-media equipment. Following the policies of the government to develop vocational education, we will put further efforts in developing customers in high schools and vocational education institutions. Grasping the opportunities arising from the recovery and restructuring of tourism industry in the post-epidemic period, we have cooperated with large cultural tourism and hotel groups to develop potential high-quality customers with effective management and good credit standing which have been able to survive the epidemic. We are committed to providing services to meet the capital needs of these customers for their daily operation, business expansion and service upgrades.

In 2021, the average balance of interest-earning assets attributable to our business in culture and tourism industry amounted to RMB5,213.3 million, accounting for 5.5% of the average balance of interest-earning assets of the Group and representing an increase of 36.6% as compared with RMB3,817.1 million last year.

In 2021, the income from culture and tourism industry amounted to RMB421.8 million, representing an increase of 25.0% as compared with RMB337.4 million last year. The increase was mainly due to higher investment in the industry and the increase in the number of finance lease projects.

The comprehensive yield of culture and tourism industry decreased from 8.84% in 2020 to 8.09% in 2021. The decrease was mainly due to the efforts put in developing quality customers by the Group.

HEALTHCARE

We provide financial services to various types of general and special hospitals and healthcare enterprises. The services we provide are mainly finance lease services, and the equipment we lease to these customers primarily includes medical imaging systems, medical examination equipment, disinfection equipment and other 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 provide financial leasing and other services to public hospitals, private hospitals, dental and optometry clinics and other healthcare institutions to meet their financing needs related to medical equipment procurement, working capital and facility construction. In addition, through our localized marketing network, we strategically provide financial leasing and other services and products to local imaging and diagnostic center, rehabilitation centers, physical examination centers, pharmaceutical and medical devices suppliers with sound credit record and growth potential to support their funding demand for business expansion and equipment upgrades.

In addition to serving healthcare institutions, we also have extensive cooperation with leading pharmaceutical distribution and medical device companies to provide financial services along their supply chains. Furthermore, we provide financial leasing and other services 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.

In 2021, the average balance of interest-earning assets attributable to our business in the healthcare industry amounted to RMB5,152.0 million, accounting for 5.4% of the average balance of interest-earning assets of the Group and representing an increase of 19.9% as compared with RMB4,297.5 million last year.

In 2021, the income from the healthcare industry amounted to RMB456.0 million, representing an increase of 21.9% as compared with RMB374.0 million last year. The increase was primarily due to higher investment in the industry and the increase in the number of finance lease projects in response to the policies and guidelines of the Chinese government.

The comprehensive yield of the healthcare industry increased from 8.70% in 2020 to 8.85% in 2021, primarily because we optimized the structure of our healthcare products to cater for the diverse needs of customers. As a result, the comprehensive yield of the new business increased.

OTHER INDUSTRIES

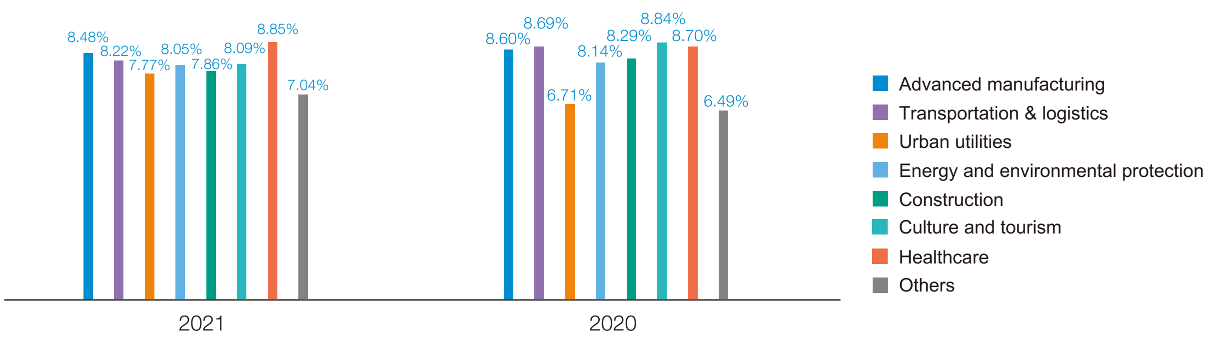
In addition to the abovementioned industries, we also provide finance lease, factoring and advisory services to quality customers in sectors of other leasing and commercial services, wholesale and retail, technology services, etc.

In 2021, the average balance of interest-earning assets attributable to our business in other industries was RMB4,738.7 million, accounting for 5.0% of the average balance of interest-earning assets of the Group.

In 2021, the income from other industries amounted to RMB333.7 million, representing an increase of 7.5% as compared with RMB310.3 million last year.

The comprehensive yield of other industries increased from 6.49% in 2020 to 7.04% in 2021, which was primarily attributable to our optimized product structure to satisfy the diversified needs of customers and the increase in the comprehensive yield of new business.

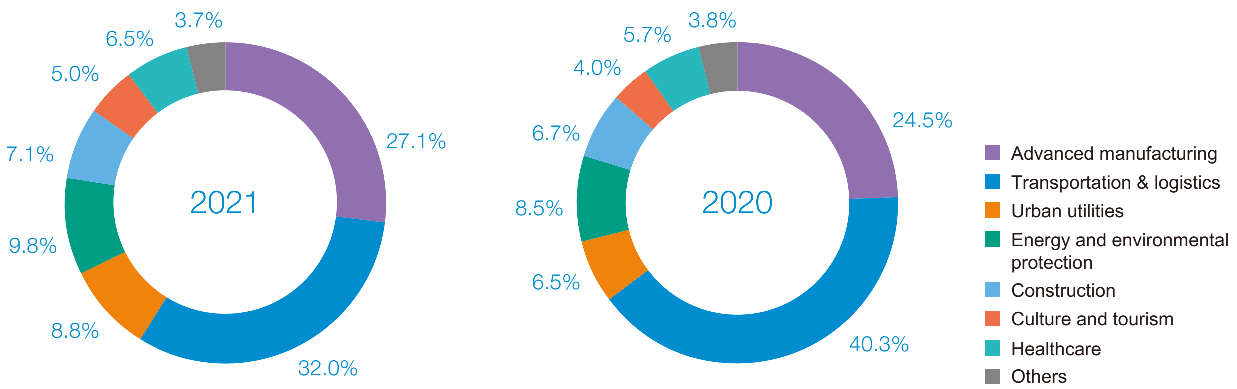
Comprehensive yield by industry



INCOME FROM FINANCE LEASE BUSINESS

Income from finance lease business of the Group increased by 2.0% to RMB6,066.5 million for the year ended December 31, 2021 as compared with last year. Income from finance lease business accounted for 74.2% of the total revenue of the Group.

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 industries such as urban utilities, energy and environmental protection, etc. For the year ended December 31, 2021, income from industries such as urban utilities, culture and tourism, energy and environmental protection, healthcare, advanced manufacturing and construction increased steadily by 37.7%, 26.3%, 18.3%, 16.6%, 12.5% and 8.0%, respectively, as compared with last year.

OPERATING LEASE INCOME

Our operating lease income decreased by 2.9% to RMB451.1 million for the year ended December 31, 2021 as compared with last year. The decrease was primarily due to the decrease of lease income from certain foreign aviation companies as a result of the continuous global pandemic. For the year ended December 31, 2021, the net lease yield of the aircraft operating lease business of the Group was 5.10%.

As at December 31, 2021, the Group owned 17 aircraft (including seven Airbus narrow-body aircraft, two Airbus wide-body aircraft and eight Boeing narrow-body aircraft) with a total net carrying amount of approximately US$828.4 million (or approximately RMB5,281.4 million). In addition, as at December 31, 2021, the Group did not undertake to purchase any aircraft. In 2021, the Group disposed of two Airbus narrow-body aircraft. The following table sets forth the details of the aircraft operating lease business:

	Number of aircraft		
Model	Self-owned aircraft	Aircraft purchased under commitment	Total
Airbus A320	5	0	5
Airbus A321	2	0	2
Airbus A350	2	0	2
Boeing B737-800	8	0	8
Total	17	0	17

FACTORING INTEREST INCOME

We provide factoring services to companies in various industries, including construction, advanced manufacturing, transportation & logistics, culture and tourism, healthcare and energy and environmental protection. Our factoring interest income increased by 14.0% to RMB355.7 million for the year ended December 31, 2021 as compared with last year.

ENTRUSTED LOAN AND OTHER LOAN INTEREST INCOME

Our entrusted loan and other loan interest income decreased by 43.1% to RMB22.6 million for the year ended December 31, 2021 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 various advisory services to finance lease customers and other customers. The Group's service fee income increased by 11.6% to RMB1,281.7 million for the year ended December 31, 2021 as compared with last year. Our service fee income was mainly generated from urban utilities, transportation & logistics, energy and environmental protection, advanced manufacturing, construction, culture and tourism and healthcare. The Group further develops new customers in urban utilities, energy and environmental protection and other industries by fulfilling different demands for our consultation services from high-end customers in terms of contents and forms. The Group has been improving its ability of consultation services as some of our consultation services had become more sophisticated, so as to improve customer satisfaction.

OTHER INCOME, GAINS OR LOSSES

For the year ended December 31, 2021, other income, gains or losses of the Group increased by 27.1% to RMB818.9 million as compared with last year. The increase was mainly due to (1) income from disposal of office buildings and aircraft; (2) increase in tax-related income from operating activities along with the growth of business scale of the Group.

4.3 EXPENSES

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

	For the year ended December 31,		
	2021	2020	Changes
	(RMB in millions)		
Depreciation and amortisation	**422.8**	359.0	17.8%
Staff costs	**738.6**	585.5	26.1%
Interest expenses	**3,527.8**	3,676.1	(4.0%)
Other operating expenses	**534.1**	508.2	5.1%
Impairment losses under expected credit loss model	**1,713.0**	1,917.5	(10.7%)
Other impairment losses	**85.3**	10.6	704.7%
Total expenses	**7,021.6**	7,056.9	(0.5%)

The total expenses of the Group amounted to RMB7,021.6 million for the year ended December 31, 2021, which remained stable as compared with last year.

DEPRECIATION AND AMORTISATION

The depreciation and amortisation of the Group increased by 17.8% to RMB422.8 million for the year ended December 31, 2021 from RMB359.0 million last year, which was mainly due to the increase in average balance of cost of property and equipment as compared with last year.

STAFF COSTS

The staff costs of the Group increased by 26.1% to RMB738.6 million for the year ended December 31, 2021 from RMB585.5 million last year, primarily due to the termination of the relief policy since 2021 in respect of social insurance for staff during the pandemic in 2020, and the increase in headcount and performance bonus in line with our overall business growth.

INTEREST EXPENSES

The interest expenses of the Group decreased by 4.0% to RMB3,527.8 million for the year ended December 31, 2021 from RMB3,676.1 million last year. The decrease in the interest expenses was mainly due to the fact that the costs of comprehensive social financing remained stable with a slight decline under stable monetary policies and the Group has optimized its debt structure through developing diversified financing channels and innovative financing instruments.

OTHER OPERATING EXPENSES

Other operating expenses of the Group increased by 5.1% to RMB534.1 million for the year ended December 31, 2021 from RMB508.2 million last year. The increase was mainly due to the fact that travelling and marketing expenses resumed to normal level as the pandemic precautionary measures became part of daily routines in China whereas the travelling and marketing activities had been affected by the pandemic last year, and our intermediary fees also increased.

IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL

Impairment losses under expected credit loss model of the Group decreased by 10.7% to RMB1,713.0 million for the year ended December 31, 2021 from RMB1,917.5 million last year. The decrease was mainly due to the introduction of stringent customer selection standards of the Group which improved the customer selection level and effectively controlled the risks of new projects; the adoption of specialized post-leasing asset solutions with improved disposal capacity; and the launch of fin-tech-enabled risk management which supported the comprehensive digitalized management of assets and ensured the sustainable asset development.

4.4 PROFIT FOR THE YEAR

Profit for the year of the Group increased by 26.6% to RMB1,412.9 million for the year ended December 31, 2021 from RMB1,116.0 million last year. The increase was primarily due to the fact that the Group has been committed to providing leasing services and serving the real economy while further expanding its business and optimizing debt structure to reduce cost and enhance efficiency. It was also because the Group introduced stringent customer selection standards, improved its asset disposal capacity and enhanced its asset management.

4.5 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,	
	2021	2020
	(RMB in millions, except percentages)	
Interest income[(1)]	**6,444.8**	6,301.8
Interest expenses[(2)]	**3,313.3**	3,460.0
Net interest income	**3,131.5**	2,841.8
Average balance of interest-earning assets[(3)]	**94,885.6**	89,604.6
Average balance of interest-bearing liabilities[(4)]	**84,318.9**	79,662.8
Average yield of interest-earning assets[(5)]	**6.79%**	7.03%
Of which: Finance lease business[(6)]	**6.96%**	7.36%
Average cost of interest-bearing liabilities[(7)]	**3.93%**	4.34%
Net interest spread[(8)]	**2.86%**	2.69%
Net interest margin[(9)]	**3.30%**	3.17%

(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 other business such as operating leasing business.

(3) Interest-earning assets consist of receivables from finance lease business, factoring receivables, entrusted loans and other loans (excluding assets related to other business such as operating leasing business). 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, business deposits and notes payable excluding the interest-bearing liabilities related to other business such as 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 borrowings and bonds payable.

(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 the average balances of receivables from finance lease business 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 the average yield of interest-earning assets and the average cost of interest-bearing liabilities (excluding other business such as operating leasing business).

(9) Calculated by dividing net interest income (excluding other business such as operating leasing business) by the average balance of interest-earning assets.

In 2021, the Group recorded net interest spread and net interest margin of 2.86% and 3.30%, respectively, representing increases of 0.17 percentage points and 0.13 percentage points as compared with last year, respectively. The increases were mainly due to the decrease in the average cost of interest-bearing liabilities as the macro monetary policies remained stable and the Group continued to optimize its debt structure, develop diversified financing channels and introduce innovative financing instruments.

5. ANALYSIS OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

5.1 OVERVIEW OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The following table summarizes the consolidated statements of financial position as at the dates indicated:

	As at December 31,		
	2021	2020	Changes
	(RMB in millions)		
Non-current assets			
Property and equipment	**5,463.2**	7,154.2	(23.6%)
Right-of-use assets	**120.3**	165.0	(27.1%)
Intangible assets	**15.2**	15.4	(1.3%)
Receivables from finance lease business(Note)	**42,792.0**	40,883.6	4.7%
Loans and receivables	**575.2**	1,249.2	(54.0%)
Financial assets at fair value through profit or loss	**128.1**	326.3	(60.7%)
Deferred tax assets	**1,578.0**	1,541.0	2.4%
Other assets	**2,202.0**	944.5	133.1%
Total non-current assets	**52,874.0**	52,279.2	1.1%

	As at December 31,		
	2021	2020	Changes
	(RMB in millions)		
Current assets			
Receivables from finance lease business(Note)	**45,768.6**	42,742.3	7.1%
Loans and receivables	**5,806.7**	6,380.9	(9.0%)
Other assets	**1,497.3**	952.3	57.2%
Accounts receivable	**48.7**	36.9	32.0%
Financial assets at fair value through profit or loss	**1,996.3**	572.9	248.5%
Derivative financial assets	**11.1**	—	N/A
Cash and bank balances	**6,738.6**	5,177.0	30.2%
Total current assets	**61,867.3**	55,862.3	10.7%
Total assets	**114,741.3**	108,141.5	6.1%
Current liabilities			
Borrowings	**25,584.2**	22,205.2	15.2%
Derivative financial liabilities	**231.2**	359.9	(35.8%)
Accrued staff costs	**286.2**	217.6	31.5%
Accounts payable	**34.6**	30.1	15.0%
Bonds payable	**22,989.5**	18,408.9	24.9%
Income tax payable	**743.8**	663.9	12.0%
Other liabilities	**7,692.9**	6,477.0	18.8%
Total current liabilities	**57,562.4**	48,362.6	19.0%
Net current assets	**4,304.9**	7,499.7	(42.6%)
Total assets less current liabilities	**57,178.9**	59,778.9	(4.3%)
Equity attributable to owners of the Company			
— Ordinary shareholders	**15,151.4**	14,278.3	6.1%
— Other equity instrument holders	**2,384.5**	1,523.8	56.5%
Non-controlling interests	**83.7**	51.7	61.9%
Total equity	**17,619.6**	15,853.8	11.1%

	As at December 31,		
	2021	2020	Changes
	(RMB in millions)		
Non-current liabilities			
Borrowings	18,145.2	21,796.4	(16.8%)
Bonds payable	14,865.4	13,951.1	6.6%
Deferred tax liabilities	16.3	18.3	(10.9%)
Other liabilities	6,532.4	8,159.3	(19.9%)
Total non-current liabilities	39,559.3	43,925.1	(9.9%)
Total equity and non-current liabilities	57,178.9	59,778.9	(4.3%)
Net assets per Share (RMB yuan/share)	1.84	1.73	

Note: Receivables from finance lease business include finance lease receivables and receivables arising from sale and leaseback arrangements.

5.2 ASSETS

The Group's total assets increased by 6.1% from RMB108,141.5 million as at the end of last year to RMB114,741.3 million as at December 31, 2021, which was mainly due to the expansion of leasing business scale driven by the business development efforts with a focus on providing leasing business.

INTEREST-EARNING ASSETS

Our interest-earning assets include receivables from finance lease business and loans and other receivables. In 2021, driven by the overall growth of our financial leasing business, our receivables from finance lease business continued to grow. As at December 31, 2021, the carrying amount of receivables from finance lease business of the Group was RMB88,560.6 million, representing an increase of 5.9% from RMB83,625.9 million as at the end of last year.

RECEIVABLES FROM FINANCE LEASE BUSINESS

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

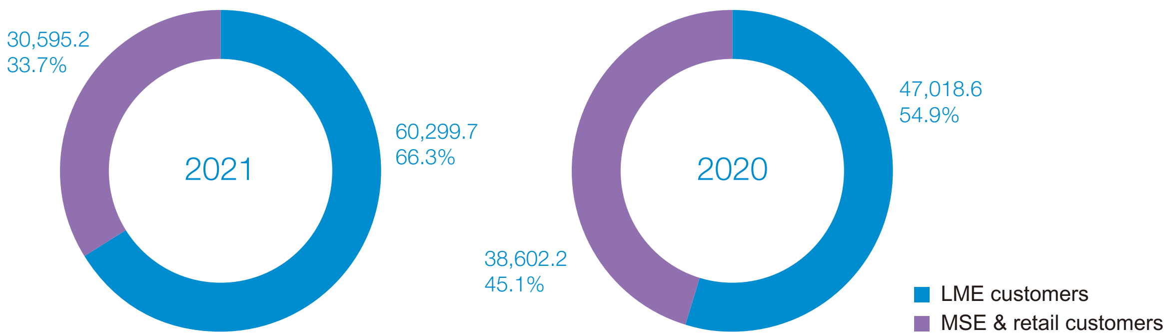
	As at December 31,		
	2021	2020	Changes
	(RMB in millions)		
Gross amount of receivables from finance lease business	**100,014.2**	94,218.8	6.2%
Less: Unearned income	**(9,119.3)**	(8,598.0)	6.1%
Present value of receivables from finance lease business	**90,894.9**	85,620.8	6.2%
Less: Loss allowance	**(2,334.3)**	(1,994.9)	17.0%
Carrying amount of receivables from finance lease business	**88,560.6**	83,625.9	5.9%

CUSTOMER ANALYSIS

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

As at December 31, 2021
(Unit: RMB in millions, except percentages)

As at December 31, 2020
(Unit: RMB in millions, except percentages)



We strictly controlled the granting of passenger vehicles financial leasing to retail customers and strived to optimize our asset allocation. As at December 31, 2021, the balance of finance lease receivables from LME customers of the Group increased as compared with the end of last year.

INDUSTRY ANALYSIS

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

	As at December 31,			
	2021		2020	
	Amount	% of total	Amount	% of total
	(RMB in millions, except percentages)			
Advanced manufacturing	22,498.7	24.8%	20,247.3	23.6%
Transportation & logistics	21,366.5	23.5%	31,234.0	36.5%
Urban utilities	13,442.4	14.8%	7,028.8	8.2%
Energy and environmental protection	11,205.9	12.3%	8,349.8	9.8%
Construction	7,754.7	8.5%	6,013.9	7.0%
Culture and tourism	5,761.3	6.3%	4,523.7	5.3%
Healthcare	5,587.4	6.1%	4,673.2	5.5%
Others	3,278.0	3.7%	3,550.1	4.1%
Total	90,894.9	100.0%	85,620.8	100.0%

In 2021, we strived to optimize our asset allocation with a focus on industries such as urban utilities, energy and environmental protection, advanced manufacturing and construction, and further increased support for high-quality corporate customers. As at December 31, 2021, the balance of our receivables from finance lease business from customers in the urban utilities, energy and environmental protection, advanced manufacturing, construction, culture and tourism and healthcare industries increased by RMB6,413.6 million, RMB2,856.1 million, RMB2,251.4 million, RMB1,740.8 million, RMB1,237.6 million and RMB914.2 million, respectively, as compared to those as at the end of last year.

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,			
	2021		2020	
	Amount	% of total	Amount	% of total
	(RMB in millions, except percentages)			
Within one year	51,812.1	51.8%	48,015.2	51.0%
More than one year but not exceeding five years	47,445.8	47.4%	45,658.7	48.5%
More than five years	756.3	0.8%	544.9	0.5%
Total	100,014.2	100.0%	94,218.8	100.0%

As at December 31, 2021, receivables from finance lease business due within one year accounted for 51.8% of the total gross amount of receivables from finance lease business of the Group, which slightly increased as compared with the end of last year.

LOANS AND RECEIVABLES

Our loans and receivables include factoring receivables and entrusted loans and other loans. As at December 31, 2021, the present value of our factoring receivables was RMB6,030.5 million, representing a decrease of 19.4% from RMB7,480.5 million as at the end of last year. The present value of our entrusted loans and other loans was RMB717.6 million, representing a decrease of 9.6% from RMB793.9 million as at the end of last year. The Group entered into loan and receivables business prudently.

LOSS ALLOWANCE WRITE OFF

The following table sets forth the loss allowance write off for interest-earning assets as at the periods indicated:

	For the year ended December 31,	
	2021	2020
	(RMB in millions)	
Loss allowance write off	661.3	503.9

The Group writes off unrecoverable non-performing assets strictly based on the accounting standards and the Group's write off policies and procedures. In 2021 and 2020, the Group's loss allowance write off for interest-earning assets was RMB661.3 million and RMB503.9 million, respectively.

PROPERTY AND EQUIPMENT

Our property and equipment include equipment held for operating lease business and property and equipment held for administrative purpose. As at December 31, 2021, our equipment held for operating lease business consisted of 17 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, 2021, the carrying amount of the property and equipment of the Group amounted to RMB5,463.2 million, representing a decrease of 23.6% as compared with RMB7,154.2 million as at the end of last year. The decrease was mainly because the Company entered into the Sale and Purchase Framework Agreement with Haitong Securities on March 30, 2021 in order to optimize its asset allocation and maximize the returns to Shareholders, pursuant to which the Company sold an office building to Haitong Securities at a total consideration of RMB1,435 million. The disposal was considered and approved by the independent shareholders at the shareholders' general meeting convened on May 15, 2021.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss mainly include wealth management products, funds and equity instruments held by the Group.

As at December 31, 2021, the carrying amount of the financial assets at fair value through profit or loss of the Group was RMB2,124.4 million, representing an increase of 136.3% as compared with RMB899.2 million as at the end of last year, which was mainly due to the adjustment by the Group according to the position of liquidity management and market condition. In addition, certain repossessed financial assets held by the Group to mitigate credit risks are recorded as the financial assets at fair value through profit or loss.

DEFERRED TAX ASSETS

As at December 31, 2021, the carrying amount of the deferred tax assets of the Group amounted to RMB1,578.0 million, representing an increase of 2.4% as compared with RMB1,541.0 million as at the end of last year, primarily due to the provision of impairment loss. In addition, the Group completed the tax filing of certain impairment loss for previous periods with the tax authorities in 2021.

CASH AND BANK BALANCES

As at December 31, 2021, the carrying amount of the cash and bank balances of the Group was RMB6,738.6 million, representing an increase of 30.2% as compared with RMB5,177.0 million as at the end of last year. The increase was mainly due to the adjustment made for future operating needs and guaranteeing liquidity.

5.3 LIABILITIES

In 2021, the Group continued to improve its debt structure and expand the financial channels in accordance with its business strategies. The financing cost was lowered as the choices of debt financing instruments increased. The Group had a domestic credit rating of AAA.

As at December 31, 2021, the Group had total liabilities of RMB97,121.7 million, representing an increase of 5.2% as compared with RMB92,287.7 million as at the end of last year. 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,		
	2021	2020	Changes
	(RMB in millions)		
Current liabilities			
Borrowings	**25,584.2**	22,205.2	15.2%
Derivative financial liabilities	**231.2**	359.9	(35.8%)
Accrued staff costs	**286.2**	217.6	31.5%
Accounts payable	**34.6**	30.1	15.0%
Bonds payable	**22,989.5**	18,408.9	24.9%
Income tax payable	**743.8**	663.9	12.0%
Other liabilities	**7,692.9**	6,477.0	18.8%
Total current liabilities	**57,562.4**	48,362.6	19.0%
Non-current liabilities			
Borrowings	**18,145.2**	21,796.4	(16.8%)
Bonds payable	**14,865.4**	13,951.1	6.6%
Deferred tax liabilities	**16.3**	18.3	(10.9%)
Other liabilities	**6,532.4**	8,159.3	(19.9%)
Total non-current liabilities	**39,559.3**	43,925.1	(9.9%)
Total liabilities	**97,121.7**	92,287.7	5.2%

BORROWINGS

Borrowings of the Group primarily include bank borrowings, borrowings from related parties, borrowings from other financial institutions and lease liabilities, and bank borrowings are our major source of borrowings. As at December 31, 2021, the Group's borrowings amounted to RMB43,729.4 million, which remained stable as compared with the end of last year.

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

	As at December 31,			
	2021		2020	
	Amount	% of total	Amount	% of total
	(RMB in millions, except percentage)			
Bank borrowings	41,029.4	93.8%	39,164.8	89.0%
Borrowings from related parties	1,039.2	2.4%	1,840.2	4.2%
Borrowings from other financial institutions	1,534.9	3.5%	2,824.8	6.4%
Lease liabilities	125.9	0.3%	171.8	0.4%
Total	43,729.4	100.0%	44,001.6	100.0%
Analyzed as:				
Current	25,584.2	58.5%	22,205.2	50.5%
Non-current	18,145.2	41.5%	21,796.4	49.5%
Total	43,729.4	100.0%	44,001.6	100.0%

As at December 31, 2021, the current borrowings accounted for 58.5% of the total borrowings, representing an increase as compared with the end of last year, reflecting the stable financing strategies and reasonable debt structure.

BONDS PAYABLE

In 2021, the overall liquidity of the capital market remained reasonable and abundant. The market interest rates increased in the first half of the year as compared with 2020, but decreased in the second half of the year as a result of the reduction of the required reserve ratio and LPR by the PBOC. Having considered the needs for business development and financing costs, the Group proactively utilized various direct financing tools. Through issuance of bonds, asset securitization and other products in the direct financing market continuously and alternately, the Group enriched its financing products, balanced its product maturity and diversified its financing market and maintained its cost advantage of keeping cost stable with a slight decline, which effectively secured funds for business growth of the Group.

