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

2022

Interim 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 LME, MSE 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 18 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. LU Tong

Mr. WU Shukun

Mr. ZHANG Shaohua

Independent non-executive Directors

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. YAN Lixin (Chairman)

Mr. REN Peng

Mr. WU Yat Wai

REMUNERATION AND EVALUATION COMMITTEE OF THE BOARD

Mr. ZENG Qingsheng (Chairman)

Mr. WU Shukun

Mr. YAO Feng

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

BOARD OF SUPERVISORS

Mr. WU Xiangyang (Chairman)

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)

Corporate Information

LEGAL ADVISORS

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

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

AUDITOR

Domestic Auditor
PricewaterhouseCoopers Zhong Tian LLP
42/F, New Bund Center
588 Dongyu Road, Pudong New District
Shanghai, PRC

International Auditor
PricewaterhouseCoopers
Registered Public Interest Entity Auditors
22nd Floor, Prince's Building, Central
Hong Kong

H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
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Wanchai, Hong Kong

REGISTERED ADDRESS

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PRC

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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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

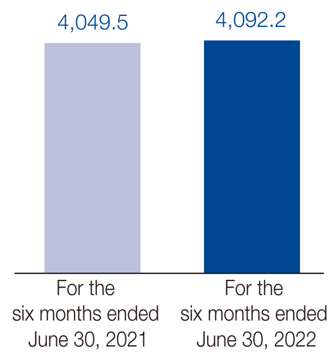
June 3, 2019

OVERVIEW OF KEY FINANCIAL DATA

For the six months ended June 30, 2022

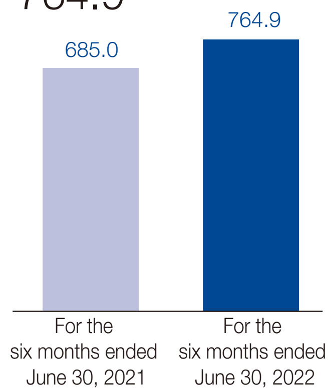
Total revenue
RMB in millions

4,092.2



Profit for the period
RMB in millions

764.9



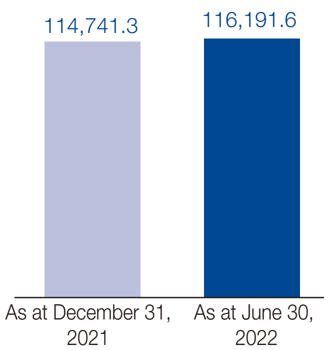
Basic earnings per share
RMB yuan/share

0.09

As at June 30, 2022

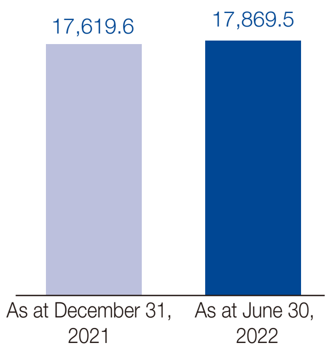
Total assets
RMB in millions

116,191.6



Total equity
RMB in millions

17,869.5



Net assets per share
RMB yuan/share

1.91

Net interest margin
For the six months ended June 30

2021	2022
3.39%	3.47%

Average yield of interest-earning assets
For the six months ended June 30

2021	2022
6.90%	6.88%

Net interest spread
For the six months ended June 30

2021	2022
2.95%	3.06%

Weighted average return on net assets
For the six months ended June 30

2021	2022
8.64%	9.05%

Asset-liability ratio

As at December 31, 2021	As at June 30, 2022
84.64%	84.62%

NPA ratio

As at December 31, 2021	As at June 30, 2022
1.07%	1.07%

Financial Summary

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	For the six months ended June 30,		
	2022	2021	Changes
	(RMB in millions, except percentages)		
Total revenue	**4,092.2**	4,049.5	1.1%
Total revenue and other income, gains or losses	**4,228.8**	4,238.7	(0.2%)
Interest expenses	**(1,769.6)**	(1,748.2)	1.2%
Total expenses	**(3,208.9)**	(3,324.0)	(3.5%)
Profit before income tax	**1,019.9**	914.7	11.5%
Income tax expenses	**(255.0)**	(229.7)	11.0%
Profit for the period	**764.9**	685.0	11.7%
Earnings per share attributable to ordinary shareholders of the Company (RMB yuan/share)			
— Basic	**0.09**	0.08	
— Diluted	**N/A**	N/A	
Profitability indicators			
Return on average assets[1]	**1.32%**	1.25%	
Weighted average return on net assets[2]	**9.05%**	8.64%	
Cost-to-income ratio[3]	**14.71%**	12.66%	
Profit margin before tax and provision[4]	**41.86%**	43.97%	
Net profit margin[5]	**18.69%**	16.92%	
Profitability indicators of assets			
Average yield of interest-earning assets[6]	**6.88%**	6.90%	
Of which: finance lease business[7]	**6.89%**	7.08%	
Average cost of interest-bearing liabilities[8]	**3.82%**	3.95%	
Net interest spread[9]	**3.06%**	2.95%	
Net interest margin[10]	**3.47%**	3.39%	

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	As at June 30, 2022	As at December 31,2021	Changes
	(RMB in millions, except percentages)		
Non-current assets	57,027.4	52,874.0	7.9%
Receivables from finance lease business(note)	47,363.3	42,792.0	10.7%
Property and equipment	5,606.0	5,463.2	2.6%
Current assets	59,164.2	61,867.3	(4.4%)
Receivables from finance lease business(note)	46,179.0	45,768.6	0.9%
Total assets	116,191.6	114,741.3	1.3%
Current liabilities	56,297.3	57,562.4	(2.2%)
Borrowings	26,739.0	25,584.2	4.5%
Bonds payable	21,570.2	22,989.5	(6.2%)
Total equity	17,869.5	17,619.6	1.4%
Equity attributable to owners of the Company			
— Ordinary shareholders	15,703.7	15,151.4	3.6%
— Other equity instrument holders	2,126.3	2,384.5	(10.8%)
Non-controlling interests	39.5	83.7	(52.8%)
Non-current liabilities	42,024.8	39,559.3	6.2%
Borrowings	20,078.0	18,145.2	10.7%
Bonds payable	16,187.7	14,865.4	8.9%
Net assets per share (RMB Yuan/share)	1.91	1.84	
Solvency indicators			
Asset-liability ratio(11)	84.62%	84.64%	
Gearing ratio(12)	473.29%	463.03%	
Asset quality indicators			
NPA ratio(13)	1.07%	1.07%	
Allowance coverage ratio for NPAs(14)	257.49%	258.80%	

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

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

(2) Profit for the period attributable to ordinary shareholders/(equity attributable to ordinary shareholders at the beginning of the period + profit for the period attributable to ordinary shareholders/2 + the addition of total equity attributable to ordinary shareholders arising from issuance 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) on an annualized basis.

(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 for the period by the total revenue.

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

(6) Calculated by dividing interest income by the average balance of interest-earning assets on an annualized basis. Interest income is the sum of (i) income from finance lease business, (ii) factoring 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 end of the current period. 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 on an annualized basis. 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 and the end of the current period.

(8) Calculated by dividing interest expenses by the average balance of interest-bearing liabilities on an annualized basis. Interest-bearing liabilities consist of borrowings, bonds payable, 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 end of the current period. 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 cost 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 end of the current period on annualized basis.

(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.

Chairman's Statement

Ding Xueqing
Chairman and Executive Director

In the first half of 2022, international geopolitical conflicts continued to escalate and monetary policies of major economies were tightened. The recurring outbreaks of the global pandemic significantly increased external instability. Coupled with rising global inflation levels and growing risks of stagflation, the global economic recovery was not as good as expected. In the face of the increasingly complicated and challenging international environment, multiple outbreaks of the pandemic in China and other unexpected factors, the Chinese government actively deployed favorable policies and initiatives, enhanced timely regulation, and effectively implemented a basket of policies and measures to stabilize growth, in order to promote the stabilization and recovery of the domestic economy.

In response to the extremely complicated domestic and foreign environments, especially the unprecedentedly severe impact of the pandemic on Shanghai, the Group strictly adhered to our strategic plan, and promoted pandemic prevention and control as well as operation development with precise planning. We also insisted on our "practical, pioneering, robust and excellent" operation concepts as we worked together to overcome difficulties, make advance planning and take on an active role in the pursuit of stable and positive performance of the Company. For the six months ended June 30, 2022, the total revenue of the Group amounted to RMB4,092.2 million, representing an increase of 1.1% compared with the same period last year. The profit for the period of the Group amounted to RMB764.9 million, representing an increase of 11.7% compared with the same period last year. As at June 30, 2022, the total assets and total equity of the Group amounted to RMB116,191.6 million and RMB17,869.5 million, respectively, representing increases of 1.3% and 1.4%, respectively, compared with December 31, 2021. As at June 30, 2022, our NPA ratio and allowance coverage ratio for NPAs were 1.07% and 257.49%, respectively, reflecting the fact that our overall risk exposure was controllable. In the first half of 2022, the Group further expanded its financing channels and steadily reduced its financing costs. The Group recorded a financing withdrawal of RMB35,820 million, including an indirect financing withdrawal and a direct financing withdrawal of RMB18,080 million and RMB17,740 million, respectively, accounting for 50.5% and 49.5% of the total amount, respectively. The average cost of interest-bearing liabilities was 3.82%, representing a decrease of 0.13 percentage points compared with the same period last year. In addition, we actively innovated financing instruments and successfully issued the first technological innovation corporate bonds in the financial leasing industry. These achievements allowed us to play an important demonstrative and leading role for financial leasing companies to provide precise support for high-tech enterprises as well as niche enterprises. In the first half of 2022, the Company was honored as the "2021 Outstanding Promoter of Asset Securitization Business of the Shanghai Stock Exchange" (2021年度上交所資產證券化業務優秀發起人).

With advance planning and coordination at the front line, we took the initiative to successively re-designate several backbone teams from Shanghai for resumption of work and business so as to facilitate the continuous business operation of the Company. Moreover, benefitting from the forward-looking "One Body, Two Wings" strategy of the Company, our local branches fully capitalized on their strategic advantages in the regional markets to arrange for substitutions for vacant positions. Regional resources were also allocated to enhance services for regional customers, which ensured the continuous growth in business scale and revenue of the Company in the first half of the year. By fully utilizing technology, we effectively mobilized regional resources, further optimized asset allocation and continuously enhanced organic growth to ensure the efficient business development of the Company. In the first half of 2022, with the extensive use of fin-tech tools to digitally empower the entire front-, middle- and back-office operation process of our business development, we minimized the pandemic impact on the Company in terms of business restriction and laid a solid foundation for the normal operation of our business during the pandemic. In strict accordance with the strategies and guidelines of China, we actively studied the impact of the pandemic on the economy, increased the investment in stable assets related to people's livelihood in a timely manner, and encouraged and supported the development of strategic emerging industries such as high-end equipment manufacturing, digital economy and green leasing, in order to financially support the sound development of the real economy. Efforts were also made to promote and optimize our innovation mechanism to continuously boost organic growth of the Company. For example, our green innovative financing product specially designed for sludge reuse project was awarded the 2021 Innovation Case of the Shanghai Financial Leasing Industry Association.

We continued to strengthen the leading role in party building and undertake our corporate social responsibilities. In the first half of 2022, we further stepped up our party brand building initiatives to usher in the successful convening of the 20th National Congress of the Communist Party of China. Moreover, we further highlighted the leadership of party building to support the fight against the pandemic. We donated RMB300,000 to the frontline healthcare workers for pandemic prevention through a unified donation platform, the "social charity foundation" of Shanghai financial system. Several donations of anti-pandemic supplies and daily necessities were made to the government offices of the districts and streets where we operate. We also called on our employees to actively volunteer in community anti-pandemic services, which fully reflected our social responsibilities, patriotism and dedication. A number of measures were introduced to support the fight against the pandemic in a timely manner, such as opening a green approval channel for special anti-pandemic industries. Deferral of lease payment, reduction or exemption of handling fees, and other measures were offered specifically to creditworthy customers. We stood by quality business entities during difficult times by providing heartwarming services as financial protection for pandemic prevention and control. In addition, we actively fulfilled our corporate social responsibilities by financially promoting regional prosperity and stability. We donated RMB500,000 to relevant departments in Pu'er, Yunnan Province to support local development and construction, promote the further improvement of people's living conditions, in order to financially support effective and steady rural revitalization.

We comprehensively promoted the compliance culture to further enhance risk management. In the first half of 2022, the "Compliance and Internal Control" Campaign was fully launched to strengthen all employees' awareness of compliance and internal control, and improve the compliance and internal control management of the Company. We paid constant attention to new regulatory trends and actively responded to regulatory requirements to ensure compliant operation of the Company. We continued to optimize our comprehensive risk management mechanism to extensively enhance our risk management capability and level. We further strengthened our risk prevention and handling capabilities through proactive asset allocation management, exploration of innovative asset disposal methods and increased efforts in asset disposals. These initiatives reflected our commitment to the long-term balance between stable growth and risk prevention of the Group.

In recent years, tightened regulation on the financial leasing industry and optimized regulatory system have further improved the industry environment. In addition, as its features align closely with those of the real economy, the financial leasing industry has received increasing attention in respect of green development and ESG governance, providing a favorable external environment and extensive market opportunities for the prudent development of the Group. In the second half of 2022, while maintaining the routine management of pandemic prevention and control, we will adhere to our development strategies to remain committed to providing leasing services for the real economy and pursuing the vision of "One Haitong Unitrust" (一個海通恒信) based on the concept of "One Haitong" (一個海通). We will deepen the construction of the business ecosystem, continue to optimize asset structure, promote digital transformation and strengthen risk prevention. Continuous efforts will also be made to consolidate asset quality, enhance brand promotion and further promote the high-quality and sustainable development of the Group.

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 trust and support. I would also like to dedicate my heartfelt appreciation to all employees of the Group who worked hard together to overcome difficulties during tough times and made significant contributions to the staged victory of the Company in pandemic prevention and control and business development. In the future, we will strive to move forward and live up to our mission and commitment, and create greater value for our shareholders, employees, government and other parties in the community.

DING Xueqing
Chairman and Executive Director
August 26, 2022

Management Discussion and Analysis

1. OPERATION OVERVIEW

Macroeconomy

In the first half of 2022, slower economic growth and deteriorating market outlook around the world posed various challenges, which had not been seen for decades, to central banks and markets. Escalating geopolitical conflicts also resulted in drastic fluctuations in prices of commodities such as energy resources, metals and food, creating significant impacts and long-standing influence on global industrial production, international trade and business structure. Driven by both supply and demand, global inflation levels were rising all over the world while inflation in major economies reached a record high in nearly 40 years. On the other hand, the continuous interest rate hike policies were adopted to curb inflation triggered the tightening of global liquidity, which significantly pushed up global interest rate levels and caused great volatility in the international financial market.

In the first half of 2022, affected by factors such as the international geopolitical crisis and a new outbreak of the pandemic in China, the economic development of China was significantly dampened by the intensifying Three Major Sources of Pressure and the economic growth slowed down significantly. Since May, with the receding pandemic and optimized precautionary policies, the Chinese government has adopted a series of policies to stabilize the macroeconomy and accelerate the resumption of work and production. As such, the macroeconomic development has gradually recovered as industrial production has begun to record positive year-on-year growth rates since May while investment and consumption have shown signs of resumption. In June, the economy rebounded, as reflected in its overall positive growth in the second quarter. In the first half of 2022, the GDP of China amounted to RMB56,264.2 billion, representing a year-on-year increase of 2.5%. The positive growth recorded in spite of the unexpected impacts of the pandemic has reflected the resilience and potential of the economic development of China. Fixed-asset investment in China amounted to RMB27,143.0 billion, representing a year-on-year increase of 6.1%. The total retail sales of consumer goods amounted to RMB21,043.2 billion, representing a year-on-year decrease of 0.7%. In terms of industries, the output growth of the primary, secondary and tertiary industries recorded year-on-year increases of 5.0%, 3.2% and 1.8%, respectively. The output growth of major manufacturing sectors recorded a year-on-year increase of 3.4% as industrial production grew steadily. The output growth of high-tech manufacturing industry recorded a year-on-year increase of 9.6%, which were 6.2 percentage points higher than major manufacturing sectors. The output growth of new energy vehicles, solar cells, mobile communication base station equipment recorded year-on-year increases of 111.2%, 31.8% and 19.8%, respectively, resulting in rapid growth in strategic emerging industries.

In the first half of 2022, based on its resilient and insightful financial policies, the Chinese government launched a one-off reduction policy for required reserve ratio and reduced the 5-year loan prime rate ("LPR") twice in order to maintain prudent monetary and credit growth, which created favorable conditions for the stable macroeconomic development. In addition, the PBOC stepped up its effort in implementing prudent monetary policies, leveraging the dual functions of monetary policy tools in terms of volume and structure, reducing the financing cost of the real economy, guiding financial institutions to increase support for MSEs, technological innovation, green development and other aspects, and facilitating domestic economic resumption. As at the end of June 2022, the balance of broad money (the "M2") amounted to RMB258.15 trillion, representing a year-on-year increase of 11.4%. The balance of narrow money (the "M1") amounted to RMB67.44 trillion, representing a year-on-year increase of 5.8%. The balance of social financing amounted to RMB334.27 trillion, representing a year-on-year increase of 10.8%. The amount of new loans amounted to RMB13.58 trillion, representing a year-on-year increase of RMB632.9 billion. In the first half of 2022, financial support for the real economy continued to be strengthened, enabling the steady decrease in financial cost for enterprise and consolidating the foundation for economic recovery. The balance of medium- and long-term loans to the manufacturing industry recorded a year-on-year increase of 29.7%. The balance of inclusive loans to MSEs recorded a year-on-year increase of 23.8%. In the first half of the year, the interest rate of corporate loan was 4.32%, representing a year-on-year decrease of 0.31 percentage points, which was a record low. The interest rate of newly-released inclusive loans to MSEs was 5.35%, representing a decrease of 0.35 percentage points as compared with 2021.

Regulatory Environment

In the first half of 2022, the financial leasing industry remained subject to more standardized and refined regulation. The overall regulatory system was further optimized as the CBIRC introduced more regulatory rules. Local financial regulatory departments successively carried out onsite inspection, through which financial leasing companies were under continuous guidance and supervision in respect of their compliance operation. To further facilitate with the implementation of 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 in June 2020, the CBIRC promulgated the "Rules and Procedures for the Off-site Supervision of Financial Leasing Companies" (《融資租賃公司非現場監管規程》) in February 2022, pursuant to which off-site supervision functions of financial leasing companies are clearly defined. A set of standardized national requirements, procedures, methods and reporting process for off-site supervision was also formulated, enabling the optimization of the off-site supervision reporting mechanism of financial leasing companies. The introduction of the "Rules and Procedures for the Off-site Supervision of Financial Leasing Companies" (《融資租賃公司非現場監管規程》) was beneficial to the effective implementation of the regulatory mechanism for financial leasing companies, the enhancement of their operation management and risk prevention, and the overall risk prevention of the industry.

Industry Conditions

In recent years, with the development of the economic structural transformation of the macroeconomy, the regulatory authorities have strengthened the regulation of the financial leasing industry, creating both challenges and opportunities for the financial leasing industry as it represented a crucial period of standardized supervision and registration and accelerated elimination, transformation and optimization of the industry. As at the end of June 2022, 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 11,603, representing a decrease of 314 financial leasing companies, or 2.6%, from 11,917 financial leasing companies as at the end of the previous year. In terms of total business volume, as at the end of June 2022, the balance of finance lease contracts in China amounted to approximately RMB6,033.0 billion, representing a decrease of approximately RMB177.0 billion, or 2.9%, from RMB6,210.0 billion as at the end of 2021. The decrease reflected that the business continued to shrink in general.

Despite short-term challenges, the development of the financial leasing industry in China remains resilient and positive in the medium- to long-term. On the one hand, with the launch of the guidance policies such as the "14 Five-Year Plan", 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 governance has received increasing attention. Equipment-intensive emerging sectors, such as advanced equipment manufacturing, new energy, digital economy, energy conservation and environmental protection, and new infrastructure, have entered a stage of rapid development. Benefiting from its "financing with capital + goods" feature and close integration with the real economy, the financial leasing industry has fully capitalized on the advantages of integrated assets and financing to support the high-quality development of the economy. On the other hand, as regulatory requirements for the financial leasing industry were issued and specific regulatory measures were implemented by the CBIRC and local financial regulatory departments, the industry environment will be substantially regulated, downsized and optimized. Leasing companies that are operated in the form of shell corporations or inaccessible will be extensively eliminated while large financial leasing companies committed to their principal business with sound governance and strong capabilities will have greater competitive edges. As a result, industry concentration will further increase, marking a new phase for the industry with prudent policies and regulated development.

2. DEVELOPMENT REVIEW

In the first half of 2022, in response to the impact of the pandemic, the Group consolidated its efforts in fulfilling its corporate responsibilities. Based on its overall deployment, initiatives and advance planning, the Group made precise preparation for the pandemic prevention and control and the resumption of operation and development. To align with national strategies and policies, the Group focused on its principal business and fully capitalized on fin-tech in ensuring its ongoing business operation. As such, the Group was able to contribute financial support to the effective pandemic prevention and control and the stable development of the real economy. Striving to sustain its high-quality development, the Company realized growth in terms of business scale and revenue.

Consolidating Financial Support for Pandemic Prevention and Control and Reflecting its Corporate Social Responsibility

After the outbreak of the pandemic in Shanghai, the Company launched and further refined its pandemic control mechanism, under which emergency proposals and handling manual for pandemic prevention and control were issued and implemented. It also optimized precautionary initiatives for business operation, shift duty arrangements, procurement of anti-pandemic supplies and other proposals as it prioritizes the safety and well-being of its employees. Once the pandemic in Shanghai was under control, the Company duly studied the latest pandemic control policies and requirements issued by the local government and continued to carry out routine management of pandemic control, enabling the resumption of work of the Company in an orderly manner.

The Company adhered to its principle of providing financial services to the real economy, formulated and implemented "Fifteen Anti-pandemic Initiatives" (支持抗疫十五條舉措), persisting in providing uninterrupted financial services. During the pandemic, special support approval policies were introduced in a timely manner to support quality customers from Niche, digital economy, green and low carbon and other industries. Green approval channels were provided for customers in the medical, public health and other anti-pandemic related sectors to meet their financing needs, in particular, for anti-pandemic work. The Company also arranged for deferral of lease payment, reduction or exemption of handling fees, and other measures to support its customers such as medium-, small- and micro-sized enterprises and companies engaged in logistics and essential business, which were severely affected by the pandemic but maintained good credit standing, in overcoming difficulties, fully demonstrating its exceptional efficiency and dedication in an effort to fulfil its responsibility to consolidate its financial support for the pandemic precautionary measures of the real economy.

While promoting high-quality and sustainable development, the Company continuously strengthen ESG management philosophy and improve ESG management level, in an effort to realize the organic combination of economic benefit and social value. In the first quarter of 2022, the ESG of the Company was graded A- by SynTao Green Finance. We have strived to fulfill our corporate social responsibility. We donated RMB300,000 to the frontline workers for pandemic prevention through a unified donation platform, the "social charity foundation" of Shanghai financial system. Several donations of anti-pandemic supplies and daily necessities were made to the government offices of the districts and streets where we operate. The Company has also called on its employees to participate in anti-pandemic volunteering services. With practical contributions made to the pandemic precautionary measures, Haitong Unitrust has played to the strengthens of its financial initiatives in the fight against the pandemic.

Advance Planning in Response to the Impact of the Pandemic and Ensuring Continuous Increase in Business Scale and Revenue

As affected by the pandemic, the Group made advance planning and took on an active role in the coordination of both pandemic prevention and control and operation development. In strict accordance with the pandemic control requirements in Shanghai, the Group successively re-designated several front-, middle- and back-office backbone teams from Shanghai for the resumption of work and business. Proactive efforts were also made to promote synergies and cooperation between the Shanghai business headquarters and regional branches so as to capitalize on regional advantages in effectively ensuring ongoing business development of the Company. We made good use of fin-tech to increase application of online office and effectively minimized impact on offline business brought by the pandemic, enabling stable and smooth business operation during these special times. In addition, the Group established a dual command mechanism during the pandemic to ensure highly-efficient business operation under the two command centres which complemented and coordinated with each other. As at June 30, 2022, the total assets and total equity of the Group amounted to RMB116,191.6 million and RMB17,869.5 million, respectively, representing increases of 1.3% and 1.4%, respectively, as compared with December 31, 2021. For the six months ended June 30, 2022, the total revenue of the Group amounted to RMB4,092.2 million, representing an increase of 1.1% as compared with the same period last year. The profit for the period of the Group amounted to RMB764.9 million, representing an increase of 11.7% as compared with the same period last year. The average yield of interest-earning assets was 6.88%. The weighted average return on net assets was 9.05%.

Serving the Real Economy and Further Optimizing Assets Allocation

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. In close line with national policies and in response to challenges brought by the macroeconomic environment, we precisely analyzed the impact of the pandemic on economic trends and further optimized our assets allocation. Ongoing project investment was made in urban utilities, energy and environmental protection, healthcare and other industries. The introduction of projects in strategic emerging industries, such as high-end equipment manufacturing, digital economy and green leasing, was also encouraged. Greater importance was attached to strengthening business development of the Company to consolidate its foothold in leasing services while increasing its investment in business of medium-, small- and micro-sized enterprises customers. Through developing and launching various online financing instruments suitable for MSE and retail customers, financial technology was adopted to enhance the quality and efficiency of inclusive financial services to foster stable development of medium-, small- and micro-sized enterprises. In the first half of 2022, the Group invested RMB31,095 million in its business, representing a year-on-year increase of 6.58%.

Continuous Optimization of Financing Channels and Innovation of Financing Instruments to 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 June 30, 2022, the Group established credit relationships with 75 financial institutions and signed accumulative credit lines of approximately RMB114.32 billion, of which the unused credit balance was approximately RMB55.03 billion. In respect of innovative financing instruments, the Group successfully issued the first technological innovation corporate bonds in the financial leasing industry in April 2022. The proceeds were used to support niche enterprises and manufacturing enterprises with outstanding performance in a specific field. The issuance of the bonds provided strong support for business expansion of the Group in technology innovation and advanced manufacturing industries. These achievements allowed the Group to play an important demonstrative and leading role in the financial leasing industry. Furthermore, the Group successfully issued the first MSE shelf-offering asset-backed securities with dual original owners for the advanced manufacturing industry, enable the continuous support of the Group for the sustainable development of medium-, small- and micro-sized enterprises.

In the first half of 2022, the Group recorded a financing withdrawal of RMB35.82 billion. Indirect financing withdrawals of RMB18.08 billion were realized through channels such as syndicated loans, bank bilateral loans and bank acceptance bills, accounting for 50.5% of the total financing amount. Direct financing withdrawals of RMB17.74 billion were realized, accounting for 49.5% of the total financing amount. Direct financing channels mainly included: corporate bonds, fixed medium-term notes, ultra-short-term commercial papers, offshore USD bonds, asset-backed securities, asset-backed notes and other financing instruments. With diversified financing channels, the financing cost of the Group was effectively reduced. In the first half of 2022, average cost of interest-bearing liabilities of the Group was 3.82%, representing a decrease of 0.13 percentage points as compared with the same period last year.

Optimized Comprehensive Risk Management Mechanism and Enhanced Proactive Risk Management Level

The Group continued to optimize its comprehensive risk management mechanism by improving the soundness of the management system and organizational structure, the reliability of the information system, the professionalism of talent teams, the effectiveness of the risk response mechanism and the breadth of the risk management culture. These efforts ensured the asset safety of the Company and the predictability, controllability and acceptability of its overall risks. 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, which further enhanced its risk identification and quantitative risk management capabilities.

The Group stepped up the integration of data analysis, IoT and asset management system to enable centralized management of asset data and risk identification. A project risk warning system was established according to the quantification of financial risks, public opinion risks, inspection risks and leased asset risks. The types of IoT GPS warning models and device bracelet warning models were enriched to continuously enhance the real-time monitoring and risk management of leased assets for medium-, small- and micro-sized enterprises and retail customers. In addition, the Group strengthened its risk prevention and handling capabilities through proactive asset allocation management, rapid response initiatives and mitigation of risk events, active exploration of innovative asset disposal methods and further increased efforts in asset disposals. During the Reporting Period, the asset quality of the Group remained stable in general and the NPA ratio was maintained at a safe and controllable level with stronger risk resistibility. As at June 30, 2022, the NPA ratio and allowance coverage ratio for NPAs were 1.07% and 257.49%, respectively.

Strengthening Compliance Management of All Employees and Continuously Improving Management of Compliance and Internal Control

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 addition, 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. 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. In the first half of 2022, the Group fully launched the “Compliance and Internal Control” Campaign and formulated relevant implementation plans to constantly consolidate and strengthen all employees’ awareness of compliance and internal control. As part of the campaign, the Company further improved its compliance and internal control management to reinforce its compliance and internal control culture and enabled its high-quality development.

Further Promoting the Reform of Branches in Different Categories and Levels and Fully Utilizing Fin-tech to Enhance Service Efficiency and Quality

The Group continued to extensively promote the reform of branches and optimized its appraisal standards for different categories and levels. Local resources allocation was further improved to ensure the smooth development of local business of the Company. In the first half of 2022, we established the Hainan branch to further expand our national marketing network. We optimized and adjusted our business structure and facilitated the transformation and upgrade of operating management system, so as to enhance management efficiency and professional level of our departments, branches and subsidiaries. In the first half of 2022, the Group capitalized on its financial technology capability, ensuring the normal operation of the Company during the pandemic. We refined online customer acquisition mini-program and constructed a multilayered integrated online and offline marketing platform, which enabled the completion of product recommendation, customer introduction and pre-approval procedures without leaving home. Procedures including remote real-name verification and due diligence interview can be completed through the video due diligence mini-program, ensuring our convenient interaction with customers. Owing to the increasing application of electronic signing platform, mobile signing services were launched to improve the efficiency of contract signing. The Group also extensively empowered its business procedures with digital technology, including business introduction, project due diligence, credit approval, contract signing and fund usage. These initiatives have mitigated impact of the pandemic and ensured highly-efficient business operation of the Company. In addition, the Group continued to construct an intelligent data model. Capital management and cost control were strengthened through consistent improvement of the matching financing capacity with our business, enhancing the effective use of capital.

3. OPERATION OUTLOOK

In the second half of 2022, under the challenges brought by international geopolitical conflicts, recurrent pandemic around the world, ongoing hikes in interest rates by the Federal Reserve and other factors, the trend of divergence in the economic cycle of various countries continues, and the global economic growth is expected to further slowdown and the financial market will face greater volatility due to fluctuations in prices of commodities including energy and food, high inflation and tightened monetary policies by central banks of major economies. In the face of the complicated situation caused by the profound changes unseen in a century and COVID-19 pandemic, the economic growth in China continues to be under Three Major Sources of Pressure, namely dampened demand, insufficient supply and weakened expectations. The Chinese economy faces new challenges in stabilizing employment and prices. In the second half of 2022, the Chinese government will further adjust the macroeconomic policies, take an active role in demand expansion, and implement more precise and sustainable fiscal policies, in order to effectively address the lack of demand in society and facilitate the optimization of economic structure. The Chinese government will strengthen the implementation of prudent monetary policy, maintain reasonable and sufficient liquidity, further improve the transmission mechanism of monetary policy, give full play to the dual functions of monetary policy tools in terms of volume and structure, increase capital flow to corporate credit and infrastructure, and expand the inclusive finance business so to provide strong support to the development of real economy. 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. Combination of cross-cyclical and counter-cyclical macro control policies will be strengthened 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”. 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 national economic 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 the second half of 2022, the Group will pay close attention to the domestic and international economic conditions and pandemic development and continue to adhere to the principle of serving the real economy with financial services and promote the normalized management of pandemic prevention and control in the course of operation and development. The Group will be committed to its development strategies to speed up digitalization, refine regional layout and integrate and optimize resources allocation. It will also improve risk prevention and assets management to further consolidate the asset quality. The Group will continue to expand 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 industrial sectors to strengthen its competitive business foundation while exploring new development opportunities. 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 and Optimizing 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. We will continue to optimize the asset structure and develop the ecosystem for efficient circulation of 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 sustainable 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 industries which are encouraged and supported by government policies and favored by the capital market. We will actively explore business opportunities in high-end equipment manufacturing, digital economy, green leasing and other strategic emerging sectors and further diversify our business models to develop suitable leasing opportunities and new leasable areas. We will also further tap into the financing needs of enterprises in the advanced manufacturing sector and expand to new energy, new material, semiconductor, major equipment and other segments by capitalizing on the upgrades of materials, technologies, equipment, consumption and energy consumption structure, with focus on supporting the green, automatic and intelligent development of the manufacturing sector. We will enhance the stickiness of our partners in the ecosystem and strengthen strategic cooperation with leading companies in various industrial sectors by leveraging our expertise in advanced manufacturing industry. 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, in active response to the government policies of supporting MSE and real economy, 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. 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 activate new growth momentum for MSEs by developing a new digital system for inclusive finance empowered by fin-tech and business innovation.

Enhancing Sales and Service Network by "One Body, Two Wings" and Facilitating the Collaboration among our Business Units

In order to provide services with local characteristics to support the local economies and entities, we will improve our sales and service network by "One Body, Two Wings" business development model, strengthen the regional sales and service system and promote innovation based on local characteristics with focus on regional finance lease market so as to support the regional economic development. We will continue to strengthen the collaboration among our business headquarters, branches and subsidiaries, enhance business guidance and establish business support teams. In order to consolidate our regional professional leasing brand, we will push forward the reform of our branches with reasonable allocation of resources by capitalizing on the synergy of the "Two Wings" model and regional collaboration, 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 car sharing, new energy vehicles, photovoltaics, sewage treatment, hazardous waste treatment and sanitation integration. 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 expand the regional marketing network with focus on building regional professional 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 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 strive to build up our core strengths in regional markets in order to provide flexible and efficient services for regional economic ecosystem. We will also enhance the strategic 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 further improve and promote cooperation model with leading companies to maintain our core competitive strengths in the products and services for high-end equipment manufacturing business. Efforts will be made in the development and maintenance of cooperation with quality suppliers. We will develop cooperation model and procedures with major manufacturers of engineering machinery, expedite the digitalization of MSE healthcare business, promote the development and introduction of new products and models and further strengthen the professional teams and streamline the review and approval procedures of inclusive finance business. We will also accelerate the application of fin-tech in providing financial leasing services to MSEs. Various functions for online services will be launched with focus on niche "small giant" enterprises, healthcare industry, engineering and construction sector and other supporting industry chains. We will provide online financing services for MSEs engaging in high-end equipment, electronics, medical equipment and engineering machinery. Functions for automatic review and approval will be launched, and IoT system for MSE intelligent bracelets will be optimized. We will further standardize the procedures and enhance the batch performance during the business process so as to improve the quality and efficiency of inclusive financial services.

Our subsidiary, UniFortune Subsidiary, will further refine the coverage of its business network and consolidate regional resources with focus on expanding new businesses including car sharing and green energy. It will accelerate the development of commercial vehicle financial leasing business with key domestic manufacturers, provide high-quality financial solutions to facilitate the development of infrastructure for the new energy vehicle sector and enhance efforts in promoting the projects of new energy commercial vehicles. UniFortune Subsidiary will also strive to develop a green travel ecosystem and foster the strategic cooperation in passenger vehicle business with new energy travel platforms to develop business in segments such as new energy online car-hailing, so as to facilitate the green development of transportation services. It will conduct research on the development of new leasing services in cooperation with the original equipment manufacturers of new energy vehicles, battery manufacturers, battery exchange service suppliers and energy storage companies and actively explore business opportunities in the green energy and battery charging and exchange sectors, in order to continuously support the new transformation and development pattern of vehicle leasing business.

Promoting Development of Industrial Ecosystem closely based on the Concept of "One Haitong" (一個海通)

Pursuing to the vision of "One Haitong Unitrust" (一個海通恒信) based on the concept of "One Haitong" (一個海通), we will actively consolidate the resources and services of all branches and subsidiaries, business departments and business headquarters in product development, channel marketing and customers to explore organic growth momentum and capitalize on the synchronized development to support the real economic development in a customer-oriented approach. In addition, we will continue to implement joint marketing strategies with Haitong Securities and its branches and subsidiaries. We will share our customer resources, further enhance the marketing and customer service capacities of our integrated financial services and products of "leasing + investment banking + investment" and provide services to customers throughout the whole business cycle in order to improve the value of services in the whole industry chain for Haitong's customers.

Through complying with the best practices of investment banking and continuing our in-depth research on the industrial polices and development trend during the "14th Five-Year Plan" period, we will closely follow the objectives of "emission peak and carbon neutrality" of the government and the structural adjustment of low-carbon transformation and industrial 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 the investment banking system of Haitong Securities, we will fully support the establishment of a business ecosystem which boosts the interaction of stakeholders, suppliers and core enterprises. To capture the opportunities arising from the new economic development pattern under domestic general circulation, supply-side structural reform, 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, as well as the development of niche enterprises and expand our business coverage in strategic 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 in order to take advantage of the development of "Eastern Data and Western Computing" industry chain. 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 and implement accurate identification, prudent assessment, dynamic supervision and timely response to the risks exposed to our business activities to enhance the overall risk management and control. We will establish effective risk management system and procedures to strengthen our active risk management capability. The main target of our overall risk management is to ensure that the risk exposure of our operation is predictable, controllable and acceptable, safeguard our assets and ensure the smooth business operation with acceptable risks, and facilitate reasonable business allocation and sustainable development.

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, and formulate and refine the relevant risk management systems to further enhance the overall risk management and control of the Company. We will take greater initiative in risk management and compliance management, pay close attention to the changes in regulatory environment, strictly implement industry regulatory policies and systems, actively adopt management measures including risk monitoring, prevention and responses 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 synchronized management, investment and corporate governance and compliance of subsidiaries.

Strengthening Liquidity Risk Management and Optimizing and Developing Innovative Financing Instruments

Based on the comprehensive risk management system, we will adhere to the bottom line of liquidity risk through liquidity risk management indicators, 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, informatized 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 adjust the structure of direct financing and indirect financing, and improve the liabilities structure of the Group.

Expanding the Application of the Fin-tech to Improve the Level of Digitalization and the Application of Smart Technologies

We will continue to increase our investment in the development of fin-tech, explore the application of big data, IoT, artificial intelligence and other technologies in different business scenarios, and develop and optimize the online customer acquisition, sales behaviors management, customer management, pre-approval and automatic approval modules, asset management system and other procedures. Fin-tech will be applied in all aspects of our operation management. We will comprehensively improve the business procedures and operation efficiency of the Group by making full use of technologies. Our funding, financial and data transmission and business report analysis systems will be further enhanced. 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, we will strive to establish an integrated data management platform that can provide one-stop services with the use of smart technologies in order to provide data services covering the whole service chain from data access, data processing, automated development scheduling, data analysis and mining, data governance and data services. 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 objects 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, so as to fully enhance the automatic, digital, mobile and intelligent information systems 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 improvement of our talent competency model and optimization of our external talent pool, we will identify professional elites with diverse backgrounds. We will further refine our human resources management system and optimize the training management system. By implementing team talent cultivation projects including “Sailing Plan (遠航項目)” for management training, “Set Sail Plan (啓航項目)” for officer training, “Spark Plan (星火計劃)” and “Sailing Operation (揚帆行動)” for young talents and “Star of Haitong Unitrust (恆信之星)” for management trainees, we will create a more diverse, open and fair professional career platform for employees, and iterate and optimize our staff structure to maintain well-coordinated echelons at all levels within the Company, so as to lay a solid foundation for our talent pool in line with the long-term growth of the Company. We will continue to implement the three-pillar management mechanism and HRBP model to provide better support for our business development. In addition, 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 INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Overview of interim condensed consolidated statement of profit or loss

Our total revenue amounted to RMB4,092.2 million in the first half of 2022, representing an increase of 1.1% from RMB4,049.5 million for the same period last year. Our profit for the period increased by 11.7% to RMB764.9 million in the first half of 2022 from RMB685.0 million for the same period last year.