Bonds payables of the Group include ultra-short-term commercial papers, medium-term notes, corporate bonds, private placement notes, asset-backed securities and asset-backed notes. As at December 31, 2021, the Group's bonds payable amounted to RMB37,854.9 million, representing an increase of 17.0% as compared with RMB32,360.0 million as at the end of last year. The increase was mainly due to the appropriate adjustments on financing structure made by the Group based on the market conditions and its business development needs.

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

	As at December 31,			
	2021		2020	
	Amount	% of total	Amount	% of total
	(RMB in millions, except percentage)			
Analyzed as:				
Current	**22,989.5**	**60.7%**	18,408.9	56.9%
Non-current	**14,865.4**	**39.3%**	13,951.1	43.1%
Total	**37,854.9**	**100.0%**	32,360.0	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, 2021, the total other liabilities of the Group were RMB14,225.3 million, representing a slight decrease as compared with the end of last year.

5.4 EQUITY

As at December 31, 2021, the Group had a total equity of RMB17,619.6 million, representing an increase of 11.1% from RMB15,853.8 million as at the end of last year. The change was mainly due to the profit for the year and the issuance of equity instruments (which increased total equity), redemption of equity instruments and dividend distribution (which reduced total equity) of the Group in 2021.

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

	As at December 31,		
	2021	2020	Changes
	(RMB in millions)		
Equity attributable to owners of the Company			
— Ordinary shareholders	**15,151.4**	14,278.3	6.1%
— Other equity instrument holders	**2,384.5**	1,523.8	56.5%
Non-controlling interests	**83.7**	51.7	61.9%
Total equity	**17,619.6**	15,853.8	11.1%

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,		
	2021	2020	Changes
	(RMB in millions)		
Net cash from/(used in) operating activities	**(3,751.3)**	(3,401.9)	N/A
Net cash from/(used in) investing activities	**(339.3)**	(3,008.0)	N/A
Net cash from/(used in) financing activities	**5,516.3**	5,928.1	(6.9%)
Net increase in cash and cash equivalents	**1,425.7**	(481.8)	N/A

For the year ended December 31, 2021, net cash outflow used in operating activities amounted to RMB3,751.3 million. Cash flows in operating activities consisted primarily of cash generated from or paid for our finance lease, operating lease, factoring, entrusted loans and other loans, and advisory businesses, as well as related transactions. The net cash outflow from operating activities increased as compared with last year, mainly due to the increase of business development of the Group.

For the year ended December 31, 2021, net cash outflow used in investing activities was RMB339.3 million, mainly reflecting the cash paid for (i) the purchase of financial assets held under resale agreement, (ii) the purchase of financial assets at fair value through profit or loss, (iii) the purchase of property and equipment and intangible assets, (iv) the purchase of financial assets measured at amortised cost; and (v) payment of restricted deposits and bank deposits. The aforesaid cash outflow was partially offset by (i) the proceeds on sale of financial assets held under resale agreements, (ii) the proceeds on sale of financial assets at fair value through profit or loss, and (iii) the proceeds from disposal of property and equipment, during the year.

For the year ended December 31, 2021, net cash inflow generated from financing activities was RMB5,516.3 million, primarily due to (i) the proceeds from issuances of bonds, (ii) the proceeds from borrowings, (iii) the proceeds from issuances of other equity instruments, and (iv) the capital injection from non-controlling investors. The aforesaid cash inflow was partially offset by the repayment of borrowings and bonds, redemption of other equity instruments, payment of dividends and payment for the costs 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 the "Provisional Measures for the Supervision and Administration of Financial Leasing Companies" (《融資租賃公司監督管理暫行辦法》) issued by the CBIRC and the "Provisional Measures for the Supervision and Administration of Financial Leasing Companies in Shanghai" (《上海市融資租賃公司監督管理暫行辦法》) issued by the Shanghai Municipal Financial Regulatory Bureau, the risk assets of financial leasing companies shall be subject to a maximum of eight times of net assets and the total risk assets shall be determined by deducting cash, bank deposits and treasury bonds from the total assets of enterprises. As at December 31, 2021, the Group did not violate any relevant laws and regulations regarding the total risk assets and net assets ratio.

8. CAPITAL EXPENDITURE

For the year ended December 31, 2021, the capital expenditure of the Group was RMB569.0 million, which was mainly used to purchase aircraft 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. Based on the "Provisional Measures for the Supervision and Administration of Financial Leasing Companies (《融資租賃公司監督管理暫行辦法》)" promulgated by the CBIRC and the "Shanghai Municipal Regulatory Guidelines on Regulatory Rating and Classification of Financial Leasing Companies and Commercial Factoring Companies (《上海市融資租賃公司、商業保理公司監管評級與分類監管指引》)", we formulated and implemented various risk guidelines and rules of the same or higher level to facilitate the efficient operation of our risk management system.

We have a sound risk management structure and continually improve 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 the 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 continuously. The goal of our risk management efforts is to maintain risks at a tolerable level and to maximize our risk adjusted return.

9.1 CREDIT RISK

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

In 2021, we strictly complied with the existing credit risk management systems and procedures of the Company in order to efficiently manage the credit risks and asset quality of its business and adopted the following measures in respect of credit risk management:

- Enhancing studies on economy environment to capture changes in policies in a timely manner

  The Company analyses the macro economy environment regularly and pays close attention to the key industries that our business involves, particularly the studies on national strategies, financial policies and development plans for different industries. We adjust business objectives, structure and plans in a timely manner based on changes in economic and financial environments and the development in various industries, to ensure our business operation is in line with the national policies, market development trend and industry transformation.

- Reasonable assets allocation, fostering the optimization of assets structure

  The Company analyses the general economic environment and sets the goals of asset allocation in accordance with its development strategies. The Company retains customers in industries with good development prospects in the long run to acquire a substantial amount of assets. The Company also focuses on matching risks with returns to achieve the strategic goal of high-quality development. In 2021, the Company promoted the business development in emerging industries, including high-end equipment manufacturing, digital economy and green leasing, and continued to support welfare related industries such as healthcare. We reasonably controlled the granting of loans to restricted industries such as wholesale and retail, and further enhanced the development of our inclusive finance business. The classification of industries was adjusted from six categories into eight categories according to their industrial characteristics and risk appetite, for a clearer and reasonable classification and a better layout of the Company's assets. By adjusting the prosperity classification of industries, formulating differentiated entry threshold and continuously monitoring the effectiveness and adjusting our measures, we had achieved assets allocation goals. In 2021, the asset foundation of the Company has been more solid as the proportion of emerging industries increased and the traditional industries remained strong. The asset structure of the Company has been further optimized.

- Enhancing the accuracy of quantitative risk assessment and strengthening risk research

  The Company continued to implement the two-dimensional risk evaluation system of "industry + customers" and recognized the importance of data in risk assessment and quantization. We adhered to our proactive risk management philosophy by conducting researches in certain industries and products continuously, the Company's risk management and control measures have been further improved. We put great efforts in promoting the application of credit rating, debt rating, risk pricing and limit calculation models, so as to increase the level and quality of the revenue of the Company by improving the accuracy of our quantitative risk assessment and risk management capabilities. On the other hand, we continued to study emerging industries and accelerated the formulation of relevant entry benchmarks. We also reviewed our assets portfolio performance and assessed our business performance on a regular basis, and continued to refine the existing guidelines based on the analysis findings of various data from "pre-lease — existing lease — post-lease" stages. The Company continued to establish a sound risk assessment system by improving studies on different industries and the accuracy of analysis on customers, in order to strengthen our credit risk identification, analysis, quantization and management capabilities.

- Increasing the application of fin-tech to enhance the efficiency of risk management

  The Company has promoted the development and application of fin-tech. In 2021, technology tools such as the "Due diligence Video", "Pre-lease Database", "Pre-approval App" and "Electronic Contract Signing Platforms" were developed and applied, which enhanced the efficiency of approval, enriched risk management tools, and improved the reliability of full-cycle risk management and the effectiveness of our business process. Amid the repeated breakout of pandemic, the application of online and distanced fin-tech has not only complied with the pandemic prevention and control measures in different countries and regions, but also ensured the business operation. Technology tools provide assistances in different dimensions and cross-authentication, which further improved the effectiveness of risk management without lowering the risk approval requirements for customers.

- Optimizing post-lending management system to ensure stable asset quality

  The Company's post-lending management system has a refined risk alert and response mechanism and a professional asset management team is responsible for tracking and evaluating asset quality and daily monitoring. The Company continued to upgrade its assets management system and procedures with a clear classification of responsibilities, and formulated special post-lease management plans for institutional, retail and MSEs business sector. We have proactively explored the application of technologies in assets monitoring and risk prevention. Upon the establishment of assets management system, we have been able to perform smart-analysis on assets in multi dimensions. The introduction of IoT monitoring system with GPS and device bracelet management system has strengthened our post-lease online monitoring and alert capabilities for assets. We have adopted an external public opinion system to build up our own public opinion engine to process overseas and important litigations, and the risk management and assets quality have been stabilized by deeply understanding the judicial system. We have taken all the feasible measures to enhance our risk mitigation capability and efficiency, which ensured the stability of our assets in the long run.

ASSETS QUALITY

Pursuant to the regulatory requirements, the Group classified its interest-earning assets into five categories. Furthermore, in order to promptly monitor asset quality, the Group sub-divided 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, 2021		As at December 31, 2020	
	Amount	% of total	Amount	% of total
	(RMB in millions, except percentages)			
Normal	94,125.4	96.40%	89,526.8	95.35%
Special mention	2,474.1	2.53%	3,334.1	3.55%
Substandard	520.3	0.54%	649.5	0.69%
Doubtful	490.8	0.50%	367.0	0.39%
Loss	32.4	0.03%	17.8	0.02%
Total	97,643.0	100.00%	93,895.2	100.00%
NPA ratio		1.07%		1.10%
Allowance coverage ratio for NPAs		258.80%		255.16%

In the face of challenges arising from the external environment, the Group maintained its proactive and prudent risk management and put great efforts in preventing and controlling risks and managing its assets. As at December 31, 2021, the NPAs of the Group amounted to RMB1,043.5 million, remained stable as compared with the end of 2020, and the NPA ratio was 1.07%, representing a decrease of 0.03 percentage points as compared with the end of 2020. During the Reporting Period, the asset quality remained stable and the NPA ratio declined.

The Group pay great attention on risk identification and mitigation, carried out tighter asset control, more frequent inspection, timely warning report and other measures to promptly identify and mitigate project risks. As at December 31, 2021, the proportion of total interest-earning assets of the Group classified as normal was 96.40%, representing an increase of 1.05 percentage points as compared with the end of 2020, while the proportion of total interest-earning assets of the Group classified as special mention was 2.53%, representing a decrease of 1.02 percentage points as compared with the end of 2020. During the Reporting Period, the amount and proportion of assets classified as normal had continued to increase, while the amount and proportion of total assets classified as special mention decreased. The assets quality has been improved in general.

In the face of complicated and changing credit environment, the Group maintained reasonable sufficient allowance coverage ratio for NPAs to ensure the sustainable and healthy development of the Company. As at December 31, 2021, the coverage ratio for NPAs was 258.80%, representing an increase of 3.64 percentage points as compared with the end of 2020. During the Reporting Period, the risk prevention ability has been improved.

CREDIT RISK CONCENTRATION

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 established a set of stricter concentration limits consistent with our risk appetite to strictly limit the balance of risk exposure of a single customer, a single industry, and a single region as a percentage of our net assets in order to diversify risks.

In 2021, based on its strategic development and asset allocation targets, the Company seized the development opportunities in emerging industries by utilizing its resources advantage and complying with the national industrial development guidelines. Greater efforts were made to expand into high-end equipment manufacturing, digital economy and green leasing as well as other key areas. The Company continued to support the development in healthcare and other industries that are related to people's livelihood. We provided excellent financial services to medium-, small- and micro-sized enterprises to support the growth of real economy from a wider, deeper and more professional aspect. Our asset base has been consolidated and the structure of asset allocation have been optimized.

As at December 31, 2021, advanced manufacturing, transportation & logistics and urban utilities were the three largest industries in terms of the interest-earning asset balance and accounted for 60.8% of the total interest-earning asset balance of the Group. The concentration of the three largest industries decreased by 4.6 percentage points as compared with the end of 2020. The interest-earning asset balance of the energy and environmental protection, culture and tourism, and healthcare industries recorded an increase of 32.9%, 26.7% and 24.4%, respectively, which reflected the optimized industry distribution of the Group with reasonable risk diversification while maintaining the characteristics of the industries.

In terms of advanced manufacturing sector, the Company actively responded to the national policies of supporting the development in manufacturing industry and providing more financial supports to medium-, small- and micro-sized enterprises. By persisting on serving the real economy by offering equipment leasing services, and leveraging the advantages of its financial leasing business, which not only provides key equipment but also financial supports to enterprises, the Company actively promoted the development of manufacturing sectors under the digital economy and high-end equipment manufacturing industry and the inclusive financial industry. In 2021, the structural adjustment of the Company made significant achievements. The advanced manufacturing sector mainly comprises inclusive finance, digital economy and high-end equipment manufacturing industry. After two years of development, the emerging manufacturing industry and inclusive financial industry have become more important in terms of asset proportion and position in the manufacturing sector, which reflected the Company's efforts in serving the real economy and supporting the development in medium-, small- and micro-sized enterprises.

In respect of transportation & logistics sector, due to the rapid growth of new energy vehicles, the structure of transportation & logistics market underwent significant changes in 2021. Under the market trend, the Company adjusted its business structure in respect of this sector, gradually ceased the investment in financial leasing for passenger vehicles of personal consumption, and shifted its focus from traditional fuel vehicles to green vehicles, resulting significant changes in its asset scale. Our business structure has been more in line with the requirements of green economy and high-quality sustainable development. The Company will focus on the business cooperation with upstream and downstream enterprises in the industrial chain such as new energy original equipment manufacturers, new energy transportation platforms and new energy transportation service companies, and provide financial products for green transportation, to meet the needs of customers and create a green transportation ecosystem. The Company will also strengthen the cooperation with urban public transportation companies that intend to undergo green transformation, so as to make contribution to the "emission peak and carbon neutrality" development in transportation sector and achieve the goal of the Company of green development.

In respect of urban utilities sector, local economies of different regions had recovered rapidly from the epidemic in 2021. Following the call of the government to assist in accelerating the economic recovery, the Company continuously provided financial supports to the development of local infrastructure with a focus on the construction and development of new local infrastructure and green and low-carbon infrastructure, including new energy infrastructure, urban and rural development coordination infrastructure and infrastructure of smart cities. Attributable to the increasing attention and investments in green and low-carbon transformation and new infrastructure, the asset scale of the urban utilities sector of the Company showed a significant growth during the Reporting Period.

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

	As at December 31, 2021		As at December 31, 2020	
	Amount	% of total	Amount	% of total
	(RMB in millions, except percentage)			
Advanced manufacturing	23,534.2	24.1%	21,787.1	23.2%
Transportation & logistics	21,883.5	22.4%	31,979.1	34.1%
Urban utilities	13,917.4	14.3%	7,596.6	8.1%
Energy and environmental protection	11,322.8	11.6%	8,518.0	9.1%
Construction	11,041.2	11.3%	9,391.0	10.0%
Culture and tourism	5,863.3	6.0%	4,627.9	4.9%
Healthcare	5,820.7	6.0%	4,678.2	5.0%
Other	4,259.9	4.3%	5,317.3	5.6%
Total	97,643.0	100.0%	93,895.2	100.0%

9.2 COMPLIANCE RISK

Compliance risk refers to the risk that an enterprise may be subject to legal sanctions or regulatory penalties or may suffer from material financial loss or reputation loss due to its failure to comply with laws and regulations, regulatory requirements, rules and codes of conduct applicable to its business activities. In order to mitigate compliance risks, firstly, the Group has studied policies of the government and incorporated such policies into its internal rules. The Company has also refined its important systems by abolishing, revising and formulating policies, so as to ensure the compliance, effectiveness and reasonableness of systems. Secondly, the Company has carried out compliance inspections and requires all employees to perform their duties, so as to ensure that all regulatory requirements have been duly complied with. Thirdly, adhering to its objective of proactive compliance of all employees, the Company organized a special online training titled "Commitment to Steady and Sustainable Development with Stronger Compliance (行穩致遠，合規護航)" and offline trainings during the year. Post-training tests were also held to enhance the effectiveness of the training and to further increase the awareness of compliance risks of employees.

9.3 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 from 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. 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 on an annual basis. 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 regular tracking of the information system and assessment of conditions and indictors of liquidity risk. The details are as follows:

1. 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 Group 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 Group lowered the liquidity risk and ensured stable operation of the Group in the complex market environment. All core liquidity indicators of the Group are higher than the internal management requirement and warning standards of the Company.

2. 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) Formulated emergency plans regarding liquidity risks, launching liquidity emergency drills regularly or irregularly.

In 2021, 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 improve.

9.4 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 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 the 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.

Save for some business contracts and loan agreements that are entered into at a 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 LPR as reference. Therefore, the assets and liabilities under these contracts or agreements fluctuate with the changes in the benchmark LPR. 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 interest rate risks. These interest rate swaps generally are from one to seven years. As at December 31, 2021, the nominal amount of our interest rate swaps (including currency swaps) amount to RMB4,843.8 million.

9.5 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 primarily attributable to the mismatch of the currencies of our assets and liabilities and is mainly affected by changes in the exchange rates of Renminbi against US dollar or HK 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. For the exposure of exchange rate arising from funding, the Group will mitigate exchange rate risk by using foreign exchange derivatives when appropriate and necessary. The operating lease (aircraft leasing) business of the Group is funded by loans denominated in US dollar and there is no exchange rate risk exposure. Such arrangement effectively greatly reduces the exchange rate risk exposure. The exposure to 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.

We use currency forwards to hedge exchange rate risk. As at December 31, 2021, the nominal amount of our currency forwards (including currency swaps) amounted to RMB2,900.8 million.

9.6 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 streamlined 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 foundation of operational risk management through IoT visualization platform and other financial technologies. Meanwhile, the Company has strengthened the training and performance evaluation of operational risk management in order to enhance the awareness of active management and accountability. In 2021, the operational risk was satisfactory and no major operational risk was recorded.

9.7 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 deployed specialists 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 and public opinions monitoring system in order to closely monitor and properly resolve reputational risk events. In 2021, the reputation of the Group was generally good and no major reputational risk was encountered.

10. HUMAN RESOURCES

As at the end of 2021, the Group had 1,807 full-time employees (excluding dispatched labors) in total, representing an increase of 110 full-time employees as compared to 1,697 as at the same period of 2020. The Group has a team of high quality and professional employees. As at the end of 2021, approximately 78% of the employees of the Group possess a bachelor's degree or above or qualification of tertiary level or above, and 21.2% of the employees possess a master's degree or above or qualification of postgraduate level or above.

Through expanding our talent reserve and coordinating talent promotion, a comprehensive training system has been established. In 2021, we had conducted 204 sessions of our training projects in total with 13,456 participants. We implemented a training credit system to encourage all departments to participate in training programs, which resulted in higher participation rate of training programs for the year. With the establishment of a data base for training management, we used our digital platform to improve our digitalized training management and intelligent application. "Sailing Plan (遠航項目)" for management training, "Set Sail Plan (啓航項目)" for officer training and "Spark Plan (星火計劃)" and "Sailing Operation (揚帆行動)" for young talents were conducted to provide training on talent promotion. Our training programs were based on different operation scenario for easy learning. We also strengthened our online training.

During the Reporting Period, the staff cost of the Group was RMB738.6 million, representing an increase of RMB153.1 million from RMB585.5 million for 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, 2021, finance lease receivables with a carrying amount of approximately RMB1,137.1 million, and receivables arising from sale and leaseback arrangements with a carrying amount of approximately RMB8,024.1 million were pledged as collateral for borrowings, while equipment held for operating lease business with a carrying amount of approximately RMB4,839.1 million 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, 2021, the Group had no contingent liabilities.

13. SUBSEQUENT EVENTS

The Group had no material subsequent events after December 31, 2021.

14. MATERIAL LAW, LITIGATION AND ARBITRATION

During the Reporting Period, there was no outstanding litigation or arbitration which was significant to the operation of the Group.

15. SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS

Disposal of Properties and Connected Transactions

On March 30, 2021, the Company entered into the Sale and Purchase Framework Agreement with Haitong Securities, pursuant to which the Company sold an office building located at Block B1, No. 868 South Zhongshan Road, Shanghai, with a total gross floor area of 16,028.32 square meters, to Haitong Securities at a total consideration of RMB1,435 million with a unit price of RMB89,529/square meter. The consideration was determined by arm's length negotiations between the Company and Haitong Securities with reference to the valuation of the properties conducted by Cushman & Wakefield Limited, an independent property valuer, and with reference to factors such as the location, use and area of the properties and the selling prices of comparable properties in the vicinity of the properties.

The disposal of properties and connected transactions were approved by the Board and independent Shareholders of the Company, respectively. For details of the disposal of properties and connected transactions, please refer to the announcement and circular of the Company dated March 30, 2021 and April 29, 2021, respectively.

DISPOSAL OF AIRCRAFT ASSETS

On August 9, 2021, wholly-owned subsidiaries of the Company (as the sellers) entered into the Aircraft Sale and Purchase Agreement with a wholly-owned subsidiary of Lunar Aircraft Holdco Limited (as the purchaser), pursuant to which (1) Haitong Unitrust No. 2 Limited agreed to sell one Airbus A320-232 aircraft to the purchaser, (2) Haitong Unitrust No.5 Limited agreed to sell one Airbus A320-233 aircraft to the purchaser, and (3) Haitong Unitrust No. 6 Limited agreed to sell one Airbus A320-233 aircraft to the purchaser, respectively. The market value of the abovementioned aircraft (obtained by the Group from an independent appraiser) was approximately US$82.21 million (equivalent to approximately RMB534.37 million).

The transactions was in line with the strategy of the Company and allowed the Group to achieve attractive return on equity with continuous capital flows while ensuring a reasonable debt level as it expanded its aircraft leasing and trading businesses.

For details of the disposal of aircraft assets, please refer to the announcements of the Company dated August 9, 2021 and October 19, 2021, respectively.

Save as disclosed above, the Company and its subsidiaries had no other major investment, acquisition and disposal during the Reporting Period.

1. BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

Mr. Ren Peng (任澎), aged 59, holds a master's degree in business administration and has been appointed as a non-executive Director of the Company since June 2014. Mr. Ren has served as the deputy general manager of Haitong Securities since November 1997; the 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 International Holdings Limited and Shanghai UniCircle Investment & Development Co., Ltd. since July 2014; and an executive 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, assistant to the head and deputy head of the First Office, assistant manager of the securities and savings department and manager of the securities department. Mr. Ren served as the general manager of the securities transaction business department of Hangzhou of Haitong Securities from March 1996 to November 1997. Mr. Ren served as a director of Haitong Unitrust International Financial Leasing (Tianjin) Corporation from July 2014 to November 2021.

Mr. Ding Xueqing (丁學清), aged 58, holds a master's degree in business administration and is our Chairman of the Board and executive Director. Mr. Ding has served in various positions since he joined the Company in November 2014, including a Director, the standing deputy general manager and the General Manager, and has been the Chairman of the Board since May 2020. Mr. Ding has served as a director of Haitong UniFortune Financial Leasing (Shanghai) Corporation since November 2014, a director of Haitong UT Capital, a director of Haitong Unitrust International Financial Leasing (Tianjin) Corporation, and the chairman of the board of directors and a director of Shanghai UniCircle Investment & Development Co., Ltd. since July 2015, a director of Haitong UT MSE Financial Leasing (Shanghai) Co., Ltd since January 2017, and a director of Shanghai Dingjie Construction Development Co., Ltd. since June 2018. Mr. Ding has served as the executive president of Shanghai Leasing Trade Association since October 2021 and a representative of the 3rd People's Congress of Shanghai Huangpu District since November 2021.

Mr. Ding served as an officer of the Changzhou Finance Bureau of Jiangsu Province in the PRC from July 1984 to December 1985 and 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 and director of the Third Tax Office, and 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, deputy general manager of Anhui Branch and general manager of Wuhu Business Office, general manager of Anhui Branch and general manager of Wuhu Business Office, general manager of Anhui Branch, and general manager of the retail and network finance department.

Ms. Ha Erman (哈爾曼), aged 46, holds a master's degree in public administration and the qualification of senior economist, and has served as a non-executive Director of the Company since November 2019. Ms. Ha has served as the vice president of Shanghai Guosheng (Group) Co., Ltd. since May 2016, a director of Shanghai Rural Commercial Bank since February 2017 and the chairman of the board of directors and director of Guosheng Overseas Holdings (Hong Kong) Limited since December 2018, a supervisor of AECC Commercial Aircraft Engine Co., Ltd. since December 2019, the chairman of the board of directors, director and general manager of Shanghai Shengpu Jianglan Cultural Development Co, Ltd. (上海盛浦江瀾文化發展有限公司) since March 2020 and a director of China Cultural Industry Investment FOF Management Co., Ltd. (中國文化產業投資母基金管理有限公司) since October 2020.

Ms. Ha served as various positions from October 2007 to August 2013, including an assistant to the head of the Foreign Economic Commission of Xuhui District of Shanghai, the deputy head of the Hunan Road Office of Xuhui District of Shanghai, the deputy head of the Commission of Commerce of Xuhui District of Shanghai and the head of Grain Bureau of Xuhui District of Shanghai, and served as the vice chairwoman of the board of directors of Shanghai State-owned Assets Management Co., Ltd. from August 2013 to April 2015 and the chairwoman of the board of directors of Shanghai International Group Assets Management Co., Ltd. from April 2015 to May 2016.

Mr. Li Chuan (李川), aged 39, holds a master's degree in management science and engineering (industrial engineering) and the qualification of a senior economist, and has been a non-executive Director of the Company since November 2019. Mr. Li has been the deputy general manager and chief financial officer of Shanghai Electric Hongkong Co. Limited since May 2018, 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 Shen Mao International Trading Co., Limited since June 2019, a general manger of Shanghai Electric Insurance Limited since November 2019, a director of Shanghai Electric Hong Kong Treasury Management Co., Limited since December 2019 and the vice president of Shanghai Electric Finance Group (上海電氣金融集團) since January 2021.

Mr. Li worked for the turbine factory of Shanghai Electric Power Generation Equipment Co., Ltd. from April 2008 to February 2014 and successively served as a staff member of the financial department, an assistant to the manager of the financial department and the deputy manager of the financial department. Mr. Li was the manager of the assets and financial department of Shanghai Heavy Machinery Plant Co., Ltd. from February 2014 to October 2015 and the deputy general manager of Shanghai Electric Heavy Machinery Casting Forging Co., Ltd. from October 2015 to May 2018.