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

	For the six months ended June 30,		
	2022	2021	Changes
	(RMB in millions)		
Total revenue	4,092.2	4,049.5	1.1%
Net investment gains or losses	(9.3)	(9.4)	N/A
Other income, gains or losses	171.9	223.0	(22.9%)
Loss from derecognition of financial asset measured at amortised cost	(26.0)	(24.4)	N/A
Total revenue and other income, gains or losses	4,228.8	4,238.7	(0.2%)
Depreciation and amortisation	(175.9)	(240.2)	(26.8%)
Staff costs	(427.8)	(345.2)	23.9%
Interest expenses	(1,769.6)	(1,748.2)	1.2%
Other operating expenses	(142.5)	(124.7)	14.3%
Impairment losses under expected credit loss model	(668.1)	(826.1)	(19.1%)
Other impairment losses	(25.0)	(39.6)	(36.9%)
Total expenses	(3,208.9)	(3,324.0)	(3.5%)
Profit before income tax	1,019.9	914.7	11.5%
Income tax expenses	(255.0)	(229.7)	11.0%
Profit for the period	764.9	685.0	11.7%
Earnings per share attributable to ordinary shareholders of the Company (RMB yuan/share)			
— Basic	0.09	0.08	
— Diluted	N/A	N/A	

Revenue

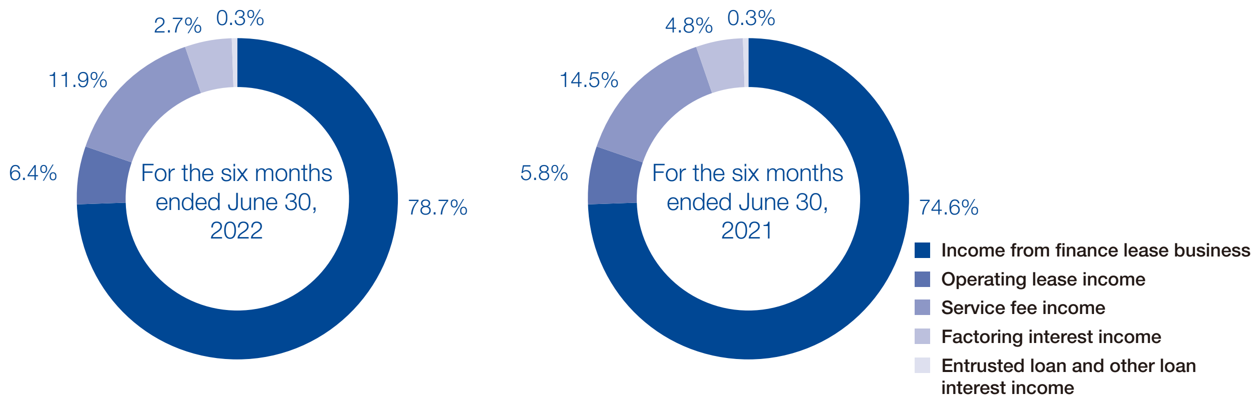
Our total revenue increased by 1.1% to RMB4,092.2 million in the first half of 2022 from RMB4,049.5 million for the same period last year, which was mainly due to the increases in our income from finance lease business and operating lease income as compared with the same period last year.

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

	For the six months ended June 30,				
	2022	**% of total**	2021	% of total	Changes
	(RMB in millions, except percentages)				
Income from finance lease business[note]	**3,218.0**	**78.7%**	3,019.7	74.6%	6.6%
Operating lease income	**262.6**	**6.4%**	234.8	5.8%	11.8%
Service fee income	**488.5**	**11.9%**	588.2	14.5%	(17.0%)
Factoring interest income	**111.2**	**2.7%**	194.6	4.8%	(42.9%)
Entrusted loan and other loan interest income	**11.9**	**0.3%**	12.2	0.3%	(2.5%)
Total revenue	**4,092.2**	**100.0%**	4,049.5	100.0%	1.1%

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

Percentage of total revenue



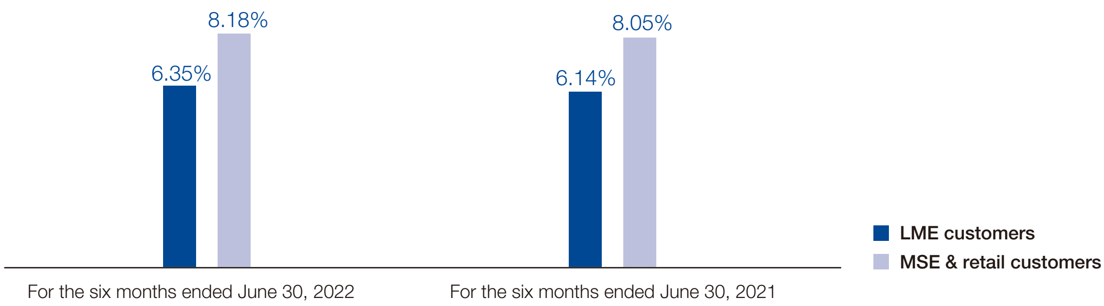
In the first half of 2022, income from finance lease business and the operating lease income increased. Service fee income decreased, which was mainly due to the decrease in customers' demand for consultation services as affected by the pandemic. Factoring interest income decreased which was mainly due to the elimination of the factoring business in accordance with the relevant regulatory requirements. As at June 30, 2022, the balance of interest-earning assets of factoring business was nil.

Customer analysis

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

The chart below illustrates the average yield by types of customer for the periods indicated:

Average yield(Note)



Note: 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 on annualized basis.

The Group continued to optimize customer structure and the proportion of LME customers increased. In the first half of 2022, the average yield of the Group was 6.88%, remaining at a similar level as compared with 6.90% for the same period last year.

(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)).

Industry analysis

The Group's business widely covers various industries, including advanced manufacturing, transportation & logistics, urban utilities, energy and environmental protection, construction, culture and tourism, healthcare and others. 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 periods indicated:

	For the six months ended June 30,					
	2022			2021		
	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	22,882.3	983.4	8.60%	21,708.8	924.8	8.52%
Transportation & logistics	19,275.3	739.5	7.67%	29,851.1	1,243.3	8.33%
Urban utilities	16,745.8	625.7	7.47%	8,422.4	317.4	7.54%
Energy and environmental protection	11,903.7	409.6	6.88%	9,227.7	371.3	8.05%
Construction	10,114.7	437.6	8.65%	9,612.9	380.7	7.92%
Culture and tourism	6,504.5	257.2	7.91%	4,992.9	204.2	8.18%
Healthcare	6,116.0	273.9	8.96%	4,817.7	219.2	9.10%
Others	3,600.0	102.7	5.70%	4,873.3	153.8	6.31%
Total	97,142.3	3,829.6	7.88%	93,506.8	3,814.7	8.16%

(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 end of the period.

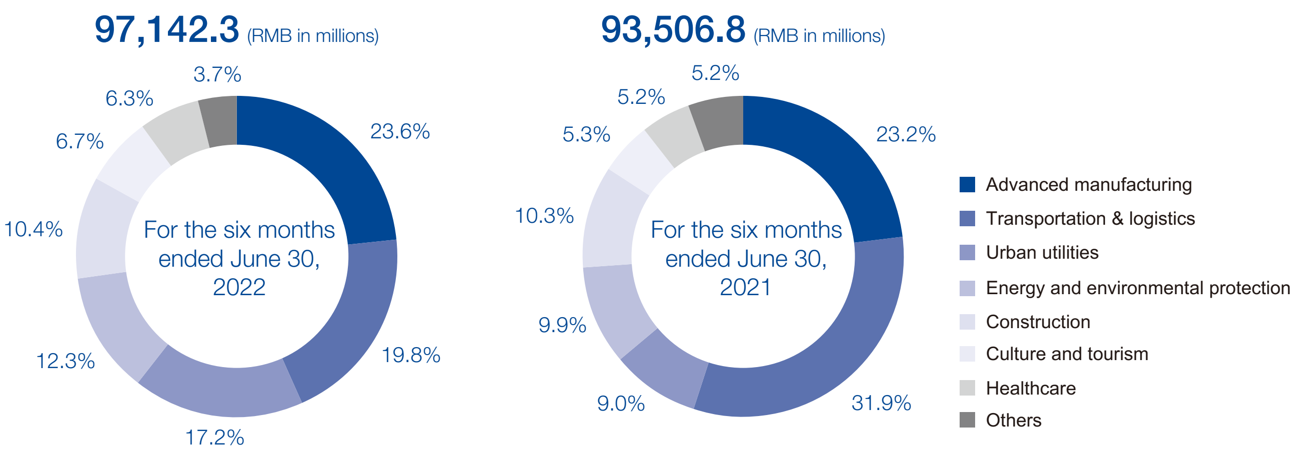
(2) Consists of income from finance lease business, factoring interest income, entrusted loan and other loan interest income and service fee income for the specific industry.

(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 on annualized basis.

Analysis by average balance of interest-earning assets

The average balance of interest-earning assets of the Group increased by 3.9% to RMB97,142.3 million in the first half of 2022 from RMB93,506.8 million in the first half of 2021. The average balance of interest-earning assets for urban utilities, culture and tourism, energy and environmental protection, healthcare, advanced manufacturing and construction increased by 98.8%, 30.3%, 29.0%, 26.9%, 5.4% and 5.2%, respectively, as compared with the same period last year.

Average balance of interest-earning assets



Analysis by comprehensive yield

The comprehensive yield of the Group decreased by 0.28 percentage points to 7.88% in the first half of 2022 as compared with 8.16% for the same period 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.

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 strategic emerging 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 the first half of 2022, the average balance of interest-earning assets attributable to our business in the advanced manufacturing industry amounted to RMB22,882.3 million, accounting for 23.6% of the average balance of interest-earning assets of the Group and representing an increase of 5.4% as compared with RMB21,708.8 million for the same period last year.

In the first half of 2022, the income from the advanced manufacturing industry amounted to RMB983.4 million, representing an increase of 6.3% as compared with RMB924.8 million for the same period 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 including medium-, small- and micro-sized enterprises.

The comprehensive yield of the advanced manufacturing industry increased from 8.52% in the first half of 2021 to 8.60% in the first half of 2022 and remained stable, which was primarily due to the fact that the Group pursued its aspirations to serve the real economy and capitalized on its advantages to provide a wide range of services for high-quality customers of the advanced manufacturing industry to further enhance the experience of customer services.

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 and passenger vehicle manufacturers and their leading dealers, and developing financing solutions for the industrial chain of new energy vehicles, so as to provide customers with a one-stop financial leasing service platform across the whole ecosystem.

In the first half of 2022, the average balance of interest-earning assets attributable to our business in the transportation & logistics industry amounted to RMB19,275.3 million, accounting for 19.8% of the average balance of interest-earning assets of the Group and representing a decrease of 35.4% as compared with RMB29,851.1 million for the same period last year.

In the first half of 2022, the income from transportation & logistics industry amounted to RMB739.5 million, representing a decrease of 40.5% as compared with RMB1,243.3 million for the same period 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 8.33% in the first half of 2021 to 7.67% in the first half of 2022. 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 entry barriers for customers and maintaining its bottom line for risk control and compliance.

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 businesses related to people's livelihood. Leveraging our extensive experience and quality services, we provide diversified financial solutions for our customers in such sectors.

In the first half of 2022, the average balance of interest-earning assets attributable to our business in the urban utilities industry amounted to RMB16,745.8 million, accounting for 17.2% of the average balance of interest-earning assets of the Group and representing an increase of 98.8% as compared with RMB8,422.4 million for the same period last year.

In the first half of 2022, the income from urban utilities industry amounted to RMB625.7 million, representing an increase of 97.1% as compared with RMB317.4 million for the same period last year. The increase was mainly because the Group increased its support for the urban utilities industry in response to the opportunities arising from the accelerated development of new infrastructure and the resumption of public infrastructure construction in various regions as infrastructure became an important means of stabilizing growth amid the impact of multiple unexpected factors in the first half of 2022.

The comprehensive yield of the urban utilities industry in the first half of 2022 was 7.47%, which remained stable as compared with the same period last year.

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 the first half of 2022, the average balance of interest-earning assets attributable to our business in the energy and environmental protection industry amounted to RMB11,903.7 million, accounting for 12.3% of the average balance of interest-earning assets of the Group and representing an increase of 29.0% as compared with RMB9,227.7 million for the same period last year.

In the first half of 2022, the income from the energy and environmental protection industry amounted to RMB409.6 million, representing an increase of 10.3% as compared with RMB371.3 million for the same period 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 8.05% in the first half of 2021 to 6.88% in the first half of 2022. 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. In addition, as affected by the pandemic control, the actual launch time of relevant projects was relatively late in the first half of 2022, which also affected the comprehensive yield of the industry in the first half of 2022.

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 the first half of 2022, the average balance of interest-earning assets attributable to our business in the construction industry amounted to RMB10,114.7 million, accounting for 10.4% of the average balance of interest-earning assets of the Group and representing an increase of 5.2% as compared with RMB9,612.9 million for the same period last year.

In the first half of 2022, the income from the construction industry amounted to RMB437.6 million, representing an increase of 14.9% as compared with RMB380.7 million for the same period last year. The increase was mainly due to the expansion of our business in this industry.

The comprehensive yield of the construction industry increased from 7.92% in the first half of 2021 to 8.65% in the first half of 2022, which was primarily attributable to the provision of a wide range of services, including finance lease, through optimizing asset structure and designing structured financial service plans based on the strengths of the Group in response to the increased demand of the industry for business transformation and standardized operation.

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 high-quality customers with effective management, good credit standing and growth potential 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 the first half of 2022, the average balance of interest-earning assets attributable to our business in culture and tourism industry amounted to RMB6,504.5 million, accounting for 6.7% of the average balance of interest-earning assets of the Group and representing an increase of 30.3% as compared with RMB4,992.9 million for the same period last year.

In the first half of 2022, the income from culture and tourism industry amounted to RMB257.2 million, representing an increase of 26.0% as compared with RMB204.2 million for the same period last year.

The comprehensive yield of culture and tourism industry decreased from 8.18% in the first half of 2021 to 7.91% in the first half of 2022. The decrease was mainly because the Group actively expanded strategic cooperation with large cultural, tourism and hotel groups and established long-term business relationship with quality customers.

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 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 the first half of 2022, the average balance of interest-earning assets attributable to our business in the healthcare industry amounted to RMB6,116.0 million, accounting for 6.3% of the average balance of interest-earning assets of the Group and representing an increase of 26.9% as compared with RMB4,817.7 million for the same period last year.

In the first half of 2022, the income from the healthcare industry amounted to RMB273.9 million, representing an increase of 25.0% as compared with RMB219.2 million for the same period 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 decreased from 9.10% in the first half of 2021 to 8.96% in the first half of 2022. The decrease was mainly due to greater efforts of the Group in developing high-quality customers.

Other Industries

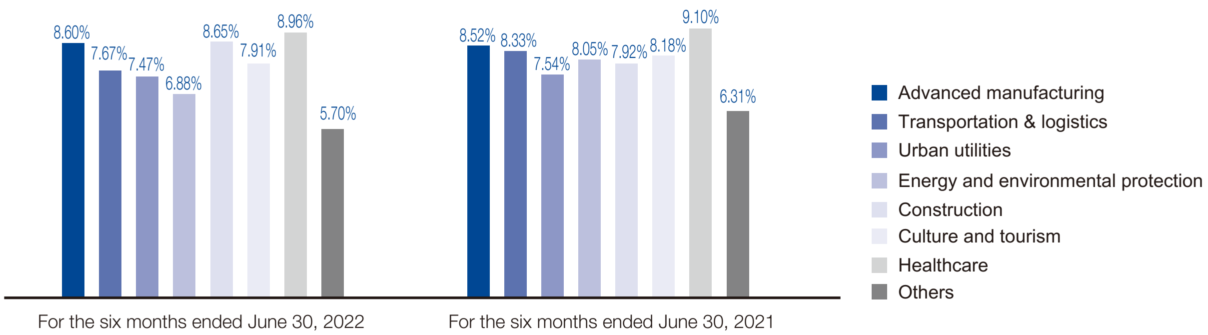
In addition to the abovementioned industries, we also provide finance lease and advisory services to quality customers in sectors of other leasing and commercial services, wholesale and retail, technology services, etc.

In the first half of 2022, the average balance of interest-earning assets attributable to our business in other industries was RMB3,600.0 million, accounting for 3.7% of the average balance of interest-earning assets of the Group and representing a decrease of 26.1% as compared with RMB4,873.3 million for the same period last year.

In the first half of 2022, the income from other industries amounted to RMB102.7 million, representing a decrease of 33.2% as compared with RMB153.8 million for the same period last year.

The comprehensive yield of other industries decreased from 6.31% in the first half of 2021 to 5.70% in the first half of 2022, which was primarily attributable to the Group's active exploration of high-level customers and adjustment of its profit expectation from the real economy.

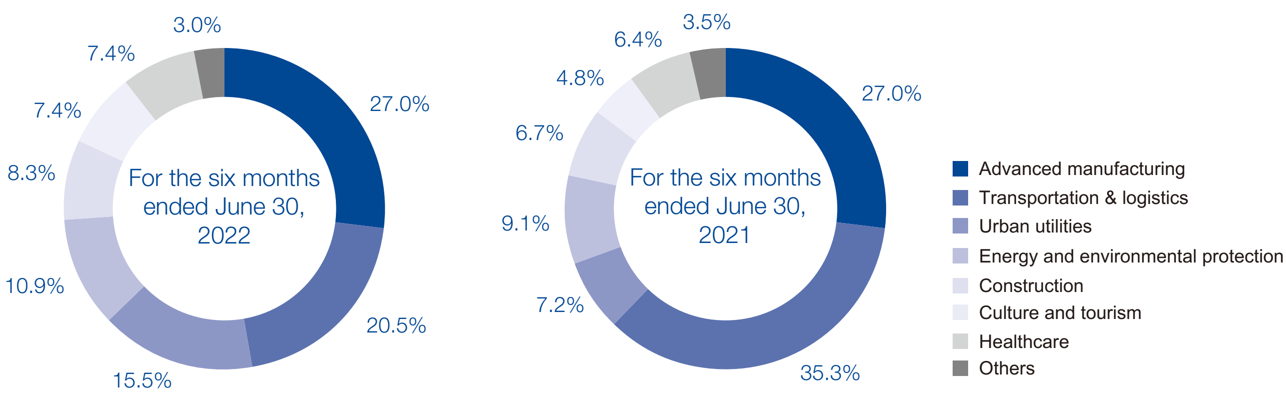
Comprehensive yield by industry



Income from finance lease business

Income from finance lease business of the Group increased by 6.6% to RMB3,218.0 million in the first half of 2022 as compared with the same period last year. Income from finance lease business accounted for 78.7% of the total revenue of the Group.

Income from finance lease business by industry



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. In the first half of 2022, income from finance lease business from industries such as urban utilities, culture and tourism, construction, energy and environmental protection, healthcare and advanced manufacturing increased steadily by 127.6%, 64.1%, 31.5%, 27.0%, 23.3% and 6.6%, respectively, as compared with the same period last year.

Operation lease income

Our operating lease income increased by 11.8% to RMB262.6 million in the first half of 2022 as compared with the same period last year. The net lease yield of the aircraft operating lease business of the Group was 6.61%.

As at June 30, 2022, the Group owned 17 aircraft (including seven Airbus narrow-body aircraft, two Airbus widebody aircraft and eight Boeing narrow-body aircraft) with a total net carrying amount of approximately US$809.3 million (or approximately RMB5,431.2 million). As at June 30, 2022, the Group did not undertake to purchase any aircraft. In the first half of 2022, the Group did not dispose of any aircraft assets. 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 and transportation & logistics. Our factoring interest income decreased by 42.9% to RMB111.2 million in the first of 2022 as compared with the same period last year, which was mainly due to the elimination of factoring business according to the relevant regulatory requirements.

Entrusted loan and other loan interest income

Our entrusted loan and other loan interest income decreased by 2.5% to RMB11.9 million in the first half of 2022 as compared with the same period 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 decreased by 17.0% to RMB488.5 million in the first half of 2022 as compared with the same period last year. Our service fee income was mainly generated from urban utilities, construction, advanced manufacturing, transportation & logistics, energy and environmental protection, healthcare and culture and tourism.

Other income, gains or losses

In the first half of 2022, other income, gains or losses of the Group decreased by 22.9% to RMB171.9 million as compared with the same period last year. The decrease was mainly due to the decrease in tax preference arising from operating activities during the period.

Expenses

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

	For the six months ended June 30,		
	2022	2021	Changes
	(RMB in millions)		
Depreciation and amortisation	**175.9**	240.2	(26.8%)
Staff costs	**427.8**	345.2	23.9%
Interest expenses	**1,769.6**	1,748.2	1.2%
Other operating expenses	**142.5**	124.7	14.3%
Impairment losses under expected credit loss model	**668.1**	826.1	(19.1%)
Other impairment losses	**25.0**	39.6	(36.9%)
Total expenses	**3,208.9**	3,324.0	(3.5%)

The total expenses of the Group amounted to RMB3,208.9 million in the first half of 2022, which slightly decreased as compared with the same period last year.

Depreciation and amortisation

The depreciation and amortisation of the Group decreased by 26.8% to RMB175.9 million in the first half of 2022 from RMB240.2 million for the same period last year, which was mainly due to the decrease in average balance of cost of property and equipment as compared with the same period last year.

Staff costs

The staff costs of the Group increased by 23.9% to RMB427.8 million in the first half of 2022 from RMB345.2 million for the same period last year, primarily due to the increase in headcount in line with our overall business growth.

Interest expenses

The interest expenses of the Group slightly increased to RMB1,769.6 million in the first half of 2022 from RMB1,748.2 million for the same period last year, which was mainly due to the slight increase in financing size to meet the need for business investment.

Other operating expenses

Other operating expenses of the Group increased by 14.3% to RMB142.5 million in the first half of 2022 from RMB124.7 million for the same period last year. The increase was mainly due to the increase in income from finance lease business, resulting in the increase in taxes and surcharges.

Impairment losses under expected credit loss model

Impairment losses under expected credit loss model of the Group decreased by 19.1% to RMB668.1 million in the first half of 2022 from RMB826.1 million for the same period last year, which was primarily due to the fact that the asset structure was further optimized as compared with last year as the Group remained committed to providing leasing services and serving the real economy in line with the general trend of industrial upgrade. In addition, the Group adopted adequate pandemic prevention and control measures in response to the outbreak of the pandemic in the first half of the year in an effort to focus on its asset management, safeguard its asset stability in the long run and maintain its risks at a controllable level. Moreover, the Company further promoted fin-tech to empower risk management and effectively used big database to enhance the overall risk management level.

Profit for the Period

Profit for the period of the Group increased by 11.7% to RMB764.9 million in the first half of 2022 from RMB685.0 million for the same period last year. The increase was primarily due to the fact that the Group remained committed to providing leasing services and serving the real economy, resulting in an increase in revenue as compared with the same period last year, and the Group also optimized asset structure and further strengthened asset management. In addition, the Group further empowered risk management with fin-tech to enhance the level of risk management, safeguard the asset stability of the Company in the long run and maintain its risks at controllable level.

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

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

	For the six months ended June 30,	
	2022	2021
	(RMB in millions, except percentages)	
Interest income[(1)]	**3,341.1**	3,226.5
Interest expenses[(2)]	**1,654.8**	1,643.5
Net interest income	**1,686.3**	1,583.0
Average balance of interest-earning assets[(3)]	**97,142.3**	93,506.8
Average balance of interest-bearing liabilities[(4)]	**86,620.3**	83,288.2
Average yield of interest-earning assets[(5)]	**6.88%**	6.90%
Of which: Finance lease business[(6)]	**6.89%**	7.08%
Average cost of interest-bearing liabilities[(7)]	**3.82%**	3.95%
Net interest spread[(8)]	**3.06%**	2.95%
Net interest margin[(9)]	**3.47%**	3.39%

(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 lease business). Average balances are calculated based on balances before deduction of allowances for impairment losses as at the end of last year and the end of the period.

(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 end of the period. 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 on an annualized basis.

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

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

(8) Calculated as the difference between average yield of interest-earning assets and 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 on an annualized basis.

In the first half of 2022, the Group recorded net interest spread and net interest margin of 3.06% and 3.47%, respectively, representing increases of 0.11 percentage points and 0.08 percentage points as compared with the same period last year, respectively. The increases were mainly due to the decrease in the average cost of interest-bearing liabilities as the Group continued to optimize its debt structure, develop new financing channels and introduce innovative financing instruments.

5. ANALYSIS OF INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Overview of Interim Condensed Consolidated Statement of Financial Position

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

	As at June 30, 2022	As at December 31, 2021	Changes
	(RMB in millions)		
Non-current assets			
Property and equipment	5,606.0	5,463.2	2.6%
Right-of-use assets	106.8	120.3	(11.2%)
Intangible assets	13.3	15.2	(12.5%)
Receivables from finance lease business(Note)	47,363.3	42,792.0	10.7%
Loans and receivables	9.3	575.2	(98.4%)
Financial assets at fair value through profit or loss	115.1	128.1	(10.1%)
Deferred tax assets	1,422.9	1,578.0	(9.8%)
Other assets	2,390.7	2,202.0	8.6%
Total non-current assets	57,027.4	52,874.0	7.9%

	As at June 30, 2022	As at December 31, 2021	Changes
	(RMB in millions)		
Current assets			
Receivables from finance lease business(Note)	**46,179.0**	45,768.6	0.9%
Loans and receivables	**433.6**	5,806.7	(92.5%)
Other assets	**1,370.1**	1,497.3	(8.5%)
Accounts receivable	**97.5**	48.7	100.2%
Financial assets held under resale agreements	**300.0**	—	N/A
Financial assets at fair value through profit or loss	**1,444.6**	1,996.3	(27.6%)
Derivative financial assets	**87.0**	11.1	683.8%
Cash and bank balances	**9,252.4**	6,738.6	37.3%
Total current assets	**59,164.2**	61,867.3	(4.4%)
Total assets	**116,191.6**	114,741.3	1.3%
Current liabilities			
Borrowings	**26,739.0**	25,584.2	4.5%
Derivative financial liabilities	**108.4**	231.2	(53.1%)
Accrued staff costs	**241.4**	286.2	(15.7%)
Accounts payable	**5.3**	34.6	(84.7%)
Bonds payable	**21,570.2**	22,989.5	(6.2%)
Income tax payable	**311.9**	743.8	(58.1%)
Other liabilities	**7,321.1**	7,692.9	(4.8%)
Total current liabilities	**56,297.3**	57,562.4	(2.2%)
Net current assets	**2,866.9**	4,304.9	(33.4%)
Total assets less current liabilities	**59,894.3**	57,178.9	4.7%
Equity attributable to owners of the Company			
— Ordinary shareholders	**15,703.7**	15,151.4	3.6%
— Other equity instrument holders	**2,126.3**	2,384.5	(10.8%)
Non-controlling interests	**39.5**	83.7	(52.8%)
Total equity	**17,869.5**	17,619.6	1.4%

	As at June 30, 2022	As at December 31, 2021	Changes
	(RMB in millions)		
Non-current liabilities			
Borrowings	**20,078.0**	18,145.2	10.7%
Bonds payable	**16,187.7**	14,865.4	8.9%
Deferred tax liabilities	**15.0**	16.3	(8.0%)
Other liabilities	**5,744.1**	6,532.4	(12.1%)
Total non-current liabilities	**42,024.8**	39,559.3	6.2%
Total equity and non-current liabilities	**59,894.3**	57,178.9	4.7%
Net assets per Share (RMB yuan/share)	**1.91**	1.84	

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

Assets

The Group's total assets increased by 1.3% from RMB114,741.3 million as at the end of last year to RMB116,191.6 million as at June 30, 2022.

Interest-earning Assets

Our interest-earning assets include receivables from finance lease business and loans and other receivables. As at June 30, 2022, the carrying amount of receivables from finance lease business of the Group was RMB93,542.3 million, representing an increase of 5.6% from RMB88,560.6 million as at the end of last year.

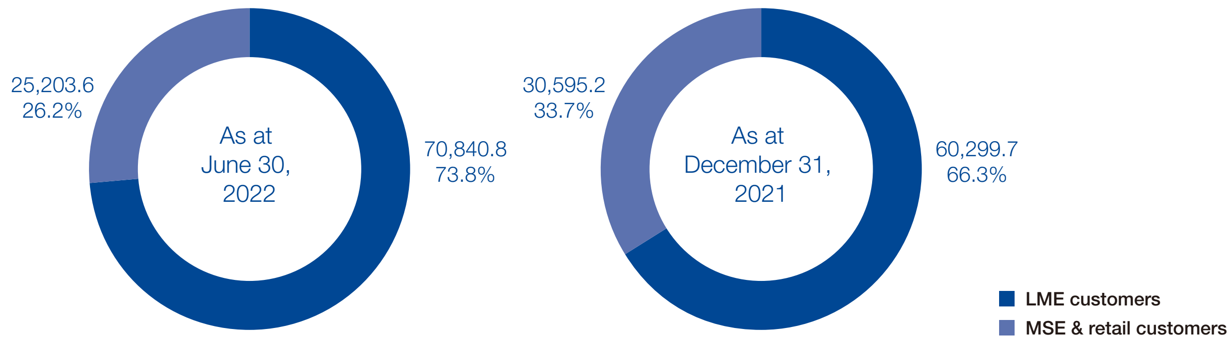
Receivables from Finance Lease Business

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

	As at June 30, 2022	As at December 31, 2021	Changes
	(RMB in millions)		
Gross amount of receivables from finance lease business	**105,972.4**	100,014.2	6.0%
Less: Unearned income	**(9,928.0)**	(9,119.3)	8.9%
Present value of receivables from finance lease business	**96,044.4**	90,894.9	5.7%
Less: Loss allowance	**(2,502.1)**	(2,334.3)	7.2%
Carrying amount of receivables from finance lease business	**93,542.3**	88,560.6	5.6%

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:



(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 June 30, 2022, 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 June 30, 2022		As at December 31, 2021	
	Amount	% of total	Amount	% of total
	(RMB in millions, except percentages)			
Advanced manufacturing	22,230.2	23.1%	22,498.7	24.8%
Transportation & logistics	16,647.4	17.3%	21,366.5	23.5%
Urban utilities	19,574.3	20.4%	13,442.4	14.8%
Energy and environmental protection	12,484.7	13.0%	11,205.9	12.3%
Construction	8,989.4	9.4%	7,754.7	8.5%
Culture and tourism	7,075.9	7.4%	5,761.3	6.3%
Healthcare	6,411.3	6.7%	5,587.4	6.1%
Others	2,631.2	2.7%	3,278.0	3.7%
Total	96,044.4	100.0%	90,894.9	100.0%

In the first half of 2022, we strived to optimize our asset allocation with a focus on key industries such as urban utilities, culture and tourism, energy and environmental protection, construction and healthcare, and further increased support for high-quality corporate customers. As at June 30, 2022, the balance of our receivables from finance lease business from customers in the urban utilities, culture and tourism, energy and environmental protection, construction and healthcare industries increased by RMB6,131.9 million, RMB1,314.6 million, RMB1,278.8 million, RMB1,234.7 million and RMB823.9 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 June 30, 2022		As at December 31, 2021	
	Amount	% of total	Amount	% of total
	(RMB in millions, except percentages)			
Within one year	**52,486.8**	**49.5%**	51,812.1	51.8%
More than one year but not exceeding five years	**51,784.0**	**48.9%**	47,445.8	47.4%
More than five years	**1,701.6**	**1.6%**	756.3	0.8%
Total	**105,972.4**	**100.0%**	100,014.2	100.0%

As at June 30, 2022, receivables from finance lease business due within one year accounted for 49.5% of the total gross amount of receivables from finance lease business of the Group, which slightly decreased as compared with the end of last year.

Loans and Receivables

Our loans and receivables include factoring receivables, entrusted loans and other loans. In the first half of 2022, the Group completed the elimination of factoring business according to the relevant regulatory requirements. As at June 30, 2022, the Group had no factoring receivables. As at June 30, 2022, the present value of our loans and receivables was RMB597.3 million, representing a decrease of 91.1% from RMB6,748.2 million as at the end of last year.

Property and Equipment

Our property and equipment include equipment held for operating lease business and property and equipment held for administrative purpose. As at June 30, 2022, 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 June 30, 2022, the carrying amount of the property and equipment of the Group amounted to RMB5,606.0 million, representing an increase of 2.6% as compared with RMB5,463.2 million as at the end of last year, which slightly increased as compared with the end of last year.

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 June 30, 2022, the carrying amount of the financial assets at fair value through profit or loss of the Group was RMB1,559.7 million, representing a decrease of 26.6% as compared with RMB2,124.4 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 June 30, 2022, the carrying amount of the deferred tax assets of the Group amounted to RMB1,422.9 million, representing a decrease of 9.8% as compared with RMB1,578.0 million as at the end of last year, primarily due to the fact that the Group completed the tax filing of certain impairment loss for previous periods with the tax authorities in the first half of 2022.

Cash and Bank Balances

As at June 30, 2022, the carrying amount of the cash and bank balances of the Group was RMB9,252.4 million, representing an increase of 37.3% as compared with RMB6,738.6 million as at the end of last year. The increase was mainly due to the adjustment made by the Group based on the overall market liquidity.

Liabilities

In the first half of 2022, repeated domestic pandemic outbreaks, international geopolitical conflicts and U.S. interest rate hikes resulted in numerous external uncertainties. Chinese government authorities continued to issue various policies in order to support the development of real economy. A series of measures such as lowering the 5-year loan prime rate (LPR) and VAT credit refund were implemented to ensure a stable macroeconomic market. In the first half of 2022, the Group put efforts in developing diversified and stable financing channels and continued to innovate financing instruments. The Group achieved satisfactory development progress in both direct finance and indirect finance markets. General debt structure was further improved and funding cost was lowered. We maintained the domestic credit rating of AAA.

As at June 30, 2022, the Group had total liabilities of RMB98,322.1 million, representing an increase of 1.2% as compared with RMB97,121.7 million as at the end of last year. The increase was mainly due to the increased financing size along with the growth of business volume.

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

	As at June 30, 2022	As at December 31, 2021	Changes
	(RMB in millions)		
Current liabilities			
Borrowings	**26,739.0**	25,584.2	4.5%
Derivative financial liabilities	**108.4**	231.2	(53.1%)
Accrued staff costs	**241.4**	286.2	(15.7%)
Accounts payable	**5.3**	34.6	(84.7%)
Bonds payable	**21,570.2**	22,989.5	(6.2%)
Income tax payable	**311.9**	743.8	(58.1%)
Other liabilities	**7,321.1**	7,692.9	(4.8%)
Total current liabilities	**56,297.3**	57,562.4	(2.2%)
Non-current liabilities			
Borrowings	**20,078.0**	18,145.2	10.7%
Bonds payable	**16,187.7**	14,865.4	8.9%
Deferred tax liabilities	**15.0**	16.3	(8.0%)
Other liabilities	**5,744.1**	6,532.4	(12.1%)
Total non-current liabilities	**42,024.8**	39,559.3	6.2%
Total liabilities	**98,322.1**	97,121.7	1.2%

Borrowings

Borrowings of the Group primarily include bank borrowings, borrowings from other financial institutions, borrowings from a related party and lease liabilities, and bank borrowings are our major source of borrowings. As at June 30, 2022, the Group's borrowings amounted to RMB46,817.0 million, representing an increase of 7.1% as compared with RMB43,729.4 million as at the end of last year.

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

	As at June 30, 2022		As at December 31, 2021	
	Amount	% of total	Amount	% of total
	(RMB in millions, except percentages)			
Bank borrowings	44,072.5	94.2%	41,029.4	93.8%
Borrowings from other financial institutions	1,540.3	3.3%	1,534.9	3.5%
Borrowings from a related party	1,094.0	2.3%	1,039.2	2.4%
Lease liabilities	110.2	0.2%	125.9	0.3%
Total	46,817.0	100.0%	43,729.4	100.0%
Analyzed as:				
Current	26,739.0	57.1%	25,584.2	58.5%
Non-current	20,078.0	42.9%	18,145.2	41.5%
Total	46,817.0	100.0%	43,729.4	100.0%

As at June 30, 2022, the current borrowings accounted for 57.1% of the total borrowings, representing a slight decrease as compared with the end of last year, reflecting the stable financing strategies and reasonable debt structure.

Bonds Payable

In the first half of 2022, the overall liquidity of the capital market remained reasonable and abundant, while market interest rates decreased as compared with the end of 2021. Having considered the needs for business development and financing costs, the Group proactively utilized various direct financing instruments. 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, diversified its financing market, maintained its stable cost advantage and timely introduced innovative financing instruments, which effectively secured funds for business growth of the Group.

Bonds payables of the Group include ultra-short-term commercial papers, asset-backed securities, fixed medium-term notes, corporate bonds, private placement notes and asset-backed notes. As at June 30, 2022, the Group's bonds payable amounted to RMB37,757.9 million, which remained stable as compared with the end of last year.

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

	As at June 30, 2022		As at December 31, 2021	
	Amount	**% of total**	Amount	% of total
	(RMB in millions, except percentages)			
Analyzed as:				
Current	**21,570.2**	**57.1%**	22,989.5	60.7%
Non-current	**16,187.7**	**42.9%**	14,865.4	39.3%
Total	**37,757.9**	**100.0%**	37,854.9	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 June 30, 2022, the total other liabilities of the Group were RMB13,065.2 million, representing a decrease of 8.2% as compared with RMB14,225.3 million as at the end of last year. The decrease was mainly due to the reduction in deposits from customers.

Equity

As at June 30, 2022, the Group had a total equity of RMB17,869.5 million, representing an increase of 1.4% from RMB17,619.6 million as at the end of last year. The increase was mainly due to the profit for the period and the dividend distribution of the Group in the first half of 2022.

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

	As at June 30, 2022	As at December 31, 2021	Changes
	(RMB in millions)		
Equity attributable to owners of the Company			
— Ordinary shareholders	**15,703.7**	15,151.4	3.6%
— Other equity instrument holders	**2,126.3**	2,384.5	(10.8%)
Non-controlling interests	**39.5**	83.7	(52.8%)
Total equity	**17,869.5**	17,619.6	1.4%

6. ANALYSIS OF INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

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

	For the six months ended June 30,		
	2022	2021	Changes
	(RMB in millions)		
Net cash from operating activities	**24.6**	994.7	(97.5%)
Net cash from investing activities	**484.2**	(1,454.9)	N/A
Net cash from financing activities	**2,133.5**	2,326.2	(0.1%)
Net increase in cash and cash equivalents	**2,642.3**	1,866.0	41.6%

For the six months ended June 30, 2022, net cash inflow from operating activities amounted to RMB24.6 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 inflow from operating activities in the current period was mainly due to the recovery of proceeds from previous business, which was higher than the cash outflow in current business investment.

For the six months ended June 30, 2022, net cash inflow from investing activities was RMB484.2 million, mainly reflecting (i) the proceeds from disposal of financial assets held under resale agreements, (ii) the proceeds from disposal of financial assets at fair value through profit or loss, (iii) the proceeds from other financial assets, (iv) the disposal of subsidiaries, and (v) the receipt of restricted deposits. The aforesaid cash inflow was partially offset by 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, and (iii) the purchase of property, equipment and intangible assets during the period.

For the six months ended June 30, 2022, net cash inflow from financing activities was RMB2,133.5 million, primarily due to (i) the proceeds from issuances of bonds, (ii) the proceeds from borrowings, and (iii) the cash proceeds from issuances of other equity instruments. The aforesaid cash inflow was partially offset by the repayment of bonds and borrowings, redemption of other equity instruments, distribution of other equity instruments and payment for the related costs during the period.

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 based on the balance of assets by deducting cash, bank deposits and treasury bonds from the total assets of enterprises. As at June 30, 2022, the Group did not violate any relevant laws and regulations regarding the total risk assets and net assets ratio.

8. CAPITAL EXPENDITURES

In the first half of 2022, capital expenditure of the Group was RMB12.2 million, which was mainly used to purchase property and equipment held for management purpose.

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.

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 the first half of 2022, despite the significant challenge faced by the Shanghai headquarters due to the unexpected outbreak of COVID-19 pandemic in Shanghai, our Company responded promptly and strived to implement the pandemic prevention and control while promoting production and operation. We coordinated all aspects of operation and management and resumed the production and business development in a safe and orderly manner to secure our asset quality effectively. We have adopted the following measures in respect of credit risk management:

- Enhancing studies on pandemic impact to capture changes in policies in a timely manner

  As a major economic center of China, Shanghai plays an important role in the industrial, financial, logistics and trading sectors. The outbreak of pandemic in Shanghai has affected the normal operation of local enterprises, and has also influenced the economic development of the Yangtze River Delta and even the national economy. Following the outbreak of the pandemic, the macro-economy of China took a hit and the business conditions of enterprises varied significantly. The government has implemented various policies to cope with the situation. The Company enhanced the studies on the pandemic development and prevention and control policies in order to timely understand the bailout and favorable policies to support enterprises and industries of different government authorities, conducted researches on the short-term and long-term impacts of the pandemic and government policies on key industries and regions in terms of market demand and supply, operation of enterprises, financial support and other aspects and forecasted the change and trend of credit risk in relevant industries and businesses in order to capture the development opportunities from the post-pandemic economic recovery and provide basis for the operation and management strategies of the Company.

- Adjusting asset allocation dynamically to secure asset quality and grasp opportunities

  The Company analyses the economic condition and sets reasonable strategies of asset allocation in accordance with its development strategies to achieve the goal of high-quality development. In the first half of 2022, facing the prolonged outbreak of COVID-19 pandemic in multiple cities in China, the Company adjusted the goals of asset allocation timely and dynamically based on factors including the pandemic impact, change in policies and reports of customer risk monitoring. On the one hand, we had moderately expanded and refined the regional structure of our business in less cyclical industries related to the national economy and people's livelihood that are less affected by the pandemic, such as new infrastructure construction, urban utilities including the supply of water, electricity and gas, and healthcare sectors. We fostered the business cooperation with high-quality state-owned enterprises and leading companies that have stronger risk resistance capabilities to secure the overall asset quality of the Company. On the other hand, we grasped the opportunities in strategic emerging industries that align with the national policy and boast promising development prospects. We continued to develop in strategic emerging industries such as high-end equipment manufacturing, digital economy, green leasing and expedited the establishment of the vertically integrated industrial chain comprising electronic consumption, new energy vehicle, smart grids, new materials and other industries to create new growth momentum of the Company. Meanwhile, the Company paid close attention to the food and beverage, hospitality and other industries that are greatly affected by the pandemic. We managed the introduction of new businesses appropriately and maintained relationship with high-quality customers. Our business expansion plans were adjusted according to the pandemic development in a timely manner.