Ms. Zhou Jianli (周劍麗), aged 49, holds a master's degree in business administration and the qualifications of Certified Tax Agent and senior accountant, and is the executive Director and general manager of the Company. Ms. Zhou joined the Company in February 2014 and successively served as chief financial officer, deputy general manager and concurrently chief financial officer. She has served as an executive Director and the general manager since May 2017 and May 2020, respectively. Ms. Zhou has served as a director of Haitong Unitrust International Financial Leasing (Tianjin) Corporation, Haitong UniFortune Financial Leasing (Shanghai) Corporation 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, a director of Haitong UT MSE Financial Leasing (Shanghai) Co., Ltd since September 2020 and the chairwoman of the board of directors of Haitong Unitrust International Financial Leasing (Tianjin) Corporation since November 2021.

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 and a lecturer of the College of Economics and Management in Northeast Forestry University in the PRC from December 1997 to February 2000. Ms. Zhou worked for Haitong Securities from February 2000 to March 2014 and successively served as the manager of the finance department of Harbin business department of Haitong Securities, officer and senior executive officer of the finance and accounting department, assistant manager and manager of the financial management department of the finance department, and assistant to general manager of the finance department of Haitong Securities.

Mr. Wu Shukun (吳淑琨), aged 49, holds a doctor's degree in management science and engineering management, and has served as a non-executive Director of the Company since April 2017. Mr. Wu has served as general manager of the strategic development department of Haitong Securities since February 2017, a director of Haitong UT Capital since March 2017, a director of HFT Investment Management Co., Ltd. since April 2017 and a director of Shanghai Haitong Securities Asset Management Co., Ltd. since March 2020.

Mr. Wu served as a postdoctoral researcher of Nanjing University in the PRC from November 1999 to October 2001. Mr. Wu has successively served in various positions in Haitong Securities since November 2001, including researcher, manager of the macro research department, assistant to director of the research institute, deputy general manager of the institutional business department, deputy general manager (in charge) of the corporate and private customers department, and general manager of the corporate finance department.

Mr. Zhang Shaohua (張少華), aged 54, holds a bachelor's degree in law, and is our non-executive Director. Mr. Zhang has been appointed as a non-executive Director of the Company since January 2014. Mr. Zhang has served as a 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 headquarters of Haitong Securities since December 2019.

Mr. Zhang has worked for Haitong Securities since June 1996 and served in various positions, including an investment officer of the finance and accounting department, the assistant manager and manager of the integrated management department of the finance and accounting department, manager of the capital management department of the finance department, assistant to general manager of the finance department, deputy general manager of the finance department, deputy general manager of the capital management headquarters and deputy general manager (in charge) of the capital management headquarters of Haitong Securities.

Mr. Jiang Yulin (蔣玉林), aged 63, holds a doctor's degree in economics and the qualification of senior economist, and was appointed as an independent non-executive Director of the Company in May 2017. Mr. Jiang has served as an independent non-executive director of Anhui Zhonghuan Environmental Protection Technology Co.,Ltd. (a company listed on the Shenzhen Stock Exchange (stock code: 300692)) since April 2019, and an executive director of ZZ Technology Group Company Limited (a company listed on the Hong Kong Stock Exchange (stock code: 8295), and formerly known as Zhongjin Technology Services Group Company Limited) since April 2020.

Mr. Jiang served in various positions in the PBOC from November 1979 to November 1985, including officer, deputy head and head of the credit office of Linquan County branch, Fuyang City, Anhui Province. 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, president of Jieshou City branch, Fuyang City, vice president of Fuyang City Branch and president of Wuhu City Branch in Anhui Province, vice president of Anhui Branch, president of Yunnan Branch, as well as the general manager of the credit business department of the headquarters and general manager of the information management department of Industrial and Commercial Bank of China. 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 has also served as an executive director, chairman of the board of directors 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)) from August 2016 to March 2020.

Mr. Yao Feng (姚峰), aged 61, holds a master's degree in monetary banking and a qualification certificate as independent director from Shenzhen Stock Exchange. He has been appointed as an independent non-executive Director of the Company in May 2020. Mr. Yao was an adjunct professor of China University of Political Science and Law from June 2015 to June 2018 and has been a council member of the Business School of China University of Political Science and Law since May 2017. Mr. Yao has served as an independent Director of China Youran Dairy Group Limited (a company listed on the Hong Kong Stock Exchange (stock code: 9858)) since June 2021.

Mr. Yao successively served as an officer, deputy chief officer, chief officer and deputy director of the statistics and research division of the integrated planning department of the Ministry of Finance of the PRC from August 1983 to March 1993, a deputy department manager and general manager of China Economic Development Trust & Investment Corporation from March 1993 to April 1997, a deputy general manager of the financial and securities department of China Travel Service (Holdings) Hong Kong Limited from April 1997 to July 1998 and a deputy general manager of China Travel Financial Investment Holdings Co., Limited from July 1998 to June 1999. Mr. Yao successively served in various positions of the China Securities Regulatory Commission from June 1999 to May 2013, including the director of institution regulatory department, a party committee member and deputy officer of Guangzhou Securities Regulatory Office, a party committee member and deputy director of Guangzhou Regulatory Bureau, a deputy officer of the risk management office for securities companies, an inspector and deputy officer of the accounting department and a commissioner of Shanghai Supervision Office of the Commissioner. Mr. Yao successively served in China Association of Public Companies from May 2013 to April 2017 as the secretary of the party committee, the executive vice-chairman, legal representative, the secretary of the party committee and vice-chairman. Mr. Yao was a member of the first session of self-regulatory committee of the council the Shenzhen Stock Exchange from December 2014 to December 2017 and served as the deputy mayor of Hangzhou Municipal People's Government from June 2017 to October 2019. Mr. Yao served as the deputy secretary of the party committee and the chairman of the board of supervisors of China Association of Public Companies from June 2019 to September 2019.

Mr. Zeng Qingsheng (曾慶生), aged 47, holds a doctor's degree in accounting and professional management and was a visiting scholar of Rensselaer Polytechnic Institute in the U.S.. He holds the qualification of non-practising member issued by the Chinese Institute of Certified Public Accountants, a qualification certificate as independent director from Shanghai Stock Exchange and completed the training for senior management (independent director) of listed companies organized by Shenzhen Stock Exchange and Shanghai Stock Exchange, respectively. 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.

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 Jiangsu Yixing Rural Commercial Bank Co., Ltd. from June 2017 to February 2019, and an independent director of Shanghai Wanye Enterprises Co., Ltd. (a company listed on the Shanghai Stock Exchange (stock code: 600641)) from December 2015 to January 2022.

Mr. Wu Yat Wai (胡一威), aged 54, holds a master's degree in accounting and finance and has been appointed as an independent non-executive Director of the Company in May 2017. He has served as an independent non-executive director of C&D Property Management Group Co., Ltd (a company listed on the Hong Kong Stock Exchange (stock code: 2156)) since December 2020.

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, director of Constant Fine Limited from January 1997 to May 2001. He worked 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. He worked 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. Yan Lixin (嚴立新), aged 58, holds a doctor's degree in economics and has been appointed as an independent non-executive Director of the Company in May 2020. Mr. Yan has served as an associate professor of Institute for Financial Studies of School of Economics of Fudan University since August 2008 and an executive officer of China Centre for Anti-Money Laundering Studies of Fudan University since January 2017. Mr. Yan was elected as the only Chinese council member of the International Network of AML/CFT Institute in November 2017. He has served as the President and Dean of Lujiazui Financial Security Institute, Pudong, Shanghai since October 2021.

Mr. Yan served as an assistant teacher of School of Foreign Languages of Jiangsu University (formerly known as School of Foreign Languages of Zhenjiang Teachers College) from July 1985 to July 1993, the chief secretary of the Foreign Economic Trade Commission of Zhenjiang City, Jiangsu Province from July 1993 to December 1995, a head of the general office of Foreign Trade Exchange Co., Ltd. of Zhenjiang City, Jiangsu Province from January 1996 to February 1996, a legal representative and deputy general manager of Textile Import & Export Corporation of Zhenjiang City, Jiangsu Province from February 1996 to December 1996, the chairman of the board of directors and general manager of Knitted Cotton Import & Export Co., Ltd. of Zhenjiang City from January 1997 to August 2002 and the chairman of the board of directors of Shanghai Yifei-KHT International Trade Co., Ltd. from September 2002 to December 2004. Mr. Yan was a postdoctoral fellow in journalism and communication of School of Journalism of Fudan University from September 2006 to June 2008.

SUPERVISORS

Ms. Zhou Tao (周陶), aged 42, holds a master's degree in finance and the qualifications of certified public accountant, certified public valuer and intermediate economist. Ms. Zhou was a compliance management officer of the Company from November 2016 to November 2019 and has served as the Chairwoman of the Board of Supervisors and a Shareholder representative Supervisor of the Company since May 2020. She served as a general manager of the compliance and legal department of Haitong Securities from December 2019 to March 2022.

Ms. Zhou was a deputy chief officer of the Jinshan branch of Shanghai Municipal Tax Service from July 2004 to June 2008 and a chief officer and a deputy director of Shanghai Securities Regulatory Bureau from June 2008 to October 2016.

Mr. Chen Xinji (陳新計), aged 35, holds a master's degree in business administration and has been an employee representative Supervisor of the Company since June 2017. Mr. Chen joined the Company in November 2016 and successively served as an assistant to the general manager of the Treasury Management Department and the deputy general manager of the Treasury Management Department.

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

Mr. Hu Zhangming (胡章明), aged 34, holds a bachelor's degree in computer science and technology and the qualification to engage in PMP project management, and has been an employee representative Supervisor of the Company since August 2021. Mr. Hu joined the Company in February 2016 and successively served as a clerical and OA officer of the general manager office, the manager of secretarial unit of the general manager office and an assistant to the general manager of the Party Community Division.

Mr. Hu worked as a C++ development engineer at VanceInfo Creative Software Technology Ltd. from July 2010 to August 2011; an IT and automation engineer at Nanjing C-HOPE Cement Engineering Group Co., Ltd. from September 2011 to April 2015; and a customer technical service engineer at Shanghai KaYang Information System Co., Ltd. from May 2015 to January 2016.

SENIOR MANAGEMENT

Ms. Zhou Jianli (周劍麗), aged 49, is the executive Director and general manager of the Company. See "— Directors" in this section for the biography of Ms. Zhou.

Ms. Wu Jian (吳健), aged 48, holds a master's degree in finance and is the deputy general manager and chief human resources officer of the Company. Ms. Wu joined the Company in November 2014 as the chief human resources officer and has served as the assistant to general manager and the chief human resources officer since August 2015 and deputy general manager since March 2019.

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

Mr. Fu Da (傅達), aged 35, holds a master's degree in finance and economics and is the deputy general manager, chief risk officer, secretary to the Board and a joint company secretary of the Company. Mr. Fu joined the 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 as a director of Haitong Unitrust International Financial Leasing (Tianjin) Corporation since November 2021.

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

Mr. Lu Yang (路陽), aged 42, holds a master's degree in business administration and is the deputy general manager of the Company. Mr. Lu joined the Company in August 2010 and has served in various positions, including the chief marketing officer and general manager of the Machinery Business Department, general manager of the Industrial Equipment Business Department and vice president managing the industrials. Mr. Lu was an assistant to the general manager of the Company, and has served as the deputy general manager of the Company since March 2019. Mr. Lu has served as the chairman of the board of directors and a director of Shanghai Dingjie Construction Development Co., Ltd since July 2020 and the chairman of the board of directors and a director of Haitong UT MSE Financial Leasing (Shanghai) Co., Ltd. since September 2020. Mr. Lu has also served as the chairman of the board of directors of Haitong UniFortune Financial Leasing (Shanghai) Corporation since February 2022.

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

Mr. Liu Heping (劉和平), aged 53, holds a doctor's degree in international law and the qualification of a lawyer, and is the deputy general manager and chief legal officer of the Company. Mr. Liu joined the 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, assistant manager and division head of the legal department of the general manager office, assistant to general manager of the risk and asset management department, officer of the compliance office, assistant to general manager of the compliance department and assistant to general manager of the compliance and risk management department.

Mr. Gao Yong (高勇), aged 59, holds a master's degree in business management and is the compliance officer of the Company. Mr. Gao has served in the Company since September 2015, and previously served as general manager of the Strategic Development Department. He was appointed as compliance officer of the Company in August 2018. Mr. Gao 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. He Chen (何晨), aged 57, holds a bachelor's degree in economics and 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.

Ms. Sang Linna (桑琳娜), aged 45, holds a master's degree in business administration and is the assistant to the general manager of the Company. Ms. Sang joined the 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 Financial Leasing (Shanghai) Co., Ltd.(Note) from April to October 2018. She joined the Company again in November 2018 and has served as assistant to general manager of the Company since March 2019.

Ms. Sang served as a sales manager of CIT Finance & Leasing Corporation from July 2002 to April 2009, 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.

(Note) Such company is the predecessor of Haitong UT MSE Financial Leasing (Shanghai) Co., Ltd.

2. CHANGE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Ren Peng has ceased to serve as a director of Haitong Unitrust International Financial Leasing (Tianjin) Corporation since November 2021.

Mr. Ding Xueqing has served as the executive president of Shanghai Leasing Trade Association since October 2021 and a representative of the 3rd People's Congress of Huangpu District, Shanghai since November 2021.

Ms. Zhou Jianli has served as the chairman of the board of directors of Haitong Unitrust International Financial Leasing (Tianjin) Corporation since November 2021.

Mr. Zeng Qingsheng has ceased to serve as an independent non-executive director of Shanghai Wanye Enterprises Co., Ltd. since January 2022.

Mr. Yan Lixin has concurrently served as the president and dean of Lujiazui Financial Security Institute, Pudong, Shanghai since October 2021.

Mr. Fu Da has served as a director of Haitong Unitrust International Financial Leasing (Tianjin) Corporation since November 2021.

Having made specific enquiry and as confirmed by Directors and Supervisors, save for the disclosure above, no other changes in the information of Directors and Supervisors which shall be subject to disclosure according to paragraphs (a) to (e) and (g) under Rule 13.51(2) of the Listing Rules shall be disclosed in accordance with Rule 13.51B(1) of the Listing Rules since the date of publication of the 2021 interim report of the Company.

The Board is pleased to present the corporate governance report of the Company for the year ended December 31, 2021.

1. CORPORATE GOVERNANCE PRACTICES

The Company 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.

During the Reporting Period, 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.

Unless otherwise specified, all provisions of the Corporate Governance Code mentioned in this report refer to the prevailing provisions of the Corporate Governance Code in 2021.

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 Reporting Period.

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 an 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 2 Shareholders' general meetings and considered and approved 10 resolutions related to profit distribution, review of reports, reappointment of auditor, connected transactions, grant of general mandate in relation to external guarantees, grant of general mandate to issue shares, etc.

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

Director	Number of meetings attended/ should have attended
Mr. Ren Peng	2/2
Mr. Ding Xueqing	2/2
Ms. Ha Erman	2/2
Mr. Li Chuan	2/2
Ms. Zhou Jianli	2/2
Mr. Wu Shukun	2/2
Mr. Zhang Shaohua	2/2
Mr. Jiang Yulin	2/2
Mr. Yao Feng	2/2
Mr. Zeng Qingsheng	2/2
Mr. Wu Yat Wai	2/2
Mr. Yan Lixin	2/2

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 12 Directors, among which, two are executive Directors, five are non-executive Directors and five are independent non-executive Directors. Details are as follows:

Executive Directors:

Mr. Ding Xueqing (chairman of the Board)

Ms. Zhou Jianli

Non-executive Directors:

Mr. Ren Peng

Ms. Ha Erman

Mr. Li Chuan

Mr. Wu Shukun

Mr. Zhang Shaohua

Independent non-executive Directors:

Mr. Jiang Yulin

Mr. Yao Feng

Mr. Zeng Qingsheng

Mr. Wu Yat Wai

Mr. Yan Lixin

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

Except as disclosed in the biographies of Directors set out in the section headed "Directors, Supervisors and Senior Management" in this 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 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 7 Board meetings and considered and approved 36 resolutions related to asset transactions, external donation, connected transaction, system amendment, review of reports, profit distribution, operation examination and assessment, mandate for guarantees, mandate to issue shares, and others. Attendance of the Board meetings by Directors is set out as follows:

Director	Number of meetings attended/ should have attended
Mr. Ren Peng	7/7
Mr. Ding Xueqing	7/7
Ms. Ha Erman	7/7
Mr. Li Chuan	7/7
Ms. Zhou Jianli	7/7
Mr. Wu Shukun	7/7
Mr. Zhang Shaohua	7/7
Mr. Jiang Yulin(1)	7/7
Mr. Yao Feng	7/7
Mr. Zeng Qingsheng	7/7
Mr. Wu Yat Wai	7/7
Mr. Yan Lixin	7/7

(1) Mr. Jiang Yulin appointed Mr. Yan Lixin as his proxy to attend the 13th meeting of the second session of the Board.

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. Ding Xueqing 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.

Ms. Zhou Jianli 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 and its professional committees maintains sound operation, and are responsible for formulating strategies and supervising their implementation, monitoring the operation and financial performance of the Group to ensure the internal control and risk management system of the Company is effective. All Directors (including non-executive Directors and independent non-executive Directors) have contributed their wide range of business experience, knowledge and expertise 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 judgements 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 regularly reviews the functions and responsibilities delegated to it.

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 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 five independent non-executive Directors of the Company fully comply with the requirements of Rules 3.10(1) and (2) of the 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 Listing Rules. The Company considers that all the independent non-executive Directors were independent persons during the Reporting Period under Rule 3.13 of the Listing Rules.

Non-executive 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 original term of office was from the date of appointment to the date of expiry of the first session of the Board. Upon expiry of the original term of office, the above Directors were re-elected and re-appointed at the annual general meeting of 2019 with a term of office of three years.

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 the 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
Mr. Ding Xueqing	A
Ms. Ha Erman	A
Mr. Li Chuan	A
Ms. Zhou Jianli	A
Mr. Wu Shukun	A
Mr. Zhang Shaohua	A
Mr. Jiang Yulin	A
Mr. Yao Feng	A
Mr. Zeng Qingsheng	A
Mr. Wu Yat Wai	A
Mr. Yan Lixin	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 five professional committees, namely the Audit Committee, the Risk Management Committee, the Nomination Committee and the Remuneration and Evaluation Committee, and the Environmental, Social and Governance 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 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. Yan Lixin, 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 Reporting Period to review and consider matters in relation to financial results and reports, re-appointment of auditors and profit distribution.

The annual results of the Company for the year ended December 31, 2021 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. Yan Lixin	2/2

Nomination Committee

The Nomination Committee consists of three members, namely one non-executive Director, Mr. Ren Peng, and two independent non-executive Directors, Mr. Jiang Yulin (chairman) 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. During the Reporting Period, 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. In addition, in respect of gender diversity, the Board of the Company currently has two female members and has achieved gender diversity. 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.

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 one meeting during the Reporting Period to review matters in relation to the structure, members and composition of the Board and the board diversity policy.

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	1/1
Mr. Jiang Yulin (chairman)	1/1
Mr. Wu Yat Wai	1/1

Remuneration and Evaluation Committee

The Remuneration and Evaluation Committee consists of four members, namely three independent non-executive Directors, Mr. Jiang Yulin (chairman), Mr. Yao Feng and Mr. Zeng Qingsheng, 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 Reporting Period to review matters in relation to 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. Yao Feng	1/1
Mr. Wu Shukun	1/1
Mr. Zeng Qingsheng	1/1

Risk Management Committee

The Risk Management Committee consists of four members, namely two independent non-executive Directors, Mr. Yan Lixin (chairman) and Mr. Yao Feng, 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 Reporting Period to review matters in relation to annual compliance report, annual risk assessment report and interim risk assessment report, and access the duties of the Company's risk management and internal control systems as well as the effectiveness of the Company's internal audit functions.

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. Yan Lixin (chairman)	3/3
Mr. Ding Xueqing	3/3
Mr. Zhang Shaohua	3/3
Mr. Yao Feng	3/3

Environmental, Social and Governance Committee

The Company established the Environmental, Social and Governance Committee under the Board on January 20, 2022. The Environmental, Social and Governance Committee consists of four members, namely two executive Directors, Mr. Ding Xueqing (chairman) and Ms. Zhou Jianli, one non-executive director, Ms. Ha Erman, and one independent non-executive Director, Mr. Yan Lixin.

The main responsibilities of the Environmental, Social and Governance Committee are as follows:

(1) guiding and reviewing the general ESG vision, target and strategy of the Company, identifying and coordinating the priority of ESG topics of the Company, supervising the formulation of ESG management performance target of the Company, revising the progress of target achievement and advising on actions to be taken in order to achieve the target;

(2) reviewing the annual Environmental, Social and Governance Report and other ESG related information disclosure of the Company;

(3) identifying and assessing ESG related risks and opportunities;

(4) inspecting and supervising the implementation of the above matters;

(5) other matters as authorized by the Board.

The terms of reference of the Environmental, Social and Governance Committee are available on the websites of the Hong Kong Stock Exchange and the Company.

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, strengthen the management of connected transactions and further promote the effective implementation of measures on 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 and corporate governance 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 revised and improved the Measures for Comprehensive Risk Management (《全面風險管理辦法》), the Management Measures on Authorization (《授權管理辦法》), Management Measures on Reporting of Significant Events (《重大事項報告管理辦法》), Management Measures on Due Diligence (《盡職調查管理辦法》), Management Measures on Credit Approval and Authorization (《授信審批授權管理辦法》), Management Measures on Business Operation (《業務運營管理辦法》), Management Measures on Preventing Operational Risks of Financial Leasing Business (《融資租賃業務操作風險防範管理辦法》), etc., and issued Management Measures on Subsidiaries (《子公司管理辦法》), Operating Manual of Asset Transactions (《資產交易業務操作手冊》), Management Measures on Internal Audit (《內部稽核管理辦法》), and other risk management and internal control policies.

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, 2021, 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, the chairman of the Board and an executive Director 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, 2021.

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 Group is set out in the independent auditor's report on page 134 of this report.

The approximate emoluments of the audit and non-audit services provided by Deloitte Touche Tohmatsu and its member institutions to the Group during the year ended December 31, 2021 are set out below:

Type of service	Amount RMB in thousands
Audit service(Note)	3,827
Non-audit service	1,572
Total	5,399

Note: Audit service refers to the amount recognized in the consolidated statement of profit or loss.

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 topic 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.

Directors' Report

The Board is pleased to present the Directors' Report and audited consolidated financial statements of the Group for the year ended December 31, 2021.

1. DIRECTORS AND SUPERVISORS:

Executive Directors:

Mr. Ding Xueqing (Chairman of the Board)

Ms. Zhou Jianli

Non-executive Directors:

Mr. Ren Peng

Ms. Ha Erman

Mr. Li Chuan

Mr. Wu Shukun

Mr. Zhang Shaohua

Independent non-executive Directors:

Mr. Jiang Yulin

Mr. Yao Feng

Mr. Zeng Qingsheng

Mr. Wu Yat Wai

Mr. Yan Lixin

Supervisors:

Ms. Zhou Tao (Chairwoman)

Mr. Chen Xinji

Mr. Hu Zhangming

The biographical details of Directors, Supervisors and the senior management of the Company are set out in the section headed "Directors, Supervisors and Senior Management — Biographies of Directors, Supervisors and Senior Management" in this report.

2. BUSINESS REVIEW

Principal Business

The Group is mainly engaged in the provision of comprehensive financial services, including finance lease, operating lease, advisory services, etc., to customers in advanced manufacturing, transportation & logistics, urban utilities, energy and environmental protection, construction, culture and tourism, healthcare 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, 2021, please refer to the sections of "Financial Summary" and "Management Discussion and Analysis" in this 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 into a leading domestic financial leasing enterprise.

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 reserves funds for the well-being of the public and the provision of high-quality services for the real economy while refraining from funding highly-polluting and technologically-underdeveloped business. The Group also 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, service level, integrity education, prevention of corruption, protection of intellectual property rights, protection of customers' interests, support of social and public welfare and charitable activities, and optimization of employees' protection system and promotion system. The Group also supports the development of technological innovation, 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 2021, please refer to the 2021 Environmental, Social and Governance Report of the Group.

Compliance with Laws and Regulations

The Group has been in strict compliance with the Companies Ordinance, the Listing Rules, the SFO, the Company Law, 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, 2021.

Major Risks and Risk Management

For major risks and risk management of the Group for the year ended December 31, 2021, please refer to the section headed "Management Discussion and Analysis - Risk Management" in this report.

Future Developments of the Group

For future developments of the Group after the year ended December 31, 2021, please refer to the sections headed "Chairman's Statement", "General Manager's Statement", "Management Discussion and Analysis" in this report. The above sections form part of the Directors' Report.

3. SHARE CAPITAL

Details of the share capital of the Company are set out in note 34 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 the following requirements:

(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 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 Listing Rules.

4. DEBT FINANCING INSTRUMENTS ISSUED

In 2021, in order to fulfil its business development needs and further replenish operation capital and optimize the structure of assets and liabilities, the Group actively carried out direct financing in China and expanded its issue size, including the issue of ultra-short-term commercial papers of RMB11,000 million, public corporate bonds of RMB4,400 million, private placement notes of RMB2,000 million and medium-term notes of RMB1,500 million, amounting to RMB18,900 million in aggregate, the details of which are set out below:

(1) In 2021, the Company issued 14 rounds of ultra-short-term commercial papers of RMB11,000 million in aggregate with a maturity period of 270 days and interest rates ranging from 2.78% to 3.80% per annum in the PRC.

(2) In 2021, the Company issued five rounds of public corporate bonds of RMB4,400 million in aggregate with maturity periods ranging from two to four years and interest rates ranging from 3.70% to 4.10% per annum in the PRC.

(3) In 2021, the Company issued two rounds of private placement notes of RMB2,000 million in aggregate with maturity periods ranging from two to three years and interest rates ranging from 3.95% to 4.19% per annum in the PRC.

(4) In 2021, the Company issued two rounds of medium-term notes of RMB1,500 million in aggregate with maturity periods ranging from two to three years and interest rates ranging from 3.70% to 4.00% per annum in the PRC.

In 2021, the Group issued one round of medium-term notes of US$100 million with a maturity period of three years and interest rate of 3.00% per annum in Hong Kong, the PRC.

5. PROFIT DISTRIBUTION

Interim Dividend

In December 2021, the Company has distributed the interim cash dividend to all of its ordinary Shareholders for the six months ended June 30, 2021. Based on the number of shares of 8,235,300,000 Shares, the interim dividend to be distributed was RMB0.48 per 10 Shares (tax inclusive) with a total amount of RMB395,294,400.00 (tax inclusive).

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, 2021. Based on the number of Shares of 8,235,300,000 Shares, the annual dividend to be distributed will be RMB0.29 per 10 Shares (tax inclusive) with a total amount of RMB238,823,700.00 (tax inclusive). 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 HK dollar, respectively. The actual distribution amount in HK dollar shall be determined with reference to the average mid-price of exchange rate between RMB and HK dollars announced by the PBOC one week immediately prior to the date of the annual general meeting of 2021 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 2021 to be held by the Company and is expected to be distributed no later than July 25, 2022. Once approved, the 2021 annual dividend of the Company will be paid to the Shareholders whose names appear on the share register of the Company on June 16, 2022.

For the purpose of determining the entitlement of Shareholders to receive the 2021 annual dividend, the register of members of the Company will be closed from Saturday, June 11, 2022 (inclusive) to Thursday, June 16, 2022 (inclusive). In order to qualify for receiving the 2021 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 No. 599 South Zhongshan Road, Huangpu District, Shanghai, PRC, respectively, before 4:30 p.m. on Friday, June 10, 2022. The 2021 annual dividend is expected to be distributed no later than July 25, 2022.

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) (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)), 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) (「關於一深港股票市場交易互聯互通機制試點有關税收政策的通知」(財税[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

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 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 2021 (RMB in millions)	Actual transaction amount for the year ended December 31, 2021 (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		38.6	3.3
Payment of service fees by Haitong Securities and/or its controlled companies to the Group		13.7	—
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		100.0	59.4
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	—
Payment of income by Haitong Securities and/or its controlled companies to the Group		5.0	—

(1) For details of the connected transactions, please see section headed "Connected Transactions" in the Prospectus. 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 Shareholders' approval requirements under the Listing Rules would be impractical and unduly burdensome and would impose unnecessary administrative costs upon the Company. Accordingly, the Company has applied for, and the 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.

(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 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 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) 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 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 Listing Rules.

As the highest applicable percentage ratio of the transactions contemplated under the business referral framework agreement under Chapter 14A of the Listing Rules for the year ended December 31, 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 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 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) 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 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 Listing Rules.

As the highest applicable percentage ratio of the transactions contemplated under the financial service framework agreement under Chapter 14A of the Listing Rules for the year ended December 31, 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.

(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 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 Listing Rules.

(b) Purposes of the Transaction

To improve the efficiency of funds utilization, the Group purchases currency funds, 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) 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 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 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 Listing Rules for the year ended December 31, 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 Listing Rules.

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

Non-Exempt One-off Connected Transaction

Properties Disposal Agreement

On March 30, 2021, the Company entered into a sale and purchase framework agreement for disposal of properties with Haitong Securities.

(a) *Description of the Transactions*

Pursuant to the sale and purchase framework agreement, the Company sold an office building located at Block B1, No. 868 South Zhongshan Road, Shanghai at a consideration of RMB1,435 million with a unit price of RMB89,529/square meter. The consideration was determined by arm's length negotiations between the Company and Haitong Securities with reference to the valuation of the properties conducted by Cushman & Wakefield Limited, an independent property valuer and with reference to factors such as the location, use and area of the properties and the selling prices of comparable properties in the vicinity of the properties.

(b) *Purposes of the Transaction*

The Company believes that it is currently a good opportunity for the Company to dispose the properties at a reasonable price and the proceeds from the disposal will enable the Group to re-allocate more financial resources on future potential investment opportunities and/or working capital of the Group.

(c) *Listing Rules Implications*

Haitong Securities, the ultimate Controlling Shareholder of the Company, is a connected person of the Company. Therefore, the disposal constitutes connected transactions of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio for the disposal is higher than 5% but less than 25%, the disposal is subject to reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The disposal of properties and the connected transactions contemplated thereunder were approved by the Board and independent Shareholders of the Company, respectively. For details of the disposal of properties and the connected transactions contemplated thereunder, please refer to the announcement of the Company dated March 30, 2021 and the circular of the Company dated April 29, 2021.

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 secretary to 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 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 price is 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 the 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 that it is consistent with the pricing policies under the relevant agreements for the continuing connected transactions, and that 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.

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 Listing Rules, the Board has received a letter from the auditor, confirming that the continuing connected transactions:

(1) have been approved by the Board of Directors;

(2) were entered into according to the pricing policy of the Group;

(3) were entered into in accordance with the relevant agreements governing the transactions; and

(4) have not exceeded the annual caps for the year ended December 31, 2021.

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 Listing Rules, and comply with the disclosure requirements of Chapter 14A of the 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, 2021, revenues from the five largest customers of the Group accounted for 4.59% (2020: 4.54%) of the total revenue of the Group, while revenue from the single largest customer of the Group accounted for 1.93% (2020: 2.14%) 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.

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" of this report. During the Reporting Period, the Company had not experienced any labour disputes that affected our daily business operations.

In addition, the Company prioritizes the safety and health of its employees by providing them with a safe and healthy working environment. It also regularly inspects and maintains office equipment, examines the safety and hygiene of restaurants and cleans carpet and air conditioning system. During the Reporting Period, the Company had not received any report on material incidents of work-related injuries.

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. Fin-tech has been adopted for the enhancement of our digitalized and intelligent services. We continue to improve customers' recognition and trustworthiness of the Group so as to extend our customer base and strengthen our market position for more sustainable development opportunities. During the Reporting Period, there was no outstanding material litigation or arbitration which might have a significant impact on the Group.

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

As at December 31, 2021, 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 position
	Domestic Shares	Interests of controlled corporation[1]	2,440,846,824	29.64%	100%	Long position
Haitong International Holdings Limited[3]	H Shares	Interests of controlled corporation[2]	4,559,153,176	55.36%	78.68%	Long position
Haitong UT Capital	H Shares	Beneficial owner[1][2]	4,559,153,176	55.36%	78.68%	Long position
Haitong Innovation Securities Investment Co., Ltd.	Domestic Shares	Beneficial owner[1]	2,440,846,824	29.64%	100%	Long position

(1) Haitong Securities holds 100% of equity interests in Haitong Innovation Securities Investment 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 Innovation Securities Investment Co., Ltd. and the 4,559,153,176 H Shares held by Haitong International Holdings Limited through Haitong UT Capital.

(2) Haitong International Holdings Limited holds the 100% of equity interests in Haitong UT Capital. 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.

(3) According to the announcement issued by Haitong Securities, Haitong Securities convened a board meeting in December 2021 to consider and approve the transfer of 100% equity interest in Haitong UT Capital held by Haitong International Holdings Limited. The equity transfer constitutes the internal group restructuring of the ultimate controlling shareholder of the Company, Haitong Securities, which will not affect the total number of shares of the Company ultimately held by Haitong Securities and will not have any material impact on the Company. In addition, the equity transfer is still subject to the approval of the competent regulatory authorities and the execution of the relevant equity transfer agreement.

Save as disclosed above, as at December 31, 2021, 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, 2021, 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, 2021, 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

Each of the Directors and Supervisors of the Company entered into a service contract with the Company. Mr. Hu Zhangming, a Supervisor, entered into a service contract with the Company on August 17, 2021.

During the Reporting Period, none of the Directors and Supervisors has entered into a service contract with the Group which cannot be terminated by the Group 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, 2021 are set forth in notes 43 and 44 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 connected transaction 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

During the Reporting Period, 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, 2021, 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, 2021, the distributable reserves of the Company amounted to RMB3,661,456,739.73 (as at December 31, 2020: RMB2,595,573,399.57).

21. PROPERTY AND EQUIPMENT

Details of changes in property and equipment of the Company and the Group as at December 31, 2021 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, 2021, no charitable donations or other donations were made by the Group. For the year ended December 31, 2020, the total charitable donations and other donations of the Group amounted to RMB3,042,700.00.

24. LOAN AGREEMENTS

During the Reporting Period, the Group entered into loan agreements with specific banks, of which loans of approximately RMB3,834 million include terms requiring that the Group shall ensure that Haitong Securities maintains actual control over the Group. The terms of such loan agreements range from one to three years. Loans of RMB200 million include terms requiring that the Group shall maintain its listing status in Hong Kong. The term of such loan agreements is seven months.

25. REVIEW OF ANNUAL RESULTS

The accounting principles and practices adopted by the Group and the audited consolidated financial statements for the year ended December 31, 2021 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, 2021. Deloitte Touche Tohmatsu has audited the annexed financial statements prepared in accordance with the IFRS.

By order of the Board of Directors
Ding Xueqing
Chairman
Shanghai, the PRC, March 29, 2022

Report of the Board of Supervisors

During the Reporting Period, adhering to the principles of conscientiousness, fidelity, diligence and prudence in accordance with the Company Law, the Articles of Association, the rules of procedure for the Board of Supervisors of the Company 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, operating activities of the Company, risk control and compliance management. The Board of Supervisors expressed opinions and advice regarding material decisions of the Company in order to safeguard the legal interest and right of Shareholders, the Company and employees and promote sustainable and high-quality development of the Company.

The Board of Supervisors shall be accountable to the Shareholders' general meeting and exercise the following duties and powers in accordance with laws:

(1) to examine the Company's financial position;

(2) to supervise the conducts of the Directors, general manager and other members of senior management of the Company in violation of the laws, administrative regulations or the Articles of Association during the performance of their duties;

(3) to demand any Director, general manager and other senior management of the Company to rectify behavior which is harmful to the interests of the Company;

(4) to verify the financial information such as the financial reports, business reports and plans for distribution of profits to be submitted by the Board to the Shareholders' general meetings and, should any queries arise, to engage, in the name of the Company, certified accountants and auditors for a review on the aforesaid information;

(5) to propose to convene an extraordinary general meeting;

(6) to represent the Company in negotiating with Directors or institute proceedings against Directors;

(7) to exercise other duties and powers specified in laws, administrative regulations, normative documents and the Articles of Association.

Detailed biography of the Supervisors is 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

During the Report Period, the Board of Supervisors held 2 meetings in total. Resolutions regarding the working report of the Board of Supervisors, re-appointment of accounting firm, annual and interim reports, risk evaluation report, compliance report and distribution plan 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. Zhou Tao	2/2
Ms. Zhao Yue(1)	1/1
Mr. Chen Xinji	2/2
Mr. Hu Zhangming(2)	1/1

(1) Since August 2021, Ms. Zhao Yue has ceased to be an employee representative Supervisor of the Company.

(2) Since August 2021, Mr. Hu Zhangming has acted as an employee representative Supervisor of the Company.

2. ATTENDING MEETINGS OF THE BOARD AND SHAREHOLDERS' GENERAL MEETINGS

During the Reporting Period, the Company held 2 Shareholders' general meetings and 7 meetings of the Board. The Board of Supervisors attended the relevant meetings and effectively supervised the decision making of material matters including the working report of the Board, working report of the general manager, compliance report, risk evaluation report, regular financial reports, connected transactions, general mandate for provision of guarantee and general mandate for issuance of new shares of the Company, and considered and examined the implementation of the Board's decisions by the operation management. These supervision duties have been effectively performed. The following table sets forth the attendance of Supervisors at the relevant meetings:

Supervisor	Number of Shareholders' general meetings attended/ Should have attended	Number of Board meetings attended/Should have attended
Ms. Zhou Tao	2/2	7/7
Ms. Zhao Yue(1)	1/1	4/4
Mr. Chen Xinji	2/2	7/7
Mr. Hu Zhangming(2)	1/1	3/3

(1) Since August 2021, Ms. Zhao Yue has ceased to be an employee representative Supervisor of the Company.

(2) Since August 2021, Mr. Hu Zhangming has acted as an employee representative Supervisor of the Company.

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 officer in charge of finance, including major financial indicators, assets and liabilities, profit and loss, fees, capital management, execution of budgets and final accounts. The Board of Supervisors proposed that the Company shall improve the liquidity management system, consolidate the foundation of liquidity management, strengthen the monitoring of daily liquidity risk indicators, continuously diversify financing products, expand financing channels, increase financing reserves and 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 layout, 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 the Company shall focus on its principal leasing business, serve the real economy, enhance the research and analysis of the macroeconomic situation and industry development, and pay attention to the management measures of asset quality and asset safety of leases, in order to safeguard the sustainable and high-quality development of the Company.

5. SUPERVISION OF INTERNAL COMPLIANCE

The Board of Supervisors received presentations on the compliance report, the operational report of compliance management and the special report from the officer in charge of compliance to fully understand:

(1) formulation, amendment and execution of compliance management system;

(2) compliance management of the Company regarding credit review management, risk management, business management, operation management and assets management;

(3) compliance training of employees of the Company;

(4) compliance inspection and compliance assessment;

(5) significant policy changes in industry in which the Group operates;

(6) establishment of and protection for compliance management team;

(7) report on compliance information with industry regulation;

(8) planning of compliance management work.

The Board of Supervisors is of the view that various compliance management measures of the Company, including system establishment, compliance review, compliance assessment and compliance training, have effectively facilitated the compliance and orderly development of the Company. In addition, the Board of Supervisors suggested that the Company shall actively pay attention to and implement the updated law and regulations, regulatory measures and management rules in relation to financial leasing, strengthen the compliance awareness of all employees and enhance the compliance and governance level in order to refine the compliance management of all business lines and units.

6. CONTINUOUS ENHANCEMENT OF RISK MANAGEMENT SUPERVISION

The Board of Supervisors received presentations on comprehensive risk management, risk evaluation report and the special report of the officer in charge of the risk management to fully understand the risk management of the Company, including:

(1) general risk assessment of the industry;

(2) identification, handling and management of various risks;

(3) operation of the risk indicator system;

(4) establishment of the risk management system;

(5) establishment of the risk management system;

(6) asset allocation;

(7) risk research;

(8) future risk management planning.

The Board of Supervisors proposed that the Company shall continue to deepen asset allocation, improve the relevance and depth of peer and special research, strengthen post-lease asset management, improve the efficiency and effectiveness of asset collection, enhance forward-looking management of risk analysis and prevention, improve risk handling and strengthen the risk defense lines in order to ensure the asset security and stable development of the Company.

7. MAJOR WORKING PLANS OF THE BOARD OF SUPERVISORS

Further Improving Corporate Management Mechanism

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 the supervisory duty of the Board of Supervisors, improve the corporate management mechanism, express well-considered opinions of the Board of Supervisors, further improve governance on listing and facilitate the sustainable and high-quality development of the Company.

Performing Supervisory Role and Enhancing Management of the Company

The Board of Supervisors will strictly review regular reports of the Company, enhance the understanding and supervision of daily operation, compliance management, risk control, financial management, connected transactions, information disclosure and other aspects of the Company to facilitate more refined and comprehensive duty performance of the Board of Supervisors. It will supervise the duty performance of Directors and the senior management and the implementation of resolutions of the Shareholders' general meetings and meetings of the Board in order to effectively perform the supervision duties of the Board of Supervisors.

Improving Duty Performance of the Board of Supervisors

The Board of Supervisors will further improve its organization, actively participate in the training sessions and seminars organized by regulators at all levels and the Company, specify its governance duty and supervisory focus and further enrich the theoretical knowledge and practical experience of the Supervisors. The Board of Supervisors will obtain business updates of the Company through various channels regularly and strengthen the communications and interaction with the Board, operation management and Supervisors. The Board of Supervisors will pay close attention to the industry and market conditions as well as the development progress of the Company in order to lay a foundation for the effective performance of its supervisory duty.

The Board of Supervisors of Haitong Unitrust
International Financial Leasing Co., Ltd.
March 29, 2022

Definitions

"Articles of Association"	the Articles of Association of Haitong Unitrust International Financial Leasing Co., Ltd.
"Audit Committee"	the audit committee of the Company
"Board"	the board of directors of our Company
"CBIRC"	China Banking and Insurance Regulatory Commission formed by a merger of China Banking Regulatory Commission and China Insurance Regulatory Commission and approved by the National People's Congress of the PRC on March 17, 2018
"Company Law"	the Company Law of the People's Republic of China, as amended, supplemented or otherwise modified from time to time
"Controlling Shareholder"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	director(s) of our Company
"Environmental, Social and Governance Committee"	the environmental, social and governance committee of the Company
"Federal Reserve System"	the Federal Reserve System of the United States
"GDP"	gross domestic product
"Group" or "we" or "us"	our Company and its subsidiaries
"H Shares"	overseas listed foreign shares in the share capital of our Company with a nominal value of RMB1.00 each, subscribed for and traded in HK dollars and listed on the Hong Kong Stock Exchange
"Haitong Securities"	Haitong Securities Co., Ltd., a company incorporated in the PRC in August 1988, the H-shares and A-shares of which are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively. It is the ultimate Controlling Shareholder of the Company
"Haitong Unitrust", or "Company"	Haitong Unitrust International Financial Leasing Co., Ltd.
"Haitong UT Capital"	Haitong UT Capital Group Co., Limited

"HK dollar(s)"	Hong Kong dollar(s), 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
"IoT"	Internet of Things
"Listing"	listing of the H Shares of the Company on the Main Board of the Hong Kong Stock Exchange
"Listing Date"	June 3, 2019
"MSE Subsidiary"	Haitong UT MSE Financial Leasing (Shanghai) Co., Ltd.
"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, 2021
"Risk Management Committee"	the risk management committee of the Company
"RMB"	Renminbi, the lawful currency of the PRC

Definitions

"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
"UniFortune Subsidiary"	Haitong UniFortune Financial Leasing (Shanghai) Corporation
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$" or "US dollar(s)"	United States dollar(s), the lawful currency of the United States

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

Glossary of Technical Terms

"14th Five-Year Plan"	Outline of the "14th Five-Year Plan" for National Economic and Social Development of the People's Republic of China and the Long-Range Objectives Through the Year 2035
"ABS"	asset-backed security
"dual control on energy consumption"	control over intensity and total volume of energy consumption
"Fin-tech"	financial technology
"HRBP"	human resources business partners
"IDC"	Internet Data Center
"LME"	large- and medium-sized enterprise
"LPR"	Loan Prime Rate
"Made in China 2025"	the strategic document issued in May 2015 by the State Council regarding the full promotion of becoming a world manufacturing power, being the first ten-year action plan for the strategy of "becoming a world manufacturing power"
"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
"Security in the Six Areas"	ensuring security in job, basic living needs, operations of market entities, food and energy security, stable industrial and supply chains, and the normal functioning of primary-level governments
"Stability on the Six Fronts"	ensuring stability in employment, financial operations, foreign trade, foreign investment, domestic investment, and expectations

Independent Auditor's Report

Deloitte. 德勤

TO THE SHAREHOLDERS OF HAITONG UNITRUST INTERNATIONAL FINANCIAL 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 Financial Leasing Co., Ltd. (海通恒信國際融資租賃股份有限公司) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 139 to 268, which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of profit or loss, 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, 2021, 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 judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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 expected credit loss ("ECL") allowance 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 judgement and estimation by the management to determine the amount of 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, 2021, the Group held finance lease receivables of RMB35,037 million, less loss allowance of RMB1,564 million; receivables arising from sale and leaseback arrangements of RMB55,858 million, less loss allowance of RMB770 million; loans and receivables of RMB6,748 million, less loss allowance of RMB366 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 parameters and data used in 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 operation and financial information of the debtors 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 assessing stage determination, PD, LGD, 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 realisation of collateral held in supporting the computation of loss allowance; and • 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 judgement 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, actions taken to eliminate threats or safeguards applied.

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 Shi Chung Fai.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
March 29, 2022

Consolidated Statement of Profit or Loss for the Year Ended December 31, 2021

	Notes	2021 RMB'000	2020 RMB'000
Revenue			
Finance lease income	5	**3,336,405**	3,932,864
Interest income from sale and leaseback arrangements	5	**2,730,138**	2,017,118
Operating lease income	5	**451,145**	464,433
Service fee income	5	**1,281,697**	1,148,831
Factoring interest income	5	**355,592**	312,109
Entrusted loan and other loan interest income	5	**22,628**	39,671
Total revenue		**8,177,605**	7,915,026
Net investment gains	6	**34,226**	34,484
Share of result of a joint venture	19	**–**	(40,339)
Other income, gains or losses	7	**818,877**	644,420
Loss from derecognition of financial assets measured at amortised cost		**(77,524)**	(8,529)
Total revenue and other income, gains or losses		**8,953,184**	8,545,062
Depreciation and amortisation	8	**(422,813)**	(359,048)
Staff costs	9	**(738,560)**	(585,468)
Interest expenses	10	**(3,527,798)**	(3,676,099)
Other operating expenses	11	**(534,109)**	(508,158)
Impairment losses under expected credit loss model	12	**(1,713,016)**	(1,917,515)
Other impairment losses		**(85,315)**	(10,567)
Total expenses		**(7,021,611)**	(7,056,855)
Profit before income tax		**1,931,573**	1,488,207
Income tax expense	13	**(518,713)**	(372,223)
Profit for the year		**1,412,860**	1,115,984

Consolidated Statement of Profit or Loss for the Year Ended December 31, 2021

	Notes	2021 RMB'000	2020 RMB'000
Attributable to:			
Owners of the Company			
— Ordinary shareholders		**1,321,231**	1,065,289
— Other equity instrument holders		**90,934**	50,221
Non-controlling interests		**695**	474
		1,412,860	1,115,984
Earnings per share attributable to ordinary shareholders of the Company (Expressed in RMB Yuan per share)			
— Basic	14	**0.16**	0.13
— Diluted	14	**N/A**	N/A

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Year Ended December 31, 2021

	2021 RMB'000	2020 RMB'000
Profit for the year	**1,412,860**	1,115,984
Other comprehensive income/(expense):		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(21,127)**	(72,867)
Fair value gain/(loss) on hedging instruments designated as cash flow hedges	**94,909**	(74,695)
Other comprehensive income/(expense) for the year, net of income tax	**73,782**	(147,562)
Total comprehensive income for the year	**1,486,642**	968,422
Attributable to:		
Owners of the Company		
— Ordinary shareholders	**1,395,013**	917,727
— Other equity instrument holders	**90,934**	50,221
Non-controlling interests	**695**	474
	1,486,642	968,422

Consolidated Statement of Financial Position as at December 31, 2021

	Notes	2021/12/31 RMB'000	2020/12/31 RMB'000
Non-current assets			
Property and equipment	16	**5,463,211**	7,154,205
Right-of-use assets	17	**120,262**	165,036
Intangible assets	18	**15,205**	15,386
Finance lease receivables	20	**11,270,189**	20,751,276
Receivables arising from sale and leaseback arrangements	21	**31,521,846**	20,132,302
Loans and receivables	22	**575,177**	1,249,177
Financial assets at fair value through profit or loss	26	**128,099**	326,285
Deferred tax assets	23	**1,578,035**	1,540,986
Other assets	24	**2,202,020**	944,543
Total non-current assets		**52,874,044**	52,279,196
Current assets			
Finance lease receivables	20	**22,202,398**	27,660,127
Receivables arising from sale and leaseback arrangements	21	**23,566,177**	15,082,174
Loans and receivables	22	**5,806,749**	6,380,913
Other assets	24	**1,497,288**	952,265
Accounts receivable	25	**48,715**	36,913
Financial assets at fair value through profit or loss	26	**1,996,289**	572,915
Derivative financial assets	27	**11,079**	—
Cash and bank balances	28	**6,738,571**	5,176,968
Total current assets		**61,867,266**	55,862,275
Total assets		**114,741,310**	108,141,471

Consolidated Statement of Financial Position
as at December 31, 2021

	Notes	2021/12/31 RMB'000	2020/12/31 RMB'000
Current liabilities			
Borrowings	29	**25,584,189**	22,205,176
Derivative financial liabilities	27	**231,247**	359,910
Accrued staff costs	30	**286,166**	217,571
Accounts payable	31	**34,552**	30,118
Bonds payable	32	**22,989,474**	18,408,850
Income tax payable		**743,751**	663,899
Other liabilities	33	**7,692,962**	6,477,034
Total current liabilities		**57,562,341**	48,362,558
Net current assets		**4,304,925**	7,499,717
Total assets less current liabilities		**57,178,969**	59,778,913
Equity			
Share capital	34	**8,235,300**	8,235,300
Other equity instruments	35	**2,384,512**	1,523,756
Reserves			
— Capital reserve	36	**2,492,962**	2,497,465
— Surplus reserve	36	**585,260**	409,181
— Hedging reserve	36	**22,716**	(72,193)
— Translation reserve	36	**(75,719)**	(54,592)
Retained profits		**3,890,937**	3,263,152
Equity attributable to owners of the Company			
— Ordinary shareholders		**15,151,456**	14,278,313
— Other equity instrument holders		**2,384,512**	1,523,756
Non-controlling interests		**83,675**	51,730
Total equity		**17,619,643**	15,853,799

Consolidated Statement of Financial Position
as at December 31, 2021

	Notes	2021/12/31 RMB'000	2020/12/31 RMB'000
Non-current liabilities			
Borrowings	29	**18,145,228**	21,796,398
Bonds payable	32	**14,865,356**	13,951,119
Deferred tax liabilities	23	**16,297**	18,295
Other liabilities	33	**6,532,445**	8,159,302
Total non-current liabilities		**39,559,326**	43,925,114
Total equity and non-current liabilities		**57,178,969**	59,778,913

The consolidated financial statements on pages 139 to 268 were approved and authorised for issue by the Board of Directors on March 29, 2022 and signed on behalf by:

Ding Xueqing
Chairman of the Board/
Executive Director

Zhou Jianli
Executive Director/
General Manager

Consolidated Statement of Changes in Equity for the Year Ended December 31, 2021

	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 instruments RMB'000 (Notes 35)	Non-controlling interest RMB'000	Total equity RMB'000
At December 31, 2020	8,235,300	2,497,465	409,181	(72,193)	(54,592)	3,263,152	14,278,313	1,523,756	51,730	15,853,799
Profit for the year	–	–	–	–	–	1,321,231	1,321,231	90,934	695	1,412,860
Other comprehensive income/ (expense) for the year	–	–	–	94,909	(21,127)	–	73,782	–	–	73,782
Total comprehensive income/ (expense) for the year	–	–	–	94,909	(21,127)	1,321,231	1,395,013	90,934	695	1,486,642
Capital injection by non-controlling interests (Note 50)	–	–	–	–	–	–	–	–	31,250	31,250
Issue of other equity instruments	–	–	–	–	–	–	–	2,318,012	–	2,318,012
Redemption of other equity instruments	–	(4,503)	–	–	–	–	(4,503)	(1,481,997)	–	(1,486,500)
Appropriation to surplus reserve	–	–	176,079	–	–	(176,079)	–	–	–	–
Distribution to other equity instruments	–	–	–	–	–	–	–	(64,736)	–	(64,736)
Dividends recognised as distribution (Note 15)	–	–	–	–	–	(518,824)	(518,824)	–	–	(518,824)
Other	–	–	–	–	–	1,457	1,457	(1,457)	–	–
At December 31, 2021	8,235,300	2,492,962	585,260	22,716	(75,719)	3,890,937	15,151,456	2,384,512	83,675	17,619,643

Consolidated Statement of Changes in Equity for the Year Ended December 31, 2021

	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 instruments RMB'000 (Notes 35)	Non-controlling interest RMB'000	Total equity RMB'000
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
Profit for the year	–	–	–	–	–	1,065,289	1,065,289	50,221	474	1,115,984
Other comprehensive expense for the year	–	–	–	(74,695)	(72,867)	–	(147,562)	–	–	(147,562)
Total comprehensive (expense)/ income for the year	–	–	–	(74,695)	(72,867)	1,065,289	917,727	50,221	474	968,422
Capital injection by non-controlling interests (Note 50)	–	–	–	–	–	–	–	–	34,596	34,596
Issue of other equity instruments	–	–	–	–	–	–	–	286,500	–	286,500
Appropriation to surplus reserve	–	–	94,182	–	–	(94,182)	–	–	–	–
Distribution to other equity instruments	–	–	–	–	–	–	–	(50,211)	–	(50,211)
Dividends recognised as distribution (Note 15)	–	–	–	–	–	(675,295)	(675,295)	–	–	(675,295)
Other	–	–	–	–	–	(34)	(34)	34	–	–
At December 31, 2020	8,235,300	2,497,465	409,181	(72,193)	(54,592)	3,263,152	14,278,313	1,523,756	51,730	15,853,799