- Strengthening the application of quantitative risk assessment and risk research and implementing hierarchical management based on risk characteristics of customers

  The Company continued to implement the two-dimensional risk evaluation system of "industry + customers". We developed a comprehensive risk assessment system by strengthening the research on industries and accurate assessment on customers in order to improve the identification, analysis, quantitative assessment and management and control of credit risk. On the one hand, 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, by reviewing the analysis findings of various data from pre-lease, existing lease and post-lease stages and our assets portfolio performance, we adjusted the assessment approach and formulated differentiated risk management policy based on the risk characteristics of customers. For qualified customers, efficiency of approval was further improved through pre-approved credit and simplified procedures without lowering the risk control requirement. For enterprises engaging in the production of anti-pandemic supplies, healthcare services, operation of quarantine facilities, logistics and transportation and other sectors that contribute to the fight against the pandemic and pass the risk assessment, we have established an "anti-pandemic green channel" to provide financial support for the prevention of pandemic under controllable risk.

- Improving risk investigation and post-lease management to ensure stable asset quality

  The Company's post-lease management system has comprehensive asset management policy and procedures and 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 also continues to explore the application of technologies in asset monitoring and risk alert. Through the establishment of assets management system, introduction of IoT monitoring system, development of GPS system, development of our own alert model and introduction of external public opinion system and other measures, we facilitated smart-analysis on assets in multi dimensions, which have improved our online monitoring and alert capabilities. In the first half of 2022, considering that the unexpected outbreak of COVID-19 pandemic might have great impact on finance leasing industry in the short term, the Company continued to refine its asset management system and conducted risk investigation on assets timely. Special attention was paid to tourism, food and beverage, hospitality and other industries that were under greater impacts during the pandemic period. We conducted investigation on customers and analysed the impact of pandemic on their production, operation and cashflow. Tailor-made policy was implemented for every customer. We have taken efficient risk identification and mitigation capability to secure the asset quality, which ensured the stability of our assets in the long run.

- Application of diversified fin-tech to ensure orderly business operation during pandemic period

  In recent years, the Company continued to strengthen the development of fin-tech and promoted the application of technologies in different scenarios during the pre-lease, existing lease and post-lease stages. Technological tools such as online customer acquisition mini-program, due diligence video, pre-approval mini-program, pre-lease database, electronic contract signing platforms and intelligent IoT platform were developed and applied to provide online customer acquisition, channel management, remote due diligence, credit approval, pre-approval of risk, electronic contract signing, equipment monitoring and risk alert functions, which enhanced the efficiency of business process and improved the reliability of full-cycle risk management. Amid the pandemic condition in the first half of the year, the application of diversified fin-tech has not only complied with the pandemic prevention and control measures in different countries and regions, but also facilitated online and distanced business process and 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.

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 June 30, 2022		As at December 31, 2021	
	Amount	% of total	Amount	% of total
	(RMB in millions, except percentages)			
Normal	93,534.6	96.78%	94,125.4	96.40%
Special mention	2,075.5	2.15%	2,474.1	2.53%
Substandard	743.3	0.77%	520.3	0.54%
Doubtful	253.1	0.26%	490.8	0.50%
Loss	35.2	0.04%	32.4	0.03%
Total	96,641.7	100.00%	97,643.0	100.00%
NPA ratio		1.07%		1.07%
Allowance coverage ratio for NPAs		257.49%		258.80%

The Group maintained its proactive and prudent risk management and always focused on risk management in the course of operation and management. During the first half of the year, in the face of challenges arising from the complex and changing international environment, pressure of economic downturn in China and repeated outbreak of the pandemic, the Group put great efforts in preventing and controlling risks and managing its assets. The amount of NPAs of the Group decreased and the NPA ration remained stable. Asset quality was sound and controllable. As at June 30, 2022, the NPAs of the Group amounted to RMB1,031.6 million, representing a decrease of 1.1% as compared with the end of 2021, and the NPA ratio was 1.07%, which remained stable as compared with the end of 2021.

The Group has always paid 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 June 30, 2022, the proportion of total interest-earning assets of the Group classified as normal was 96.78%, representing an increase of 0.38 percentage points as compared with the end of 2021, while the proportion of total interest-earning assets of the Group classified as special mention was 2.15%, representing a decrease of 0.38 percentage points as compared with the end of 2021. During the Reporting Period, the proportion of assets classified as normal increased, the proportion of total assets classified as special mention decreased and the NPA ratio remained stable. 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 June 30, 2022, the coverage ratio for NPAs was 257.49%, representing a decrease of 1.31 percentage points as compared with the end of 2021. During the Reporting Period, the risk prevention ability remained stable.

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 the first half of 2022, amid the severe pandemic condition in Shanghai, the Company shouldered its responsibilities and proactively coped with the situation. In order to better help local economic recovery and respond to the epidemic, the Company moderately increased its supports for the development of urban public utilities, medical and healthcare and other industries which are less cyclical and related to people's livelihood, actively provided quality financial services to small, medium and micro enterprises, continuously improved the scope and extent of professional support for the real economy, consolidated its asset base and optimized its asset structure. In addition, the Company strictly complied with the national policy guidelines, closely focused on strategic development goals and asset allocation strategies, seized the development opportunities of emerging industries, and vigorously promoted its business expansion in strategic emerging fields such as high-end equipment manufacturing, digital economy and green leasing. In the first half of 2022, the Company's new investment in green leasing segment amounted to nearly RMB5 billion, providing financial support for the healthy growth of "carbon peak, carbon neutral" related enterprises.

As at June 30, 2022, advanced manufacturing, urban utilities and transportation & logistics were the three largest industries in terms of the interest-earning asset balance and accounted for 60.6% of the total interest-earning asset balance of the Group. The concentration of the three largest industries decreased by 0.2 percentage points as compared with the end of 2021. In the first half of 2022, in response to the national industrial development strategy to support infrastructure construction, new energy and energy conservation and environmental protection in order to achieve "emission peak and carbon neutrality", and to provide greater support to customers in sectors such as medical institutions which play an important role in the fight against the pandemic, the Company increased asset allocation in urban utilities, energy and environmental protection and healthcare industries, 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 "14th Five-Year Plan" and the national policies of supporting the 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 the first half of 2022, numerous manufacturing enterprises faced great pressure due to disruption in the supply chain and logistics caused by the outbreak of COVID-19 pandemic. The Company provided financial solutions for high-quality manufacturing customers to solve their urgent needs. The asset scale and structure of the advanced manufacturing sector remained stable. As at the end of June 2022, assets of high-end equipment manufacturing, new materials and inclusive manufacturing enterprises accounted for 71.5% of the advanced manufacturing sector, which remained basically stable as compared with the end of 2021. In respect of inclusive business sector, the Company focused on serving niche "small giant" enterprises and niche medium-, small- and micro-sized enterprises according to the “14th Five-Year Plan” for Promoting the Development of Medium- and Small-sized Enterprises (《「十四五」促進中小企業發展規劃》) and provided quality financial services to assist medium-, small- and micro-sized enterprises in achieving their development goals. The Company provided financial support of over RMB1,600 million to 65 niche enterprises, including 45 niche “small giant” enterprises recognized by government. In the first half of 2022, despite the challenge from the pandemic, the Company adhered to its mission of serving the real economy and supporting the development of medium-, small- and micro-sized enterprises, and took the initiatives to help outstanding medium-, small- and micro-sized enterprises tide over this special period and resume operation and production as soon as possible, which reflected the Company’s commitment and efforts in supporting the development in medium-, small- and micro-sized enterprises.

In respect of urban utilities sector, the macro-economy was under great downturn pressure due to the unexpected outbreak of pandemic in the first half of 2022. The meeting of the Central and Financial and Economic Affairs Commission, executive meeting of the State Council and other major meetings have emphasized the importance of infrastructure construction for stabilizing growth, and stated to expand the investment scope of infrastructure projects and increase funding through the introduction of social capital. In this regard, in view of the increasing economic uncertainty caused by the pandemic, the Company further expanded its business in urban utilities that are less cyclical and less affected by the pandemic and focused on supporting the construction and development of new infrastructure such as 5G facilities, data centers and charging piles, infrastructure network including transportation and logistics, green and low-carbon energy and water conservancy, as well as urban and rural development coordination infrastructure and infrastructure of smart cities. Attributable to the increasing attention and investments in green and low-carbon transformation, new infrastructure and urban and rural development, the asset scale of the urban utilities sector of the Company showed a significant growth during the Reporting Period.

In respect of transportation & logistics sector, due to the rapid market growth of new energy vehicles, the structure of transportation & logistics market underwent significant changes since 2021. Under the market trend, the Company shifted its focus from traditional fuel vehicles to green vehicles, and the asset scale changed significantly due to adjustment in business structure. Our business structure has been more in line with the requirements of green economy and high-quality sustainable development. In the first half of 2022, the Company entered into a strategic cooperation agreement with Dongfeng Motor Corporation and launched “Dongfeng Fengshen E70 — Haitong Unitrust” co-branded new energy vehicle which targeted small- and medium-sized transportation service enterprises and car sharing service enterprises. The Company also entered into strategic cooperation with Geely Commercial Vehicle Group in respect of the sales of energy commercial vehicles, construction and operation of power stations, construction of production base, data risk control and innovation of business models in order to develop a green transportation and green energy network by capitalizing on the complimentary advantages and form a close-looped ecosystem. The Company will continue to focus on the business cooperation with upstream and downstream enterprises in the industrial chain such as new energy vehicle original equipment manufacturers, new energy transportation platforms and new energy transportation service companies. The Company will also follow the market trend and create a diversified and integrated ecosystem covering car sharing, low-carbon and new energy and other sectors so as to support the green development in transportation industry and make contribution to the national goal of “emission peak and carbon neutrality”.

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 June 30, 2022		As at December 31, 2021	
	Amount	% of total	Amount	% of total
	(RMB in millions, except percentage)			
Advanced manufacturing	22,230.4	23.0%	23,534.2	24.1%
Transportation & logistics	16,667.0	17.3%	21,883.5	22.4%
Urban utilities	19,574.3	20.3%	13,917.4	14.3%
Energy and environmental protection	12,484.7	12.9%	11,322.8	11.6%
Construction	9,188.2	9.5%	11,041.2	11.3%
Culture and tourism	7,075.9	7.3%	5,863.3	6.0%
Healthcare	6,411.3	6.6%	5,820.7	6.0%
Other	3,009.9	3.1%	4,259.9	4.3%
Total	96,641.7	100.0%	97,643.0	100.0%

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 to ensure the compliance, effectiveness and reasonableness of systems. Secondly, the Company has carried out compliance inspections to ensure that all regulatory requirements have been duly complied with, and applied fin-tech to improve the data reporting system and enhance the efficiency of compliance management. Thirdly, to further strengthen the compliance risk awareness of its employees, the Company organized the program of "Developing the Cultural of Internal Control on Compliance" in the first half of 2022 and held more than 10 activities in respect of cultivation of compliance awareness, development of compliance team, problem solving and review of policy and system so as to further enhance the culture of compliance of all employees in all aspects and processes.

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 satisfy capital needs arising from our normal operation. 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 the first half of 2022, the Group formulated reasonable and orderly capital planning based on the market liquidity condition and further improved our liquidity management mechanism. Our liquidity position was sound, and our liquidity management capability continued to improve.

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 June 30, 2022, the nominal amount of our interest rate swaps (including currency swaps) amount to RMB4,660.9 million.

Exchange Rate Risk

Exchange rate risk refers to the risk of our losses of overall revenue and economic value arising from adverse changes of exchange rate. Exchange rate risk of the Group is 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 June 30, 2022, the nominal amount of our currency forwards (including currency swaps) amounted to RMB3,011.6 million.

Operational Risk

Operational risk refers to the risk of losses associated with deficiencies or failure of the Company's internal processes, personnel and system, or impact from external events. Under comprehensive risk management framework, the Company has optimized procedures of operational risk management of various departments for identifying, assessing, measuring, monitoring, tackling and reporting of risks. We have also improved the information system, which has significantly enhanced the efficiency and accuracy of procedures and further increased the quantitative management level of operational risk. In the first half of 2022, the operational risk of the Company was satisfactory and no major operational risk was recorded.

Reputational Risk

Reputational risk refers to the risk of negative perception by stakeholders relating to our operations, management, or other actions that we take, as well as external events relating to us. We have formulated reputational risk management policies and rules as well as the processes for identifying, monitoring, assessing and reporting reputational risks and resolving material reputational risk events under our comprehensive risk management framework. We have deployed specialized personnel 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 the first half of 2022, the reputation of the Group was generally good and no major reputational risk was encountered.

10. HUMAN RESOURCES

As at June 30, 2022, the Group had 1,898 full-time employees (excluding dispatched labors) in total, representing an increase of 175 full-time employees as compared to 1,723 as at the same date of 2021. The Group has a team of high quality and professional employees. As at June 30, 2022, approximately 80.1% of the employees of the Group possess a bachelor's degree or above or tertiary level of above, and 21.6% of the employees possess a master's degree or above or postgraduate level or above.

The Company has established a training management system covering programs, resources and operations to expand our talent reserve and coordinate talent promotion. During the first half of 2022, we had conducted 78 training projects in total with 9,086 participants. System training was organized for departments to strengthen their concept of learning systems, complying with systems and using systems, enhance the awareness of compliant operation, and promote compliant business development. In response to pandemic prevention and control, the Company organized a series of projects such as "live class" business special training, remote team management special training, and "physical and mental adjustment for efficient performance" special training to empower the management employees of the Company to develop their abilities and improve the efficiency of working from home. The Company developed a learning ecosystem of acquiring, inheriting and applying knowledge through establishing an online learning platform.

During the Reporting Period, the staff cost of the Group was RMB427.8 million, representing an increase of RMB82.6 million from RMB345.2 million for the same period 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 June 30, 2022, finance lease receivables with a carrying amount of approximately RMB536.3 million, and receivables arising from sale and leaseback arrangements with a carrying amount of approximately RMB6,063.9 million were pledged as collateral for borrowings, while equipment held for operating lease business with a carrying amount of approximately RMB4,976.0 million of the Group and equity interests in certain subsidiaries held by the Group were mortgaged to banks as collateral for bank borrowings.

12. CONTINGENT LIABILITIES

As at June 30, 2022, the Group had no contingent liabilities.

13. SUBSEQUENT EVENTS

On July 25, 2022, the Board announced that the Company successfully bid for the properties located at 2–12/F, No. 599 South Zhongshan Road and 1–2/F, No. 666 Waima Road, Huangpu District, Shanghai, at the total consideration of RMB1,672,770,000. For details of the acquisition, please refer to the announcement dated July 25, 2022 of the Company.

CORPORATE GOVERNANCE PRACTICE

The Group is committed to maintaining high standards of corporate governance with a view to safeguarding the interests of the Shareholders, enhancing the corporate value and improving the effectiveness, transparency and accountability of its development strategies. 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 had complied with all provisions of the Corporate Governance Code and adopted most of the recommended best practices set out therein.

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.

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. 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.

INTERIM DIVIDEND

The Board recommended to distribute the interim cash dividend to all of its ordinary shareholders for the six months ended June 30, 2022. Based on the number of shares of 8,235,300,000 Shares, the interim dividend to be distributed will be RMB0.40 per 10 Shares (tax inclusive) with a total amount of RMB329,412,000.00 (tax inclusive). According to the Articles of Association, the proposed interim dividend will be paid to the holders of Domestic Shares and holders of H Shares in RMB and Hong Kong dollar, respectively. The actual distribution amount in Hong Kong dollar shall be determined with reference to the average mid-price of exchange rate between RMB and Hong Kong dollars announced by the People's Bank of China one week immediately prior to the date of the second extraordinary general meeting of 2022 to be held by the Company. Such interim dividend is subject to the approval of the Shareholders during the second extraordinary general meeting of 2022 to be held by the Company. Once approved, the 2022 interim dividend of the Company will be paid to the Shareholders whose names appear on the share register of the Company on Monday, October 17, 2022.

For the purpose of determining the entitlement of Shareholders to receive the 2022 interim dividend, the register of members of the Company will be closed from Wednesday, October 12, 2022 (inclusive) to Monday, October 17, 2022 (inclusive). In order to qualify for receiving the 2022 interim dividend, H Shareholders and Domestic Shareholders should ensure all transfer documents, accompanied by the relevant Share certificates, are lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, and to the Company's registered office at No. 599 South Zhongshan Road, Huangpu District, Shanghai, PRC, respectively, before 4:30 p.m. on Tuesday, October 11, 2022. The 2022 interim dividend is expected to be distributed no later than Friday, November 18, 2022.

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－深港股票市場交易互聯互通機制試點有關稅收政策的通知」(財稅[2016]127號)), for dividends received by domestic individual investors from investing in H shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, the H share companies shall apply to China Securities Depository and Clearing Corporation Limited ("CSDC") for the provision of a register of domestic individual investors from CSDC to the H share companies, based on which the H share companies shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. For dividends received by domestic individual investors from investing in non-H shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, CSDC shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. Individual investors who have paid the withholding tax abroad may apply for a tax credit with the competent tax authorities under CSDC with a valid tax deduction certificate.

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

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

AUDIT COMMITTEE

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

The Audit Committee has adopted its scope of duties in line with the Corporate Governance Code. The main responsibilities of the Audit Committee include proposing the engagement or change of external auditors; reviewing the financial information of the Company and its disclosure; and supervising the financial reporting and internal control procedures of the Company.

PricewaterhouseCoopers, the auditor of the Company, has reviewed the interim financial report prepared by the Group in accordance with the International Accounting Standards and the disclosure requirements of the Hong Kong Listing Rules. In addition, the Audit Committee has also reviewed and given consent to the interim results and interim report of the Group for the six months ended June 30, 2022.

CHANGES IN INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Li Chuan has ceased to serve as a non-executive Director of the Company since May 2022. Mr. Lu Tong has served as a non-executive Director of the Company since May 2022. For details of the above changes of non-executive Directors, please refer to the announcements of the Company dated March 29, 2022 and May 13, 2022.

Ms. Zhou Tao has ceased to serve as the Chairwoman of the Board of Supervisors and a shareholder representative Supervisor of the Company since May 2022. Mr. Wu Xiangyang has served as the Chairman of the Board of Supervisors and a shareholder representative Supervisor of the Company since May 2022. For details of the above changes of Supervisors, please refer to the announcements of the Company dated March 11, 2022 and May 13, 2022.

Ms. Ha Erman has served a Director of Bright Food (Group) Co., Ltd. since August 2022.

Mr. Jiang Yulin has ceased to serve as an independent non-executive Director of the Company, a member of the remuneration and evaluation committee (the chairman) under the second session of the Board of Directors of the Company and a member of the nomination committee (the chairman) under the second session of the Board of Directors of the Company since August 2022. For details of the above change of independent non-executive Director, please refer to the announcements of the Company dated June 16, 2022 and August 15, 2022.

Since August 2022, Mr. Zeng Qingsheng has served as a member of the remuneration and evaluation committee (the chairman) under the second session of the Board of Directors of the Company; Mr. Yan Lixin has served as a member of the nomination committee (the chairman) under the second session of the Board of Directors of the Company, and has ceased to serve as a member of the environmental, social and governance committee under the second session of the Board of Directors of the Company. For details of the above changes, please refer to the announcement of the Company dated August 15, 2022.

Having made specific enquiry by the Company 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 annual report of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

SHARE OPTION SCHEME

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

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

As at June 30, 2022, the Directors, Supervisors and chief executive of the Company had no interests and/or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or which were required to be and were recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

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

As at June 30, 2022, to the knowledge of the Directors, the following persons (excluding Directors, Supervisors and chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholders	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	Interest in controlled entity(1)	4,559,153,176	55.36%	78.68%	Long position
	Domestic Shares	Interest in controlled entity(1)	2,440,846,824	29.64%	100%	Long position
Haitong International Holdings Limited(3)	H Shares	Interest in controlled entity(2)	4,559,153,176	55.36%	78.68%	Long position
Haitong UT Capital Group Co., Limited	H Shares	Beneficial owner(1)(2)	4,559,153,176	55.36%	78.68%	Long position
Haitong 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 Group Co., Limited.

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

(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. Haitong Securities, Haitong International Holdings Limited and Haitong UT Capital notified the Company on July 15, 2022 that they had entered into an equity transfer agreement on July 15, 2022. 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 completion of the equity transfer is still subject to the satisfaction (or exemption, as the case may be) of the conditions precedent set out in the agreement. For details, please refer to the announcement of the Company dated July 15, 2022.

Save as disclosed above, as at June 30, 2022, 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.

LOAN AGREEMENTS

During the Reporting Period, the Group entered into loan agreements with specific banks, of which loans of approximately RMB1,897.7 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 two to three years.

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.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS, DISPOSALS AND MERGERS

The Company and its subsidiaries had no significant investment, material acquisition, disposal or merger during the Reporting Period.