Consolidated Statement of Cash Flows for the Year Ended December 31, 2021

	Notes	2021 RMB'000	2020 RMB'000
OPERATING ACTIVITIES			
Profit before income tax		**1,931,573**	1,488,207
Adjustments for:			
Interest expenses		**3,527,798**	3,676,099
Interest income from deposits with financial institutions		**(97,692)**	(73,459)
Impairment losses recognised		**1,798,331**	1,928,082
Depreciation and amortisation		**422,813**	359,048
(Gains)/losses on disposal of property and equipment		**(108,702)**	250
Share of result of a joint venture		**—**	40,339
Foreign exchange losses, net		**16,162**	4,032
Net gains arising from financial assets at fair value through profit or loss		**(703)**	(9,375)
Unrealised fair value change		**(37,846)**	(8,313)
Operating cash flows before movements in working capital		**7,451,734**	7,404,910
Decrease in finance lease receivables		**13,875,934**	5,626,359
Increase in receivables arising from sale and leaseback arrangements		**(20,189,156)**	(13,289,752)
Decrease in loans and receivables		**898,193**	54,499
(Increase)/decrease in financial assets at fair value through profit or loss		**(120,073)**	574,002
Increase in accounts receivable		**(19,151)**	(39,439)
Increase in other assets		**(1,784,257)**	(330,604)
Increase in accrued staff costs		**68,595**	36,480
Increase/(decrease) in accounts payable		**4,434**	(249,281)
(Decrease)/increase in other liabilities		**(511,568)**	439,963
Cash (used in)/generated from operations		**(325,315)**	227,137
Income taxes paid, net		**(457,975)**	(665,623)
Interest received		**97,692**	73,459
Interest paid		**(3,065,713)**	(3,036,868)
NET CASH USED IN OPERATING ACTIVITIES		**(3,751,311)**	(3,401,895)

Consolidated Statement of Cash Flows
for the Year Ended December 31, 2021

	Notes	2021 RMB'000	2020 RMB'000
INVESTING ACTIVITIES			
Proceeds on sale of financial assets held under resale agreements		**16,509,000**	3,781,400
Proceeds on sale of financial assets at fair value through profit or loss		**2,331,921**	7,510,481
Disposal of property and equipment		**1,832,523**	17
Payments of restricted deposits		**(50,761)**	(200,313)
Payments of bank deposits		**(84,000)**	—
Purchase of financial assets held under resale agreements		**(16,509,000)**	(3,200,600)
Purchase of financial assets at fair value through profit or loss		**(3,339,011)**	(7,267,865)
Purchase of financial assets measured at amortised cost		**(375,810)**	(52,730)
Purchase of property and equipment and intangible assets		**(654,185)**	(2,765,741)
Acquisition of a subsidiary		**—**	(812,602)
NET CASH USED IN INVESTING ACTIVITIES		**(339,323)**	(3,007,953)
FINANCING ACTIVITIES			
Proceeds from issuance of other equity instruments		**2,330,000**	286,500
Proceeds from capital injection of the non-controlling investors		**31,250**	34,596
Proceeds from borrowings	40	**27,111,176**	27,719,873
Proceeds from issuance of bonds	40	**34,596,010**	30,080,599
Repayment of borrowings	40	**(27,142,210)**	(22,015,696)
Repayment of bonds payable	40	**(29,052,648)**	(29,169,117)
Repayment of other equity instruments		**(1,486,500)**	—
Repayments of lease liabilities	40	**(60,656)**	(63,994)
Payments for the costs of borrowings	40	**(43,515)**	(63,222)
Payments for the costs of bonds issuance	40	**(174,077)**	(153,578)
Payments for the costs of other equity instruments issuance		**(8,988)**	(2,402)
Payment of distribution of other equity instruments	40	**(64,736)**	(50,211)
Payment of dividends	40	**(518,824)**	(675,295)
NET CASH GENERATED FROM FINANCING ACTIVITIES		**5,516,282**	5,928,053
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**1,425,648**	(481,795)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	39	**4,570,959**	5,053,127
Effect of foreign exchange rate changes		**1,208**	(373)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	39	**5,997,815**	4,570,959

1. GENERAL INFORMATION

Haitong Unitrust International Financial Leasing Co., Ltd. (海通恒信國際融資租賃股份有限公司) (the "Company") was listed on The Stock Exchange of Hong Kong Limited on June 3, 2019. The registered office of the Company is located at No. 599 South Zhongshan Road, Huang Pu District, Shanghai, the People's Republic of China (the "PRC").

The approved business scope of the Company and its subsidiaries (collectively 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 allowed by relevant laws and regulations.

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")

2.1 Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB"), for the first time, which are mandatorily effective for the annual periods beginning on or after January 1, 2021 for the preparation of the consolidated financial statements:

Amendment to IFRS 16	Covid-19 — Related Rent Concessions
Amendments to IFRS 9, IAS 39 IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform — Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee of the IASB issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

Except as described below, the application of the amendments to IFRSs in the current year has had no material impact on the Group's financial positions and 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 (CONTINUED)

2.1 Amendments to IFRSs that are mandatorily effective for the current year (continued)

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

For other changes made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first applies the practical expedient to the changes required by interest rate benchmark reform by updating the effective interest rate. The Group then applies the applicable requirements in IFRS 9 *Financial Instruments* on modification of a financial asset or a financial liability to the additional changes to which the practical expedient does not apply.

Hedge accounting

For changes made to the hedged risk, hedged item or hedging instruments required by interest rate benchmark reform, the Group amends the formal designation of a hedging relationship to reflect the changes by the end of the reporting period during which the relevant changes were made. Such an amendment to the formal designation of the hedging relationship constitutes neither the discontinuation of the hedging relationship nor the designation of a new hedging relationship.

Cash flows hedges

When a hedged item in a cash flow hedge is amended to reflect the changes that are required by the interest rate benchmark reform, the amount accumulated in the cash flow hedge reserve is deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

2.1 Amendments to IFRSs that are mandatorily effective for the current year (continued)

Transition and summary of effects

As at January 1, 2021, the Group had certain financial liabilities and derivatives, the interest of which were indexed to benchmark rates that were subject to interest rate benchmark reform. After assessment, the Group considered the application of this amendment has had no material impact on the Group's financial positions and performance for the current year.

2.2 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 and the related Amendments[3]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendment to IFRS 16	Covid-19 — Related Rent Concessions beyond 30 June 2021[1]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to IAS 8	Definition of Accounting Estimates[3]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to IAS 16	Property, Plant and Equipment — Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract[2]
Amendments to IFRSs	Annual Improvements to IFRSs 2018–2020[2]

1 Effective for annual periods beginning on or after April 1, 2021.

2 Effective for annual periods beginning on or after January 1, 2022.

3 Effective for annual periods beginning on or after January 1, 2023.

4 Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of all these new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

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 *Leases*, 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of preparation of consolidated financial statements (continued)

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.

3.2 Significant accounting policies

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 and other comprehensive income 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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 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 (i) the 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 the owners 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 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses, other than business combination under common control are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the International Accounting Standards Committee's *Framework for the Preparation and Presentation of Financial Statements* (replaced by the Conceptual Framework for Financial Reporting issued in 2010).

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities are recognised and measured in accordance with IAS 12 *Income Taxes*;

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Business combinations (continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under IFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Business combinations (continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less accumulated impairment losses, if any.

Investments in joint ventures

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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Investments in joint ventures (continued)

The Group assesses whether there is any 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 for 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 of 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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

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.

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.

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 the 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.

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.

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	3–5 years
Leasehold land and buildings	5%	30–35 years

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Property and equipment (continued)

Pursuant to the condition of aircraft at initial recognition, the estimated residual value rate and useful lives of the aircraft held for operating lease businesses are as follows:

	Estimated residual value rate	Estimated useful lives
Aircraft	15%	18–25 years

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

Properties under development/properties for sale

Properties under development are properties that intended to be sold upon completion of development. Together with properties for sale, they are classified as current assets. Properties under development/properties for sale are carried at the lower of cost and net realisable value. Cost is determined on a specific identification basis including allocation of the related development expenditure incurred and where appropriate, borrowing costs capitalised. Net realisable value represents 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 for sale upon completion.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 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 operating lease assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its operating lease assets 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 operating lease assets 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Impairment on operating lease assets and intangible assets other than goodwill (continued)

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.

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) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Leases

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 on or after the date of initial application of IFRS 16 or arising from business combinations, 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 and are accounted for by applying other applicable standards.

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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Right-of-use assets

The cost of right-of-use assets 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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 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; or
- 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”.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

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.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, 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.

Changes in the basis for determining the future lease payments as a result of interest rate benchmark reform

For changes in the basis for determining the future lease payments as a result of interest rate benchmark reform, the Group applies the practical expedient to remeasure the lease liabilities by discounting the revised lease payments using the unchanged discount rate and makes a corresponding adjustment to the related right-of-use assets. A lease modification is required by interest rate benchmark reform if, and only if, both of these conditions are met:

- the modification is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the lease payments is economically equivalent to the previous basis (i.e. the basis immediately preceding the modification).

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Leases (continued)

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

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

(i) Operating leases

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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessor (continued)

Lease modification (continued)

(ii) Finance leases

The Group accounts for a change in the lease payments of a finance lease as a lease modification, that is not accounted for as a separate lease, in accordance with the requirements of IFRS 9. If the change represents a substantial modification, the finance lease receivables of the original lease are derecognised and a derecognition gain or loss calculated using the revised lease payments discounted at the revised discount rate is recognised in profit or loss on the date of the modification. If the change does not represent a substantial modification, the Group continues to recognise the finance lease receivables in which such carrying amount will be calculated at the present value of the modified contractual cash flows discounted at the related receivables' original discount rate. Any adjustment to the carrying amount is recognised in profit or loss at the effective date of modification.

Changes in the basis for determining the future lease payments as a result of interest rate benchmark reform

For changes in the basis for determining the future lease payments as a result of interest rate benchmark reform for a finance lease that is not accounted for as a separate lease, the Group applies the same accounting policies as those applicable to financial instruments (see accounting policy below).

Sale and leaseback transactions

The Group applies the requirements of IFRS 15 *Revenue from Contracts with Customers* 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 of 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on 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 on 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 under the heading of translation reserve (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, or 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 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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

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 related to income 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. Such grants are presented under “other income, gains or losses”.

Employee benefits

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 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 bases 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 differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of 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 realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Taxation (continued)

Deferred tax (continued)

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.

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 first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 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 results 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

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.

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 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

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 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 is required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

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” line item.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

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 including cash and bank balances, receivables arising from sale and leaseback arrangements, loans and receivables, accounts receivable and other financial assets, and other items including finance lease receivables which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date 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). Assessments 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 there has been a significant increase in credit risk since initial recognition, in which case 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.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events 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 contractual payments are 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Credit-impaired financial assets (continued)

When assessing the likelihood of the borrower to pay its credit obligation, the Group takes into account both qualitative and quantitative indicators. Qualitative indicators, 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 financial assets that are measured at amortised cost are credit-impaired at each reporting date.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Significant increase in credit risk (continued)

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 contractual payments are 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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

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 and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on receivable using a provision matrix taking into consideration historical credit loss experience and forward looking information that is available without undue cost or effort.

Generally, the ECL is 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.

Lifetime ECL for certain finance lease receivables, receivables arising from sale and leaseback arrangements, loans and receivables, accounts receivable and other financial assets are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- past-due status;
- nature, size and industry of debtors; and
- external credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Measurement and recognition of ECL (continued)

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 amortised 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 and bank balances, where the corresponding adjustment is recognised through a loss allowance account.

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 or 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 or loss previously recognised in other comprehensive income is not subsequently reclassified to profit or loss, but is transferred to retained profits.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets (continued)

As part of its operational activities, the Group securitises financial assets, generally through the sale of these assets to structured entities which issue securities to investors. Interests in the securitised financial assets may be retained in the form of senior or junior tranches, or other residual interests (retained interests). When applying the policies on securitised financial assets, the Group has considered both the degree of transfer of risks and rewards on the transferred financial assets and the degree of control exercised by the Group over the transferred financial assets:

- when the Group transfers substantially all the risks and rewards of ownership of the financial assets, the Group shall derecognise the financial assets;

- when the Group retains substantially all the risks and rewards of ownership of the financial assets, the Group shall continue to recognise the financial assets; and

- when the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial assets, the Group would determine whether it has retained control of the financial assets. If the Group has not retained control, it shall derecognise the financial assets and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer. If the Group has retained control, it shall continue to recognise the financial assets to the extent of its continuing involvement in the financial assets.

When a securitisation of financial assets does not qualify for derecognition, the relevant financial assets are not derecognised, and the consideration collected from third parties is recorded as a financial liability.

When the securitisation results in derecognisation or partial derecognisation of financial assets, the Group allocates the carrying amount of the transferred financial assets between the financial assets derecognised and the retained interests based on their relative fair values at the date of the transfer. Gains or losses on securitisation, which is the difference between the consideration received and the allocated carrying amount of the financial assets derecognised, are recorded in “Loss from derecognition of financial assets measured at amortised cost”. The retained interests continue to be recognised on the same basis before the securitisation.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

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. 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 arrangements 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 Company are recognised at the proceeds received, net of direct issue costs.

Perpetual instruments, which include no contractual obligation for the Group to deliver cash or other financial assets or the Group has the sole discretion to defer payment of distribution and redemption of principal amount indefinitely are classified as equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities at FVTPL (continued)

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.

Financial liabilities designated as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IFRS 9 are satisfied.

No financial liability is designated as at FVTPL by the Group.

Financial liabilities at amortised cost

Financial liabilities including borrowings, accounts payable, bonds payable, bank acceptance bill, amounts due to related parties and other payables are subsequently measured at amortised cost, using the effective interest method.

Derecognition/modification 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.

Except for changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform in which the Group applies the practical expedient, when the contractual terms of a financial liability are modified, the Group assess whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers 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 interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

For other changes made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first applies the practical expedient to the changes required by interest rate benchmark reform by updating the effective interest rate. The Group then applies the applicable requirements in IFRS 9 on modification of a financial asset or a financial liability (see accounting policy above) to the additional changes to which the practical expedient does not apply.

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 unless the derivative is designated and effective as a hedging instrument, in which event 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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Hedge accounting

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

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

For the purpose of determining whether a forecast transaction (or a component thereof) is highly probable, the Group assumes that the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Hedge accounting (continued)

Assessment of hedging relationship and effectiveness (continued)

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.

For changes made to the hedged risk, hedged item or hedging instrument required by interest rate benchmark reform, the Group amends the formal designation of a hedging relationship to reflect the changes by the end of the reporting period during which the relevant changes were made. Such an amendment to the formal designation of the hedging relationship constitutes neither the discontinuation of the hedging relationship nor the designation of a new hedging relationship.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualified as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of 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 'net investment gains' line item.

When a hedged item in a cash flow hedge is amended to reflect the changes that are required by the interest rate benchmark reform, the amount accumulated in the hedging reserve is deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.

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 hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Hedge accounting (continued)

Discontinuation of hedge accounting

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

For cash flow hedge, any gain or loss 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.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount is presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 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 goods or 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Revenue recognition (continued)

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.

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 leases above.

(ii) Interest income from sale and leaseback arrangements, factoring and entrusted loan and other loan.

Interest income from sale and leaseback arrangements, factoring interest income and entrusted loan and other loan interest income are recognised as revenue in each period using the effective interest method during the terms of the contract.

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.

(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 leases above.

(iv) 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.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3.2, the directors of the Company are required to make judgements, 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 judgements in applying accounting policies

The following are the critical judgements, apart from those estimations (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 at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset. Accordingly, the Group has excluded the assets held for lease businesses under such leases from its consolidated statement of financial position and instead recognised finance lease receivables and receivables arising from sale and leaseback arrangements as disclosed in Notes 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 judgements by management.

Classification of financial assets

One important consideration in classification and measurement of financial assets is the result of business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated.

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.

4. CRITICAL ACCOUNTING JUDGEMENT 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

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 in estimating the ECL are reviewed regularly. This includes the selection of models, inputs and determination of whether the credit risk of an asset has significantly increased by taking into account forward looking information. The impairment provision of ECL is sensitive to changes in estimates which involve high degree of judgement and uncertainty.

Impairment of equipment held for operating lease business

The Group's equipment held for operating lease business are aircraft. In determining whether the aircraft are impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, the recoverable amount is the higher of the net amount of assets' fair value minus the cost of disposal, and the estimated value in use; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections, appropriate discount rate and the fair value. Changing the assumptions and estimates, could materially affect the recoverable amounts. Furthermore, the cash flows projections, discount rate and fair value are subject to greater uncertainties due to uncertainty on how the Covid-19 pandemic may progress and evolve.

Fair value of financial assets

The Group uses valuation techniques to estimate the fair value of financial assets which are not quoted in an active market. These valuation techniques include the use of recent transaction prices, discounted cash flow analysis, etc. To the extent practical, market observable inputs and data are used when estimating fair value through a valuation technique. Where market observable inputs are not available, they are estimated using assumptions that are calibrated as closely as possible to market observable data. However, areas such as the credit risk of the Group and the counterparty, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of financial assets.

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 entities file 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

	2021 RMB'000	2020 RMB'000
Finance lease income (note i)	**3,336,405**	3,932,864
Interest income from sale and leaseback arrangements (note ii)	**2,730,138**	2,017,118
Operating lease income	**451,145**	464,433
Service fee income (note iii)	**1,281,697**	1,148,831
Factoring interest income (note ii)	**355,592**	312,109
Entrusted loan and other loan interest income (note ii)	**22,628**	39,671
Total revenue	**8,177,605**	7,915,026

notes:

(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, 2021 and 2020.

(ii) The interest income from sale and leaseback arrangements, factoring interest income and entrusted loan and other loan interest income are all 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 agreement 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.

Segment reporting

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, 2021 and 2020, there was no revenue from transactions with a single external customer amounting to 10% or more of the Group's total revenue.

6. NET INVESTMENT GAINS

	2021 RMB'000	2020 RMB'000
Net (losses) /gains arising from derivative financial instruments	(10,929)	3,033
Net gains arising from financial assets at fair value through profit or loss	42,078	31,222
Other	3,077	229
	34,226	34,484

7. OTHER INCOME, GAINS OR LOSSES

	2021 RMB'000	2020 RMB'000
Interest income from deposits with financial institutions	97,692	73,459
Interest income from financial assets held under resale agreements	3,211	42,692
Interest income from asset-backed securities	26,903	9,402
Foreign exchange losses, net	(16,162)	(4,032)
Government grants (note i)	297,150	151,713
Losses on disposal of repossessed finance lease assets	(30,068)	(6,040)
Gains on disposal of assets under operating lease	48,236	—
Gains on disposal of land and building (Note 45)	60,469	—
Income from government outsourcing business (note ii)	273,366	330,266
Other	58,080	46,960
	818,877	644,420

notes:

(i) Government grants primarily consist of preferential policy of the government for value-added tax and fiscal support that local governments offer to enterprises in financial leasing industry, etc.

(ii) During the year ended December 31, 2021, the Group recognised relevant income from government outsourcing business and cost relating to government outsourcing business according to signed agreements, the cost refers to Note 11.

8. DEPRECIATION AND AMORTISATION

	2021 RMB'000	2020 RMB'000
Depreciation of property and equipment	**353,994**	290,356
Depreciation of right-of-use assets	**62,888**	63,404
Amortisation of intangible assets	**5,931**	5,288
	422,813	359,048

9. STAFF COSTS

	2021 RMB'000	2020 RMB'000
Salaries, bonus and allowances	**565,711**	479,150
Social welfare	**150,265**	86,363
Other	**22,584**	19,955
	738,560	585,468

The domestic employees of the Group in the PRC participate in 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 organised 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. These pension plans constitute defined contribution plans. The Group's contributions to these pension plans are charged to profit or loss in the period to which they related.

10. INTEREST EXPENSES

	2021 RMB'000	2020 RMB'000
Interest on liabilities:		
Bank and other borrowings	**2,131,756**	2,261,268
Bonds payables	**1,388,911**	1,405,427
Lease liabilities	**7,131**	9,404
	3,527,798	3,676,099

11. OTHER OPERATING EXPENSES

	2021 RMB'000	2020 RMB'000
Cost relating to government outsourcing business (Note 7)	**224,797**	273,902
Advisory expenses	**83,331**	50,326
Business traveling expenses	**61,490**	44,696
Tax and surcharges	**30,948**	25,970
Communication expenses	**17,814**	16,057
Administrative expenses	**16,046**	12,338
Bank charges	**16,025**	9,676
Business development expenses	**14,539**	11,527
Property management expenses	**13,068**	16,300
Auditor's fee	**3,827**	3,473
Short-term lease expenses	**1,185**	4,605
Other	**51,039**	39,288
	534,109	508,158

12. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL

	2021 RMB'000	2020 RMB'000
Impairment loss recognised/(reversed) on:		
— finance lease receivables	1,062,882	1,266,219
— receivables arising from sale and leaseback arrangements	315,609	231,697
— loans and receivables	313,384	400,064
— accounts receivable	7,349	19,208
— financial assets held under resale agreements	—	(5,286)
— bank balances	14	14
— other assets	13,778	5,599
	1,713,016	1,917,515

13. INCOME TAX EXPENSE

	2021 RMB'000	2020 RMB'000
Current tax:		
PRC Enterprise Income Tax	545,599	811,575
Hong Kong Profit Tax	16,237	5,230
Other jurisdictions	107	148
Sub-total	561,943	816,953
Deferred tax	(43,230)	(444,730)
Total	518,713	372,223

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 domestic subsidiaries of the Group in the PRC is 25%. Taxation relating to group entities located in Ireland is calculated at the prevailing rate of 12.5% or 25.0%, and taxation relating to group entities located 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:

	2021 RMB'000	2020 RMB'000
Profit before income tax	1,931,573	1,488,207
Tax at the statutory tax rate of 25%	482,893	372,052
Tax effect of expenses not deductible for tax purpose	41,847	17,606
Tax effect of income not taxable and exemptions for tax purpose	(1,475)	(3,345)
Tax effect of share of result of a joint venture	—	7,942
Tax effect of interest expenses of other equity instruments	(16,184)	(12,553)
Effect of different tax rates of subsidiaries	11,632	(9,479)
Income tax expense for the year	518,713	372,223

14. EARNINGS PER SHARE

	2021 RMB'000	2020 RMB'000
Earnings for the purpose of basic and diluted earnings per share:		
Profit for the year attributable to ordinary shareholders of the Company	**1,321,231**	1,065,289
Weighted average number of shares for basic earnings per share (in '000)	**8,235,300**	8,235,300
Weighted average number of shares for diluted earnings per share (in '000)	**N/A**	N/A
Basic earnings per share (Expressed in RMB Yuan per share)	**0.16**	0.13
Diluted earnings per share (Expressed in RMB Yuan per share)	**N/A**	N/A

No diluted earnings per share for the year ended December 31, 2021 and 2020 were presented as there were no potential ordinary shares in issue for the years.

15. DIVIDENDS

Subsequent to the end of the reporting period, based on 8,235,300,000 ordinary shares, the Board of Directors of the Company declared a cash dividend of RMB0.29 per 10 shares (tax inclusive) in respect of the year ended December 31, 2021 (the final dividend), in an aggregate amount of RMB238,823,700.00 (tax inclusive), which is subject to approval by the shareholders in the 2021 annual general meeting to be held by the Company (2020 final dividend amounting to RMB123,529,500.00 (tax inclusive) was recognised and paid in 2021).

The interim cash dividend in respect of the six months ended June 30, 2021 was RMB0.48 per 10 shares (tax inclusive), in an aggregate amount of RMB395,294,400.00 (tax inclusive) recognised in current year (2020 interim dividend: RMB312,941,400.00 (tax inclusive)).

16. PROPERTY AND EQUIPMENT

	2021 RMB'000	2020 RMB'000
Equipment held for operating lease business	5,281,352	5,684,346
Property and equipment held for administrative purpose	181,859	1,469,859
Total	5,463,211	7,154,205

As at December 31, 2021, the net carrying amount of the Group's property and equipment pledged as collateral for the Group's bank borrowings amounted to RMB4,839,057 thousand (December 31, 2020: RMB6,699,427 thousand).

16a. Equipment held for operating lease business

The Group leases out a number of aircraft under operating leases. The leases typically run for an initial period of 65 to 188 months.

	Aircraft RMB'000
Cost	
As at December 31, 2020	6,209,362
Additions	545,982
Disposals	(552,662)
Exchange differences	(148,806)
As at December 31, 2021	6,053,876
Accumulated depreciation and impairment	
As at December 31, 2020	525,016
Depreciation charged for the year	304,938
Impairment loss recognised in profit or loss	46,616
Eliminated on disposals	(88,263)
Exchange differences	(15,783)
As at December 31, 2021	772,524
Net carrying amount	
As at December 31, 2020	5,684,346
As at December 31, 2021	5,281,352

16. PROPERTY AND EQUIPMENT (CONTINUED)

16a. Equipment held for operating lease business (continued)

	Aircraft RMB'000
Cost	
As at December 31, 2019	4,861,461
Additions	1,804,594
Exchange differences	(456,693)
As at December 31, 2020	6,209,362
Accumulated depreciation	
As at December 31, 2019	314,385
Charge for the year	243,605
Exchange differences	(32,974)
As at December 31, 2020	525,016
Net carrying amount	
As at December 31, 2019	4,547,076
As at December 31, 2020	5,684,346

Impairment assessment

The management of the Group concluded that there was indication for impairment of certain aircraft and conducted impairment assessment on aircraft held for operating lease business with present value of RMB5,327,612 thousand. The recoverable amounts of aircraft held for operating lease business are estimated individually.

The recoverable amounts of the aircraft held for operating lease business have been determined based on the higher of its value in use and fair value less costs of disposal. Value in use is determined as the total discounted cash flows expected to be generated by an aircraft in the future. The estimated cash flows are discounted to their present value by using a pre-tax discount rate that reflects current market assumptions of the time value of money and the risks specific to the asset. Fair value less costs to sell are determined by the Group based on the most relevant observable information from independent appraisal firms. In cases where the carrying value of the aircraft exceeded the higher of value in use and fair value less costs to sell, an impairment charge was recognised.

As a result of the review, the relevant aircraft were impaired to their recoverable amount of RMB5,281,352 thousand, which was their carrying values at year end and the impairment of RMB46,616 thousand has been recognised in profit or loss during the year ended December 31, 2021 (2020: nil).