Definitions

"Articles"	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 CBRC and China Insurance Regulatory Commission and approved by the National People's Congress of the PRC on March 17, 2018
"Controlling Shareholder"	Has the meaning ascribed to it under the Listing Rules
"CSRC"	China Securities Regulatory Commission
"Director(s)"	Director(s) of our Company
"Environmental, Social and Governance Committee"	the environmental, social and governance committee of the Company
"Federal Reserve"	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$" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong

"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"Hong Kong Listing Rules" or "Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"IFRS"	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and interpretation issued by the International Accounting Standards Committee
"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
"Remuneration and Evaluation Committee"	the remuneration and evaluation committee of the Company
"Reporting Period"	the six months ended June 30, 2022
"Risk Management Committee"	the risk management committee of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"Securities and Futures Ordinance" or "SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	Share(s) in the share capital of the Company with a nominal value of RMB1.00 each

"Shareholder(s)"	the holder(s) of Shares
"subsidiary(ies)"	has the meaning ascribed to it in section 15 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong)
"Supervisor(s)"	member(s) of our Board of Supervisors of the Company
"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
"5G"	The fifth generation mobile communication technology
"ABS"	Asset-backed security
"Eastern Data and Western Computing"	a new computing network system proposed by the Chinese government that integrates data center, cloud computing and big data to transfer the computing demand in the eastern region to the western region in an orderly manner, and optimize the construction layout of data center to promote the collaboration between the two districts
"emission peak and carbon neutrality"	the low-carbon development target proposed by the Chinese government that it will strive to peak its carbon dioxide emissions by 2030 and achieve carbon neutrality by 2060
"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
"New Infrastructure Construction"	a new type of infrastructure, which mainly includes seven major categories, namely construction of 5G base station, UHV, inter-city rail and urban rail transit, charging station of new energy vehicles, big data center, artificial intelligence, and industrial internet
"Niche"	the features of "specialization, refinement, distinctiveness and novelty" as defined under the Guiding Opinions of the Ministry of Industry and Information Technology on the Promotion of "Niche" SMEs (MIIT Qi Ye [2013] No. 264)

"Niche 'small giant' enterprises"	leading enterprises recognized by the MIIT based on certain criteria of "niche" enterprises which focus on segmented markets with strong innovation capability, high market share, core technologies and excellent quality and efficiency
"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
"Six Supports"	supporting objectives proposed by the PRC government in respect of six major aspects, including employment, basic livelihood, market players, food and energy security, stabilized industry chains and supply chains as well as grassroots operation
"Six Stabilizations"	six policies proposed by the PRC government for stabilizing employment, financial market, foreign trade, foreign capital, investments and expectations
"Three Major Sources of Pressure"	the three major sources of pressure faced by the economic development of China proposed by the Chinese government in 2021, namely dampened demand, insufficient supply and weakened expectations

Report on Review of Interim Financial Information

羅兵咸永道

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 75 to 128, which comprises the interim condensed consolidated statement of financial position of Haitong Unitrust International Financial Leasing Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") as at June 30, 2022 and the interim condensed consolidated statement of profit or loss, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and notes, comprising significant accounting policies and other explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong,
August 26, 2022

Interim Condensed Consolidated Statement of Profit or Loss for the Six Months Ended June 30, 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

	Notes	Six months ended June 30, 2022 (Unaudited)	2021 (Unaudited)
Revenue			
Finance lease income	5	**1,280,943**	1,771,581
Interest income from sale and leaseback arrangements	5	**1,937,065**	1,248,140
Operating lease income	5	**262,553**	234,863
Service fee income	5	**488,560**	588,161
Factoring interest income	5	**111,156**	194,590
Entrusted loan and other loan interest income	5	**11,913**	12,209
Total revenue		**4,092,190**	4,049,544
Net investment gains or losses	6	**(9,340)**	(9,419)
Other income, gains or losses	7	**171,970**	223,055
Losses from derecognition of financial assets measured at amortised cost		**(25,992)**	(24,435)
Total revenue and other income, gains or losses		**4,228,828**	4,238,745
Depreciation and amortisation	8	**(175,913)**	(240,229)
Staff costs	9	**(427,846)**	(345,177)
Interest expenses	10	**(1,769,597)**	(1,748,178)
Other operating expenses	11	**(142,516)**	(124,703)
Impairment losses under expected credit loss model	12	**(668,115)**	(826,110)
Other impairment losses		**(24,952)**	(39,602)
Total expenses		**(3,208,939)**	(3,323,999)
Profit before income tax		**1,019,889**	914,746
Income tax expenses	13	**(255,015)**	(229,705)
Profit for the period		**764,874**	685,041

Interim Condensed Consolidated Statement of Profit or Loss for the Six Months Ended June 30, 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

	Notes	Six months ended June 30, 2022 (Unaudited)	2021 (Unaudited)
Attributable to:			
Owners of the Company			
— Ordinary shareholders		**716,605**	643,490
— Other equity instrument holders		**47,747**	41,019
Non-controlling interests		**522**	532
		764,874	685,041
Earnings per share attributable to ordinary shareholders of the Company			
(Expressed in RMB Yuan per share)			
— Basic	14	**0.09**	0.08
— Diluted	14	**N/A**	N/A

Interim Condensed Consolidated Statement of Comprehensive Income for the Six Months Ended June 30, 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

	Six months ended June 30,	
	2022	2021
	(Unaudited)	(Unaudited)
Profit for the period	**764,874**	685,041
Other comprehensive income/(expense):		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**42,017**	(7,134)
Fair value gain on hedging instruments designated as cash flow hedges	**39,527**	44,235
Other comprehensive income for the period, net of income tax	**81,544**	37,101
Total comprehensive income for the period	**846,418**	722,142
Attributable to:		
Owners of the Company		
— Ordinary shareholders	**798,149**	680,591
— Other equity instrument holders	**47,747**	41,019
Non-controlling interests	**522**	532
	846,418	722,142

Interim Condensed Consolidated Statement of Financial Position as at June 30, 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

	Notes	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Non-current assets			
Property and equipment	16	**5,605,986**	5,463,211
Right-of-use assets	16	**106,814**	120,262
Intangible assets		**13,283**	15,205
Finance lease receivables	17	**7,958,405**	11,270,189
Receivables arising from sale and leaseback arrangements	18	**39,404,886**	31,521,846
Financial assets at fair value through profit or loss	24	**115,110**	128,099
Loans and receivables	19	**9,327**	575,177
Deferred tax assets	20	**1,422,926**	1,578,035
Other assets	21	**2,390,648**	2,202,020
Total non-current assets		**57,027,385**	52,874,044
Current assets			
Finance lease receivables	17	**17,382,485**	22,202,398
Receivables arising from sale and leaseback arrangements	18	**28,796,531**	23,566,177
Loans and receivables	19	**433,642**	5,806,749
Other assets	21	**1,369,938**	1,497,288
Accounts receivable	22	**97,542**	48,715
Financial assets held under resale agreements	23	**300,006**	—
Financial assets at fair value through profit or loss	24	**1,444,646**	1,996,289
Derivative financial assets	25	**86,961**	11,079
Cash and bank balances	26	**9,252,443**	6,738,571
Total current assets		**59,164,194**	61,867,266
Total assets		**116,191,579**	114,741,310

Interim Condensed Consolidated Statement of Financial Position as at June 30, 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

	Notes	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Current liabilities			
Borrowings	27	26,738,968	25,584,189
Derivative financial liabilities	25	108,448	231,247
Accrued staff costs	28	241,416	286,166
Accounts payable	29	5,295	34,552
Bonds payable	30	21,570,210	22,989,474
Income tax payable		311,894	743,751
Other liabilities	31	7,321,031	7,692,962
Total current liabilities		56,297,262	57,562,341
Net current assets		2,866,932	4,304,925
Total assets less current liabilities		59,894,317	57,178,969
Equity			
Share capital	32	8,235,300	8,235,300
Reserves			
— Capital reserve		2,486,007	2,492,962
— Surplus reserve		585,260	585,260
— Hedging reserve		62,243	22,716
— Translation reserve		(33,702)	(75,719)
Retained profits		4,368,642	3,890,937
Other equity instruments	33	2,126,330	2,384,512
Equity attributable to owners of the Company			
— Ordinary shareholders		15,703,750	15,151,456
— Other equity instrument holders		2,126,330	2,384,512
Non-controlling interests		39,451	83,675
Total equity		17,869,531	17,619,643

Interim Condensed Consolidated Statement of Financial Position as at June 30, 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

	Notes	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Non-current liabilities			
Borrowings	27	**20,077,976**	18,145,228
Bonds payable	30	**16,187,749**	14,865,356
Deferred tax liabilities	20	**14,997**	16,297
Other liabilities	31	**5,744,064**	6,532,445
Total non-current liabilities		**42,024,786**	39,559,326
Total equity and non-current liabilities		**59,894,317**	57,178,969

The unaudited interim condensed consolidated financial statements on pages 75 to 128 were approved and authorised for issue by the Board of Directors on August 26, 2022 and signed on behalf by:

Ding Xueqing
Chairman of the Board/
Executive Director

Zhou Jianli
Executive Director/
General Manager

Interim Condensed Consolidated Statement of Changes in Equity for the Six Months Ended June 30, 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

	Attributable to owners of the Company									
	Share capital	Capital reserve	Surplus reserve	Hedging reserve	Translation reserve	Retained profits	Ordinary shareholders Sub-total	Other equity instruments holders	Non-controlling interests	Total equity
At December 31, 2021 (Audited)	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
Profit for the period	–	–	–	–	–	716,605	716,605	47,747	522	764,874
Other comprehensive income for the period	–	–	–	39,527	42,017	–	81,544	–	–	81,544
Total comprehensive income for the period	–	–	–	39,527	42,017	716,605	798,149	47,747	522	846,418
Issuance of other equity instruments	–	–	–	–	–	–	–	964,464	–	964,464
Redemption of other equity instruments	–	(6,955)	–	–	–	–	(6,955)	(1,193,045)	–	(1,200,000)
Interest distribution of other equity instruments	–	–	–	–	–	–	–	(77,424)	–	(77,424)
Dividends recognised as distribution (Note 15)	–	–	–	–	–	(238,824)	(238,824)	–	–	(238,824)
Others	–	–	–	–	–	(76)	(76)	76	(44,746)	(44,746)
At June 30, 2022 (Unaudited)	8,235,300	2,486,007	585,260	62,243	(33,702)	4,368,642	15,703,750	2,126,330	39,451	17,869,531
At December 31, 2020 (Audited)	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 period	–	–	–	–	–	643,490	643,490	41,019	532	685,041
Other comprehensive income/(expense) for the period	–	–	–	44,235	(7,134)	–	37,101	–	–	37,101
Total comprehensive income/(expense) for the period	–	–	–	44,235	(7,134)	643,490	680,591	41,019	532	722,142
Capital injection by non-controlling interests	–	–	–	–	–	–	–	–	22,270	22,270
Issuance of other equity instruments	–	–	–	–	–	–	–	1,491,330	–	1,491,330
Redemption of other equity instruments	–	(4,503)	–	–	–	–	(4,503)	(1,195,497)	–	(1,200,000)
Interest distribution of other equity instruments	–	–	–	–	–	–	–	(57,334)	–	(57,334)
Dividends recognised as distribution (Note 15)	–	–	–	–	–	(123,530)	(123,530)	–	–	(123,530)
Others	–	–	–	–	–	1,458	1,458	(1,458)	–	–
At June 30, 2021 (Unaudited)	8,235,300	2,492,962	409,181	(27,958)	(61,726)	3,784,570	14,832,329	1,801,816	74,532	16,708,677

Interim Condensed Consolidated Statement of Cash Flows for the Six Months Ended June 30, 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

	Notes	Six months ended June 30, 2022 (Unaudited)	2021 (Unaudited)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES		**24,645**	994,657
INVESTING ACTIVITIES			
Proceeds from sale of financial assets held under resale agreements		**8,579,974**	2,293,500
Proceeds from sale of financial assets at fair value through profit or loss		**1,884,528**	513,918
Proceeds from other financial assets		**161,731**	—
Disposal of property and equipment		**1**	43
Cash received from disposal of a subsidiary		**132,053**	—
Proceeds/(Payments) of restricted deposits		**128,011**	(276,750)
Purchase of financial assets held under resale agreements		**(8,879,980)**	(2,893,500)
Purchase of financial assets at fair value through profit or loss		**(1,510,000)**	(743,000)
Purchase of other financial assets		**—**	(58,401)
Purchase of property, equipment and intangible assets		**(12,104)**	(290,742)
NET CASH FROM/(USED IN) INVESTING ACTIVITIES		**484,214**	(1,454,932)
FINANCING ACTIVITIES			
Proceeds from issuance of other equity instruments		**970,000**	1,500,000
Proceeds from capital injection of the non-controlling investors		**—**	22,270
Proceeds from borrowings		**17,396,232**	14,741,551
Proceeds from issuance of bonds		**17,772,280**	18,116,010
Repayment of borrowings		**(14,691,524)**	(14,209,300)
Repayment of bonds payable		**(17,914,093)**	(16,409,184)
Redemption of other equity instruments		**(1,200,000)**	(1,200,000)
Repayments of lease liabilities		**(30,807)**	(28,727)
Payments for the costs of borrowings		**(31,098)**	(29,909)
Payments for the costs of issuance of bonds and other equity instruments		**(56,521)**	(119,108)
Payment of interest distribution of other equity instruments		**(77,424)**	(57,334)
Payment of dividends		**(3,583)**	—
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		**2,133,462**	2,326,269
NET INCREASE IN CASH AND CASH EQUIVALENTS		**2,642,321**	1,865,994
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	36	**5,997,815**	4,570,959
Effect of foreign exchange rate changes		**610**	(85)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	36	**8,640,746**	6,436,868

Notes to the Interim Condensed Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

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 as approved by relevant laws and regulations.

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

2. BASIS OF PREPARATION AND PRESENTATION

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

The unaudited interim condensed consolidated financial statements of the Group should be read in conjunction with the Group's consolidated financial statements for the year ended December 31, 2021.

3. SIGNIFICANT ACCOUNTING POLICIES

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

As described below, other than additional accounting policies resulting from application of amendments to IFRSs, the accounting policies and methods of computation used in the interim condensed consolidated financial statements for the six months ended June 30, 2022 are the same as those presented in the Group's annual financial statements for the year ended December 31, 2021.

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the annual periods beginning on or after January 1, 2022 for the preparation of the Group's interim condensed consolidated financial statements:

Amendments to IAS 16	Property, Plant and Equipment: Proceeds before intended use
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRS Standards 2018–2020

(All amounts expressed in thousands of RMB unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The application of the amendments to IFRSs in the current interim period 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The preparation of the interim condensed consolidated financial statements requires the use of certain critical accounting estimates. It also requires management of the Group to exercise its judgment in the process of applying the accounting policies. The key sources of estimation uncertainty used in the interim condensed consolidated financial statements for six months ended June 30, 2022 are the same as those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2021.

5. REVENUE AND SEGMENT INFORMATION

	Six months ended June 30,	
	2022	2021
	(Unaudited)	(Unaudited)
Finance lease income (Note i)	**1,280,943**	1,771,581
Interest income from sale and leaseback arrangements (Note ii)	**1,937,065**	1,248,140
Operating lease income	**262,553**	234,863
Service fee income (Note iii)	**488,560**	588,161
Factoring interest income (Note ii)	**111,156**	194,590
Entrusted loan and other loan interest income (Note ii)	**11,913**	12,209
Total revenue	**4,092,190**	4,049,544

Notes:

(i) The Group has no variable lease payments which is not included in the measurement of finance lease receivables for the six months ended June 30, 2022 and 2021.

(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.

(All amounts expressed in thousands of RMB unless otherwise stated)

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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 interim condensed 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 six months ended June 30, 2022 and 2021, 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 OR LOSSES

	Six months ended June 30,	
	2022	2021
	(Unaudited)	(Unaudited)
Net losses arising from derivative financial instruments	**(8)**	(1,814)
Net losses arising from financial assets at fair value through profit or loss	**(9,342)**	(7,605)
Others	**10**	—
	(9,340)	(9,419)

7. OTHER INCOME, GAINS OR LOSSES

	Six months ended June 30,	
	2022	2021
	(Unaudited)	(Unaudited)
Government grants (Note)	**89,324**	177,822
Interest income from deposits with financial institutions	**43,466**	46,505
Interest income from asset-backed securities	**39,771**	10,469
Interest income from financial assets held under resale agreements	**889**	631
Foreign exchange losses, net	**(1,181)**	(11,072)
Losses on disposal of finance lease assets	**(39,643)**	(30,405)
Others	**39,344**	29,105
	171,970	223,055

note: 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.

(All amounts expressed in thousands of RMB unless otherwise stated)

8. DEPRECIATION AND AMORTISATION

	Six months ended June 30, 2022 (Unaudited)	2021 (Unaudited)
Depreciation of property and equipment	**142,212**	206,187
Depreciation of right-of-use assets	**30,464**	31,105
Amortisation of intangible assets	**3,237**	2,937
	175,913	240,229

9. STAFF COSTS

	Six months ended June 30, 2022 (Unaudited)	2021 (Unaudited)
Salaries, bonus and allowances	**325,346**	258,317
Social welfare	**84,455**	71,515
Others	**18,045**	15,345
	427,846	345,177

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 organized by municipal and provincial governments in Mainland China, the Group is also required to make monthly contributions to annuity plans at fixed rates of the employees' salaries and bonus for the period. These pension plans constitute defined contribution. The Group's contributions to these pension plans are charged to profit or loss in the period to which they related.

10. INTEREST EXPENSES

	Six months ended June 30, 2022 (Unaudited)	2021 (Unaudited)
Interest on liabilities:		
Bank and other borrowings	**1,025,457**	1,077,314
Bonds payable	**741,265**	667,060
Lease liabilities	**2,875**	3,804
	1,769,597	1,748,178

(All amounts expressed in thousands of RMB unless otherwise stated)

11. OTHER OPERATING EXPENSES

	Six months ended June 30,	
	2022	2021
	(Unaudited)	(Unaudited)
Advisory expenses	**32,592**	30,680
Tax and surcharges	**30,835**	11,084
Business travelling expenses	**17,475**	27,523
Recovery of leased assets expenses	**16,343**	3,005
Administrative expenses	**10,314**	6,495
Property management expenses	**5,209**	6,482
Business development expenses	**4,189**	6,344
Communication expenses	**4,078**	7,092
Bank charges	**3,745**	9,874
Auditor's fee	**1,814**	2,158
Short-term lease expenses	**727**	274
Others	**15,195**	13,692
	142,516	124,703

12. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL

	Six months ended June 30,	
	2022	2021
	(Unaudited)	(Unaudited)
Impairment loss recognised/(reversed) on:		
— finance lease receivables	**639,862**	497,562
— receivables arising from sale and leaseback arrangements	**145,587**	131,908
— loans and receivables	**(117,442)**	181,412
— accounts receivable	**(2,547)**	9,248
— bank balances	**1,035**	(10)
— other financial assets	**1,620**	5,990
	668,115	826,110

(All amounts expressed in thousands of RMB unless otherwise stated)

13. INCOME TAX EXPENSES

	Six months ended June 30,	
	2022	2021
	(Unaudited)	(Unaudited)
Current tax:		
PRC Enterprise Income Tax	**78,653**	88,960
Hong Kong Profit Tax	**4,784**	3,417
Other jurisdictions	**101**	51
Sub-total	**83,538**	92,428
Deferred tax:	**171,477**	137,277
Total	**255,015**	229,705

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 25.0%. 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%.

14. EARNINGS PER SHARE

	Six months ended June 30,	
	2022	2021
	(Unaudited)	(Unaudited)
Earnings for the purpose of basic and diluted earnings per share:		
Profit for the period attributable to ordinary shareholders of the Company	**716,605**	643,490
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)	**0.09**	0.08
Diluted earnings per share (Expressed in RMB Yuan per share)	**N/A**	N/A

No diluted earnings per share for the six months ended June 30, 2022 and 2021 was presented as there were no potential ordinary shares in issue during the current/prior interim periods.

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 RMB0.40 per 10 shares (tax inclusive) in respect of the six months ended June 30, 2022 (the interim dividend), in an aggregate amount of RMB329,412,000.00 (tax inclusive), which is subject to approval by the shareholders in the second extraordinary general meeting of 2022 to be held by the Company (2021 interim dividend: RMB395,294,400.00 (tax inclusive)).

The annual cash dividend in respect of the year ended December 31, 2021 was RMB0.29 per 10 shares (tax inclusive), in an aggregate amount of RMB238,823,700.00 (tax inclusive) (2020 annual dividend: RMB123,529,500.00 (tax inclusive)).

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

During the six months ended June 30, 2022, the Group acquired items of property and equipment at a total cost of RMB10,835 thousand (six months ended June 30, 2021: RMB10,066 thousand).