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 December 31, 2020	6,734	25,234	12,174	1,382,349	109,440	16,094	1,552,025
Additions	–	7,630	692	–	7,400	1,516	17,238
Transfer	–	–	33	–	1,704	(1,737)	–
Disposals	–	(2,296)	(196)	(1,288,094)	(2,314)	–	(1,292,900)
Exchange differences	–	(4)	(2)	–	(8)	–	(14)
As at December 31, 2021	6,734	30,564	12,701	94,255	116,222	15,873	276,349
Accumulated depreciation							
As at December 31, 2020	2,955	18,521	5,012	22,650	33,028	–	82,166
Charge for the year	981	3,459	2,009	17,469	25,138	–	49,056
Eliminated on disposals	–	(2,181)	(185)	(32,049)	(2,306)	–	(36,721)
Exchange differences	–	(2)	(1)	–	(8)	–	(11)
As at December 31, 2021	3,936	19,797	6,835	8,070	55,852	–	94,490
Net carrying amount							
As at December 31, 2020	3,779	6,713	7,162	1,359,699	76,412	16,094	1,469,859
As at December 31, 2021	2,798	10,767	5,866	86,185	60,370	15,873	181,859

	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 December 31, 2019	6,079	21,963	6,738	94,255	30,210	72,268	231,513
Additions	236	3,072	5,848	1,249,915	28,220	45,570	1,332,861
Acquired through acquisition of a subsidiary	419	235	287	–	146	–	1,087
Transfer	–	9	320	38,179	63,236	(101,744)	–
Disposals	–	(36)	(1,015)	–	(12,352)	–	(13,403)
Exchange differences	–	(9)	(4)	–	(20)	–	(33)
As at December 31, 2020	6,734	25,234	12,174	1,382,349	109,440	16,094	1,552,025
Accumulated depreciation							
As at December 31, 2019	2,046	14,736	4,313	2,268	25,178	–	48,541
Charge for the year	909	3,814	1,435	20,382	20,211	–	46,751
Eliminated on disposals	–	(25)	(734)	–	(12,352)	–	(13,111)
Exchange differences	–	(4)	(2)	–	(9)	–	(15)
As at December 31, 2020	2,955	18,521	5,012	22,650	33,028	–	82,166
Net carrying amount							
As at December 31, 2019	4,033	7,227	2,425	91,987	5,032	72,268	182,972
As at December 31, 2020	3,779	6,713	7,162	1,359,699	76,412	16,094	1,469,859

17. RIGHT-OF-USE ASSETS

	Land and buildings RMB'000	Other RMB'000	Total RMB'000
Cost			
As at December 31, 2020	255,808	251	256,059
Additions	20,228	311	20,539
Disposals	(24,815)	(26)	(24,841)
Exchange differences	(215)	—	(215)
As at December 31, 2021	251,006	536	251,542
Accumulated depreciation			
As at December 31, 2020	90,881	142	91,023
Charge for the year	62,764	124	62,888
Eliminated on disposals	(22,440)	(26)	(22,466)
Exchange differences	(165)	—	(165)
As at December 31, 2021	131,040	240	131,280
Net carrying amount			
As at December 31, 2020	164,927	109	165,036
As at December 31, 2021	119,966	296	120,262

	Land and buildings RMB'000	Other RMB'000	Total RMB'000
Cost			
As at December 31, 2019	253,656	243	253,899
Additions	42,489	26	42,515
Acquired through acquisition of a subsidiary	7,026	—	7,026
Disposals	(46,879)	(18)	(46,897)
Exchange differences	(484)	—	(484)
As at December 31, 2020	255,808	251	256,059
Accumulated depreciation			
As at December 31, 2019	68,075	104	68,179
Charge for the year	63,349	55	63,404
Eliminated on disposals	(40,320)	(17)	(40,337)
Exchange differences	(223)	—	(223)
As at December 31, 2020	90,881	142	91,023
Net carrying amount			
As at December 31, 2019	185,581	139	185,720
As at December 31, 2020	164,927	109	165,036

17. RIGHT-OF-USE ASSETS (CONTINUED)

The Group leases various land and buildings, vehicle and parking space for its operations. Lease contracts are entered into for term of 14 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, 2021, expense relating to short-term leases amounted to RMB1,185 thousand (2020: RMB4,605 thousand). For the year ended December 31, 2021 and 2020, no expense was related to leases of low-value assets excluding short-term leases of low value assets.

As at December 31, 2021 and 2020, the portfolio of short-term leases was similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

For the year ended December 31, 2021, total cash outflow for leases amounted to RMB68,972 thousand (2020: RMB78,003 thousand).

In addition, lease liabilities of RMB125,852 thousand were recognised as at December 31, 2021 (December 31, 2020: RMB171,786 thousand) (Note 29). For the year ended December 31, 2021, the interest expenses of lease liabilities amounted to RMB7,131 thousand (2020: RMB9,404 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, 2021 and 2020, the Group did not enter into any lease that was not yet commenced.

18. INTANGIBLE ASSETS

	Computer software and other RMB'000
Cost	
As at December 31, 2020	39,205
Additions	5,750
As at December 31, 2021	44,955
Accumulated amortisation	
As at December 31, 2020	23,819
Charge for the year	5,931
As at December 31, 2021	29,750
Carrying amount	
As at December 31, 2020	15,386
As at December 31, 2021	15,205

18. INTANGIBLE ASSETS (CONTINUED)

	Computer software and other RMB'000
Cost	
As at December 31, 2019	34,305
Additions	4,175
Acquired through acquisition of a subsidiary	725
As at December 31, 2020	39,205
Accumulated amortisation	
As at December 31, 2019	18,531
Charge for the year	5,288
As at December 31, 2020	23,819
Carrying amount	
As at December 31, 2019	15,774
As at December 31, 2020	15,386

19. INTEREST IN A JOINT VENTURE

In September, 2020, the Company entered into agreements with Guizhou Gui'an Financial Investment Co., Ltd. ("Gui'an Financial Investment"), to further acquire 60% shares of Gui'an UT (currently known as "Haitong UT MSE Financial Leasing (Shanghai) Co., Ltd", a joint venture of the Company at then). After the acquisition, Gui'an UT became a subsidiary of the Company. Refer to Note 50 for details. The Group's share of loss from the joint venture's continuing operations from January 1, 2020 to the date of acquisition amounting to RMB40,339 thousand was recognised in consolidated statement of profit or loss in 2020.

20. FINANCE LEASE RECEIVABLES

	2021/12/31 RMB'000	2020/12/31 RMB'000
Minimum finance lease receivables		
— Within one year	25,533,151	31,181,156
— In the second year	9,925,219	16,998,643
— In the third year	1,871,410	5,451,619
— In the fourth year	396,805	480,912
— In the fifth year	296,806	295,766
— After five years	597,410	501,855
Gross amount of finance lease receivables	38,620,801	54,909,951
Less: Unearned finance lease income	(3,584,005)	(4,980,779)
Present value of minimum finance lease receivables	35,036,796	49,929,172
Less: Loss allowance	(1,564,209)	(1,517,769)
Carrying amount of finance lease receivables	33,472,587	48,411,403
Present value of minimum finance lease receivables		
— Within one year	23,211,519	28,544,638
— In the second year	9,021,983	15,457,681
— In the third year	1,697,408	4,861,631
— In the fourth year	352,818	397,837
— In the fifth year	256,240	249,560
— After five years	496,828	417,825
Total	35,036,796	49,929,172
Analysed as:		
Current	22,202,398	27,660,127
Non-current	11,270,189	20,751,276
Total	33,472,587	48,411,403

20. FINANCE LEASE RECEIVABLES (CONTINUED)

The Group entered into finance lease arrangements with leased assets for certain machinery equipment of advanced manufacturing, transportation and logistics industries, etc. Substantially all finance leases of the Company and its subsidiaries are denominated in RMB. The terms of finance leases entered into mainly range from one to ten years. Finance lease receivables are secured over the assets leased. The Group is not permitted to sell or repledge the collateral in the absence of default by leasee.

As at December 31, 2021, the Group's finance lease receivables pledged as collateral for the Group's bank and other financial institutions borrowings amounted to RMB1,137,119 thousand (December 31, 2020: RMB3,588,312 thousand).

The floating interest rates of finance lease receivables were with reference to the Loan Prime Rate ("LPR") and were adjusted periodically with reference to the LPR.

Movements of loss allowance for finance lease receivables:

	Stage 1	Stage 2	Stage 3	
		Lifetime ECL not	Lifetime ECL	
	12-months ECL	credit-impaired	credit-impaired	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2020	707,113	429,307	381,349	1,517,769
Changes in the loss allowance:				
— Transfer to Stage 1	23,229	(18,103)	(5,126)	—
— Transfer to Stage 2	(30,787)	54,867	(24,080)	—
— Transfer to Stage 3	(48,631)	(243,684)	292,315	—
— Recovery of finance lease receivables previously written-off	—	—	72,589	72,589
— Write-offs	—	—	(643,965)	(643,965)
— Other derecognition	—	—	(445,066)	(445,066)
— (Reverse)/charge for the year	(127,072)	274,539	915,415	1,062,882
As at December 31, 2021	523,852	496,926	543,431	1,564,209

20. FINANCE LEASE RECEIVABLES (CONTINUED)

	Stage 1 12-months ECL RMB'000	Stage 2 Lifetime ECL not credit-impaired RMB'000	Stage 3 Lifetime ECL credit-impaired RMB'000	Total RMB'000
As at December 31, 2019	809,239	427,389	186,089	1,422,717
Changes in the loss allowance:				
— Transfer to Stage 1	8,182	(6,517)	(1,665)	—
— Transfer to Stage 2	(48,030)	48,328	(298)	—
— Transfer to Stage 3	(39,849)	(260,099)	299,948	—
— Recovery of finance lease receivables previously written-off	—	—	72,971	72,971
— Write-offs	—	—	(499,948)	(499,948)
— Other derecognition	—	—	(744,190)	(744,190)
— (Reverse)/charge for the year	(22,429)	220,206	1,068,442	1,266,219
As at December 31, 2020	707,113	429,307	381,349	1,517,769

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, 2021	**32,415,838**	**1,647,131**	**973,827**	**35,036,796**
As at December 31, 2020	46,916,654	2,177,676	834,842	49,929,172

In 2021, the amount of the Group's finance lease receivables at stage 1 decreased, and the amount of the loss allowances of this stage decreased accordingly. The increase in the amount of the Group's finance lease receivables at stage 3 was mainly due to the transfer from stage 2, and the amount of loss allowances in stage 3 increased.

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.

	2021/12/31 RMB'000	2020/12/31 RMB'000
— Within one year	26,278,930	16,834,046
— In the second year	18,371,251	11,662,335
— In the third year	10,718,660	6,632,982
— In the fourth year	3,873,796	3,127,211
— In the fifth year	1,991,889	1,009,281
— After five years	158,862	43,031
Gross amount of receivables arising from sale and leaseback arrangements	61,393,388	39,308,886
Less: Interest adjustment	(5,535,329)	(3,617,226)
Present value of receivables arising from sale and leaseback arrangements	55,858,059	35,691,660
Less: Loss allowance	(770,036)	(477,184)
Carrying amount of receivables arising from sale and leaseback arrangements	55,088,023	35,214,476
Present value of receivables arising from sale and leaseback arrangements:		
— Within one year	23,910,557	15,285,831
— In the second year	16,714,899	10,589,223
— In the third year	9,751,609	6,022,041
— In the fourth year	3,524,290	2,839,184
— In the fifth year	1,812,175	916,313
— After five years	144,529	39,068
Total	55,858,059	35,691,660
Analysed as:		
Current	23,566,177	15,082,174
Non-current	31,521,846	20,132,302
Total	55,088,023	35,214,476

As at December 31, 2021, the Group's receivables arising from sale and leaseback arrangements pledged as collateral for the Group's bank and other financial institutions borrowings amounted to RMB8,024,083 thousand (December 31, 2020: RMB9,757,835 thousand).

Receivables arising from sale and leaseback arrangements are secured over the assets leases. The Group is not permitted to sell or repledge the collateral in the absence of default by leasee.

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

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 December 31, 2020	455,567	11,128	10,489	477,184
Changes in the loss allowance:				
— Transfer to Stage 1	53	—	(53)	—
— Transfer to Stage 2	(6,687)	6,687	—	—
— Transfer to Stage 3	(605)	(7,037)	7,642	—
— Recovery of receivables arising from sale and leaseback arrangements previously written-off	—	—	2,543	2,543
— Other derecognition	—	—	(7,989)	(7,989)
— Write-offs	—	—	(17,311)	(17,311)
— Charge for the year	251,389	31,196	33,024	315,609
As at December 31, 2021	699,717	41,974	28,345	770,036

	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	240,109	8,252	1,050	249,411
Changes in the loss allowance:				
— Transfer to Stage 1	326	—	(326)	—
— Transfer to Stage 2	(1,706)	1,706	—	—
— Transfer to Stage 3	(1,078)	(1,023)	2,101	—
— Write-offs	—	—	(3,924)	(3,924)
— Charge for the year	217,916	2,193	11,588	231,697
As at December 31, 2020	455,567	11,128	10,489	477,184

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, 2021	**55,618,393**	**179,113**	**60,553**	**55,858,059**
As at December 31, 2020	35,612,607	57,604	21,449	35,691,660

In 2021, the amount of the Group's receivables arising from sale and leaseback arrangements at stage 1 increased, and the amount of the loss allowances of this stage increased accordingly.

22. LOANS AND RECEIVABLES

	2021/12/31 RMB'000	2020/12/31 RMB'000
Factoring receivables	**6,030,532**	7,480,392
Entrusted loans and other loans	**717,636**	793,929
Sub-total	**6,748,168**	8,274,321
Less: Loss allowance for factoring receivables	**(214,197)**	(522,613)
Loss allowance for entrusted loans and other loans	**(152,045)**	(121,618)
Total	**6,381,926**	7,630,090
Analysed as:		
Current	**5,806,749**	6,380,913
Non-current	**575,177**	1,249,177
Total	**6,381,926**	7,630,090

22. LOANS AND RECEIVABLES (CONTINUED)

22a. The table below illustrates the gross and net amounts of factoring receivables:

	2021/12/31 RMB'000	2020/12/31 RMB'000
Within one year	6,060,624	6,973,570
More than one year but not exceeding five years	442,283	1,148,934
More than five years	61,183	75,789
Gross amount of factoring receivables	6,564,090	8,198,293
Less: Interest adjustment	(533,558)	(717,901)
Present value of factoring receivables	6,030,532	7,480,392
Less: Loss allowance	(214,197)	(522,613)
Carrying amount of factoring receivables	5,816,335	6,957,779
Present value of factoring receivables:		
— Within one year	5,567,990	6,361,611
— More than one year but not exceeding five years	406,290	1,049,657
— More than five years	56,252	69,124
Total	6,030,532	7,480,392

22b. The table below illustrates the present value and net amounts of entrusted loans and other loans:

	2021/12/31 RMB'000	2020/12/31 RMB'000
Within one year	579,600	571,688
More than one year but not exceeding five years	138,036	222,154
More than five years	—	87
Present value of entrusted loans and other loans	717,636	793,929
Less: Loss allowance	(152,045)	(121,618)
Carrying amount of entrusted loans and other loans	565,591	672,311

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, 2020	133,668	386,655	123,908	644,231
Changes in the loss allowance:				
— Transfer to Stage 2	(10,205)	10,205	—	—
— Transfer to Stage 3	(8,033)	(213,201)	221,234	—
— Recovery of loans and receivables previously derecognised	—	—	1,344	1,344
— Other derecognition	—	—	(592,429)	(592,429)
— (Reverse)/charge for the year	(4,359)	65,930	251,813	313,384
— Exchange differences	(288)	—	—	(288)
As at December 31, 2021	110,783	249,589	5,870	366,242

	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	144,910	423,588	203,849	772,347
Changes in the loss allowance:				
— Transfer to Stage 2	(10,697)	10,697	—	—
— Transfer to Stage 3	(19,328)	(140,276)	159,604	—
— Other derecognition	—	—	(527,490)	(527,490)
— Charge for the year	19,473	92,646	287,945	400,064
— Exchange differences	(690)	—	—	(690)
As at December 31, 2020	133,668	386,655	123,908	644,231

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, 2021	**5,803,806**	**935,291**	**9,071**	**6,748,168**
As at December 31, 2020	6,799,362	1,296,918	178,041	8,274,321

23. DEFERRED TAXATION

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

	2021/12/31 RMB'000	2020/12/31 RMB'000
Deferred tax assets	**1,578,035**	1,540,986
Deferred tax liabilities	**(16,297)**	(18,295)
	1,561,738	1,522,691

23. DEFERRED TAXATION (CONTINUED)

The following are the major deferred tax assets/(liabilities) recognised and movements thereon during the current and prior years:

	Loss allowance RMB'000	Changes in fair value of derivatives RMB'000	Changes in fair value of financial assets at fair value through profit or loss RMB'000	Deductible tax losses RMB'000	Accelerated depreciation RMB'000	Other RMB'000	Total RMB'000
As at December 31, 2019	1,003,084	572	(5,017)	43,241	(46,413)	666	996,133
Credit/(charge) to profit or loss	431,474	153	(2,238)	19,502	(18,763)	14,602	444,730
Charge to other comprehensive income	—	(199)	—	—	—	—	(199)
Acquired through acquisition of a subsidiary	81,978	—	—	—	—	—	81,978
Exchange differences	(9)	(106)	—	(3,900)	4,111	(47)	49
As at December 31, 2020	1,516,527	420	(7,255)	58,843	(61,065)	15,221	1,522,691
Credit/(charge) to profit or loss	**33,315**	**(110)**	**(8,923)**	**6,476**	**9,302**	**3,170**	**43,230**
Charge to other comprehensive income	**—**	**(4,036)**	**—**	**—**	**—**	**—**	**(4,036)**
Exchange differences	**(54)**	**(20)**	**—**	**(1,609)**	**1,574**	**(38)**	**(147)**
As at December 31, 2021	**1,549,788**	**(3,746)**	**(16,178)**	**63,710**	**(50,189)**	**18,353**	**1,561,738**

The Group did not have significant unrecognised deferred tax assets as at December 31, 2021 (December 31, 2020: NIL).

24. OTHER ASSETS

Non-current

	2021/12/31 RMB'000	2020/12/31 RMB'000
Long-term receivables from government cooperation projects (note)	**891,972**	463,302
Financial assets measured at amortised cost	**435,744**	62,132
Assets with continuing involvement	**274,115**	60,338
Repossession of finance lease assets	**254,186**	191,151
Foreclosed assets	**250,798**	83,384
Other long-term receivables	**74,276**	31,236
Deposits	**10,005**	20,805
Prepayments on acquisition of property and equipment and intangible assets	**786**	5,991
Other	**63,187**	45,273
Sub-total	**2,255,069**	963,612
Less: Loss allowance	**(53,049)**	(19,069)
Total	**2,202,020**	944,543

note: The Group provides financing services to local government-led infrastructure development and operation project participants through the public-private partnership model ("PPP Model"). The receivables from government-led project under PPP Model is recognised in long-term receivables from government cooperation projects and project payables is recognised in government cooperation project payables, refer to Note 33.

24. OTHER ASSETS (CONTINUED)

Current

	2021/12/31 RMB'000	2020/12/31 RMB'000
Properties under development	591,921	290,079
Financial assets measured at amortised cost	263,483	—
Value added tax ("VAT") credit and other	255,710	297,578
Long-term receivables	209,968	4,847
Prepayments	51,479	81,782
Assets with continuing involvement	36,588	—
Deposits	11,349	11,909
Completed properties for sale	—	230,175
Other	80,352	35,953
Sub-total	1,500,850	952,323
Less: Loss allowance	(3,562)	(58)
Total	1,497,288	952,265

Movement of loss allowance for other assets are as follows:

	2021/12/31 RMB'000	2020/12/31 RMB'000
At beginning of the year	19,127	8,002
Charged to profit or loss (note)	52,477	16,166
Derecognition	(14,993)	(5,041)
At end of the year	56,611	19,127

note: The loss allowance for other assets charged for the year ended December 31, 2021 included impairment losses under expected credit loss model amounting to RMB13,778 thousand (refer to Note 12) (2020: RMB5,599 thousand) and other impairment losses amounting to RMB38,699 thousand (2020: RMB10,567 thousand).

25. ACCOUNTS RECEIVABLE

	2021/12/31 RMB'000	2020/12/31 RMB'000
Accounts receivable from:		
— settlement of finance lease receivable	28,605	37,142
— operating lease	57,563	30,085
— other	—	4,016
Sub-total	86,168	71,243
Less: Loss allowance	(37,453)	(34,330)
Total	48,715	36,913

Analysed by aging as:

	2021/12/31 RMB'000	2020/12/31 RMB'000
Within one year	48,715	36,913
Total	48,715	36,913

Movement of loss allowance for accounts receivable are as follows:

	2021/12/31 RMB'000	2020/12/31 RMB'000
At beginning of the year	34,330	15,137
Charged to profit or loss	7,349	19,208
Write-offs	(4,016)	—
Exchange differences	(210)	(15)
At end of the year	37,453	34,330

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021/12/31 RMB'000	2020/12/31 RMB'000
Measured at fair value:		
Funds (note)	384,327	260,841
Wealth management products	800,063	30,006
Equity instruments	529,485	447,810
Asset management schemes and trust plans	410,513	160,543
Total	2,124,388	899,200
Analysed as:		
Unlisted	1,701,942	517,311
Listed	422,446	381,889
Analysed as:		
Current	1,996,289	572,915
Non-current	128,099	326,285
Total	2,124,388	899,200

note: As at December 31, 2021, funds amounting to RMB100,101 thousand were managed by HFT Investment Management Co., Ltd. (December 31, 2020: RMB100,000 thousand). For the year ended December 31, 2021, net gains from the above funds amounted to RMB534 thousand (2020: RMB2,490 thousand).

27. DERIVATIVE FINANCIAL INSTRUMENTS

	2021/12/31		
	Nominal Amount RMB'000	Assets RMB'000	Liabilities RMB'000
Derivatives under hedge accounting:			
Interest rate swaps ("IRS")	2,594,286	11,079	(67,973)
Currency forwards	820,273	—	(74,157)
Cross currency interest rate swaps	2,080,552	—	(88,985)
Derivatives held for trading:			
Interest rate swaps	169,000	—	(132)
Total	5,664,111	11,079	(231,247)

	2020/12/31		
	Nominal Amount RMB'000	Assets RMB'000	Liabilities RMB'000
Derivatives under hedge accounting:			
Interest rate swaps	3,625,570	—	(160,674)
Currency forwards	1,337,287	—	(85,526)
Cross currency interest rate swaps	1,335,021	—	(113,710)
Total	6,297,878	—	(359,910)

As at December 31, 2021, fixed interest rates for USD IRS ranged from 1.3700% to 4.3650% (December 31, 2020: from 1.3700% to 4.3650%), fixed interest rates for RMB IRS was 4.4500% (December 31, 2020: N/A).

As at December 31, 2021, currency forwards with forward exchange rates of buying USD and selling RMB ranged from 6.5667 to 7.3891 (December 31, 2020: from 6.7910 to 7.3891).

As at December 31, 2021, cross currency interest rate swaps with fixed interest rates for USD IRS ranged from 3.1300% to 3.7400% (December 31, 2020: from 2.5600% to 4.2300%) and with forward exchange rates of buying USD and selling RMB ranged from 6.3924 to 7.0980 (December 31, 2020: from 6.5830 to 7.1839), for HKD IRS ranged from 4.1500% to 4.3500% (December 31, 2020: N/A) and with forward exchange rates of buying HKD and selling RMB ranged from 0.8215 to 0.8350 (December 31, 2020: N/A).

27. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Cash flow hedge

During the year ended December 31, 2021, 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, 2021, the Group's net gains from the cash flow hedge of RMB94,909 thousand was recognised in other comprehensive income(year ended December 31, 2020: net loss of RMB74,695 thousand).

28. CASH AND BANK BALANCES

	2021/12/31 RMB'000	2020/12/31 RMB'000
Restricted bank deposits (note i)	656,793	606,032
Cash and bank balances (note ii)	6,081,815	4,570,959
Less: Loss allowance	(37)	(23)
Total	6,738,571	5,176,968

note i: This represents deposits held by the Group that were pledged mainly relating to bank acceptance bill, borrowings and aircraft maintenance funds as at December 31, 2021 and 2020, and were restricted for use.

note ii: Cash and bank balances included time deposits with original maturity more than three months which amounted to RMB84,000 thousand as at December 31,2021. (December 31, 2020: nil).

29. BORROWINGS

	2021/12/31 RMB'000	2020/12/31 RMB'000
Bank borrowings	41,029,448	39,164,708
Borrowings from related parties	1,039,239	1,840,244
Other financial institutions borrowings	1,534,878	2,824,836
Lease liabilities	125,852	171,786
Total	43,729,417	44,001,574
Analysed as:		
Current	25,584,189	22,205,176
Non-current	18,145,228	21,796,398
Total	43,729,417	44,001,574

29a. Bank borrowings

	2021/12/31 RMB'000	2020/12/31 RMB'000
Secured borrowings	9,184,524	13,321,097
Unsecured and unguaranteed borrowings	31,844,924	25,843,611
Total	41,029,448	39,164,708
Analysed as:		
Current	23,121,516	20,255,373
Non-current	17,907,932	18,909,335
Total	41,029,448	39,164,708

29. BORROWINGS (CONTINUED)

29a. Bank borrowings (continued)

	2021/12/31 RMB'000	2020/12/31 RMB'000
Carrying amount repayable:		
Within one year	**23,121,516**	20,255,373
More than one year but not exceeding two years	**10,480,106**	10,370,930
More than two years but not exceeding five years	**6,846,556**	7,948,646
More than five years	**581,270**	589,759
Total	**41,029,448**	39,164,708

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 property and equipment and the Company's equity interests in subsidiaries. Refer to Notes 16, 20, 21 and 28 for details.

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

	2021/12/31	2020/12/31
Contractual interest rate:		
Fixed-rate borrowings	**3.5% to 5.45%**	2.3375% to 5.45%
Floating-rate borrowings	**LPR Plus -1.25% to 1.47%**	LPR Plus -1.25% to 1.47%
	London Inter Bank Offered Rate ("LIBOR") Plus 0.92% to 1.8%	LIBOR Plus 0.92% to 1.55%
	Hong Kong Inter Bank Offered Rate ("HIBOR") Plus 0.5% to 0.71%	The People's Bank Of China ("PBOC") lending Rate *100% to 112%

29. BORROWINGS (CONTINUED)

29b. Borrowings from related parties

	2021/12/31 RMB'000	2020/12/31 RMB'000
Carrying amount repayable:		
Within one year	1,039,239	776,686
More than one year but not exceeding five years	—	1,063,558
Total	1,039,239	1,840,244

As at December 31, 2021 and 2020, the borrowings from related parties were all unsecured, and the effective interest rate per annum of the Group ranged from 3.5% to 4.0% and from 2.7% to 4.5%, respectively.

29c. Other financial institutions borrowings

	2021/12/31 RMB'000	2020/12/31 RMB'000
Secured borrowings	537,377	1,325,336
Unsecured and unguaranteed borrowings	997,501	1,499,500
Total	1,534,878	2,824,836
Analysed as:		
Current	1,364,008	1,111,667
Non-current	170,870	1,713,169
Total	1,534,878	2,824,836

The secured borrowings were pledged by finance lease receivables and receivables arising from sale and leaseback arrangements.