As at June 30, 2022, the net carrying amount of the Group's aircraft held for operating leasing business amounted to RMB5,431,216 thousand (December 31, 2021: RMB5,281,352 thousand), among which RMB4,976,047 thousand was used as collateral for the Group's bank borrowings (December 31, 2021: RMB4,839,057 thousand).

During the current interim period, the Group entered into several new lease agreements with lease terms ranged from 24 to 38 months. During the six months ended June 30, 2022, the Group recognised right-of-use assets of RMB16,832 thousand (six months ended June 30, 2021: RMB3,597 thousand) and lease liabilities of RMB16,832 thousand (six months ended June 30, 2021: RMB3,597 thousand).

Impairment assessment

During the six months ended June 30, 2022, aircraft were tested for indicators of impairment. In case where the carrying amounts of the aircraft exceeded the higher of value in use and fair value less costs of disposal, an impairment charge was recognised. Based on the result of the assessment, the Group recognised no impairment loss related to property and equipment during the current interim period (six months ended June 30, 2021: loss of RMB27,191 thousand).

(All amounts expressed in thousands of RMB unless otherwise stated)

17. FINANCE LEASE RECEIVABLES

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Minimum finance lease receivables		
— Within one year	20,251,732	25,533,151
— In the second year	6,290,485	9,925,219
— In the third year	1,462,104	1,871,410
— In the fourth year	375,149	396,805
— In the fifth year	263,847	296,806
— After five years	1,068,581	597,410
Gross amount of finance lease receivables	29,711,898	38,620,801
Less: Unearned finance lease income	(2,783,126)	(3,584,005)
Present value of minimum finance lease receivables	26,928,772	35,036,796
Less: Loss allowance	(1,587,882)	(1,564,209)
Carrying amount of finance lease receivables	25,340,890	33,472,587
Present value of minimum finance lease receivables		
— Within one year	18,357,861	23,211,519
— In the second year	5,722,755	9,021,983
— In the third year	1,325,217	1,697,408
— In the fourth year	336,745	352,818
— In the fifth year	233,453	256,240
— After five years	952,741	496,828
Total	26,928,772	35,036,796
Analysed as:		
Current	17,382,485	22,202,398
Non-current	7,958,405	11,270,189
Total	25,340,890	33,472,587

(All amounts expressed in thousands of RMB unless otherwise stated)

17. FINANCE LEASE RECEIVABLES (CONTINUED)

The Group entered into finance lease arrangements with leased assets in certain 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 June 30, 2022, the Group's finance lease receivables pledged as collateral for the Group's bank and other financial institutions borrowings amounted to RMB536,299 thousand (December 31, 2021: RMB1,137,119 thousand).

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

Movements of loss allowance for finance lease receivables are as follows:

	Stage 1 12-months expected credit loss ("ECL")	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
As at December 31, 2021 (Audited)	523,852	496,926	543,431	1,564,209
Changes in the loss allowance (Unaudited):				
— Transfer to Stage 1	32,085	(27,473)	(4,612)	—
— Transfer to Stage 2	(57,542)	61,096	(3,554)	—
— Transfer to Stage 3	(11,550)	(161,811)	173,361	—
— Recovery of finance lease receivables previously written off	—	—	38,788	38,788
— Write-offs	—	—	(207,437)	(207,437)
— Other derecognition	—	—	(447,540)	(447,540)
— (Reverse)/Charge for the period	(8,121)	317,483	330,500	639,862
As at June 30, 2022 (Unaudited)	478,724	686,221	422,937	1,587,882

(All amounts expressed in thousands of RMB unless otherwise stated)

17. FINANCE LEASE RECEIVABLES (CONTINUED)

	Stage 1 12-months expected credit loss ("ECL")	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
As at December 31, 2020 (Audited)	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 (Audited)	523,852	496,926	543,431	1,564,209

Analysis of present value of minimum finance lease receivables:

	Stage 1 12-months expected credit loss ("ECL")	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
As at June 30, 2022 (Unaudited)	**24,007,171**	**2,047,090**	**874,511**	**26,928,772**
As at December 31, 2021 (Audited)	32,415,838	1,647,131	973,827	35,036,796

(All amounts expressed in thousands of RMB unless otherwise stated)

18. RECEIVABLES ARISING FROM SALE AND LEASEBACK ARRANGEMENTS

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

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
— Within one year	**32,235,072**	26,278,930
— In the second year	**23,094,549**	18,371,251
— In the third year	**12,408,719**	10,718,660
— In the fourth year	**5,214,284**	3,873,796
— In the fifth year	**2,674,958**	1,991,889
— After five years	**632,948**	158,862
Gross amount of receivables arising from sale and leaseback arrangements	**76,260,530**	61,393,388
Less: Interest adjustment	**(7,144,915)**	(5,535,329)
Present value of receivables arising from sale and leaseback arrangements	**69,115,615**	55,858,059
Less: Loss allowance	**(914,198)**	(770,036)
Carrying amount of receivables arising from sale and leaseback arrangements	**68,201,417**	55,088,023
Present value of receivables arising from sale and leaseback arrangements:		
— Within one year	**29,219,221**	23,910,557
— In the second year	**20,931,940**	16,714,899
— In the third year	**11,243,126**	9,751,609
— In the fourth year	**4,724,279**	3,524,290
— In the fifth year	**2,423,582**	1,812,175
— After five years	**573,467**	144,529
Total	**69,115,615**	55,858,059

(All amounts expressed in thousands of RMB unless otherwise stated)

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

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Analysed as:		
Current	28,796,531	23,566,177
Non-current	39,404,886	31,521,846
Total	68,201,417	55,088,023

As at June 30, 2022, 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 RMB6,063,863 thousand (December 31, 2021: RMB8,024,083 thousand).

Movements of loss allowance for receivables arising from sale and leaseback arrangements are as follows:

	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
As at December 31, 2021 (Audited)	699,717	41,974	28,345	770,036
Changes in the loss allowance (Unaudited):				
— Transfer to Stage 1	186	(186)	—	—
— Transfer to Stage 2	(4,720)	4,720	—	—
— Transfer to Stage 3	(324)	(19,847)	20,171	—
— Recovery of receivables arising from sale and leaseback arrangements previously written off	—	—	1,425	1,425
— Write-offs	—	—	(2,850)	(2,850)
— Charge to profit or loss	80,738	26,656	38,193	145,587
As at June 30, 2022 (Unaudited)	775,597	53,317	85,284	914,198

(All amounts expressed in thousands of RMB unless otherwise stated)

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

	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
As at December 31, 2020 (Audited)	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
— Write-offs	—	—	(17,311)	(17,311)
— Other derecognition	—	—	(7,989)	(7,989)
— Charge to profit or loss	251,389	31,196	33,024	315,609
As at December 31, 2021 (Audited)	699,717	41,974	28,345	770,036

Analysis of present value of receivables arising from sale and leaseback arrangements:

	Stage 1 **12-months ECL**	**Stage 2** **Lifetime ECL not credit-impaired**	**Stage 3** **Lifetime ECL credit-impaired**	**Total**
As at June 30, 2022 (Unaudited)	**68,699,362**	**259,413**	**156,840**	**69,115,615**
As at December 31, 2021 (Audited)	55,618,393	179,113	60,553	55,858,059

(All amounts expressed in thousands of RMB unless otherwise stated)

19. LOANS AND RECEIVABLES

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Factoring receivables	–	6,030,532
Entrusted loans and other loans	597,274	717,636
Subtotal of loans and receivables	597,274	6,748,168
Less: Loss allowance for factoring receivables	–	(214,197)
Less: Loss allowance for entrusted loans and other loans	(154,305)	(152,045)
Total	442,969	6,381,926
Analysed as:		
Current	433,642	5,806,749
Non-current	9,327	575,177
Total	442,969	6,381,926

(All amounts expressed in thousands of RMB unless otherwise stated)

19. LOANS AND RECEIVABLES (CONTINUED)

19a. The table below illustrates the gross and net amounts of factoring receivables:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Within one year	–	6,060,624
More than one year but not exceeding five years	–	442,283
More than five years	–	61,183
Gross amount of factoring receivables	–	6,564,090
Less: Interest adjustment	–	(533,558)
Present value of factoring receivables	–	6,030,532
Less: Loss allowance	–	(214,197)
Carrying amount of factoring receivables	–	5,816,335
Present value of factoring receivables:		
— Within one year	–	5,567,990
— More than one year but not exceeding five years	–	406,290
— More than five years	–	56,252
Total	–	6,030,532

(All amounts expressed in thousands of RMB unless otherwise stated)

19. LOANS AND RECEIVABLES (CONTINUED)

19b. The table below illustrates the present value and net amounts of entrusted loans and other loans:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Within one year	587,771	579,600
More than one year but not exceeding five years	9,503	138,036
Present value of entrusted loans and other loans	597,274	717,636
Less: Loss allowance	(154,305)	(152,045)
Carrying amount of entrusted loans and other loans	442,969	565,591

19c. Movements of loss allowance for loans and receivables are as follows:

	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
As at December 31, 2021 (Audited)	110,783	249,589	5,870	366,242
Changes in the loss allowance (Unaudited):				
— Other (derecognition)/reversal	—	(101,867)	9,044	(92,823)
— Write-offs	—	—	(1,909)	(1,909)
— (Reverse)/Charge to profit or loss	(105,229)	638	(12,851)	(117,442)
— Exchange differences	237	—	—	237
As at June 30, 2022 (Unaudited)	5,791	148,360	154	154,305

(All amounts expressed in thousands of RMB unless otherwise stated)

19. LOANS AND RECEIVABLES (CONTINUED)

	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
As at December 31, 2020 (Audited)	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 to profit or loss	(4,359)	65,930	251,813	313,384
— Exchange differences	(288)	—	—	(288)
As at December 31, 2021 (Audited)	110,783	249,589	5,870	366,242

19d. Analysis of present value of loans and receivables balances:

	Stage 1 **12-months ECL**	**Stage 2** **Lifetime ECL not credit-impaired**	**Stage 3** **Lifetime ECL credit-impaired**	**Total**
As at June 30, 2022 (Unaudited)	**218,370**	**378,612**	**292**	**597,274**
As at December 31, 2021 (Audited)	5,803,806	935,291	9,071	6,748,168

20. DEFERRED TAXATION

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

	June 30, 2022 **(Unaudited)**	December 31, 2021 (Audited)
Deferred tax assets	**1,422,926**	1,578,035
Deferred tax liabilities	**(14,997)**	(16,297)
	1,407,929	1,561,738

(All amounts expressed in thousands of RMB unless otherwise stated)

20. DEFERRED TAXATION (CONTINUED)

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

	Loss allowance	Changes in fair value of derivatives	Changes in fair value of financial assets at fair value through profit or loss	Deductible tax losses	Accelerated depreciation	Others	Total
As at December 31, 2020 (Audited)	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 (Audited)	1,549,788	(3,746)	(16,178)	63,710	(50,189)	18,353	1,561,738
Credit/(Charge) to profit or loss	**(191,396)**	**(33)**	**16,275**	**1,916**	**(5,749)**	**7,510**	**(171,477)**
Credit to other comprehensive income	**—**	**17,110**	**—**	**—**	**—**	**—**	**17,110**
Exchange differences	**197**	**(2)**	**—**	**3,025**	**(2,822)**	**160**	**558**
As at June 30, 2022 (Unaudited)	**1,358,589**	**13,329**	**97**	**68,651**	**(58,760)**	**26,023**	**1,407,929**

The Group did not have significant unrecognised deferred tax assets as at June 30, 2022 (December 31, 2021: nil).

(All amounts expressed in thousands of RMB unless otherwise stated)

21. OTHER ASSETS

Non-current

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Long-term receivables from government cooperation projects (Note)	824,622	891,972
Other long-term receivables	581,070	74,276
Financial assets measured at amortised cost	400,934	435,744
Continuing involvement assets (Note 35)	282,075	274,115
Repossession of finance lease assets	209,838	254,186
Foreclosed assets	93,914	250,798
Prepayments on acquisition of property and equipment and intangible assets	740	786
Deposits	—	10,005
Others	66,767	63,187
Sub-total	2,459,960	2,255,069
Less: Loss allowance	(69,312)	(53,049)
Total	2,390,648	2,202,020

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 projects under PPP Model are recognised in long-term receivables from government cooperation projects and project payables are recognised in government cooperation project payables, refer to Note 31.

Current

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Properties under development	643,805	591,921
Value added tax ("VAT") credit and others	218,186	255,710
Notes receivable	146,823	34,345
Financial assets measured at amortised cost	108,112	263,483
Other long-term receivables	102,014	209,968
Prepayments	46,734	51,479
Continuing involvement assets (Note 35)	39,047	36,588
Deposits	20,610	11,349
Others	46,796	46,007
Sub-total	1,372,127	1,500,850
Less: Loss allowance	(2,189)	(3,562)
Total	1,369,938	1,497,288

(All amounts expressed in thousands of RMB unless otherwise stated)

21. OTHER ASSETS (CONTINUED)

Movements of loss allowance for other assets are as follows:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
At beginning of the period/year	**56,611**	19,127
Charged to profit or loss	**26,572**	52,477
Derecognition	**(11,682)**	(14,993)
At end of the period/year	**71,501**	56,611

22. ACCOUNTS RECEIVABLE

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Accounts receivable from:		
— settlement of finance lease receivables and others	**67,189**	28,605
— operating lease	**65,817**	57,563
Sub-total	**133,006**	86,168
Less: Loss allowance	**(35,464)**	(37,453)
Total	**97,542**	48,715

(All amounts expressed in thousands of RMB unless otherwise stated)

22. ACCOUNTS RECEIVABLE (CONTINUED)

Analysed by aging as follows:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Within one year	97,542	48,715
Total	97,542	48,715

Movements of loss allowance for accounts receivable are as follows:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
At beginning of the period/year	37,453	34,330
(Credit)/Charged to profit or loss	(2,547)	7,349
Write-offs	—	(4,016)
Exchange differences	558	(210)
At end of the period/year	35,464	37,453

23. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Treasury bonds held under resale agreements	300,006	—

(All amounts expressed in thousands of RMB unless otherwise stated)

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Measured at fair value:		
Funds (Note)	**173,993**	384,327
Wealth management products	**600,042**	800,063
Equity instruments	**542,151**	529,485
Asset management schemes and trust plans	**243,570**	410,513
Total	**1,559,756**	2,124,388
Analysed as:		
Unlisted	**1,111,492**	1,701,942
Listed	**448,264**	422,446
Analysed as:		
Current	**1,444,646**	1,996,289
Non-current	**115,110**	128,099
Total	**1,559,756**	2,124,388

Note: As at June 30, 2022, no funds were managed by HFT Investment Management Co., Ltd. (December 31, 2021: RMB100,101 thousand). For the six months ended June 30, 2022, net gains from relevant funds amounted to RMB221 thousand (six months ended June 30, 2021: RMB493 thousand).

(All amounts expressed in thousands of RMB unless otherwise stated)

25. DERIVATIVE FINANCIAL INSTRUMENTS

	June 30, 2022 (Unaudited)		
	Nominal Amount	**Assets**	**Liabilities**
Derivatives under hedge accounting:			
Interest rate swaps ("IRS")	**2,490,532**	**39,399**	**(15,486)**
Currency forwards	**841,184**	**3,529**	**(57,063)**
Cross currency interest rate swaps	**2,170,369**	**44,033**	**(35,899)**
Total	**5,502,085**	**86,961**	**(108,448)**

	December 31, 2021 (Audited)		
	Nominal Amount	Assets	Liabilities
Derivatives under hedge accounting:			
Interest rate swaps	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)

As at June 30, 2022, fixed interest rates for USD IRS ranged from 1.3700% to 4.3650% (December 31, 2021: from 1.3700% to 4.3650%), and no RMB IRS were held by the Group (December 31, 2021: 4.4500%).

As at June 30, 2022, currency forwards with forward exchange rates of buying USD and selling RMB ranged from 6.4825 to 7.3891 (December 31, 2021: from 6.5667 to 7.3891).

As at June 30, 2022, cross currency interest rate swaps with fixed interest rates for USD IRS ranged from 3.1300% to 4.0000% (December 31, 2021: from 3.1300% to 3.7400%) and cross currency interest rate swaps with forward exchange rates of buying USD and selling RMB ranged from 6.3620 to 7.0980 (December 31, 2021: from 6.3924 to 7.0980).

As at June 30, 2022, cross currency interest rate swaps with fixed interest rates for HKD IRS ranged from 4.2500% to 4.3000% (December 31, 2021: from 4.1500% to 4.3500%) and cross currency interest rate swaps with forward exchange rates of buying HKD and selling RMB ranged from 0.8105 to 0.8350 (December 31, 2021: from 0.8215 to 0.8350).

(All amounts expressed in thousands of RMB unless otherwise stated)

25. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Cash flow hedge

During the six months ended June 30, 2022, the Group used interest rate swaps, currency forwards and 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 six months ended June 30, 2022, the Group's net gain from the cash flow hedge of RMB39,527 thousand was recognised in other comprehensive income (six months ended June 30, 2021: net gain of RMB44,235 thousand).

26. CASH AND BANK BALANCES

	June 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
Restricted bank deposits (Note)	**612,782**	656,793
Cash and bank balances	**8,640,746**	6,081,815
Less: Loss allowance	**(1,085)**	(37)
Total	**9,252,443**	6,738,571

Note: This represents deposits held by the Group that were pledged mainly relating to bank acceptance bills, borrowings and aircraft maintenance funds as at June 30, 2022 and December 31, 2021, and were restricted for use.

(All amounts expressed in thousands of RMB unless otherwise stated)

27. BORROWINGS

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Bank borrowings	**44,072,491**	41,029,448
Other financial institutions borrowings	**1,540,277**	1,534,878
Borrowings from a related party	**1,093,959**	1,039,239
Lease liabilities	**110,217**	125,852
Total	**46,816,944**	43,729,417
Analysed as:		
Current	**26,738,968**	25,584,189
Non-current	**20,077,976**	18,145,228
Total	**46,816,944**	43,729,417

27a. Bank borrowings

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Secured borrowings	**8,221,223**	9,184,524
Unsecured and unguaranteed borrowings	**35,851,268**	31,844,924
Total	**44,072,491**	41,029,448
Analysed as:		
Current	**24,378,219**	23,121,516
Non-current	**19,694,272**	17,907,932
Total	**44,072,491**	41,029,448

(All amounts expressed in thousands of RMB unless otherwise stated)

27. BORROWINGS (CONTINUED)

27a. Bank borrowings (continued)

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Carrying amount repayable:		
Within one year	**24,378,219**	23,121,516
More than one year but not exceeding two years	**11,159,866**	10,480,106
More than two years but not exceeding five years	**8,033,519**	6,846,556
More than five years	**500,887**	581,270
Total	**44,072,491**	41,029,448

The secured borrowings were pledged by finance lease receivables, receivables arising from sale and leaseback arrangements and bank deposits. Certain secured borrowings were also secured by property and equipment and the Company's equity interests in subsidiaries. Please refer to Notes 16, 17, 18 and 26 for details.

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

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Contractual interest rate:		
Fixed-rate borrowings	**1.49% to 4.50%**	3.50% to 5.45%
Floating-rate borrowings	**LPR Plus -1.25% to 1.14%** **London Inter Bank Offered Rate ("LIBOR") Plus 0.92% to 1.75%** **Hong Kong Inter Bank Offered Rate ("HIBOR") Plus 0.71%**	LPR Plus -1.25% to 1.47% London Inter Bank Offered Rate ("LIBOR") Plus 0.92% to 1.80% Hong Kong Inter Bank Offered Rate ("HIBOR") Plus 0.50% to 0.71%

(All amounts expressed in thousands of RMB unless otherwise stated)

27. BORROWINGS (CONTINUED)

27b. Other financial institutions borrowings

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Secured borrowings	**543,276**	537,377
Unsecured and unguaranteed borrowings	**997,001**	997,501
Total	**1,540,277**	1,534,878
Analysed as:		
Current	**1,207,794**	1,364,008
Non-current	**332,483**	170,870
Total	**1,540,277**	1,534,878

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

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Carrying amount repayable:		
Within one year	**1,207,794**	1,364,008
More than one year but not exceeding two years	**212,483**	153,156
More than two years but not exceeding five years	**120,000**	17,714
Total	**1,540,277**	1,534,878

As at June 30, 2022 and December 31, 2021, the effective interest rate per annum of the borrowings from other financial institutions ranged from 3.90% to 5.45% and from 4.05% to 5.45%, respectively.

(All amounts expressed in thousands of RMB unless otherwise stated)

27. BORROWINGS (CONTINUED)

27c. Borrowings from a related party

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Carrying amount repayable:		
Within one year	**1,093,959**	1,039,239
Total	**1,093,959**	1,039,239

As at June 30, 2022 and December 31, 2021, the borrowings from a related party were all unsecured, and the effective interest rates per annum of the Group ranged from 3.5% to 4.0% and from 3.5% to 4.0%, respectively.