29. BORROWINGS (CONTINUED)

29c. Other financial institutions borrowings (continued)

	2021/12/31 RMB'000	2020/12/31 RMB'000
Carrying amount repayable:		
Within one year	1,364,008	1,111,667
More than one year but not exceeding two years	153,156	1,713,169
More than two years but not exceeding five years	17,714	—
Total	1,534,878	2,824,836

As at December 31, 2021 and 2020, the effective interest rate per annum of the borrowings from other financial institutions ranged from 4.05% to 5.45% and from 4.10% to 5.45%, respectively.

29d. Lease liabilities

	2021/12/31 RMB'000	2020/12/31 RMB'000
Carrying amount repayable:		
Within one year	59,426	61,450
More than one year but not exceeding two years	47,168	52,842
More than two years but not exceeding five years	19,258	57,494
Total	125,852	171,786
Amount due for settlement within 12 months shown under current liabilities	59,426	61,450
Amount due for settlement after 12 months shown under non-current liabilities	66,426	110,336

As at December 31, 2021 and 2020, the weighted average incremental borrowing rates applied to lease liabilities ranged from 4.65% to 4.90% and from 4.65% to 4.90%, respectively.

30. ACCRUED STAFF COSTS

	2021/12/31 RMB'000	2020/12/31 RMB'000
Salaries, bonus and allowances and other	286,166	217,571
Total	286,166	217,571

31. ACCOUNTS PAYABLE

	2021/12/31 RMB'000	2020/12/31 RMB'000
Payable for acquisition of leasing equipment and other	34,552	30,118
Analysed by aging as:		
Within 60 days	25,247	6,947
More than 60 days	9,305	23,171
Total	34,552	30,118

32. BONDS PAYABLE

	2021/12/31 RMB'000	2020/12/31 RMB'000
Analysed as:		
Current	22,989,474	18,408,850
Non-current	14,865,356	13,951,119
Total	37,854,830	32,359,969

32. BONDS PAYABLE (CONTINUED)

32a. Bonds payable analysed by nature

	2021/12/31 RMB'000	2020/12/31 RMB'000
Ultra-short-term commercial papers (note i)	**5,997,827**	4,998,405
Asset-backed securities (note ii)	**9,777,753**	9,905,706
Fixed medium-term notes (note iii)	**3,590,840**	3,768,461
Corporate bonds (note iv)	**11,062,600**	7,865,712
Private placement notes (note v)	**4,689,929**	4,591,182
Asset-backed notes (note vi)	**2,735,881**	731,335
Short-term commercial papers	**—**	499,168
Total	**37,854,830**	32,359,969

notes:

(i): Ultra-short-term commercial papers

Issue Date	Outstanding principal amount RMB'million	Coupon rate	Term
April 29, 2021	1,000	3.35%	9 months
May 19, 2021	1,000	3.25%	8 months
May 21, 2021	500	3.30%	9 months
August 5, 2021	1,000	2.97%	9 months
August 20, 2021	500	2.83%	7 months
October 12, 2021	1,000	2.85%	5 months
November 23, 2021	1,000	2.85%	5 months

32. BONDS PAYABLE (CONTINUED)

32a. Bonds payable analysed by nature (continued)

notes: (continued)

(ii): Asset-backed securities

Issue Date	Outstanding principal amount RMB'million	Coupon rate[i]	Term
December 24, 2019	Senior: 63; Junior: 50	Senior: 4.60%	Senior: 33 months; Junior: 36 months
April 7, 2020	Senior: 190; Junior: 10	Senior: 5.00%	Senior: 3 years+3 years; Junior: 3 years+3 years
April 15, 2020	Senior: 131; Junior: 50	Senior: 3.40%	Senior: 34 months; Junior: 34 months
May 28, 2020	Senior: 203; Junior: 46	Senior: 2.84% and 3.40%	Senior: 26 months; Junior: 26 months
June 17, 2020	Senior: 249; Junior: 50	Senior: 3.60% and 3.70%	Senior: 33 months; Junior: 36 months
June 19, 2020	Senior: 27; Junior: 50	Senior: 3.80%	Senior: 20 months; Junior: 41 months
July 28, 2020	Senior: 281; Junior: 50	Senior: 3.85% and 4.10%	Senior: 35 months; Junior: 35 months
August 11, 2020	Senior: 152; Junior: 50	Senior: 3.68% and 3.99%	Senior: 21 months; Junior: 49 months
September 9, 2020	Senior: 319; Junior: 50	Senior: 4.00% and 4.20%	Senior: 32 months; Junior: 35 months
October 22, 2020	Senior: 313; Junior: 50	Senior: 4.00% and 4.30%	Senior: 33 months; Junior: 33 months
November 24, 2020	Senior: 239; Junior: 50	Senior: 4.15% and 4.30%	Senior: 21 months; Junior: 33 months
December 9, 2020	Senior: 418; Junior: 50	Senior: 4.24% and 4.30%	Senior: 32 months; Junior: 36 months
February 2, 2021	Senior: 433; Junior: 50	Senior: 3.80% and 4.55%	Senior: 30 months; Junior: 33 months
March 25, 2021	Senior: 502; Junior: 50	Senior: 3.58%, 4.00% and 4.50%	Senior: 29 months; Junior: 36 months
March 31, 2021	Senior: 389; Junior: 50	Senior: 3.70%, 4.00% and 4.40%	Senior: 19 months; Junior: 34 months
April 29, 2021	Senior: 518; Junior: 50	Senior: 3.60%, 4.00% and 4.50%	Senior: 28 months; Junior: 34 months
May 31, 2021	Senior: 609; Junior: 50	Senior: 3.59%, 3.85% and 4.35%	Senior: 19 months; Junior: 55 months
June 17, 2021	Senior: 589; Junior: 50	Senior: 3.45%, 3.80% and 4.40%	Senior: 26 months; Junior: 35 months
August 5, 2021	Senior: 600; Junior: 50	Senior: 3.30%, 3.50% and 4.20%	Senior: 26 months; Junior: 35 months
September 24, 2021	Senior: 950; Junior: 50	Senior: 3.17%, 3.83% and 3.99%	Senior: 20 months; Junior: 44 months
November 19, 2021	Senior: 950; Junior: 50	Senior: 3.50%, 3.80% and 3.95%	Senior: 22 months; Junior: 57 months
December 8, 2021	Senior: 950; Junior: 50	Senior: 3.35%, 3.78% and 4.00%	Senior: 21 months; Junior: 33 months
December 29, 2021	Senior: 760; Junior: 50	Senior: 3.60%, 3.80% and 3.95%	Senior: 20 months; Junior: 33 months

32. BONDS PAYABLE (CONTINUED)

32a. Bonds payable analysed by nature (continued)

notes: (continued)

(iii): Fixed medium-term notes

Issue Date	Outstanding principal amount RMB'million	Coupon rate	Term
August 27, 2020	500	4.20%	3 years
November 4, 2020	1,000	3.97%	2 years
January 18, 2021	500	4.00%	2 years
December 7, 2021	1,000	3.70%	3 years

Issue Date	Outstanding principal amount USD'million	Coupon rate	Term
May 28, 2021	100	3.00%	3 years

(iv): Corporate bonds

Issue Date	Outstanding principal amount RMB'million	Coupon rate	Term
February 26, 2019	500	5.20%	3 years
July 22, 2019	500	4.83%	3 years
May 7, 2020	1,000	3.50%	3 years
June 18, 2020	700	3.95%	2 years
July 24, 2020	1,200	4.00%	3 years
September 8, 2020	1,000	4.40%	2 years
September 15, 2020	1,000	4.20%	3 years
October 28, 2020	800	4.15%	3 years
April 22, 2021	1,000	4.10%	4 years (2+2)
June 16, 2021	800	3.85%	4 years (2+2)
August 10, 2021	600	3.90%	3 years
October 21, 2021	1,000	3.80%	2 years
December 22, 2021	1,000	3.70%	3 years

(v): Private placement notes

Issue Date	Outstanding principal amount RMB'million	Coupon rate	Term
April 18, 2019	300	4.65%	3 years
May 29, 2019	1,000	4.70%	3 years
December 2, 2019	1,400	4.50%	3 years
June 2, 2021	1,000	3.95%	2 years
November 9, 2021	1,000	4.19%	3 years

32. BONDS PAYABLE (CONTINUED)

32a. Bonds payable analysed by nature (continued)

notes: (continued)

(vi): Asset-backed notes

Issue Date	Outstanding principal amount	Coupon rate[i]	Term
	RMB'million		
March 23, 2020	Senior: 118;	Senior: 4.10%	Senior: 32 months;
	Junior: 50		Junior: 57 months
August 12, 2021	Senior: 370;	Senior: 3.06%, 3.40% and 4.00%	Senior: 20 months;
	Junior: 50		Junior: 29 months
August 16, 2021	Senior: 341;	Senior: 3.16% and 3.50%	Senior: 13 months;
	Junior: 50		Junior: 28 months
November 16, 2021	Senior: 970;	Senior: 3.25%	Senior: 6 months;
	Junior: 30		Junior: 6 months
November 25, 2021	Senior: 950;	Senior: 3.70% and 3.95%	Senior: 18 months;
	Junior: 50		Junior: 57 months

(i) Certain senior tranches have sub-tranches with each one having a different coupon rate.

33. OTHER LIABILITIES

Current

	2021/12/31 RMB'000	2020/12/31 RMB'000
Deposits due within one year	3,750,062	3,596,917
Deferred revenue	82,619	81,061
Interest payable	632,648	663,750
Bank acceptance bill	1,880,881	1,192,280
Advance receipt	27,201	13,560
Other taxes payable	70,990	9,866
Accrued expenses	193,793	147,677
Government cooperation project payables (Note 24)	295,401	230,483
Government outsourcing project payables	63,220	52,712
Liabilities with continuing involvement	36,588	—
Contract liabilities	100,000	204,020
Other payables	559,559	284,675
Amounts due to related parties	—	33
Total	7,692,962	6,477,034

Non-current

	2021/12/31 RMB'000	2020/12/31 RMB'000
Deposits from customers	5,207,591	6,912,746
Deferred revenue	435,446	592,924
Deposits from suppliers and agents	93,140	76,167
Aircraft maintenance funds	225,637	298,563
Liabilities with continuing involvement	274,115	60,338
Other payables	296,516	218,564
Total	6,532,445	8,159,302

34. SHARE CAPITAL

	2021/12/31		2020/12/31	
	Number of shares (thousand)	**Nominal Value (RMB'000)**	Number of shares (thousand)	Nominal Value (RMB'000)
Issued and fully paid:				
— Domestic shares of RMB1 Yuan each	**2,440,847**	**2,440,847**	2,440,847	2,440,847
— H shares of RMB1 Yuan each	**5,794,453**	**5,794,453**	5,794,453	5,794,453
Total	**8,235,300**	**8,235,300**	8,235,300	8,235,300

The Company had two classes of ordinary shares, namely H Shares and Domestic Shares. All the Domestic Shares and H Shares rank pari passu with each other as to dividends and voting rights.

35. OTHER EQUITY INSTRUMENTS

(i) As at February 26, 2021 and September 8, 2021, the Company issued renewable corporate bonds with principal amounts of RMB1,500,000 thousand and RMB530,000 thousand, the value dates were on March 1, 2021 and September 10, 2021.

The above financial instruments have no fixed maturity date and the Company has the right to choose to defer the principal in accordance with the contractual terms.

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 limit on the number of times the interests deferred which are not considered as a breach of the contract for the issuer.

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

- to declare and pay dividend to ordinary shareholders; or
- to decrease registered capital

(ii) As at December 30, 2021, the Company issued a renewable trust plan with principal amount of RMB300,000 thousand and value date on December 31, 2021.

The above financial instruments have no fixed maturity date and the Company has the right to choose to defer the principal in accordance with the contractual terms.

35. OTHER EQUITY INSTRUMENTS (CONTINUED)

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 limit on the number of times the interests deferred which are not considered as a breach of the contract for the issuer.

The Company could not defer current interests and all deferred interests when the following compulsory interest payment events occurred within 6 months before the interest payment date:

- to decrease registered capital or return the capital contribution of shareholders in cash or other forms or invest in other forms; or

- to declare and pay dividend to ordinary shareholders

(iii) 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 renewable corporate bonds and renewable trust plan were recognised as other equity instruments under IAS 32 *Financial Instruments: Presentation*.

(iv) On March 12, 2021, the Company redeemed the perpetual medium-term note issued at March 11, 2016 with principal amount of RMB1,200,000 thousand.

(v) On December 17, 2021, the Company redeemed the renewable trust plan issued at December 14, 2020 with principal amount of RMB286,500 thousand.

(vi) During the year ended December 31, 2021, profit attributable to the holders of other equity instruments of the Group amounting to RMB90,934 thousand (2020: RMB50,221 thousand), are determined with reference to the distribution rate specified in the terms and conditions.

(vii) During the year ended December 31, 2021, the Company has made distribution to the holders of other equity instruments of the Group amounting to RMB64,736 thousand (2020: RMB50,211 thousand).

36. RESERVES

(1) Capital reserve

The movements of the capital reserve of the Group are as follows:

	Beginning of the year RMB'000	Reduction RMB'000	End of the year RMB'000
2021			
Capital premium	2,457,876	—	2,457,876
Other capital reserve	39,589	(4,503)	35,086
Total	2,497,465	(4,503)	2,492,962
2020			
Capital premium	2,457,876	—	2,457,876
Other capital reserve	39,589	—	39,589
Total	2,497,465	—	2,497,465

36. RESERVES (CONTINUED)

(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 capitalisation, in accordance with the Company's articles of association or as approved under proper authorisation.

	Beginning of the year RMB'000	Addition RMB'000	End of the year RMB'000
2021			
Statutory reserve	**409,181**	**176,079**	**585,260**
2020			
Statutory reserve	314,999	94,182	409,181

(3) Hedging reserve

The movements of the hedging reserve of the Group are as follows:

	Beginning of the year RMB'000	Addition/ (Reduction) RMB'000	End of the year RMB'000
2021			
Hedging reserve	**(72,193)**	**94,909**	**22,716**
2020			
Hedging reserve	2,502	(74,695)	(72,193)

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.

36. RESERVES (CONTINUED)

(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. INTERESTS IN STRUCTURED ENTITIES

(1) Interest in consolidated structured entities

The Group holds interests in certain structured entities through investments in the securities or notes issued by these structured entities. The assets of these structured entities mainly include asset-backed securities, asset-backed notes and trust plans. When assessing whether to consolidate these structured entities, the Group reviews all facts and circumstances to determine whether the Group, as manager, is acting as an agent or a principal. The 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. The Group has determined that all of these structured entities were controlled by the Group and therefore consolidated when preparing the consolidated financial statements. Refer to Note 38 for details.

(2) Interest in unconsolidated structured entities

The Group has interests in structured entities managed by third parties through investing in funds, wealth management products, asset management schemes and trust plans.

The carrying amount and maximum risk exposure of the unconsolidated structured entities amounted to RMB1,595 million and RMB451 million as of December 31, 2021 and 2020, respectively. As at December 31, 2021 and 2020, total fair value gains from these structured entities amounted to RMB19,263 thousand and RMB9,633 thousand respectively. These amounts are included in the items presented in Notes 6 and 26.

38. TRANSFER OF FINANCIAL ASSETS

Asset-backed securities

The Group enters into securitisation 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 securities to investors.

In some cases, 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, 2021, the carrying amount of finance lease receivables and receivables arising from sale and leaseback arrangements that have been transferred but not derecognised was RMB9,338 million (December 31, 2020: RMB10,467 million).

As at December 31, 2021, the related carrying amount of bonds payable was RMB9,778 million (December 31, 2020: RMB9,906 million).

In other cases, the Group retains some interests in the form of holding some junior tranches which would give rise to the Group's continuing involvement in the transferred assets. Those financial assets are recognised on the consolidated statement of financial positions to the extent of the Group's continuing involvement.

As at December 31, 2021, the carrying amount of finance lease receivables, receivables arising from sale and leaseback arrangements that have been securitised by the Group under arrangements in which the Group retained a continuing involvement in such assets was RMB1,857 million (December 31, 2020: RMB451 million).

As at December 31, 2021, the carrying amount of assets that the Group continued to recognise was RMB274 million (December 31, 2020: RMB60 million). The Group recognised the same amount arising from such continuing involvement in other assets and other liabilities.

Asset-backed notes

The Group enters into securitisation transactions in the normal course of business by which it transfers finance lease receivables and receivables arising from sale and leaseback arrangements and factoring receivables 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.

38. TRANSFER OF FINANCIAL ASSETS (CONTINUED)

Asset-backed notes (continued)

As at December 31, 2021, the carrying amount of finance lease receivables, receivables arising from sale and leaseback arrangements and factoring receivables that have been transferred but not derecognised was RMB2,276 million (December 31, 2020: RMB1,077 million).

As at December 31, 2021, the related carrying amount of bonds payable was RMB2,736 million (December 31, 2020: RMB731 million).

Trust plans

The Group has transferred certain factoring receivables in the normal course of business to the trust company, and the trust company will set up trust plan asset and issue trust plan.

The Group retains some interests in the form of holding some junior tranches which would give rise to the Group's continuing involvement in the transferred assets. Those financial assets are recognised on the consolidated statement of financial position to the extent of the Group's continuing involvement.

As at December 31, 2021, the carrying amount of factoring receivables that have been derecognised by the Group under arrangements in which the Group retained a continuing involvement in such assets was RMB291 million (December 31, 2020: nil).

As at December 31, 2021, the carrying amount of assets that the Group continued to recognise was RMB37 million (December 31, 2020: nil). The Group recognised the same amount arising from such continuing involvement in other assets and other liabilities.

39. CASH AND CASH EQUIVALENTS

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

	2021/12/31 **RMB'000**	2020/12/31 RMB'000
Deposit in banks	**5,997,815**	4,570,959
Total	**5,997,815**	4,570,959

40. 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, 2021 RMB'000	Financing cash flows RMB'000	Dividends distributed RMB'000	Foreign exchange losses RMB'000	Other changes RMB'000	As at December 31, 2021 RMB'000
Bank borrowings	39,164,708	1,982,059	—	(152,028)	34,709	41,029,448
Borrowings from related parties	1,840,244	(765,308)	—	(35,697)	—	1,039,239
Borrowings from other financial institutions	2,824,836	(1,291,300)	—	—	1,342	1,534,878
Bonds payable	32,359,969	5,369,285	—	(8,440)	134,016	37,854,830
Dividends payable	—	(518,824)	518,824	—	—	—
Distribution of other equity instruments	—	(64,736)	64,736	—	—	—
Amounts due to related parties	33	—	—	—	(33)	—
Lease liabilities	171,786	(60,656)	—	—	14,722	125,852
Total	76,361,576	4,650,520	583,560	(196,165)	184,756	81,584,247

40. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONTINUED)

	As at January 1, 2020 RMB'000	Financing cash flows RMB'000	Dividends distributed RMB'000	Foreign exchange losses RMB'000	Acquisition of a subsidiary RMB'000	Other changes RMB'000	As at December 31, 2020 RMB'000
Bank borrowings	34,416,672	5,306,119	–	(676,578)	29,912	88,583	39,164,708
Borrowings from related parties	1,161,537	–	–	(125,572)	–	804,279	1,840,244
Borrowings from other financial institutions	1,990,000	334,836	–	–	500,000	–	2,824,836
Bonds payable	31,446,942	757,904	–	–	–	155,123	32,359,969
Dividends payable	–	(675,295)	675,295	–	–	–	–
Distribution of other equity instruments	–	(50,211)	50,211	–	–	–	–
Amounts due to related parties	804,283	–	–	29	–	(804,279)	33
Lease liabilities	189,040	(63,994)	–	–	7,396	39,344	171,786
Total	70,008,474	5,609,359	725,506	(802,121)	537,308	283,050	76,361,576

41. OPERATING LEASES ARRANGEMENTS

The Group as lessor

Operating leases relate to the aircraft owned by the Group with lease terms of around 65 to 188 months. 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:

	2021/12/31 RMB'000	2020/12/31 RMB'000
Within one year	**492,032**	674,405
In the second year	**544,174**	598,230
In the third year	**499,753**	581,047
In the fourth year	**463,363**	517,691
In the fifth year	**427,709**	475,797
After five years	**1,069,383**	981,461
Total	**3,496,414**	3,828,631

42. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period.

	2021/12/31	2020/12/31
	RMB'000	RMB'000
Contracted, but not provided for:		
Construction agreements under PPP and government outsourcing projects	**1,906,032**	2,633,605
Property and equipment	**—**	590,503
Total	**1,906,032**	3,224,108

43. 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, 2021 and 2020 are set out below:

For the year ended December 31, 2021

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	–	1,554	766	4,203	6,523
Zhou Jianli	–	1,407	585	2,935	4,927
Non-executive Directors:					
Ren Peng	–	–	–	–	–
Ha Erman	–	–	–	–	–
Li Chuan	–	–	–	–	–
Wu Shukun	–	–	–	–	–
Zhang Shaohua	–	–	–	–	–
Independent Non-executive Directors:					
Jiang Yulin	210	–	–	–	210
Yao Feng	210	–	–	–	210
Zeng Qingsheng	210	–	–	–	210
Wu Yat Wai	210	–	–	–	210
Yan Lixin	210	–	–	–	210
Supervisors:					
Zhou Tao	–	–	–	–	–
Zhao Yue(iv)	–	306	71	227	604
Chen Xinji	–	719	188	478	1,385
Hu Zhangming(v)	–	176	37	–	213
	1,050	4,162	1,647	7,843	14,702

43. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

For the year ended December 31, 2020

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	—	1,551	670	4,565	6,786
Zhou Jianli	—	1,373	500	3,181	5,054
Non-executive Directors:					
Ren Peng	—	—	—	—	—
Ha Erman	—	—	—	—	—
Li Chuan	—	—	—	—	—
Wu Shukun	—	—	—	—	—
Zhang Shaohua	—	—	—	—	—
Independent Non-executive Directors:					
Jiang Yulin	210	—	—	—	210
Yao Feng(i)	132	—	—	—	132
Zeng Qingsheng	210	—	—	—	210
Wu Yat Wai	210	—	—	—	210
Yan Lixin(ii)	132	—	—	—	132
Yo Shin(vi)	198	—	—	—	198
Supervisors:					
Wang Meijuan(vii)	—	—	—	—	—
Zhou Tao(iii)	—	—	—	—	—
Zhao Yue	—	473	43	206	722
Chen Xinji	—	675	130	455	1,260
	1,092	4,072	1,343	8,407	14,914

43. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

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 loss of office.

notes:

(i) Yao Feng was appointed as independent non-executive director in May 2020.

(ii) Yan Lixin was appointed as independent non-executive director in May 2020.

(iii) Zhou Tao was appointed as supervisor in May 2020.

(iv) Zhao Yue resigned from the position of supervisor in August 2021.

(v) Hu Zhangming was appointed as supervisor in August 2021.

(vi) Yo Shin resigned from the position of independent non-executive director in December 2020.

(vii) Wang Meijuan resigned from the position of supervisor in May 2020.

44. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid employees of the Group during the year included two directors (2020: two directors), details of whose remuneration are set out in Note 43 above. Details of the remuneration for the year of the remaining three (2020: three) highest paid employees who are not directors of the Company are as follows:

	2021 RMB'000	2020 RMB'000
Basic salaries and allowances	3,148	3,249
Bonuses	7,269	7,928
Employer's contribution to pension schemes	1,408	1,281
Total	11,825	12,458

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, 2021 and 2020.

The number of the highest paid employees who are not directors of the Company whose remuneration fell within the following bands is as follows:

	2021 No. of employees	2020 No. of employees
— HKD4,000,001–HKD4,500,000	—	1
— HKD4,500,001–HKD5,000,000	2	—
— HKD5,000,001–HKD5,500,000	1	2
Total	3	3

45. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

In addition to the subsidiaries of the Group set out in Note 50, the name and the relationship of the other related parties are set out 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
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
Shanghai Weitai Properties Management Co., Ltd.	Fellow Subsidiary
Gui'an UT Financial Leasing (Shanghai) Co., Ltd. ("Gui'an UT") (Note 19)	Joint Venture Company (Before business combination in September, 2020)

Other than as disclosed elsewhere in these consolidated financial statements, the Group had the following material transactions with the related parties for the years ended December 31, 2021 and 2020:

(1) Interest expenses

	2021 RMB'000	2020 RMB'000
Haitong UT Capital Group Co., Limited	11,993	36,436
Unican Limited	39,204	42,111

(2) Other income, gains or losses

	2021 RMB'000	2020 RMB'000
Gui'an UT Financial Leasing (Shanghai) Co., Ltd. (note)	–	42,146

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

45. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(3) Other operating expenses

	2021 RMB'000	2020 RMB'000
Shanghai Weitai Properties Management Co., Ltd.	–	13,801

As at December 31, 2021 and 2020, the Group had the following material balances with the related parties:

(4) Cash and bank balances

	2021/12/31 RMB'000	2020/12/31 RMB'000
Haitong Securities Co., Ltd. (note)	7	–

note: The cash and bank balances refers to security account which was opened in Haitong Securities Co., Ltd. and held in custody by the bank.

(5) Borrowings

	2021/12/31 RMB'000	2020/12/31 RMB'000
Unican Limited	1,039,239	1,086,395
Haitong UT Capital Group Co., Limited	–	753,849

(6) Bonds payable

	2021/12/31 RMB'000	2020/12/31 RMB'000
Haitong Securities Co., Ltd. (note)	–	24,088

note: The bonds payable are the senior tranche asset-backed securities.

(7) Other liabilities

	2021/12/31 RMB'000	2020/12/31 RMB'000
Haitong UT Capital Group Co., Limited	–	34,427
Unican Limited	91,272	94,978

45. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(8) Other equity instrument

	2021/12/31 RMB'000	2020/12/31 RMB'000
Haitong Securities Co., Ltd. (note)	20,000	—

note: Other equity instrument investment represents Haitong Securities Co., Ltd. invested in the other equity instrument issued by the Company.

(9) Other related party transactions

(a) Key management personnel

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

	2021 RMB'000	2020 RMB'000
Basic salaries and allowances	6,109	6,173
Bonuses	14,407	15,674
Employer's contribution to pension schemes	2,759	2,451
Total	23,275	24,298

(b) Payment of referral service fees to related party

	2021 RMB'000	2020 RMB'000
Haitong Securities Co., Ltd.	2,919	4,211
Haitong Futures Co., Ltd.	333	11

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

45. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(9) Other related party transactions (continued)

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

	2021 RMB'000	2020 RMB'000
Haitong Securities Co., Ltd.	51,990	76,187
Shanghai HFT Fortune Asset Management Co., Ltd.	238	—
Shanghai Haitong Securities Asset Management Co., Ltd.	6,739	7,199
Haitong International Securities Co., Ltd.	454	—

note: These issuance costs relating to debt liabilities issued were recognised as a deduction from the proceeds received from the debt liabilities issued and amortised over the term of the debts as part of the effective interest expenses.

(d) Proceeds from disposal of land and building

	2021 RMB'000	2020 RMB'000
Haitong Securities Co., Ltd.	1,435,000	—

note: The Company entered into a purchase and sale agreement with Haitong Securities, pursuant to which the Company agreed to sell and Haitong Securities agreed to purchase a property from the Company at a total consideration of RMB1,435 million and the gains on disposal of the property amounted to RMB60,469 thousand was recognised in other income, gains and losses.

46. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

	2021/12/31 RMB'000	2020/12/31 RMB'000
Non-current assets		
Property and equipment	180,652	1,467,874
Right-of-use assets	100,460	141,884
Intangible assets	14,536	14,221
Finance lease receivables	9,132,224	17,958,991
Receivables arising from sale and leaseback arrangements	30,870,168	19,510,714
Loans and receivables	743,452	1,166,088
Financial assets at fair value through profit or loss	62,790	260,364
Investments in subsidiaries	4,499,265	4,227,813
Deferred tax assets	1,472,341	1,426,858
Other assets	1,222,704	469,445
Total non-current assets	48,298,592	46,644,252

46. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY (CONTINUED)

	2021/12/31 RMB'000	2020/12/31 RMB'000
Current assets		
Finance lease receivables	20,600,926	26,315,277
Receivables arising from sale and leaseback arrangements	22,809,223	14,521,906
Loans and receivables	6,256,825	6,436,293
Other assets	1,705,597	760,432
Accounts receivable	799	9,292
Financial assets held under resale agreements	—	456,808
Financial assets at fair value through profit or loss	1,996,289	572,915
Derivative financial assets	4,575	—
Cash and bank balances	5,769,625	3,943,852
Total current assets	59,143,859	53,016,775
Total assets	107,442,451	99,661,027
Current liabilities		
Borrowings	23,523,526	20,324,046
Derivative financial liabilities	163,282	206,325
Accrued staff costs	244,436	147,886
Accounts payable	34,552	30,118
Bonds payable	22,891,389	18,408,850
Income tax payable	696,793	628,994
Other liabilities	6,979,589	5,700,622
Total current liabilities	54,533,567	45,446,841
Net current assets	4,610,292	7,569,934
Total assets less current liabilities	52,908,884	54,214,186

46. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY (CONTINUED)

	2021/12/31 RMB'000	2020/12/31 RMB'000
Equity		
Share capital	**8,235,300**	8,235,300
Other equity instruments	**2,384,512**	1,523,756
Reserves		
— Capital reserve	**2,490,185**	2,495,716
— Surplus reserve	**585,260**	409,181
— Hedging reserve	**11,621**	1,788
Retained profits	**3,661,457**	2,595,575
Total equity	**17,368,335**	15,261,316
Non-current liabilities		
Borrowings	**15,227,272**	17,410,549
Bonds payable	**14,360,485**	13,951,119
Other liabilities	**5,952,792**	7,591,202
Total non-current liabilities	**35,540,549**	38,952,870
Total equity and non-current liabilities	**52,908,884**	54,214,186

46. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY (CONTINUED)

	Share capital RMB'000	Other equity instruments RMB'000	Capital reserve RMB'000	Surplus reserve RMB'000	Hedging reserve RMB'000	Retained profits RMB'000	Total equity RMB'000
At December 31, 2020	8,235,300	1,523,756	2,495,716	409,181	1,788	2,595,575	15,261,316
Profit for the year	–	90,934	–	–	–	1,759,328	1,850,262
Other comprehensive income for the year	–	–	–	–	9,833	–	9,833
Total comprehensive income for the year	–	90,934	–	–	9,833	1,759,328	1,860,095
Issuance of other equity instruments	–	2,318,012	–	–	–	–	2,318,012
Redemption of other equity instruments	–	(1,481,997)	(4,503)	–	–	–	(1,486,500)
Appropriation to surplus reserve	–	–	–	176,079	–	(176,079)	–
Distribution of other equity instruments	–	(64,736)	–	–	–	–	(64,736)
Dividends recognised as distribution	–	–	–	–	–	(518,824)	(518,824)
Acquisition of a subsidiary	–	–	(1,028)	–	–	–	(1,028)
Other	–	(1,457)	–	–	–	1,457	–
At December 31, 2021	8,235,300	2,384,512	2,490,185	585,260	11,621	3,661,457	17,368,335
At December 31, 2019	8,235,300	1,237,212	2,495,716	314,999	(1,190)	2,423,231	14,705,268
Profit for the year	–	50,221	–	–	–	941,855	992,076
Other comprehensive income for the year	–	–	–	–	2,978	–	2,978
Total comprehensive income for the year	–	50,221	–	–	2,978	941,855	995,054
Issuance of other equity instruments	–	286,500	–	–	–	–	286,500
Appropriation to surplus reserve	–	–	–	94,182	–	(94,182)	–
Distribution of other equity instruments	–	(50,211)	–	–	–	–	(50,211)
Dividends recognised as distribution	–	–	–	–	–	(675,295)	(675,295)
Other	–	34	–	–	–	(34)	–
At December 31, 2020	8,235,300	1,523,756	2,495,716	409,181	1,788	2,595,575	15,261,316

47. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2021/12/31 RMB'000	2020/12/31 RMB'000
Financial assets		
Financial assets measured at amortised cost:		
Cash and bank balances	6,738,571	5,176,968
Receivables arising from sale and leaseback arrangements	55,088,023	35,214,476
Loans and receivables	6,381,926	7,630,090
Accounts receivable	48,715	36,913
Other financial assets	2,286,938	683,483
Financial assets at fair value through profit or loss:		
Financial assets at fair value through profit or loss	2,124,388	899,200
Derivative financial assets	11,079	—
Total	72,679,640	49,641,130

	2021/12/31 RMB'000	2020/12/31 RMB'000
Financial liabilities		
Financial liabilities measured at amortised cost:		
Borrowings	43,729,417	44,001,574
Accounts payable	34,552	30,118
Bonds payable	37,854,830	32,359,969
Other financial liabilities	13,805,436	14,168,171
Financial liabilities at fair value through profit or loss:		
Derivative financial liabilities	231,247	359,910
Total	95,655,482	90,919,742

48. 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 minimise potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyse 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 establishes overall risk management strategy. The management establishes related risk management policies and procedures. 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, interest rate risk and price risk.

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 is exposed to credit risk in relation to its bank balances, finance lease receivables, receivables arising from sale and leaseback arrangements, factoring receivables, entrusted loans and other loans, accounts receivable, derivative financial assets 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 standardised management procedures over the processes of target customers selection, the due diligence and application, credit review and approval, finance lease business disbursement, post-lending monitoring, management of non-performing receivables and other aspects. Through implementation of relevant credit risk management policies and procedures, the effective use of lease information system and optimisation of the portfolio of finance leases business, 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 business, 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 of 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 monitor the above credit risk limits.

48. 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 optimise 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. In the event of default, the Group is entitled to terminate the contract and repossess the leased asset if the lessee fails to pay the rentals within a reasonable period after being notified.

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 evaluates the capability of the guarantor, the ownership and value of the mortgage and pledge and the feasibility of realising 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 the case to the insurance company and notify the Group, provide accident report with relevant documents and settle claims with the insurance company.

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Group's exposure to credit risk

The Group considers all elements of credit risk exposure such as counterparty default risk and sector risk for risk management purposes. 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 minimise credit risk, the Group has tasked to develop and maintain the Group's credit risk grading to categorise 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. 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 quality deteriorates. As the credit risk increases, the difference in risk of default between grades changes. Each exposure is allocated with a credit 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 year on year percentage change of Producer Price Index ("PPI"), Consumer Price Index ("CPI"), Gross Domestic Product ("GDP") and broad measure of money supply ("M2") in its assessment of significant increase in credit risk as well as in its measurement of ECL. The Group develops the forward-looking adjustment on ECL by building the relationship between these forward-looking macro-economic data and the business risk characteristics. In addition to the neutral scenario, the Group also develops other possible scenarios and corresponding weights in combination with market expectations. The Group measures PD as a weighted average of PD under extremely optimistic, optimistic, neutral, pessimistic and extremely pessimistic scenarios, with the combination of the loss given default ("LGD") of different business, the Group calculates the forward-looking adjusted ECL.

As at end of 2021, the Group conducted stress testing on the macro-economic data used in forward-looking measurement. When the weights of optimistic/extremely optimistic scenarios each increase by 5% and neutral scenario decrease by 10% or pessimistic/extremely pessimistic scenarios each increase by 5% and neutral scenario decrease by 10%, the impact on the Group's ECL allowances is insignificant.

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Group's exposure to credit risk (continued)

The following table shows the Group's credit risk grading framework:

Category	Description	Basis for recognising ECL
Stage 1	For financial assets that have low risk of default or where there 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

The table below shows the maximum credit risk exposure of the Group without consideration of the collateral and pledges:

	2021/12/31 RMB'000	2020/12/31 RMB'000
Financial assets at amortised cost:		
Cash and bank balances	6,738,571	5,176,968
Receivables arising from sale and leaseback arrangements	55,088,023	35,214,476
Loans and receivables	6,381,926	7,630,090
Accounts receivable	48,715	36,913
Other financial assets	2,286,938	683,483
Financial assets at fair value through profit or loss:		
Derivative financial assets	11,079	—
Finance lease receivables	33,472,587	48,411,403
Total	104,027,839	97,153,333

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Group's exposure to credit risk (continued)

The amounts of the credit risk exposures set out above are the carrying amounts as at December 31, 2021 and 2020. 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, receivables arising from sale and leaseback arrangements and loans and receivables

For finance lease receivables, receivables arising from sale and leaseback arrangements, and loans and receivables, the Group has applied the three-stage impairment approach in IFRS 9 to measure ECL. Refer to Notes 20, 21 and 22 for the stage details, respectively.

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

Bank balances are determined to have low credit 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 changes in market prices.

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 (net exposure) between interest-bearing assets and liabilities which would need to be repriced or mature in a certain period, and then uses the net 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.

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (continued)

Foreign currency risk (continued)

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 rate of RMB and US dollar. The Group manages its foreign exchange rates under the principle of risk neutralisation by matching the allocation of assets and liabilities of different currencies according to sensitivity analysis of the impact on operation resulting from 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 hedges the foreign currency risk arising from funding by currency forwards and other instruments. Such arrangement effectively minimises the foreign currency risk exposure. The foreign currency risk of the Group as a whole is relatively low and has no significant effect on the profits of the Group for the year.

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	
	2021/12/31	2020/12/31	2021/12/31	2020/12/31
	RMB'000	RMB'000	RMB'000	RMB'000
United States dollar	777,118	1,031,857	7,634,403	8,997,577

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 the Company, against USD. 5% in 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 as at year ended date 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.

	2021/12/31	2020/12/31
	RMB'000	RMB'000
Increase in net profit	174,509	198,756

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.

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (continued)

Interest rate risk (continued)

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, accounts receivable, derivative financial instruments, other financial assets, borrowings, accounts payable, bonds payable, and other financial liabilities.

Management closely monitors the market, and controls interest rate sensitivity gap by adjusting asset and liability structure, so as to achieve effective management of interest rate risk.

Fluctuations of prevailing rate of LPR and LIBOR are the major sources of the Group's cash flows 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. 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.

	2021/12/31	2020/12/31
	RMB'000	RMB'000
Increase/(decrease) in net profit		
100 basis points increase	**248,372**	224,191
100 basis points decrease	**(248,372)**	(224,191)

Price risk

The Group's exposure to price risk relates primarily to its investments in funds, wealth management products, equity instruments, asset management schemes and trust plans in financial assets at fair value through profit or loss.

The management considers the exposure of the Group to the price risk is insignificant as the Group's investments are not material.

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.

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

The major payment demand of the Group is the repayments of matured debt.

Liquidity risk management policy

Each year, the Group formulates annual liquidity risk tolerance level based on comprehensive assessment of future development, operational strategies and market conditions and implements administrative measures accordingly under proper authorisation and approval procedures. In order to effectively monitor and manage liquidity risk, the Group formulates and promulgates policies such as Measures for the Management of Liquidity Risk, and carries out regular 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;

- Establish liquidity risk control indicators system, managing, identifying and tracking risk control indicators, and implementing corresponding warning, report and contingency plans for liquidity risk;

- Draw 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, analysing 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;

- Evaluate 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.

48. FINANCIAL RISK MANAGEMENT (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, 2021

	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	–	6,334,608	320,095	85,050	–	–	6,739,753
Financial assets at fair value through profit or loss	–	1,283,245	410,513	302,531	21,060	107,039	2,124,388
Finance lease receivables	1,288,726	–	5,763,302	18,481,123	12,490,240	597,410	38,620,801
Receivables arising from sale and leaseback arrangements	126,103	–	6,636,234	19,516,593	34,955,596	158,862	61,393,388
Loans and receivables	785,080	–	620,399	5,322,362	586,796	61,183	7,375,820
Accounts receivable	27,803	–	–	58,365	–	–	86,168
Other financial assets	–	89,422	24,326	499,898	1,322,941	780,508	2,717,095
Non-derivative financial assets total	2,227,712	7,707,275	13,774,869	44,265,922	49,376,633	1,705,002	119,057,413
Financial liabilities							
Borrowings	–	–	5,868,377	21,040,414	18,321,117	596,530	45,826,438
Accounts payable	–	34,552	–	–	–	–	34,552
Bonds payable	–	–	7,829,497	16,428,456	15,641,581	–	39,899,534
Other financial liabilities	–	918,180	1,130,218	4,619,931	6,164,257	340,202	13,172,788
Non-derivative financial liabilities total	–	952,732	14,828,092	42,088,801	40,126,955	936,732	98,933,312
Net position	2,227,712	6,754,543	(1,053,223)	2,177,121	9,249,678	768,270	20,124,101

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

Cash flow for non-derivative financial instruments (continued)

As at December 31, 2020

	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	–	4,630,725	492,006	54,426	–	–	5,177,157
Financial assets at fair value through profit or loss	–	402,418	160,543	9,954	260,364	65,921	899,200
Finance lease receivables	841,948	–	7,626,063	22,713,145	23,226,940	501,855	54,909,951
Receivables arising from sale and leaseback arrangements	58,423	–	3,958,762	12,816,861	22,431,809	43,031	39,308,886
Loans and receivables	886,835	–	673,020	6,065,860	1,385,650	75,052	9,086,417
Accounts receivable	31,819	–	–	39,424	–	–	71,243
Other financial assets	–	43,524	205	5,938	416,846	408,049	874,562
Non-derivative financial assets total	1,819,025	5,076,667	12,910,599	41,705,608	47,721,609	1,093,908	110,327,416
Financial liabilities							
Borrowings	–	–	5,847,718	17,722,894	22,299,700	601,913	46,472,225
Accounts payable	–	30,118	–	–	–	–	30,118
Bonds payable	–	–	7,850,761	11,730,870	14,733,120	–	34,314,751
Other financial liabilities	–	567,903	900,433	3,969,825	7,727,244	339,014	13,504,419
Non-derivative financial liabilities total	–	598,021	14,598,912	33,423,589	44,760,064	940,927	94,321,513
Net position	1,819,025	4,478,646	(1,688,313)	8,282,019	2,961,545	152,981	16,005,903

Cash flow for derivative financial instruments

The following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis, and the undiscounted gross (inflows) and outflows on those derivatives that require gross settlement.

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

Derivative cash flows

	Less than 3 months RMB'000	3 months to 1 year RMB'000	1 year to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
December 31, 2021					
Derivative financial instruments settled on net basis	**(3,368)**	**(9,858)**	**(44,068)**	**–**	**(57,294)**
Derivative financial instruments settled on gross basis					
Including: Cash inflow	**198,765**	**1,446,717**	**1,313,515**	**–**	**2,958,997**
Cash outflow	**(214,229)**	**(1,477,851)**	**(1,433,376)**	**–**	**(3,125,456)**
	(15,464)	**(31,134)**	**(119,861)**	**–**	**(166,459)**

	Less than 3 months RMB'000	3 months to 1 year RMB'000	1 year to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
December 31, 2020					
Derivative financial instruments settled on net basis	(11,569)	(26,740)	(123,287)	(28)	(161,624)
Derivative financial instruments settled on gross basis					
Including: Cash inflow	167,685	1,400,428	1,171,482	–	2,739,595
Cash outflow	(175,559)	(1,497,365)	(1,231,302)	–	(2,904,226)
	(7,874)	(96,937)	(59,820)	–	(164,631)

Interest rate benchmark reform

The Group's IBOR bank loans are subject to the interest rate benchmark reform. The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant IBOR regulators.

Capital management

The Group manages its capital to ensure that the companies in the Group are able to operate as a going concern by optimising the structure of the debt and shareholders' equity while maximising shareholders' return. The objective of the Company's capital management is to ensure 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 8 times of net assets.

As at December 31, 2021 and 2020, the risk assets to net assets ratio complied with the aforementioned regulations.

49. FAIR VALUE OF FINANCIAL INSTRUMENTS

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 measured at fair value on a recurring basis

Some of the financial assets and financial liabilities are measured at fair value on a recurring basis. 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 2021/12/31 RMB'000	Fair value as at 2020/12/31 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)
1) Financial assets at fair value through profit or loss				
— Funds	384,327	260,841	Level 2	Net asset value as published by the fund manager.
— Wealth management products	800,063	30,006	Level 2	Net asset value as published by the product manager.
— Equity instruments	98,855	111,571	Level 1	Quoted bid price in an active market.
	—	65,309	Level 2	Based on latest round of financing.
	430,630	270,930	Level 3	Quoted market prices with an adjustment of discount for lack of marketability; or using market approach, with reference to the market value of the comparable listed company, as well as the liquidity discount impact; or using transaction price, with reference to the last capital injection of new investor; or discounted cash flow. Future cash flow are discounted using weighed average cost of capital.
— Asset management schemes and trust plans	410,513	160,543	Level 2	Net asset value as published by the issuer/financial institution.

49. 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 2021/12/31 RMB'000	Fair value as at 2020/12/31 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)
2) Currency forwards	**Liabilities: (74,157)**	Liabilities: (85,526)	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: 11,079** **Liabilities: (68,105)**	Assets: – Liabilities (160,674)	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	**Liabilities: (88,985)**	Liabilities: (113,710)	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.

49. 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 instruments using valuation techniques that incorporate unobservable input. These financial instruments are valued using cash flow discount method and market approach, which incorporate various unobservable assumptions such as discount rate, market rate volatilities, expected rate of return, and market liquidity discounts.

As at 31 December 2021, the effects of changes in significant unobservable assumptions to reasonably possible alternative assumptions were immaterial.

There was no transfer between Level 1 and Level 2 during the years ended December 31, 2021 and 2020.

The following table represents the changes in Level 3 financial instruments for the relevant years.

Financial assets at FVTPL

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
At the beginning of the year	**270,930**	35,921
Changes in fair value recognised in profit or loss	**38,339**	(285)
Additions	**71,988**	300,603
Disposal	**(598)**	—
Transfer from level 2	**65,309**	—
Transfer to level 2	**—**	(65,309)
Transfer to level 1	**(15,338)**	—
At the end of the year	**430,630**	270,930
Total gains/(losses) for assets held at the end of the year		
— unrealised gains/(losses) recognised in profit or loss	**32,937**	(30,202)

49. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments that are not measured at fair value

The table below summaries the carrying amounts and expected fair values of those financial instruments not measured at their fair values:

	Carrying amount		Fair value	
	2021/12/31	2020/12/31	**2021/12/31**	2020/12/31
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial liabilities:				
Bonds payable	**37,854,830**	32,359,969	**38,161,844**	32,505,904

Fair value hierarchy of financial instruments not measured at fair value

	2021/12/31			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Bonds payable	**—**	**38,161,844**	**—**	**38,161,844**

	2020/12/31			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Bonds payable	—	32,505,904	—	32,505,904

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 input 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 other financial assets and financial liabilities recorded at amortised cost on the Group's consolidated statement of financial position approximate their fair values because the majority of these financial assets and liabilities are matured within one year or at floating interest rates.

50. 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/ issued share capital	Equity interest held by the Company At December 31, 2021	2020	Principal activities/ place of operation
Directly held:					
Haitong Unitrust International Financial Leasing (Tianjin) Corporation	PRC, 2011	RMB 210,000,000	**100%**	100%	Leasing, PRC
Shanghai UniCircle Investment & Development Co., Ltd. (note ii)	PRC, 2006	RMB 100,000,000	**100%**	100%	Property management, logistics management, catering management, PRC
Haitong UniFortune Financial Leasing (Shanghai) Corporation	PRC, 2014	RMB 1,360,000,000	**100%**	100%	Leasing, PRC
Haitong UT Leasing HK Limited	Hong Kong, 2017	USD 253,148,444	**100%**	100%	Leasing, Hong Kong
Penglai Hengshi Properties Limited (note i)	PRC, 2018	RMB 15,000,000	**95%**	95%	Government outsourcing businesses, PRC
Longyao County Hengjing Engineering Project Management Co., Ltd. (note i)	PRC, 2018	RMB 37,608,500	**90%**	90%	PPP project management, PRC
Longyao County Yutong Engineering Project Management Co., Ltd (note i)	PRC, 2018	RMB 65,151,880	**90%**	90%	PPP project management, PRC
Tonggu County Dingxin Engineering Project Management Co., Ltd. (note i)	PRC, 2019	RMB 134,000,000	**73.9%**	73.9%	PPP project management, PRC
Le’an County Dingxin Engineering Project Management Co., Ltd. (note i)	PRC, 2019	RMB 214,661,100	**75%**	75%	PPP project management, PRC

50. PARTICULARS OF SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place and date of incorporation/ establishment	Registered capital/ issued share capital	Equity interest held by the Company At December 31, 2021	2020	Principal activities/ place of operation
Qimen County Dingxin Engineering Project Management Co., Ltd. (note i)	PRC, 2020	RMB 165,072,820	85%	85%	PPP project management, PRC
Haitong UT MSE Financial Leasing (Shanghai) Co., Ltd. (Note 19)	PRC, 2016	RMB 1,500,000,000	100%	100%	Leasing, PRC
Shanghai Dingjie Construction Development Co., Ltd. (note ii)	PRC, 2018	RMB 20,000,000	100%	100%	Government outsourcing business and PPP project management, PRC
Indirectly held:					
Haitong UT Leasing Irish Holding Corporation Limited	Ireland, 2017	USD 1	100%	100%	Aircraft related business, Ireland
Haitong Unitrust No. 1 Limited	Ireland, 2016	USD 1	100%	100%	Aircraft leasing, PRC (note iii)
Haitong Unitrust No. 2 Limited	Ireland, 2017	USD 1	100%	100%	Aircraft leasing, PRC (note iii)
Haitong Unitrust No. 3 Limited	Ireland, 2017	USD 1	100%	100%	Aircraft leasing, Philippines (note iii)
Haitong Unitrust No. 4 Limited	Ireland, 2017	USD 1	100%	100%	Aircraft leasing, Philippines (note iii)
Haitong Unitrust No. 5 Limited	Ireland, 2017	USD 1	100%	100%	Aircraft leasing, Mexico (note iii)
Haitong Unitrust No. 6 Limited	Ireland, 2017	USD 1	100%	100%	Aircraft leasing, Mexico (note iii)
Haitong UT Leasing Irish Finance Limited	Ireland, 2018	USD 1	100%	100%	Financial service on aircraft related business, Ireland
Haitong UT HK 1 Limited	Hong Kong, 2018	USD 1	100%	100%	Aircraft leasing, Qatar (note iii)
Haitong UT HK 2 Limited	Hong Kong, 2018	USD 1	100%	100%	Aircraft leasing, Qatar (note iii)
Haitong UT HK 3 Limited	Hong Kong, 2018	USD 1	100%	100%	Aircraft leasing, Indonesia (note iii)
Haitong UT HK 4 Limited	Hong Kong, 2018	USD 1	100%	100%	Aircraft leasing, Indonesia (note iii)

50. PARTICULARS OF SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place and date of incorporation/ establishment	Registered capital/ issued share capital	Equity interest held by the Company At December 31, 2021	2020	Principal activities/ place of operation
Haitong UT HK 5 Limited	Hong Kong, 2018	USD 1	100%	100%	Aircraft leasing, PRC (note iii)
Haitong UT HK 6 Limited	Hong Kong, 2018	USD 1	100%	100%	Aircraft leasing, PRC (note iii)
Haitong UT HK 7 Limited	Hong Kong, 2018	USD 1	100%	100%	Aircraft leasing, PRC (note iii)
Haitong UT HK 8 Limited	Hong Kong, 2018	USD 1	100%	100%	Aircraft leasing, PRC (note iii)
Haitong UT HK 9 Limited	Hong Kong, 2018	USD 1	100%	100%	Financial service on aircraft related business, Hong Kong
Haitong UT HK 10 Limited	Hong Kong, 2018	USD 1	100%	100%	Financial service on aircraft related business, Hong Kong
Haitong UT HK 15 Limited	Hong Kong, 2019	USD 1	100%	100%	Aircraft leasing, Malaysia (note iii)
Haitong UT HK 16 Limited	Hong Kong, 2019	USD 1	100%	100%	Aircraft leasing, Malaysia (note iii)
Haitong UT HK 17 Limited	Hong Kong, 2019	USD 1	100%	100%	Aircraft leasing, PRC (note iii)
Haitong UT HK 18 Limited	Hong Kong, 2020	USD 1	100%	100%	Aircraft leasing, PRC (note iii)
Haitong UT HK 19 Limited	Hong Kong, 2020	USD 1	100%	100%	Aircraft leasing, PRC (note iii)
Haitong UT Brilliant Limited	Hong Kong, 2020	USD 1	100%	100%	Financing vehicle, Hong Kong
Haitong Unitrust No. 1 Leasing (Tianjin) Corporation	PRC, 2019	RMB 100,000	100%	100%	Aircraft leasing, PRC (note iii)
Haitong Unitrust No. 2 Leasing (Tianjin) Corporation	PRC, 2019	RMB 100,000	100%	100%	Aircraft leasing, PRC (note iii)
Haitong Unitrust No. 3 Leasing (Tianjin) Corporation	PRC, 2021	RMB 100,000	100%	N/A	Aircraft leasing, PRC (note iii)

50. PARTICULARS OF SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place and date of incorporation/ establishment	Registered capital/ issued share capital	Equity interest held by the Company At December 31, 2021	2020	Principal activities/ place of operation
Haitong Unitrust No. 4 Leasing (Tianjin) Corporation	PRC, 2021	RMB 100,000	**100%**	N/A	Aircraft leasing, PRC (note iii)
Haitong UT Holding Limited	Hong Kong, 2017	USD 1,000,000	**100%**	100%	Leasing, Hong Kong

note i: During the year ended December 31, 2021, the subsidiaries of the Company received capital injection of RMB31,250 thousand from their minority shareholders (2020: RMB34,596 thousand). The capital injections from the above minority shareholders were recognised as non-controlling interests.

note ii: In February 2021, Shanghai UniCircle Investment & Development Co., Ltd. which is the subsidiary of the Company transferred its 100% shareholding of Shanghai Dingjie Construction Development Co., Ltd. to the Company.

note iii: Place of operation represents the location of the lessee in aircraft leasing business.

As at December 31, 2021 and 2020, the subsidiaries of the Group which are established in the PRC are all limited liability companies registered under the PRC law.

As at December 31,2021, none of the subsidiaries had issued any debt securities at the end of the year except for Haitong UT Brilliant Limited which had issued approximately USD100 million of medium term notes and Haitong UT MSE Financial Leasing (Shanghai) Co., Ltd. which had issued approximately RMB140 million of asset-backed securities, in which the Group had no interest (December 31, 2020: nil).

51. SUBSEQUENT EVENTS

The Group had no material subsequent events after December 31, 2021.