27d. Lease liabilities

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Carrying amount repayable:		
Within one year	**58,996**	59,426
More than one year but not exceeding two years	**45,371**	47,168
More than two years but not exceeding five years	**4,839**	19,258
More than five years	**1,011**	—
Total	**110,217**	125,852
Amount due for settlement within 12 months shown under current liabilities	**58,996**	59,426
Amount due for settlement after 12 months shown under non-current liabilities	**51,221**	66,426

As at June 30, 2022 and December 31, 2021, the weighted average incremental borrowing rates applied to lease liabilities ranged from 4.60% to 4.90% and from 4.65% to 4.90%, respectively.

(All amounts expressed in thousands of RMB unless otherwise stated)

28. ACCRUED STAFF COSTS

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Salaries, bonus and allowances and others	**241,416**	286,166
Total	**241,416**	286,166

29. ACCOUNTS PAYABLE

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Accounts payable for acquisition of leasing equipment and others	**5,295**	34,552
Analysed by aging as:		
Within 60 days	**902**	25,247
More than 60 days	**4,393**	9,305
Total	**5,295**	34,552

(All amounts expressed in thousands of RMB unless otherwise stated)

30. BONDS PAYABLE

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Analysed as:		
Current	**21,570,210**	22,989,474
Non-current	**16,187,749**	14,865,356
Total	**37,757,959**	37,854,830

30a. Bonds payable analysed by nature

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Ultra-short-term commercial papers (Note i)	**4,996,573**	5,997,827
Asset-backed securities (Note ii)	**8,154,961**	9,777,753
Fixed medium-term notes (Note iii)	**6,759,852**	3,590,840
Corporate bonds (Note iv)	**12,861,588**	11,062,600
Private placement notes (Note v)	**3,393,459**	4,689,929
Asset-backed notes (Note vi)	**1,591,526**	2,735,881
Total	**37,757,959**	37,854,830

(i): Ultra-short-term commercial papers

Issue Date	Outstanding principal amount RMB'million	Coupon rate	Term
February 15, 2022	500	2.43%	6 months
March 7, 2022	500	2.46%	6 months
March 22, 2022	1,000	2.46%	5 months
April 12, 2022	500	2.49%	7 months
April 19, 2022	1,000	2.28%	7 months
May 24, 2022	1,000	2.05%	9 months
June 14, 2022	500	2.06%	9 months

(All amounts expressed in thousands of RMB unless otherwise stated)

30. BONDS PAYABLE (CONTINUED)

30a. Bonds payable analysed by nature (continued)

(ii): Asset-backed securities

Issue Date	Outstanding principal amount RMB'million	Coupon rate (note)	Term
April 7, 2020	Senior: 190; Junior: 10	Senior: 5.00%	Senior: 3 years+3 years; Junior: 3 years+3 years
April 15, 2020	Senior: 19; Junior: 50	Senior: 3.40%	Senior: 34 months; Junior: 34 months
May 28, 2020	Senior: 36; Junior: 46	Senior: 3.40%	Senior: 26 months; Junior: 26 months
June 17, 2020	Senior: 87; Junior: 50	Senior: 3.70%	Senior: 33 months; Junior: 36 months
July 28, 2020	Senior: 91; Junior: 50	Senior: 4.10%	Senior: 35 months; Junior: 35 months
September 9, 2020	Senior: 107; Junior: 50	Senior: 4.00% and 4.20%	Senior: 32 months; Junior: 35 months
October 22, 2020	Senior: 107; Junior: 50	Senior: 4.00% and 4.30%	Senior: 33 months; Junior: 33 months
December 9, 2020	Senior: 190; Junior: 50	Senior: 4.24% and 4.30%	Senior: 32 months; Junior: 36 months
February 2, 2021	Senior: 195; Junior: 50	Senior: 3.80% and 4.55%	Senior: 30 months; Junior: 33 months
March 25, 2021	Senior: 246; Junior: 50	Senior: 4.00% and 4.50%	Senior: 29 months; Junior: 36 months
March 31, 2021	Senior: 129; Junior: 50	Senior: 4.00% and 4.40%	Senior: 19 months; Junior: 34 months
April 29, 2021	Senior: 280; Junior: 50	Senior: 4.00% and 4.50%	Senior: 28 months; Junior: 34 months
May 31, 2021	Senior: 310; Junior: 50	Senior: 3.85% and 4.35%	Senior: 19 months; Junior: 55 months
June 17, 2021	Senior: 292; Junior: 50	Senior: 3.80% and 4.40%	Senior: 26 months; Junior: 35 months
August 5, 2021	Senior: 310; Junior: 50	Senior: 3.50% and 4.20%	Senior: 26 months; Junior: 35 months
September 24, 2021	Senior: 389; Junior: 50	Senior: 3.17%, 3.83% and 3.99%	Senior: 20 months; Junior: 44 months
November 19, 2021	Senior: 511; Junior: 50	Senior: 3.50%, 3.80% and 3.95%	Senior: 22 months; Junior: 57 months
December 8, 2021	Senior: 418; Junior: 50	Senior: 3.35%, 3.78% and 4.00%	Senior: 21 months; Junior: 33 months
December 29, 2021	Senior: 461; Junior: 50	Senior: 3.60%, 3.80% and 3.95%	Senior: 20 months; Junior: 59 months
January 26, 2022	Senior: 950; Junior: 50	Senior: 3.00%, 3.30% and 3.40%	Senior: 16 months; Junior: 58 months
April 13, 2022	Senior: 791; Junior: 60	Senior: 3.00%, 3.24% and 3.40%	Senior: 20 months; Junior: 56 months
May 18, 2022	Senior: 1,140; Junior: 60	Senior: 2.69%, 2.95% and 3.20%	Senior: 22 months; Junior: 55 months
June 29, 2022	Senior: 950; Junior: 50	Senior: 2.69%, 3.19% and 3.60%	Senior: 32 months; Junior: 56 months

Note: Certain senior tranches have sub-tranches with each one having a different coupon rate.

(All amounts expressed in thousands of RMB unless otherwise stated)

30. BONDS PAYABLE (CONTINUED)

30a. Bonds payable analysed by nature (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
January 11, 2022	800	3.64%	3 years
May 25, 2022	1,000	3.42%	3 years

Issue Date	Outstanding principal amount USD'million	Coupon rate	Term
May 28, 2021	100	3.00%	3 years
April 27, 2022	200	4.20%	3 years

(iv): Corporate bonds

Issue Date	Outstanding principal amount RMB'million	Coupon rate	Term
July 19, 2019	500	4.83%	3 years
May 6, 2020	1,000	3.50%	3 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
April 19, 2022	1,500	3.48%	2 years
April 28, 2022	500	3.57%	3 years
June 17, 2022	1,000	3.16%	2 years

(All amounts expressed in thousands of RMB unless otherwise stated)

30. BONDS PAYABLE (CONTINUED)

30a. Bonds payable analysed by nature (continued)

(v): Private placement notes

Issue Date	Outstanding principal amount RMB'million	Coupon rate	Term
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

(vi): Asset-backed notes

Issue Date	Outstanding principal amount RMB'million	Coupon rate (note)	Term
March 23, 2020	Senior: 18; Junior: 50	Senior: 4.10%	Senior: 32 months; Junior: 57 months
August 12, 2021	Senior: 102; Junior: 50	Senior: 3.40% and 4.00%	Senior: 22 months; Junior: 28 months
August 16, 2021	Senior: 58; Junior: 50	Senior: 3.50%	Senior: 13 months; Junior: 28 months
November 25, 2021	Senior: 472; Junior: 50	Senior: 3.70% and 3.95%	Senior: 18 months; Junior: 57 months
March 8, 2022	Senior: 950; Junior: 50	Senior: 3.00%, 3.30% and 3.50%	Senior: 30 months; Junior: 45 months

Note: Certain senior tranches have sub-tranches with each one having a different coupon rate.

(All amounts expressed in thousands of RMB unless otherwise stated)

31. OTHER LIABILITIES

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Current		
Deposits due within one year	3,344,522	3,750,062
Bank acceptance bills	1,038,972	1,880,881
Interest payable	730,218	632,648
Dividends payable (Note 15)	235,241	—
Government cooperation project payables (Note 21)	225,403	295,401
Accrued expenses	191,012	193,793
Contract liabilities	190,000	100,000
Amounts due to related parties	134,228	—
Deferred revenue	70,736	82,619
Continuing involvement liabilities (Note 35)	39,047	36,588
Advance receipts	29,494	27,201
Other taxes payable	22,992	70,990
Government outsourcing project payables	21,690	63,220
Other payables	1,047,476	559,559
Total	7,321,031	7,692,962
Non-current		
Deposits from customers	4,401,118	5,207,591
Deferred revenue	403,375	435,446
Continuing involvement liabilities (Note 35)	282,075	274,115
Aircraft maintenance funds	257,441	225,637
Deposits from suppliers and agents	94,059	93,140
Other payables	305,996	296,516
Total	5,744,064	6,532,445

(All amounts expressed in thousands of RMB unless otherwise stated)

32. SHARE CAPITAL

	June 30, 2022		December 31, 2021	
	Number of shares (thousand)	**Nominal Value**	Number of shares (thousand)	Nominal Value
Issued and fully paid:				
— Domestic shares of RMB1.00 each	**2,440,847**	**2,440,847**	2,440,847	2,440,847
— H Shares of RMB1.00 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.

33. OTHER EQUITY INSTRUMENTS

(i) The Company issued renewable corporate bonds with value date on March 1, 2021 and principal amount of RMB1,500,000 thousand on February 26, 2021. This issue is divided into two tranches notes with principal amount of RMB1,200,000 thousand for Variety 1 and RMB300,000 thousand for Variety 2. On March 1, 2022, the Company redeemed the above mentioned Variety 1 of the renewable corporate bonds with principal amount of RMB1,200,000 thousand in full amount.

The Company issued renewable corporate bonds with value date on September 10, 2021 and principal amount of RMB530,000 thousand on September 9, 2021.

The Company issued renewable corporate bonds with value date on March 14, 2022 and principal amount of RMB970,000 thousand on March 11, 2022.

The above financial instruments have no fixed maturity date and the Company has the right 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 current interests and all deferred interests at each interest payment date without limit on the number of times the interests deferred; Interest deferring under the situations mentioned above are not considered as a breach of the contract for the Company.

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;
- To decrease registered capital.

33. OTHER EQUITY INSTRUMENTS (CONTINUED)

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

The above financial instrument has no fixed maturity date and the Company has the right 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 current interests and all deferred interests at each interest payment date without limit on the number of times the interests deferred; Interest deferring under the situations mentioned above are not considered as a breach of the contract for the Company.

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;

- 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 are recognised as other equity instruments under IAS 32 *Financial Instruments: Presentation*.

(iv) For the six months ended June 30, 2022, profit attributable to the holders of other equity instruments of the Group amounting to RMB47,747 thousand (for the six months ended June 30, 2021, the amount is RMB41,019 thousand).

(v) For the six months ended June 30, 2022, the Company has distributed interest to the holders of other equity instruments of the Group amounting to RMB77,424 thousand (for the six months ended June 30, 2021, the amount is RMB57,334 thousand).

34. 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 35 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 RMB1,018 million and RMB1,595 million as at June 30, 2022 and December 31, 2021, respectively. As at June 30, 2022 and December 31, 2021, total fair value gains from these structured entities amounted to RMB12,515 thousand and RMB19,263 thousand, respectively. These amounts are included in the items presented in Note 6 and 24.

35. TRANSFERS 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 June 30, 2022, the carrying amount of finance lease receivables and receivables arising from sale and leaseback arrangements that have been transferred but not derecognised was RMB8,316 million (December 31, 2021: RMB9,338 million). As at June 30, 2022, the related carrying amount of financial liabilities was RMB8,155 million (December 31, 2021: RMB9,778 million).

35. TRANSFERS OF FINANCIAL ASSETS (CONTINUED)

Asset-backed securities (continued)

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 statement of financial positions to the extent of the Group's continuing involvement.

As at June 30, 2022, the carrying amount of finance lease receivables and 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 RMB1,853 million (December 31, 2021: RMB1,857 million). As at June 30, 2022, the carrying amount of assets that the Group continued to recognise was RMB282 million (December 31, 2021: RMB274 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 to structured entities which issue asset-backed notes in China Inter-bank market to investors. As the Group holds all the junior tranches asset-backed notes, substantially all the risks and rewards of ownership of the transferred assets are retained, so the Group continues to recognise the transferred asset in its entirety and recognises bonds payable for the consideration received.

As at June 30, 2022, the carrying amount of finance lease receivables and receivables arising from sale and leaseback arrangements that have been transferred but not derecognised was RMB1,399 million (December 31, 2021: RMB2,276 million).

As at June 30, 2022, the related carrying amount of financial liabilities was RMB1,592 million (December 31, 2021: RMB2,736 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 positions to the extent of the Group's continuing involvement.

As at June 30, 2022, 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 RMB76 million (December 31, 2021: RMB291 million).

As at June 30, 2022, the carrying amount of assets that the Group continued to recognise was RMB39 million (December 31, 2021: RMB37 million). The Group recognised the same amount arising from such continuing involvement in other assets and other liabilities.

(All amounts expressed in thousands of RMB unless otherwise stated)

36. CASH AND CASH EQUIVALENTS

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

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Deposit in banks	**8,640,746**	5,997,815
Total	**8,640,746**	5,997,815

37. CAPITAL COMMITMENTS

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Contracted, but not provided for:		
Construction agreements under Public-Private Partnership and government outsourcing projects	**988,071**	1,906,032
Total	**988,071**	1,906,032

38. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

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

Name of the related party	Relationship of the related party
Haitong UT Capital Group Co., Limited	Parent Company
Haitong Securities Co., Ltd.	Ultimate Holding Company
Haitong Innovation Securities Investment Co., Ltd.	Shareholder
HFT Investment Management Co., Ltd.	Fellow Subsidiary
Shanghai Haitong Securities Asset Management Co., Ltd.	Fellow Subsidiary
Shanghai HFT Fortune Asset Management Co., Ltd.	Fellow Subsidiary
Unican Limited	Fellow Subsidiary
Haitong International Securities Co., Ltd.	Fellow Subsidiary

(All amounts expressed in thousands of RMB unless otherwise stated)

38. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

Other than as disclosed elsewhere in these interim condensed consolidated financial statements, the Group had the following material transactions with the related parties for the six months ended June 30, 2022 and 2021:

(1) Interest expenses

	Six months ended June 30,	
	2022	2021
	(Unaudited)	(Unaudited)
Unican Limited	**19,348**	19,540
Haitong UT Capital Group Co., Limited	**—**	11,993

The Group had the following material balances with the related parties as at June 30, 2022 and December 31, 2021:

(2) Cash and bank balances

	June 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
Haitong Securities Co., Ltd. (Note)	**2**	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.

(3) Borrowings

	June 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
Unican Limited	**1,093,959**	1,039,239

(4) Other liabilities

	June 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
Haitong UT Capital Group Co., Limited	**266,443**	—
Unican Limited	**116,034**	91,272
Haitong Innovation Securities Investment Co., Ltd.	**70,785**	—

(All amounts expressed in thousands of RMB unless otherwise stated)

38. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(5) Other equity instrument

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Haitong Securities Co., Ltd. (Note)	**20,000**	20,000

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

(6) Others

(a) Key management personnel:

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

	Six months ended June 30,	
	2022 (Unaudited)	2021 (Unaudited)
Basic salaries and allowances	**2,938**	3,051
Bonus	**13,180**	14,407
Employer's contribution to pension schemes	**1,310**	1,372

(b) Payment of referral service fees to related party

	Six months ended June 30,	
	2022 (Unaudited)	2021 (Unaudited)
Haitong Securities Co., Ltd. (Note)	**1,034**	656

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 assets.

(All amounts expressed in thousands of RMB unless otherwise stated)

38. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(6) Others (continued)

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

	Six months ended June 30,	
	2022	2021
	(Unaudited)	(Unaudited)
Haitong Securities Co., Ltd.	**13,953**	39,104
Shanghai HFT Fortune Asset Management Co., Ltd.	**44**	253
Shanghai Haitong Securities Asset Management Co., Ltd.	**2,512**	3,735
Haitong International Securities Co., Ltd.	**999**	—

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.

39. FINANCIAL RISK MANAGEMENT

The Group's major financial instruments include cash and bank balances, financial assets at fair value through profit or loss, derivative financial instruments, financial assets held under resale agreements, receivables arising from sale and leaseback arrangements, loans and receivables, accounts receivable and other financial assets, borrowings, bonds payable, accounts payable and other financial liabilities. Details of the financial instruments and finance lease receivables are disclosed in respective notes. The risks associated with these financial instruments and finance lease receivables include market risk (price risk, foreign currency risk and interest rate risk), credit risk and liquidity risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

During the six months ended June 30, 2022, there has been no material changes in the risk management policies. The interim condensed consolidated financial statements do not include all financial risk management information and disclosure and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2021.

(All amounts expressed in thousands of RMB unless otherwise stated)

40. FAIR VALUE OF FINANCIAL INSTRUMENTS

Some of the Group's financial assets and liabilities are measured at fair value or with fair value disclosed for financial reporting purposes. The Group uses valuation techniques to determine the fair value of financial instruments when unable to obtain the open market quotation in active markets.

Financial instruments that are 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 June 30, 2022 (Unaudited)	Fair value as at December 31, 2021 (Audited)	Fair value Hierarchy	Valuation technique(s) and key input(s)
1) Financial assets at fair value through profit or loss:				
— Funds	**173,993**	384,327	Level 2	Net asset value as published by the fund manager.
— Wealth management products	**600,042**	800,063	Level 2	Net asset value as published by the product manager.
— Equity instruments	**145,790**	98,855	Level 1	Quoted bid price in an active market.
	396,361	430,630	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 flows are discounted using weighted average cost of capital.
— Asset management schemes and trust plans	**243,570**	410,513	Level 2	Net asset value as published by the issuer/financial institution.

(All amounts expressed in thousands of RMB unless otherwise stated)

40. 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 June 30, 2022 (Unaudited)	Fair value as at December 31, 2021 (Audited)	Fair value Hierarchy	Valuation technique(s) and key input(s)
2) Currency forwards	**Assets: 3,529 Liabilities: (57,063)**	Liabilities: (74,157)	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 exchange rates, discounted at a rate that reflects the credit risk of various counterparties.
3) Interest rate swaps	**Assets: 39,399 Liabilities: (15,486)**	Assets: 11,079 Liabilities: (68,105)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.
4) Cross currency interest rate swaps	**Assets: 44,033 Liabilities: (35,899)**	Liabilities: (88,985)	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.

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.

(All amounts expressed in thousands of RMB unless otherwise stated)

40. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

As at June 30, 2022, the effects of changes in significant unobservable assumptions to reasonably possible alternative assumptions were immaterial.

There was no transfers between Level 1 and Level 2 during the six months ended June 30, 2022 and the year ended December 31, 2021.

The following table represents the changes in Level 3 financial instruments for the relevant period/year.

	Equity instruments
At December 31, 2021 (Audited)	**430,630**
Changes in fair value recognised in profit or loss	**(34,269)**
At June 30, 2022 (Unaudited)	**396,361**
Total gains/(losses) for assets held at June 30, 2022	
— unrealised losses recognised in profit or loss	**(34,269)**

	Equity instruments
At December 31, 2020 (Audited)	270,930
Changes in fair value recognised in profit or loss	38,339
Additions	71,988
Disposal	(598)
Transfers to level 1	(15,338)
Transfers from level 2	65,309
At December 31, 2021 (Audited)	430,630
Total gains/(losses) for assets held at December 31, 2021	
— unrealised gains recognised in profit or loss	32,937

(All amounts expressed in thousands of RMB unless otherwise stated)

40. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments that are not measured at fair value

The table below summaries the carrying amounts, expected fair values and fair value hierarchy of those financial instruments not presented at their fair values:

	June 30, 2022 (Unaudited)				
	Carrying amount	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Financial liabilities:					
Bonds payable	**37,757,959**	**37,920,646**	**–**	**37,920,646**	**–**

	December 31, 2021 (Audited)				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial liabilities:					
Bonds payable	37,854,830	38,161,844	–	38,161,844	–

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

Except for the above, the directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost on the Group's interim condensed consolidated statements of financial position approximate their fair values because the majority of these financial assets and financial liabilities are matured within one year or at floating interest rates.

41. EVENTS AFTER THE END OF THE REPORTING PERIOD

On July 25, 2022, the Company successfully bid for the properties located at 2–12/F, No. 599 South Zhongshan Road and 1–2/F, No. 666 Waima Road, Huangpu District, Shanghai, at the total consideration of RMB1,672,770,000.